



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 among reformer countries in Doing Business 2017

Doing Business 2017 reported placed Azerbaijan 65th among 190 countries in the global rankings on the Ease of Doing Business, ranking the country among 29 countries that implemented three or more reforms.

Energy-rich Azerbaijan has the best indicator on the Starting Businesses, as the country ranked the 5th thanks to the ASAN service efficiency.

Valentine Sultan, a Private Sector Development Specialist at the World Bank, said that Azerbaijan made starting a business easier by abolishing the requirement to use a corporate seal.

ASAN Service center was established by the presidential decree in 2012. The Service provides venues for state agencies to render their services in a uniformed and coordinated manner.

The service could reduce extra expenses and loss of time for many citizens, upgrade the level of professionalism, ensure a larger use of electronic services and increase transparency and strengthen the fight against corruption. Day by day powers of the center are expanding, thus contributing to the state-citizen relations and saving time of many people.

"Azerbaijan also has a good indicator in the registration of real estate taking 22nd place among 190 countries, while the worst indicator is for obtaining a building permit - 127th place. The entrepreneurs in the country need to go through 18 procedures to get a construction permit, according to our data. Another indicator is for loans, where Azerbaijan took 118th place. Absence of a registry of movable property adversely affects to this sphere," she said.

The report further says that Azerbaijan facilitated international trade processes

by introducing an electronic system for submitting export and import declarations.

Moreover, Azerbaijan made paying taxes easier by abolishing vehicle tax for residents, while minority investor protections strengthened by introducing requirements that related-party transactions undergo external review and be voted on by disinterested shareholders.

Azerbaijan was ranked 63rd in the Doing Business-2016 report. The country has also suspended inspection of entrepreneurs' activities (for the period of two years), which was earlier considered to be one of the key hindrances to the development of entrepreneurship. Moreover, tax reforms approved by the president are expected to make radical changes in the tax system, by introducing more favorable VAT rates for the socially vulnerable layers of the population, reducing tax burden on small and medium-sized business, resolving problems during taxation of trade operations.

Doing Business sheds light on how easy or difficult it is for a local entrepreneur to open and run a small to medium-size business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits,

getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and labor market regulation.

### **Government to take concrete measures on promotion of national brand**

Azerbaijan, which places a special emphasis on diversification of its economy, continues implementation of systematic measures with a view to bolster its non-oil sector. Economy Minister Shahin Mustafayev said that concrete measures on the promotion of the national brand “Made in Azerbaijan” will be taken starting from November, mentioning that work in this direction is being implemented efficiently.



“The country is aimed at succeeding in its objectives within a short period of time. Azerbaijan has necessary legal base and the government has already allocated funds with a view to reach the goals,” he said.

The minister emphasized that the measures will yield certain results in 2017.

The government has recently determined main aspects of rendering the state support to exporters, and work in this direction is now underway. The

country earlier developed a special mechanism to support the export of local output, while the promotion system will be applied only in reference to goods produced in Azerbaijan.

Moreover, some 10 trade missions will be sent to different countries on a yearly basis to promote the national brand.

The measures, which have already been implemented with a view to switch to a new economic policy focused on the development of non-oil sector, include cutting the number of necessary licenses from 59 to 37, introducing moratorium on business inspection, facilitating customs procedures, issuing investment incentives document, establishing FTZ, creating industrial parks and districts, and allocating soft loans to entrepreneurs.

## Industry

### Industrial development remains priority

Energy-rich Azerbaijan, which has recently faced with the negative influences of the global economic crisis, takes serious steps to develop non-oil sector, while creation of industrial parks and districts is



considered to be an important element of modern innovative economy.

Deputy Economy Minister Niyazi Safarov said that the establishment of industrial parks and districts in the country is an essential step taken with a view to minimize oil dependence and develop industrial sphere.

Moreover, such parks will give an impetus for the development of regions and diversification of economy, he believes.

Safarov mentioned that some nine residents have already been registered in the Sumgayit Chemical Industrial Park. Moreover, Azertexnolayn, one of the plants located in the Park, has already launched its activity.

Safarov went on saying that residents of the park will launch output of products in 2017-2018, mentioning that SOCAR Polymer, one of the largest residents of the Park, will start test production in the second half of 2017, and will operate in its full capacity in 2018.

SOCAR Polymer project envisages construction of polypropylene and polyethylene plants in Azerbaijan, while the output will be used for the production of high pressure gas, sewage and water pipes, packaging, textiles, stationery, automotive components, electronic and electrical appliances, and medical industry.

The Sumgayit Chemical Industrial Park, the first large industrial park of the country, was established on an area of 295.5 hectares to promote industrial production, employment, sustainable development of non-oil sector, and business support in Azerbaijan.

The Park is expected to host about forty enterprises creating up to 10,000 new jobs. The park is divided into two parts - administrative and social zone and industrial zone.

The investment attractiveness of the Park is increased by the fact that its operating companies are exempt from income, land and property taxes for seven years. In addition, equipment and technology used in the Park are exempt from the value-added tax.

Main objective of the establishment 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.

The deputy minister also spoke about other industrial parks, mentioning that the work on provision of infrastructure in the created industrial parks is currently underway. He said a number of pharmaceutical companies will be soon founded in the Pirallahi Industrial Park. One of the residents of Garadagh

Park, a shipbuilding company, is implementing a number of large-scale projects in the country.

Moreover, some five residents have already registered in Balakhani Park, he said, adding that work on the creation of Mingachevir Park, which will specialize in light industry, is also underway.

