



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

WEF: Azerbaijan leaves CIS states behind for competitiveness

Azerbaijan was ranked the 37th in the Global Competitiveness Report 2016-2017 developed by the World Economic Forum. The research covered 138 countries. Azerbaijan ranked the 40th among 140 countries in the previous report.

As in the previous report, Azerbaijan holds the highest position among the CIS (Commonwealth of Independent States) countries. The country is followed by Russia (43rd place) and Kazakhstan (53rd place).

Azerbaijan's global competitiveness index is 4.6 out of maximum 7 scores, according to the report posted on the WEF website.

Despite headwinds from the drop in oil prices that affect the macroeconomic environment, Azerbaijan and Russia improve their performance, mainly driven by better and more widespread education and reforms to improve the business environment and goods market efficiency, says the report.

Azerbaijan ranked 3rd for the number of procedures required to start a business, 9th – for time to start a business, 18th – for the level of women's participation in the labor force, 39th – for macroeconomic environment, 36th – for the strength of investor protection, 33rd – for the number of internet users, 44th – for innovations, 41st – for the government debt and etc.

As for the other post-Soviet countries, Georgia ranked 59th in the ranking, Tajikistan – 77th, Armenia – 79th, Ukraine – 85th, Moldova – 100th, Kyrgyzstan – 111st.

Switzerland, Singapore, the US, the Netherlands, Germany, Sweden, the UK, Japan, Hong Kong, Finland are leaders of the ranking. Chad, Mauritania and Yemen are the last three countries in the ranking.

Earlier, Economy Minister Shahin Mustafayev stressed that the country is able to neutralize negative effects of the external factors on its economy; therefore, it is not going to reconsider the state budget forecasts for 2016.

Public budget revenues in 2016 are expected to reach 16.822 billion manats (\$11.202 billion), while the rate of expenditures will amount to 18.495 billion manats (\$12.316 billion).

The budget deficit is expected to be at the level of 1.673 million manats (\$1.109 million) which stands for 2.9 percent of the GDP. The forecast is based on an average oil price, which amounts to \$25 a barrel.

Presidential aide highlights new economic strategy

Azerbaijan, which is keen to form economic growth through the non-oil sector, is currently engaged in the creation of its strategic road map, which is expected to become the main document of the economic strategy for the next 10 years.



Azerbaijani presidential aide on economic reforms, Natig Amirov, said that the document will be comprehensive, as academic circles and the community were involved in its creation.

“We are preparing a number of documents, which include a road map meant for one year, the strategy of economic growth for 2016-2020 and improvement plan, as well as long-term vision till 2025 and target vision after 2025. The road map covers six primary sectors, including the sphere of production and services, two social spheres and three industrial spheres.”

Amirov said that the country has managed to maintain its economic growth by means of preventive measures, regardless certain problems in world energy market and almost three-fold drop in oil prices, underlining that the GDP increased by 1.1 percent last year.

“Sharp drop in oil prices triggered reduction of income, the current condition of the economy, however, proved that the country does not fully depend on oil revenues. Some 70 percent of the country’s economy falls to share of non-oil sector. Volumes of production in industrial sphere amounted to 20.3 billion manats (\$12.4 billion), recording an increase of one percent as compared to 2015. The growth of 2.4 percent was fixed in agricultural sphere.”

Following the economic crisis by force of low oil prices, the energy-rich country announced its intention to develop potential mechanisms and economic growth models with a view

to adapt its own model to those of most advanced. A special group, headed by Natig Amirov was created to prepare relevant plans in accordance with the road map.

The main objective of the map is to ensure sustainable economic growth, correctly define the development strategies for auxiliary sectors that contribute to creating the economy's leading sectors and the necessary economic infrastructure.

Industry

EBRD to increase stake in Azerbaijan's cement plant

The European Bank for Reconstruction & Development's (EBRD) Board of Directors has adopted a decision on raising the bank's stake in the equity capital of Holcim OJSC in Azerbaijan (formerly Garadagh Cement Plant) to 20 percent, according to the bank's message.



This move was made to continue supporting the company to improve energy efficiency through the introduction of alternative fuels in its fuel mix, according to the message.

“The bank will continue to support a major company in Azerbaijan, demonstrating continued support for the country's non-oil sector,” said the bank's message. “In addition, the company is committed to sustainability standards, and will pursue the use of alternative fuels in its operations.”

Holcim Azerbaijan OJSC is one of the largest cement and clinker producers in Azerbaijan.

LafargeHolcim, the world's most advanced group in the building materials industry, acquired a controlling stake in Holcim Azerbaijan, formerly Garadagh OJSC, during a privatization process in 1999.

Today, LafargeHolcim owns more than 80 percent of the company's share capital and provides managerial, technical and commercial resources.

Around 40 percent of the cement market in Azerbaijan accounts for Holcim Azerbaijan's products.

Holcim Azerbaijan's shareholders are LafargeHolcim (66 percent), EBRD (10 percent), Holcim Auslandbeteiligungs GmbH (10 percent), and individuals (14 percent).

Agriculture

Food Procurement and Supply Company to stimulate local output

The government of Azerbaijan, which is keen to ensure its economic growth based on the non-oil sector, continues to take weighty steps in this regard. Being among the most important spheres of the economy, agriculture is considered to be one of the primary spheres for reaching the goal.

