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## Macroeconomics

### **President: Increasing non-oil exports is one of key tasks of coming years**

"Increasing the non-oil exports is one of the key tasks of the coming years because everything is going in a positive direction in the oil and gas sector," said President Ilham Aliyev. "Our great Southern Gas Corridor project is being successfully implemented. And this is a historical project. But our main goal is to increase our non-oil exports."

The head of state noted that traditional industries of agriculture must be developed. "We are talking not only

about the cotton-growing industry. We as well made a significant turning point both in tobacco-growing and sericulture last year."

"Tobacco production is increasing. Now we are seriously engaged in the export of dry tobacco, contracts have been signed. The development of viticulture is rapidly growing. Wine products export must also be boosted and is already growing. Sericulture is developing rapidly. The export of non-oil products, particularly the agricultural products is the main task for us at the current stage of our country's development," the head of state said.

"Made in Azerbaijan" brand has already spread to the world. Now the export of Azerbaijani goods is the most important issue for me in all political contacts and during the meetings with my counterparts. I raise this issue and where there is political support, of course, there are new opportunities for our entrepreneurs. The entrepreneurs should be active too, and enter new markets themselves. The Azerbaijani government is helping them," President Ilham Aliyev added.

### **Customs Committee seeks to integrate into ASAN Pay portal**

2017, Azerbaijan's State Customs Committee plans to integrate into the ASAN Pay portal a mechanism for paying various fines for violation of

customs rules, Chairman of the committee Aydin Aliyev said. ASAN



(Azerbaijan Service and Assessment Network) is a state agency for government services to citizens in Azerbaijan. Aliyev recalled that since November last year, it became possible in the service centers of ASAN to extend the period of temporarily imported cars' stay in Azerbaijan. "Azerbaijan is heading towards a post-oil era and the customs authorities play an important role in the implementation of the new economic policy of the country," Aydin Aliyev said. "The customs bodies have important tasks to ensure economic security of Azerbaijan against the backdrop of supporting the development of entrepreneurship and the new realities of the country." Therefore, in order to reduce risks and simplify customs procedures, it is very important to apply the newest technologies and advanced methods in the relations between customs and business, he added. "In this context, rendering even more customs services by the ASAN service is one of the priorities of Azerbaijan's State Customs Committee," he said.

The State Customs Committee of Azerbaijan created in 1992 is a governmental agency in charge of customs clearance for imports and exports, and regulation of all customs

activities within Azerbaijan. Establishment of the Committee helped accelerate the commodity turnover in the country and eased the import-export procedures.

The forecast on transfers on customs duties and taxes has been set at 2.2 billion manats (\$ 1.35 billion) for 2017, which is 21.5 percent more than the forecast for 2016.

## Industry

### Association of Packaging Industry established in Azerbaijan

Association of Packaging Industry was established in Azerbaijan on March 17 with the support of the Economy Ministry and the National Confederation of Entrepreneurs (Employers). The Association will coordinate the activities of entrepreneurs engaged in the production and export of products, development of packaging production, eliminate the problems that manufacturing business faces, etc.

Deputy Economy Minister Sahib Mammadov, addressing the event on the establishment of the Association, noted that the ministry has discussed with a number of local entrepreneurs the issues of development of the country's packaging production, in particular the organization of sectoral exhibition.

“Holding of such an exhibition is very important for the development of packaging production in Azerbaijan, because there is emptiness in today’s local market of packaging products, whether production of plastic, cardboard or other types of packaging,” Mammadov said.

He added that the establishment of the Association of Packaging Industry is of particular importance to ensure the import substitution of such products. “There is great potential for the development of packaging industry in Azerbaijan and work in this direction needs to be improved,” Mammadov noted.

## Agriculture

### Traditional sectors of agriculture to enjoy state privileges in Azerbaijan

Three agricultural industry including tobacco, cotton growing and sericulture will have definite privileges in Azerbaijan in line with the presidential decree. President Ilham Aliyev signed a decree amending the decree on state support for the development of tobacco cultivation in the country.