Moreover, the deputy minister said that all installation work has been completed in the Neftchala industrial district and its first residents have already been registered, mentioning they are engaged in the supply of their equipment to the district's territory.

## Agriculture

### Azerbaijan seeks to eliminate problems in agriculture

Agriculture, which remains one of the profitable and fast-growing sectors in the economy of Azerbaijan, is regarded as the major alternative to petrodollars. The country spares no effort to improve the sector and minimize problems existing in it.



Agriculture Minister Heydar Asadov said that the ministry has already submitted certain proposals on the proper use lands, meant for cultivation

of agricultural production, for the consideration of the government.

Agricultural lands often remain not cultivated and enclosed, while no activity is implemented in the areas. In this context, the ministry of agriculture and other authorized institutions of the country implement monitoring of lands.

Azerbaijan possesses about 4.8 million hectares of agricultural land, which comprises over 50 percent of its total territory, with some 39.6 percent of which being arable.

Asadov said that one of the main issues in this regard is the completion of work on the creation of a legal base, mentioning the importance of defining criteria for the use of lands.

“Work on the application of criteria will be implemented jointly with Taxes Ministry, as soon as the proposals are approved by the government,” he said. Asadov went on saying that one of the main tasks of the ministry in near-term outlook is tackling the problem of shortage of seeds, while the sector faces no problems in terms of material and technical basis, technical support, supply of fertilizers, and issuance of subsidies.

“Work is currently underway on the purchase of seeds of vegetables, wheat and fertilizers. We will soon launch work on the creation of large vegetable-growing base in the country.

Cultivation of wheat, corn and other agricultural production will be implemented in Salyan this year,” he said.

Moreover, the ministry will also create agrochemical laboratories in some 12 regions of the country. The minister said that tender has already been held in this regard.

“This is an extensive process. Veterinary and phytosanitary laboratories are planned to be created. Moreover, we will also purchase equipment and held trainings both within the country and abroad,” he said.

Laboratories are expected to perform analysis of food products, animal feed, soil, fertilizers, as well as contaminant analysis such as of pesticide residues and remains of drugs, metals, mycotoxins, nitrates and nitrites.

Moreover, Azerbaijan has great opportunities for development of silkworm breeding. The country will purchase some 1.5 million of planting stock of mulberry from China. The contract on the supplies of planting stock has already been signed, and the supplies are expected to be implemented soon.

Being one of the leading producers of agricultural goods in the CIS, Azerbaijan seeks to further develop its agriculture and food industry for

import substitution as well as for export

## Transport

### Azerbaijan removes taxes on transshipment of transit goods

Azerbaijan's President Ilham Aliyev has signed a decree on application of the "Law on Amending Tax Code of Azerbaijan" adopted



by the country's parliament September 30.

The amendments stipulate removing the value added tax (VAT) for the goods transshipment services directly related to transit cargo transportation. The VAT rate in Azerbaijan is 18 percent.

Currently, cargo transit through Azerbaijan is carried out via the East-West (the Trans-Caspian International Transport Route) and the International North-South Transport Corridor.

Some 33.24 million tons of cargos were transported through the territory of Azerbaijan in January-August 2016. Out of this figure, 14.6 percent (4.86 million tons) accounted for the transit transportation.

### BTK draws to completion

The implementation of the Baku-Tbilisi-Kars railway project, which will open a new rail corridor from the Caspian Sea to Europe, nears its completion.



Turkish Minister of Transport, Shipping and Communications Ahmet Arslan, said that Ankara is determined to complete construction of the Turkish section of the BTK, adding that work on the implementation of the project nears completion.

The project which will practically exclude the need for sea transportation is expected to bring the entire region closer to Europe.

Turkey places huge emphasis on the project, as it will contribute to turning its Kars province into a trade center. Moreover, the country is also planning to construct a logistics center in the Kars province within the framework of the project.

Arslan mentioned that reception of applications for participation in a tender on the construction of BTK's logistics centre in Kars region will be completed within 2 weeks. He added that the country has already launched a project on the creation of "smart cities", while Kars will become a third city that corresponds to the concept.

Smart city concept stands for an urban region that is highly advanced in terms of overall infrastructure, while information technology is a basis for providing essential services to residents.

Being constructed under a Georgian-Azerbaijani-Turkish intergovernmental agreement, BTK is expected to expand multi-modal transportation opportunities, ensure the growth of passenger and freight transportation and boost the transit potential of the regional countries. The peak capacity of the railway will be 17 million tons of cargo per year.

The project is expected to further strengthen the neighborly and fraternal relations among Turkey, Georgia and Azerbaijan, and enable the countries to supply domestically produced goods to the world markets.

## Tourism

### Azerbaijan elected as chair of UNWTO Executive Council

Azerbaijan has been elected as chair of the Executive Council of the World Tourism Organization (UNWTO) at its meeting held in Luxor, Egypt. Zambia and Serbia were elected first and second deputy chairs respectively.



The Meeting discussed the three priorities of the Organization for 2016-2017: safe, secure and seamless travel; the impact of technology in the tourism sector and sustainability.

Speaking to the event on behalf of Azerbaijan, Minister of Culture and Tourism Abulfaz Garayev said the contributions would be made to the development of the tourism and people's welfare by the World Tourism Organization'. He said all initiatives related to these issues will be supported as 2017 is an International Year of Sustainable Tourism for Development.

The Minister noted that the country's election as the chair was a result of the reforms carried out in this sphere via the support and initiative of President Ilham Aliyev, and the country's prestige on the international tourism arena, as well as a sign of confidence put in Azerbaijan by the member states of the World Tourism Organization and the Executive Council.