The expansion of manufacturing capability of entrepreneurs required improvement of certain mechanisms of the state assistance and promotion of locally produced goods. The creation of a new Food Procurement and Supply Company is also considered among measures to be taken in this direction.

President Ilham Aliyev signed an order on establishment of 'Food Procurement and Supply' Open Joint Stock Company on April 11, 2016. The Company will be run by the Board consisting of five members to be appointed by the country's president. The Board will consist of the chairman and his two deputies, as well as two independent members.

The Company, which will serve state-owned enterprises, such as hospitals, schools, prisons, army will soon start

its activity with the authorized capital of 100,000 manats (\$ 61,680).

Main purpose of the organization is purchase of foods from the manufacturers and sellers at sites, their preparation and further transfer to procurement organizations. The state will retain a 51 percent stake in the company, while it is ready to transfer the remaining 49 percent to other investors through transactions on the stock exchange.

Among main objectives of the company are stimulating production and processing of agricultural output, creation of a basis for the social wellbeing of population residing in regions of the country and engaged in agriculture, provision of centralized state purchases of foodstuff, holding monitoring on each type of product, etc.

State organizations (law enforcement agencies, army, penitentiary system, social enterprises) currently procure food and agricultural products on the account of the state budget, while big volumes of financial means are allocated from the state budget to provide these state organizations with foodstuff. The establishment of the company will allow to direct the funds to local entrepreneurs.

Moreover, most farmers were not able to sell their products, while the consumers were forced to pay expensive price for it, while the difference in prices, by which products



are sold directly in the field and to the final consumer, is about 3-5 times. The decision is also aimed at elimination of the problem.

Furthermore, the procedure will be implemented in a centralized manner.

Besides, the recent decision on the creation of a single database of locally produced goods will provide for transparency in the sphere. The database will contain thorough information about domestically produced goods and their manufacturers, including legal address, contact, production opportunities, and partners.

Transport

Construction of BTK railway nears completion



The construction of Baku –Tbilisi – Kars railway project, which promises to bring the entire region closer to Europe, is drawing to a close. Kars Governor Rahmi Dogan said that test rolling of the railway will be implemented in late 2016.

A 79 kilometer-BTK railway section stretches through Turkey, while 58 kilometers accounts for the Kars province. Turkey is also planning to construct a logistics center in the Kars

province within the framework of the project.

Railway project is expected to benefit all participating countries and further strengthen the neighborly and fraternal relations among Turkey, Georgia and Azerbaijan, as well as open up great opportunities to establish strong transport links among other countries that are interested in using the services of the transport corridor.

Turkey will be able to extend its political and economic influence from the Black Sea region to the shores of Caspian Sea and even further to the Central Asian region.

Azerbaijan is also expected to benefit greatly by acquiring a fast transportation link to Turkey. Georgia, in turn, will also gain additional economic benefits.

Peak bandwidth capacity of the project will stand at 17 million of freight per year, while the figure will be at the level of 1 million of passengers and 6.5 million tons of cargo at the initial stage. Being constructed under a Georgian-Azerbaijani-Turkish inter-governmental 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. It is planned to be commissioned by late 2016.

BTK project is expected to open a new rail corridor from the Caspian Sea to Europe via Turkey, excluding the need for sea transportation.

Tourism

Minister: New strategy of tourism development in Azerbaijan

A new strategy on development of tourism is being elaborated in Azerbaijan. There are a number of projects



prepared for the development of this sector, and these documents will soon be submitted for consideration to Parliament, Azerbaijan's Minister of Culture and Tourism Abulfas Garayev said. "Tourism has become a priority area for the country. Coordination of state structures' activities to form a common approach to the development of tourism is already bearing fruit. Simplification of the visa regime with several countries, in particular with the Persian Gulf states, has led to an increase in the number of arriving tourists," the Minister said. Since the beginning of the year, the flow of Arab tourists to Azerbaijan has increased eight times as compared to compared to last year's statistics. There is also an increase of the tourist flow from Russia, Iran, Kazakhstan. Garayev noted that opening of new travel agencies abroad

and new flights in cooperation with AZAL are also expected. Domestic tourism develops in the country as well, the minister said. For the first half of this year, the number of bookings in regional hotels increased by 23.5 percent, and rooms in many regional hotels were fully reserved.

President of Azerbaijan Ilham Aliyev had previously signed an order on additional measures related to the development of tourism in Azerbaijan. According to the order, the Council for Tourism of Azerbaijan will be created. The main aim of the Council will be analysis of current situation in the industry and taking appropriate actions to resolve issues in this area, as well as inter-agency coordination of tasks in tourism, entrusted to the different public bodies.

The Council may engage independent experts and professionals in its activities, as well as to create working groups based on international best practices. The Cabinet of Ministers together with the Ministry of Culture and Tourism and Ministry of Education will take action on creation of first special educational institutions (professional technical schools and lyceums) in tourist and recreational zones. The institutions will be created at the Azerbaijan University of Tourism and Management and the Cabinet of Ministers will allocate relevant lands and real estate for that purpose.