

REPUBLIC OF AZERBAIJAN
MINISTRY OF ECONOMY

Approved by Order No. F-38 of
the Minister of Economy
of the Republic of Azerbaijan
date March 6, 2017

STRATEGIC PLAN
FOR 2017-2020
OF THE MINISTRY OF ECONOMY
OF THE REPUBLIC OF AZERBAIJAN

BAKU 2017

Table of contents

Foreword

Introduction

1. Mission

2. Vision

3. Strengths of the Ministry

4. Opportunities and Trends

5. The main objectives

6. Strategic targets and activities

7. Monitoring and Evaluation of Strategic Plan implementation

Foreword



The sustainability of Azerbaijan economy, despite the negative effects of a number of ongoing processes in the world economy over the recent years, along with political stability established in the country under the leadership of President Ilham Aliyev, has been strengthened due to flexible economic reforms in line with current challenges, diversification of economy, steady improvement of business and investment environment, development of entrepreneurship. The Financial Stability Council has been set up to further strengthen the macroeconomic stability in the country, ensure financial sustainability and implement coordinated policy in this sphere, important decisions have been made for further improvement of business sphere and improvement of management system has been continued.

Significant decisions have been taken by the country leadership for further continuity of the economic and social achievements, including suspending of inspections over enterpreners for 2 years, simplification of licensing, creation of industrial parks and zones, which boost new production and employment opportunities, issuance of promotion certificates for favorable investment climate, ongoing custom reforms, organization of special export missions, increase of salaries, minimum wage, and the need criterion, on the basis of which targeted social assistance is assigned, toward strenthening of social protection of population.

According to the country's leadership orders on acceleration of diversification and promotion of export of non-oil commodities, large-scale state support programs is being implemented within the mechanism of export incentives. Thus, the industry sector has embarked on a new development stage, and hundreds of modern manufacturing and processing enterprises have begun to operate. Simultaneously, establishment of industrial parks, including efforts to attract rezidents and the construction of an appropriate infrastructure in Sumgayit Chemistry, Balakhani, Mingachevir, Garadagh and Pirallahi industrial parks, creation of industrial districts have undoubtedly created a strong foundation for sustainable development of the non-oil sector.

In order to achieve high social prosperity, providing sustainable social-economic development of the country the implementation of the "Azerbaijan 2020: Look into Future"

Development Concept approved by the Decree of the President of the Republic of Azerbaijan has been continued, 53 strategies, state programs, concept and other documents have been adopted to ensure fulfillment of the Development Concept.

Along with the above mentioned, our country entered in a new stage of sustainable development with the signing in July 2016 "United Nations – Azerbaijan Partnership Framework" prepared in consideration of priorities of the "Azerbaijan 2020: Look into Future" Development Concept for period of 2016-2020.

With the Decree No.1138 of President Ilham Aliyev dated December 6, 2016, to accelerate the implementation of the "Azerbaijan 2020: Look into the Future" Development Concept to meet the new economic environment, as well as ensure the sustainability of the country's economic policies and reforms, strategic road maps on eleven key sector have been approved.

Successful implementation of the relevant documents, approved by the country's leadership, including "Azerbaijan 2020: Look into the Future" Development Concept and the strategic road maps, contributes to strengthening the social protection of population, especially the vulnerable groups

The Ministry of Economy has a special role in implementing the measures identified within the framework of mentioned documents. Thus, the Strategic Plan of the Ministry of Economy for 2014-2016 identified targets by 8 strategic directions and 21 activities, and overall 107 tasks carried out by the responsible staff of the Ministry as envisaged by the Annual Action Programs. The Ministry has implemented essential tasks in 2014-2016 and contributed to socio-economic development of the country toward macroeconomic stability, development of the non-oil sector, industrialization, focusing on the civil problems and others.

Along with that, further improvement of the favorable business environment for the development of the non-oil sector, promotion of export of local competitive products, attraction of foreign investors to priority areas and other activities were continued.