The changes introduced to the legislation imply issuing subsidies to population while selling tobacco to legal entities involved in tobacco

refinery and individuals involved in entrepreneurship. It will comprise 0.05 manat (\$0.02) per kilogram for dry tobacco and per 10 kilograms of raw tobacco

Previously, subsidies were granted only for sale of tobacco to processing enterprises. The president also signed a decree to amend a decree on state support for cotton production. The changes envisage granting population a subsidy in the amount of 0.1 manat (\$0.05) per kilogram of raw cotton sold to legal entities engaged in cotton processing, and individuals engaged in entrepreneurial activity. Earlier, subsidies were issued for cotton sales to refinery enterprises. The president undersigned a document to amend a decree “On state support to development of sericulture in Azerbaijan”. The updated decree removed word "depending on the variety" from paragraph 2.1 from the text of previous document, implying:

“Within two months to approve through coordination with the president the amount and order of issuing subsidy to persons engaged in the production of cocoons, per kilogram of raw cocoons acquired by enterprises for processing of cocoons and silk production, depending on the variety. ”

From now on one size of the public subsidy is applied for each kilogram of raw cocoons regardless of their grades.

Cotton production, once considered to a key culture for the rural areas of Azerbaijan, now gets a chance to revive, following considerable decline observed over the past few years. Cotton production was of crucial importance for the national economy in 1970-1980s, accounting for approximately 25 percent of overall agricultural revenue. At the time, Azerbaijan harvested a million tons of cotton per year. 2016 is expected to see a real growth in cotton production in the country, as the government has focused on giving a new life to this industry.

The history of sericulture in Azerbaijan also dates back to almost fifteen hundred years and has very rich history. When it comes to silk in Azerbaijan, the first place that comes to mind is ancient city of Sheki, which once considered the largest center for the production of silk and silk farming in the Middle Ages.

Earlier in April 2016, President Aliyev stated the necessity to develop sericulture, voicing his disappointment over lost of such an important branch of agriculture as silkworm breeding.

### **Second agropark to appear in Shamkir**

The National Fund for Entrepreneurship Support (NFES) of Azerbaijan has started to receive investment projects in priority

economic spheres in Shamkir region. The NFES, on the results of the business forum held in Shamkir region, decided to accept the proposals of entrepreneurs for financing investment projects on creation of an agropark, warehouses for storage of potatoes and onions, a mill, a complex for production of dried fruits, a greenhouse, and wine- and potato-growing farms.

An agropark founded in 2014 is already operating in Shamkir region. It includes a greenhouse complex, farms to grow seedlings, saplings and maintain intensive horticulture, plants for processing fruits and vegetables, factory for production of packaging, logistics and agricultural service center, refrigerated warehouse, sales centers, car park, center of research and innovation, hotel and various infrastructure enterprises.

Entrepreneurs can already apply to the Fund through authorized credit organizations. At the request of entrepreneurs, small projects can be fully financed at the cost of concessional loans.

The National Fund for Entrepreneurship Support was established in 1992. Loans are allocated to entrepreneurs through authorized banks and non-bank lenders. The NFES issued concessional loans of 190 million manats (\$106.5 million) for entrepreneurs during 2016. Meanwhile, 150 million manats (\$84

million) is planned to be issued in 2017 through the Fund.

Allocation of soft loans is directed at countering the effect of the global economic crisis to the Azerbaijani economy and minimization of the country's dependence on the oil sector by improving other industries throughout Azerbaijan.

Currently, Azerbaijan ranks 63 out of 189 countries in the World Bank's ease of doing business index, and work to improve this index even more is being implemented.

## Transport

### ADB submit Azerbaijan Railways considerations on North-South Corridor project

The Asian Development Bank expects the feasibility study for evaluation of the project on financing of the North-South Railway Corridor, as well as development of the railway sector in Azerbaijan to be ready no later than in August. ADB Country Director for Azerbaijan Nariman Mannapbekov told about this while talking to reporters, recalling recent visit of the ADB mission to Baku in this regard.



