



Economic News Bulletin
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Macroeconomics

SECO to issue funds for fiscal development in Azerbaijan

The Swiss State Secretariat for Economic Affairs (SECO)



will issue some \$3 million within the technical assistance on the second Financial Market Modernization Project to be implemented in Azerbaijan.

The agency, which is responsible for planning and implementation of economic and trade policy measures, is expected to initially allocate some \$2.2 million (\$ 1.25 million) after the conclusion of a deal.

Further, SECO will allocate additional \$400,000 by November 30, 2018, and the same sum by November 30, 2019. The three tranches are expected to be totally drawn by August 2021.

Within SECO's technical support to Azerbaijani economy, WB experts will render their assistance to the government of Azerbaijan in the increase of financial stability via extending regulatory and legal frameworks of financial sector and enhancement of monitoring functions of the Financial Market Supervisory Body (FMSB). The assistance will cover five directions, namely supervision over the financial market, liquidation of banks, deposit insurance system, protection of consumers' rights and non-performing loans. The WB is expected to develop recommendations on the revision of legislature in the sphere of bank liquidation, financial market, and improvement of supervisory function of the regulator.

Moreover, the Bank will also develop recommendations on changes in legal and institutional frameworks of the Azerbaijan Deposit Insurance Fund (ADIF) to bring the activity of the institution in line with international standards, accelerate the process of compensations payment and improve the financing mechanism within unforeseen circumstances. Also, the assistance will extend to the sphere of non-performing loans, including classification of credits, creation of

resources, strategy on work with such loans, as well as the restructuring of non-performing loans without judicial intervention.

Azerbaijan and Switzerland have been cooperating effectively for already 25 years, including the cooperation within the SECO, which covers the microeconomic policy and ensuring financial stability. In 2012, SECO allocated funds for the implementation of the first WB project on modernization of the financial market worth \$4 million. The project was accomplished in June 2016 after four years of implementation, while the overall project implementation was assessed as successful

The objective of the project was to deepen the capital market, strengthen the capacity of AzerPoct, and improve consumers' financial literacy through technical assistance and capacity building.

Tax changes to improve business environment

The recent amendments made to the Tax Code of Azerbaijan are expected to improve the business climate in the country. Taxes Minister Fazil Mammadov said that the key element of the changes is the creation of favorable business environment. The minister, in his article published on the official press, mentioned that tax authorities are interested in the

increase of tax revenues. “However, the key element of our tax policy is the creation of a favorable business climate in the country, orientation of the tax policy on the economic development of businesses, as well as compliance to the interests of entrepreneurs and citizens of the country.”



The changes are aimed at the provision of favorable conditions for the development of small and middle scale businesses, increase in the level of mutual trust between tax authorities and entrepreneurs, the increase of non-cash operations, regulation of money turnover, promotion of export and establishment of a transparent registration system.

He also mentioned that the changes are developed in cooperation with different international organizations and on the basis of the international experience.

In total, some 201 changes, including 115 new and 3 cancelled articles, and 83 amendments were made to the document. Some 123 articles cover the improvement of tax administration, 34 with the expansion of rights of taxpayers, while some 8 articles cover the reduction of tax burden, tax concessions and exemption from taxes.

Doing Business 2017 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.

Industry

WB approves loan for TANAP

The World Bank's Board of Executive Directors approved a \$400 million loan for Turkey and a \$400 million loan for Azerbaijan for the implementation of the Trans-Anatolian Natural Gas Pipeline (TANAP) Project.



“We are very pleased to be part of a coalition of partners supporting TANAP, a component of the transformational Southern Gas Corridor, which will bring natural gas from the Caspian Sea to Europe.” said Cyril Muller, World Bank Vice President for Europe and Central Asia.

Muller stressed that TANAP will not only boost competitiveness and create economic opportunities for people in Azerbaijan and Turkey, it will also support regional trade, improve connectivity, and support energy security in Turkey and in Europe.

The recipients of funding are the Southern Gas Corridor (SGC) Closed Joint Stock Company with the guarantee of the Republic of Azerbaijan and the BOTAS with the guarantee of the Republic of Turkey.

The WB Project will finance infrastructure investments for the TANAP Pipeline System. TANAP project, which is a part of the Southern Gas Corridor, will transport natural gas from a gas field in Azerbaijan to and across Turkey, and further to Europe, aiming to diversify Azerbaijan's gas export markets and improve the security of the energy supply in Turkey and South Eastern Europe.

Given the importance of the SGC for all countries involved, the project enjoys support of a number of international financial institutions, including the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), the Asian Infrastructure Investment Bank (AIIB), the Asian Development Bank (ADB), and the World Bank Group (WBG).

The Shah Deniz 2 gas field is being developed to produce 16 bcm per year and the revenues that will be generated from gas production and transportation will be very important for Azerbaijan and its citizens.