The new Strategic Plan of the Ministry of Economy is intended to cover 2017-2020 and in this context, strategic priorities identified by the "Azerbaijan 2020: Look into the Future" Development Concept and "Strategic Road Maps on national economy and main sectors of economy", approved by relevant decrees of the President of the Republic of Azerbaijan, including the development of the non-oil sector, increase of the non-oil export, creation of

favorable business environment, effective macroeconomic regulation, attraction of investments, and expansion of foreign economic relations, settle main directions of the ministry functions, as:

- continue improving the macroeconomic regulatory system;
- continue development of non-oil sector and stimulate investment into priority sectors;
- promote export of competitive local products;
- continuation measures for realization of transit potential;
- strengthening human capital and institutional capacity;
- enhancement corporate governance.

I wish success in all efforts to be taken by the employees of the Ministry during implementation of the Strategic Plan, toward diversification and strengthening of the national economy, deriving from the ministry's mission.

Minister of Economy Shahin Mustafayev

The Ministry of Economy of the Republic of Azerbaijan (from now on the Ministry) Strategic Plan 2017-2020, which has been prepared in accordance to the order number F-26 from March 7, 2016, based on analysis of internal and external factors, as well as taking into account the level of achievements of first strategic plan's objectives, is a document that determines the future targets and directions of use of existing potential for achievement to these targets.

The elaboration of the Strategic Plan is based on following documents, "Azerbaijan 2020: Look into the Future" Development Concept approved by the Decree number 800 of the President of the Republic of Azerbaijan dated December 29, 2012, "Strategic Road Maps of National Economy and main sectors of economy" approved by the Decree number 1138 of the President of the Republic of Azerbaijan dated December 6, 2016, the Ministry of Economy, the statute of the Ministry of Economy, the first Strategic Plan of the Ministry and derived action programs implemented in 2014-2016.

The Strategic Plan, focused on development, corresponds to the realities of world and country economies and aimed to settle long-term goals linked to the overall target and transition to competitive, self-sufficient and export-oriented economy, through the re-balancing of the economy.

The document reflects the country's social-economic development priorities, the identification of their internal and external conditions and trends, and covers the complex tasks to ensure country's economic safety. The Strategic Plan provides mechanism of state, business and public interrelation and strategic control toward achievement of planned activities.

1. Mission

Formulation of efficient national economy in order to ensure sustainable development: increasing competitiveness and continuous development of non-oil sector, support to the export of non-oil commodities, creation of advantageous investment climate, and development of entrepreneurship.

2. Vision

To become a major source of initiatives in the field of politics implemented to ensure socio-economic development by using its competences profoundly and being professional.

3. Strengths of Ministry

- ✓ having significant vote in different organisations and projects related to the implementation of the economic and social policy of the country;
- ✓ existence of highly qualified human resources and continuous improvement of human resource policy ;
- ✓ use of clearly defined internal administrative mechanisms for implementation of tasks in a timely and efficient manner;
- ✓ close and efficient relationship with other ministers and agencies within competencies;
- ✓ support the increase of private sector investments to the context of declining of public investments;
- ✓ being main coordinating body implementing proactive measures in the implementation and development of interstate economic relations;
- ✓ applying improved electronic document management.

4. Opportunities and Trends

The important geostrategic location of the Republic of Azerbaijan, maintenance of macroeconomic and social-political stability, also the fact that the social sphere is always in the center of attention, are not only determined of the strengths of the economy, but also create a significant economic growth potential for the future. There has always been the state support for entrepreneurship, stimulation of export, diversification of the economy and creation of favorable investment climate. The self-sufficiency of energy and food security, not having a high public debt in consideration to strategic currency reserves, and admissible level of unemployment led to the country's successful participation in global projects on important energy and transport corridor and increased the interest of international credit institutions to the country.

Creation of the State Agency on Public Services and Social Innovations under the President of the Republic of Azerbaijan, increased efficiency, transparency and effectiveness in the provision of public services to the citizens and business subjects.