“In the next few days, we will submit our considerations to the government and, in particular, the head of the Azerbaijan Railways about the financing of the most priority sections of the North-South Corridor. We cannot yet name the exact amount, because the grant for the development of a feasibility study for the project is approved. Consultants have started the work, and the feasibility study will be developed in late July-early August. Only after this it will be possible to name the approximate amount. So far, we have planned about \$200 million for the investment. But the amount can be either larger or smaller,” Mannapbekov clarified.

Allocation of funds for the realization of the North-South project is envisaged within the ADB's railway sector development program. Azerbaijan Railways CJSC is the executing agency for obtaining the loan.

The North-South transportation corridor is meant to connect Northern Europe to South-East Asia and has a strategic importance for the region. It will serve as a link connecting the railways of Azerbaijan, Iran and Russia. At the initial stage, the North-South corridor will transport 5 million tons of cargo per year with further expansion of transportation to over 10 million tons. Along with making a great contribution to the diversification of Azerbaijan's economy the project is

expected to turn the country into a major transport hub.

The project, which is considered to be a strategically important and advantageous in terms of time of transit cargo transportation, is also expected to bring great economic benefits. The route, part of which will pass along the western coast of the Caspian Sea, from Russia to Iran through Azerbaijan enjoys several advantages compared to other transport such as Suez Canal-the Mediterranean Sea-Northern Europe and the Turkmenistan-Kazakhstan-Russia-Northern Europe routes.

Azerbaijan, which became a member of ADB on December 22, 1999, has a 0.5 percent share in the bank's capital.  
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## **Tourism**

### **Land of Fire becomes attractive destination for travelers**

Azerbaijan, a South Caucasus country located at the junction of the two world civilizations, is becoming one of the popular tourist destinations of the region. The land rich with historical, cultural and natural heritage attracts visitors from all over the world. Untouched nature, mineral springs, the world's only oil field treatment - naphthalene, a unique ancient architecture, unique culture,



cuisine, and many more enable Azerbaijan to create all types of tourism, including business, sport, medical, cognitive, hunting, exotic, beach and even gastronomic.

With its towering Caucasus ranges, fertile valleys, thick forests and beautiful Caspian Sea coast, Azerbaijan is home to a remarkable natural diversity. Huge part of Azerbaijan's territory is preserved as national parks and reserves, ranging from desert to highlands, to rolling fertile valleys, and marshlands. These landscapes offer a range of unusual flora and fauna, including ancient mountain villages.

In addition to the natural and rural attractions, Azerbaijan has a rich cuisine, changing from region to region. 'Tasting' Azerbaijan means enjoying juicy apples, pomegranates, grilled meats, kabab, dolma, bozbash, all perfumed with the herbs of untouched woodlands and the spices of the Silk Road.

There are ample of things to do in Azerbaijan, be it exploring the country on a horse back or simply savoring the delicious cuisine. The country offers something for every traveler. History lovers can see Gala Fortress, Gobustan, Icherisheher, etc. Adventure seekers can indulge in hiking, horse-riding hunting, etc in Guba, Shamakhi, Lankaran and other regions, or check out the nightlife of Baku.

The modern face of the city is of equal interest for the visitors. Buildings of Flame Towers, the sport and entertainment complex Crystal Hall which held a Eurovision contest in 2012, the cultural center of Heydar Aliyev Foundation and others are the unique characters symbolizing Baku.

A favorite place for walks for residents and guests of the capital remains transformed and shining by neon lights city Seaside park (Boulevard).

The flow of tourists is increasing every year, so in the capital and other tourist areas there is growing number of hotels with the highest level of service. One of Azerbaijan's strongest assets for tourism development is its service culture – Azerbaijanis are famous for their hospitality. This culture is best reflected in the hotel and restaurant sectors.