The project will contribute to achieving the strategic objectives of the Bank's partnership with Azerbaijan,

in particular, supporting stronger economic competitiveness, by integrating Azerbaijan with regional and European energy markets, strengthening its connectivity and transit role, and increasing its exports. The construction process of TANAP is currently on track, while the project is completed by almost 55 percent. Some 19 underground passages have so far been built as part of the project.

TANAP shareholders are Azerbaijan's state oil company SOCAR (58 percent), BOTAS (30 percent) and BP (12 percent).

Agriculture

Azerbaijan plans to build 26 more agroparks

Azerbaijan, seeking to minimize the impact of global economic crisis to the national economy and diminish its dependence on the oil sector, sees the agricultural sector as an advantageous direction in a bid to diversify the national economy.

The government has taken certain steps in order to ensure a descent development of the agricultural sphere through establishing new agro-parks and attracting foreign direct investment in this sector.

Economy Minister Shahin Mustafayev,



addressing the plenary session of the Parliament for discussions over the draft state budget for 2017,

said that 26 more agroparks planned to be built in the country. He said that the agroparks will be built in 19 regions of Azerbaijan, while a variety of processing and manufacturing enterprises are planned to be built in these agroparks.

Currently, the work is underway in Azerbaijan to create 'Yalama' and 'Shamkir' Agroparks, which will allow expanding domestic supply and supporting the non-oil exports.

Mustafayev said that the work within the first stage of the construction continues in Shamkir Agropark, and the first stage of construction work has been already completed in the Khachmaz region [Yalama Agropark]. "The construction of agroparks and large modern farms is of great importance," the minister added.

With a total area of 604 hectares and being located in one of the exceptionally fertile soils of Azerbaijan, Shamkir Agropark is the first agropark conception in the country and the Caucasus region. The Agropark established in 2014 has the latest and most sophisticated technology in the sphere of calibration

of fruit and vegetables, packaging and labeling.

The Yalama Agropark operates since September 2016. The volume of investments made to the agropark is 20 million manats (\$11.5 million), and up to 40 million manats (\$23 million) in general will be invested within the framework of the two construction stages.

The creation of agroparks is expected to give a stimulus for widening and strengthening of the country's export geography and presenting its products in foreign markets, getting high productivity and selling products produced by farmers with stable prices.

Azerbaijan plans to export its high-quality agricultural products, which enjoy popularity and are in demand, to neighboring countries. The agricultural sector is important not only for increasing Azerbaijan's export potential, but also for restoring and protecting the country's food security.

Transport

Azerbaijan Railways, Stadler agree on expanding cooperation

The state-owned rail transport operator Azerbaijan Railways and Switzerland's Stadler Rail AG, a manufacturer of railway rolling stock, have agreed to expand the cooperation.

The agreement was reached during a



meeting of Chairman of Azerbaijan Railways CJSC Javid Gurbanov and Stadler

President Peter Spuhler, the Azerbaijani side reported.

The parties also discussed the implementation of the project to construct the sleeping type cars ordered from Stadler, to be put into operation on the Baku-Tbilisi-Kars railway.

The Baku-Tbilisi-Kars railway is being constructed on the basis of the Azerbaijani-Georgian-Turkish inter-governmental agreement. Azerbaijan ordered 30 Stadler cars for use on the BTK, the commissioning of which is planned for 2017.

Azerbaijan Railways awarded the contract to Stadler for the delivery of 30 sleeping cars in 2014. The contract allowed Stadler to successfully enter the railway market in Azerbaijan.

The contract is not only about the delivery of the cars between the middle of 2016 and the middle of 2017, but also includes an extensive spare-part package and the training of staff that will operate and maintain the vehicles. In addition, the contract also includes an option for 70 more units. Azerbaijan Railways will create three 10-car trainsets from the 30 coaches. The

order includes the delivery of 27 sleeping- and 3 dining cars.

The sleeping cars built for Azerbaijan railways were presented I November 2016. The cars are able to operate both in the CIS states (broad gauge 1520 mm) and on European standard gauge (1435 mm) due to the special gauge-changing bogies. Close to the Turkish border in the Georgian town of Akhalkalaki, a break-of-gauge is planned for switching bogies to enable efficient operation on the international Baku – Tbilisi – Kars – Istanbul line.

Baku Port expects growth in freight transportation

The Baku International Sea Trade Port expects increase in the volume of marine transportation in the years to come.

Head of the Port of Baku Taleh



Ziyadov said a significant growth is expected in the volumes of freight transportation as compared to figures of 2015, mentioning that drop in the volumes was recorded last year due to global economic crisis. “As for this year the volumes of transportation are expected to exceed some 4 million tons of freight, growth rates are expected to strengthen next year,” he said. Ziyadov also mentioned that the construction of

Port is currently underway in accordance with the schedule.

“All operations within the first stage will be completed by late 2017. Ferry terminal was built in 2014. Next in turn, is the completion of construction of Ro-Ro terminal. Container terminal and dry freight terminal will be constructed further. In tote, work is completed by almost 60 percent,” he said.