Along with the above mentioned strengths of national economy, a number of issues, as well as increasing the non-oil and gas revenues, reducing the import dependence of production,

increasing non-oil exports, improving the financial and banking sectors and increasing the access of economic subjects to financial resources, also improvement of corporate governance, promoting proportional principles that are crucial for the development of economic regions, and development of human capital are among key priorities. Besides, the steps taken to enhance resistance to external shocks, promotion of export of services, and strengthening the development and coordination between the innovation infrastructure may prevent risks not dependent on internal economy.

In addition, the country is reach with favorable conditions for the the integration to the global value chain, economic diversification, creation of a favorable business environment, stimulation of private investments, further increase of share of non-public employment, development of priority sectors, and the realization of regional, involving local and foreign entrepreneurs to the privatization of state property, except strategically important enterprises, which is relevant to keep under state ownership in medium-term.

5. The main objectives

The implementation of targets defined by the Development Concept of "Azerbaijan 2020: Look into the Future" and strategic roadmaps on key sectors of the national economy, including the development of the non-oil sector and enhancing non-oil export, formulation of favorable business sphere, secure effective macroeconomic regulation, commend investment into economy, enlargement foreign economic relations are among the main objectives.

6. Strategic targets and activities

Strategic target 1. Continue improving the macroeconomic regulatory system

1.1. Improvement of macroeconomic forecasts

During last years the sharp fluctuations in world market conjuncture, external shocks affecting the national economy, applied sharp devaluations have further increased importance of macroeconomic forecasting and made necessary the process improvement. In addition, transition of national currency to a completely new exchange rate, the replacement of

predominant public investments with private investments; also the announcement of non-oil sector as the main driving force for future economic growth have created new challenges.

In accordance to the first Strategic Plan of the Ministry, current macroeconomic forecasting model has been improved and new models were developed with involvement of international experts. It is intended to continue improvement of these models in close cooperation with international organizations, and to develop scenarios based on predictive indicators for sustainable development with the application of new fiscal rules.

1.2. Improvement of monitoring system for macroeconomic development

The creation of a more advanced macroeconomic database has been started for establishment of a sustainable development diagnostic system.

In the context of increasing impact of foreign economic uncertainties and other factors on the national economy, the significance of monitoring the existing trends has also increased. Improving and systematizing information exchange with relevant government agencies and database development will be carried out to ensure prompt information support for macroeconomic monitoring. Capabilities of the database will be tested by international experts.

Strategic target 2. Continue improvement of the non-oil sector



2.1. Improvement of non-oil sector

During the implementation of the first Strategic Plan, the production and export capacities of the competitive non-oil products have been increased, the state budget support mechanisms for incentives of export of non-oil commodities for improvement of business environment, expansion of investments, increase of industrial production have been created, simplification and transparency of licensing procedures have been ensured.

Continued efforts to create a favorable environment for dynamic and intensive development of the economy, work to improve the position of country in relevant international business reports, including the development of a more favorable business environment for the

development of the non-oil sector, the establishment of portal of licenses and permits for the rational and efficient use of resources, the apply principles like "agree with silent" and "one-stop shop", introduction of other advanced mechanisms and stimulating measures to alleviate the burden of entrepreneurs, and ensuring sustainable development of the regions are envisaged.



2.2. Expansion of industrial production

Measures taken to expand competitive industrial production in the country, to create favorable conditions for services and to create clusters based on support to entrepreneurship, as well as, systematic implementation of the "State Program for Industrial Development for 2015-2020 in the Republic of Azerbaijan" provided strong foundation for new industrialization stage.

During next years, further development of industrialization processes in the country, especially the support to creation the new enterprises in the non-oil sector that will operate using the local raw materials will continue. The main task in enlargement of industrial production is to ensure the technological development and creation competitive industrial production based on modern technology and local raw materials. At the same time, the creation of additional production capacity and support for modernization of existing industrial enterprises will be continued. The process is expected to be closely linked to the "Azerbaijan Investment Company" OJSC and the National Fund of Entrepreneurship Support and will be implemented through sustainable operations and other relevant measures.