Last year, 35 hotels were built in the country, while 25 are under construction. In general, there are more than 500 hotels in Azerbaijan. In 10 years, foreign tourists in Azerbaijan will spend \$6 billion a year, according to the report of the World Travel & Tourism Council, WTTC. The report says that in 2016 the tourism industry of Azerbaijan provided 2.285 billion manats (\$1.437 billion) or 4.1 percent of the country's GDP. The WTTC forecasts says that in 2017 tourism will provide 7 percent or 2.446 billion manat of GDP, in 2017-2027 the

sector's share will grow by 6.5 percent to 4.581 billion manats (\$2.881 billion) or 5.9 percent of GDP.

In 2016, some 479.5 million was invested in the tourism sector of Azerbaijan, according to the report, which predicts growth by 6.2 percent in 2017, and by 4.9 percent in the next 10 years. In connection with March holiday – Novruz Bayram, a large number of tourists came to Azerbaijan mainly from Iran, Russia and Arab countries who spent more than a week in the country.

### **Heydar Aliyev International Airport recognized as best airport in CIS countries**

Heydar Aliyev International Airport has been awarded the prestigious Skytrax World Airport Awards. Baku Heydar Aliyev Airport is



named the best airport among airports of Russia and CIS countries for the level of the provided services. The World Airport Awards are the most prestigious accolades for the airport industry, voted by customers in the largest, annual global airport customer satisfaction survey. The Skytrax World Airport Survey is widely regarded as the quality benchmark for the world airport industry, assessing customer service and facilities across 550 airports. The survey and awards are independent of any airport control or

input and are therefore an impartial benchmark of airport excellence and quality.

The 2017 Awards are based on 13.82 million airport survey questionnaires that were completed by 105 different nationalities of air travellers during the survey period. The survey operated from July 2016 to February 2017, covering 550 airports worldwide and evaluating traveller experiences across different airport service and product key performance indicators - from check-in, arrivals, transfers, shopping, security and immigration through to departure at the gate.

In 2015 Heydar Aliyev International Airport received Skytrax's prestigious "4 Stars" rating and once again confirmed its compliance with this high level. To date, only 37 airports in the world have been awarded this rating.

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

CaspianAgro 2017 scheduled for May

A major regional forum of agricultural producers the 11th Azerbaijan International Agriculture CaspianAgro 2017 exhibition will take place in Baku on May 17-19. Over the years, the CaspianAgro exhibition has established itself as a reliable platform for annual meetings between experts,

and demonstrations of machinery, equipment, goods and services for the agricultural industry.

Agriculture is a major point of interest to the Government of Azerbaijan. For several years in a row, Azerbaijani President Ilham Aliyev has been attending the exhibition, and has become acquainted with new products offered by the manufacturers and distributors to the Azerbaijan market. At the conference, devoted to the success of the third year of implementation of the State Program on Regional Socio-Economic Development (2014-2018), it was noted that the agricultural sector has shown a successful pace of development, growing by 2.6 percent compared to the previous year. It was further noted that significant measures would be undertaken to preserve this positive dynamic in the future.

Over the years, the Agriculture Ministry of Azerbaijan has not only provided invaluable active support to the CaspianAgro exhibition, but has also actively taken part in this event. The exhibition is also supported by the Azerbaijan Export and Investment Promotion Foundation (AZPROMO), and the National Confederation of Entrepreneurs (Employers) Organization of the Republic of Azerbaijan (AEC). The exhibition is organised by Caspian Event Organisers, CEO.



This year the CaspianAgro 2017 exhibition will bring together both manufacturers and distributors of agricultural products and equipment from Azerbaijan, Belarus, China, Italy, Turkey, Russia and Sri Lanka, as well as other countries. For the third year in a row, Georgia will take part with National pavilion in the exhibition. Among the debutants of this year are Chinese companies on the Silk Way, representing the Jiangxi province (Southeast China). For the first time the Kingdom of the Netherlands became a partner country of the exhibition.