Ziyadov went on saying that the construction of oil freight terminal is not envisaged within first two stages, mentioning that terminals for different freight may be constructed at a later date. Baku International Sea Trade Port in Azerbaijan’s Alat settlement is expected to become one of the leading trade and logistics hubs of Eurasia. The implementation of all 3 phases of construction is projected to increase the capacity up to 7,660 tons on a daily basis.

The first stage of construction of the Port is projected to be completed until late 2017. The completion of the first stage will allow the facility to handle nearly 1,280 tons of goods per day and increase its capacity up to 11.5 million tons of cargo and to 50,000 containers per year. The second stage will provide for the handling of 17 million tons of freight and 150,000 of containers, while the implementation of the final stage is projected to increase the

capacity up to 25 million tons of freight and 1 million of containers.

Tourism

ASAN Visa portal launched

ASAN Visa portal designed to simplify a procedure for issuing visas to foreigners and stateless persons wishing to visit Azerbaijan, as well as to ensure immediacy and transparency of this process, was presented to the public on December 16.

The portal put into operation starting January 10, 2017, said Inam Karimov, Chairman of Azerbaijan's State Agency for Public Services and Social Innovations under the President. Addressing the presentation ceremony, Karimov said that now foreigners will be able to apply for visas and obtain them without waiting in the queue and collecting documents.

Karimov added that the visa of a person, who used the portal to get a single-entry e-visa valid for 30 days' stay, will be sent to his/her email address within three days after the payment made. The visa fee is \$20. Electronic visa applications are available for one person, for a family (not less than two and not more than ten persons) and for a group of 10-300 people.



Earlier, Azerbaijan revealed the list of 81 countries, whose citizens can take advantage of ASAN Visa system. Karimov further added that those, who are included in the Foreign Ministry' list of "persona non-grata" will not be issued visa through the portal. "While applying, this "black list" is checked. If any person is included in this list of persona non grata, then we refuse issuing visa to them," he said.

The presidential order signed in June 2016 aimed at simplification of e-visas issuance procedure for foreigners and stateless persons arriving in Azerbaijan. The only thing to do, instead of going to the diplomatic mission and talking with foreign officials, is to enter requested details onto "ASAN Viza" and pay the proper stamp duty. Three days later, the visa will be sent to e-mail of an applicant. This experience maybe a good example for other countries, and soon the Azerbaijani citizens will also have an opportunity not to stand in endless queues at foreign diplomatic missions in Baku.

Baku named top Asia destination for 2017

TripAdvisor, the travel planning and booking site, announced the Travellers' Choice awards for Destinations on the Rise, with Baku, the capital of Azerbaijan, taking the top spot for Asia.

Baku, or the City of Winds as it's called here, was ranked the 5th in the list of top destinations for travelers in

2017. The list also includes San Jose del Cabo (Mexico), Whistler (Canada), Jericoacoara (Brazil), Kihei (Hawaii), as well as the capital of Georgia, Tbilisi.

The criteria to determine the best destinations for tourists included positive feedback from travelers, number of attractions and venues for entertainment, as well as the quality of service.

“These destinations are fast gaining interest and popularity amongst our



community of travelers all over the world,” said Ms Janice Lee Fang,

communications director for TripAdvisor, Asia Pacific. “We hope these winning lists will inspire those planning trips in 2017 to consider booking their holidays with some of these rising destinations, be it Baku, Da Lat or Kuching”.

We were very excited to see Baku top the list in Asia – Azerbaijan has a fascinating cultural history that straddles the East and West and given that almost 65% of Asian travelers surveyed said that their main travel motivation is to experience and learn about new cultures, we are hopeful this win will encourage even more travel and discovery to Baku in 2017,” she said. Situated along the Caspian Sea, Baku is a heady mix of Asian and

Western cultures, of the old and new, all of which is best reflected in the city’s sights and landmarks. Travelers can explore the famed medieval Old City, hailed as a “must-visit”, which houses the UNESCO-listed Shirvanshah’s Palace, and Maiden Tower. Admire the city’s contemporary buildings such as the Heydar Aliyev Center, designed by Zaha Hadid, and the Flame Towers – a trio of skyscrapers covered with LEDs and displaying the mesmerizing movement of a flame.

Over the past 10 years, the number of tourists visiting Azerbaijan increased by five times. Today, 4.5 percent of the total gross domestic product falls for income from tourism. Currently, Azerbaijan has about 300 tourist companies and more than 570 placements. The country hosts a series of luxury hotels – Jumeirah, Excelsior, Hilton, Four Seasons, Fairmont, JW Marriott, Kempinski, as well as many budget hotels for cost-conscious travelers. Soon the country plans to increase the number of two- and three-star hotels of economy class for the development of both inbound and domestic tourism.

Moreover, the decree on facilitation of e-visas issuance and establishment of ASAN Visa system will make life easier for many travelers wishing to visit Baku and the whole country.