Strategic target 3. Stimulation of export of competitive commodities

3.1. Promotion of local commodities in foreign markets



During the implementation of the first Strategic Plan, local entrepreneurs have been enabled to export high quality products and to participate in various international exhibitions, promotion of “Made in Azerbaijan” brand in foreign markets started, export database formulated, logistic centers in potential export destinations created, and payment for incentives of export of non-oil commodities distributed. Implementation of new mechanisms will not only boost the enlargement of Azerbaijan export potential, provide access to new market and continuously improve the non-oil export, but also in general will play an important role in acceleration of economy’s diversification. It is planning to increase the export potential of the non-oil products, to stimulate for finding new markets for the products that is manufactured by entrepreneurs that engaged in agricultural and industrial sectors, to continue works related export opportunities into new markets and works on using these opportunities, to enlarge foreign economic relationships of enterprises, to continue supporting of promotion local products in international exhibitions, as well as, to open trade houses in the foreign market and to support establishment of unions and association of exporters during next years.

3.2. Formation of the image of Azerbaijan country as an exporter of

quality products



In order to promote the exported competitive products in international markets, it is crucial to create and develop local brands, support in the targeted markets, and enhance the image of the Azerbaijan product in abroad, especially in CIS market. In addition, Azerbaijan Export and Investment Promotion Foundation (AZPROMO) will take actions for organization of export missions to foreign countries, investigate foreign markets, promote the “Made in Azerbaijan” brand into foreign markets, obtain a certificate and patent in foreign countries for export by local firms, as well as, increase visibility of these initiatives in local and international media, support import substitution activities.



3.3. Development of international cooperation

It is very important to enlarge international cooperation and policy improvement in this regard, for creation export oriented economy and search of reliable market for exporting competitive products, as well as, increase of trade shares in existing markets. During next years, it is planned to continue cooperation with foreign donors in framework of foreign investments and the non-oil export promotion strategy. In order to expand these works further, it is planned to organize the effective activities of intergovernmental commissions with participation of the Ministry, as well as, to increase the flexibility of economic development.

The co-operation with international economic organizations will be expanded for better integration of the country's economy into the global economy, and to respond existing global challenges.

Strategic target 4. Stimulation of investment in priority sectors of the economy



4.1. Promotion of foreign investment

In order to introduce incentive mechanisms for attracting local and foreign investments during 2014-2016, appropriate changes have been made and implementation started envisaging the reduction or elimination of income tax, wealth tax, value-added tax, as well as interest rates for state customs duties. In the next few years, the involvement of foreign investors in the non-oil sector of the Azerbaijani economy, the incentive mechanisms of the country's business-investment environment, including investment incentives, application of

additional discounts and privileges to industrial parks, and attracting investors for direct foreign investment will be continued.

In addition, measures will be taken to implement the Agreement on Mutual Protection and Promotion of Investments with targeted countries and toward signature of new agreements.

4.2. Prioritization of domestic investment

The prioritization of public investments will be further improved and rationalised, transport, water, large infrastructure projects will be completed, targeted infrastructure projects supporting private investments will be implemented. The investment incentive mechanism for promoting private investment will be focused not only in non-oil sector, but also on priority service areas, especially on the development of tourism.

Within the framework of public-private partnership the opportunities for implementation of infrastructure projects will be explored.

Strategic target 5. Continue measures on realization of transit



potential

Improvement of transit infrastructure, including the completion of regional infrastructure projects will be continued in order to increase transit potential of the country, and the Ministry will undertake measures to ensure transit transportation on favorable terms through the The Coordinating Council on transit cargo and the Secretariat of the Council. Thus, it is planned to take measures for the transportation of transit cargo by rail and maritime transportations, regulation of tariffs for the services of transportation by seaports and terminals, promotion of transport corridors passing through the country and elimination of obstacles to development of transit cargo. Effective cooperation will be expanded with Silk Road countries for further increase the volumes of transit supplies.

Strategic target 6. Continue implementation of the

Development Concept of "Azerbaijan 2020: Look into the Future" and Road Maps

6.1. Coordination of Development Concept

Over the last three years, with implementation of "Azerbaijan 2020: Look into future" Development Concept 48 official documents - strategies, state programs, and etc. have been approved and executed. The National Action Group, approved in line with the Strategic Development Goal, which has the key strategic objectives of the development policy in the country in the long run, accelerates the procedures required for the preparation of relevant state programs and other action documents and coordinates the effective implementation function.

6.2. Implementation of "Strategic road maps on national economy and main sectors of economy"

"Strategic road maps on economy and key sectors of the national economy" have been approved, including the oil and gas industry, heavy industry and machinery, agriculture, housing and utilities, entrepreneurship, tourism, education, telecommunications and information technology, logistics and trade, important positions were assigned to the Ministry in implementing strategic road maps on services. A relevant enforcement mechanism will be set up to ensure the effective implementation of the "Strategic road maps" by the Ministry. Relevant working groups have been set up to ensure timely implementation of the Ministry's activities, and related activities will be arranged and accountability provided.

Strategic target 7. Transformation of world: Establishment of the Secretariat for effective coordination of commitments deriving from the Agenda of Sustainable Development 2030

7.1 Identification of national priorities and indicators



The Ministry has prepared and coordinated implementation of the State Program on Poverty Reduction and Economic Development in the Republic of Azerbaijan for 2003-2005, as well as the State Program on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan for 2008 - 2015, aimed at implementing complex measures on poverty alleviation in our country, which joined the Millennium Declaration,

The Ministry has been assigned a Secretariat function to ensure the functioning of the National Coordinating Council established to co-ordinate the fulfillment of the obligations undertaken by the United Nations on Sustainable Development Goals until 2030. Regarding to this, the Ministry will form the Secretariat of the Council, coordinate the activities of the intergovernmental social, economic and environmental affairs working groups, the country's first voluntary report will be prepared and submitted to the High Level Forum.

By 2030, national priorities and indicators that are relevant to the global goals and targets for Azerbaijan will be identified. The activities of the state bodies will be coordinated with the goals and objectives of the sustainable development goals and national strategies, as well as with the state programs, and international experts will be involved in the methodology and practical support will be provided.

7.2 Awareness on Sustainable Development Goals



It is planned to identify national priorities and indicators for the achievement of Sustainable Development Goals, as well as global objectives and targets, prepare and submit to the President of the Republic of Azerbaijan annual reports ensuring coordination of Sustainable Development Goals with state programs and strategies covering socio-economic areas in the country and Public awareness. Together with the National Coordination Council and the the United Nations Country Office, Azerbaijan will undertake measures to raise awareness about the goals and objectives of the SDGs, as well as their implementation and public participation.

Strategic target 8. Enhancing of human capital



8.1 Preparation of “Human Resources Development” Concept

The Ministry of Economy plans to prepare a Concept for "Development of Human Resources" for the implementation of the upcoming tasks.

The main focus areas of the Concept will be organized as: to increase the professional level based on regular educational programs, to evaluate the performance based on objective criteria, and motivate employees' in accordance to their performance, to formulate human resources information database and to manage human resources.

In the coming years, together with the departments of the Ministry, other structures and subordinate bodies of the Ministry, it is planned to establish a human resources framework, to cooperate with separate organizations, non-governmental and international organizations.

8.2 Development of the knowledge and skills of the staff of the Ministry

In order to increase the potential of employees of the Ministry, it will continue to attract relevant staff members into qualification enhancement events in the country and abroad, as well as into training programs organised in the framework of cooperation exchange programs and international organizations.

In order to achieve the priority goals, the Ministry intends to coordinate and regulate the work related on the development of additional educational and professional levels through continuous education of all categories of the staff, as well as, to plan, manage and improve the quality of activities of the additional educational levels.

Strategic target 9. Strengthening institutional capacity



9.1. Responding citizens' requests

In the period of the rapid development of electronization, increase of effective relationship of state-private, state-civil, improvement and simplification of application forms, and the expansion of use electronic vehicles having a high importance. Until now the Ministry has provided to the citizens 7 interactive and 21 informative e-services, and also the ministry's 195-2 call center activity. Within the framework of establishment of e-government system and using information and communication technologies the improvement of appropriate relationship, quality of electronic services as well as creation of flexible mechanisms in regulation of citizens' appeals will continue.

9.2. Creating a single database

In order for deepening the relationship between structural parts, mutual cooperation, as well as, information exchange it has planned to implement systematic training programs for new workers, as well as, professional training on e-document and implementation structured internal consultation process, improvement of supervision system on implementation of work plan and important tasks, creation on the work done information database and portal for executors (interactive map).

9.3. The effective functioning of the organization

Timely and successful implementation of Decrees and Orders, strategic documents, as well as Strategic Plans signed by the President and the Government of the Republic of Azerbaijan in the following years, increase necessity of mobilization of all available resources of the Ministry in these areas. The achievement of the Ministry's strategic goals and the achievement of the expected outcomes imply that all structures of the Ministry, function as a single team. Based on the directions outlined in the Strategic Plan, the sections will continue to be developed and implemented, as well as systematic implementation will be ensured by incorporating the strategic goals and activities into the relevant work plans of the Ministry's administration.

Strategic target 10. Enhancement of corporate governance



10.1. Promotion of the application of corporate governance standards

In accordance with the corporate governance standards, the Ministry along with the state organizations has taken measures to improve the corporate governance principles and methods, improve the quality of management and apply modern corporate governance systems. At the next stage it is planned to expand the application of Corporate Governance Standards, including expansion of public awareness on corporate governance in regions, to increase the number of public and private enterprises with advanced corporate governance systems.

10.2. Application of corporate governance standards in state organisations

The introduction of corporate governance principles, the ensuring transparency in managing state-owned entities controlling shares is increasing the importance of competitive national economy. In this regard, the controlling stock (s) of the shares (stocks) prepared by the Ministry is based on the evaluation of the effectiveness of the activities of legal entities owned by the state, taking into account the international experience and features of the national economy, the corporate governance rules and standards in the joint stock companies belonging to the state, as well as the phased application of these rules and standards systematic measures will be taken to implement the action plan and results-based stimulant mechanisms. Workshops, trainings on promoting corporate governance principles for state enterprises will be held.

7. Monitoring and evaluation of Strategic Plan implementation

7.1. Selection of criteria

Monitoring is the observation over the implementation of the Strategic Plan and preparation systematic reports. Evaluation is needed to compare and analyze the quantitative and qualitative indicators on the basis of the targets and final outcomes of

Strategic Plan.

The Strategic Plan is enforced by Annual Action Programmes and monitored by reports on implementation of Action Programmes. On base of this monitoring:

- To prepare a report on the objectives and targets of the Strategic Plan, as well as the work done;
- To analyze the risks associated with external and internal factors that may affect the objectives and targets;
- Based on the above an evaluation is being carried out and achieved results are considered in the next Action Programme.

The departments of Ministry provide systematic implementation with adding proceedings from Action Program into their work plans.

7.2. Data collection and preparation of reports

The structures of the Ministry who are responsible for objectives and targets must collect the data in a particular period and submit the report to the responsible department. The collected reports will be submitted to the Administration.

Data collection and reporting forms are carried out in the following sequence:

- Annual Action Report: It is submitted to the main department by December 15 of the current year. The report contains proposals for the Action Programme for the next year. All reports are analyzed and presented to the administration.
- Final Report: The final report containing the successes achieved during the 6 month period of the last action year of the Strategic Plan, successful strategic targets and works in progress, difficulties, as well as, strategic proposals for the following year is prepared with involving all participants by the responsible department, and submitted to the administration.