

**Expert Round Table**  
**“Best practices in export promotion:  
Experiences in Latin America, Eastern Europe and Central Asia”**  
24-25 of May 2016 , IAMO Halle (Saale), Germany



**Dr. Elchin R. Atababayev**  
**Aspects of agro-products export promotion in Azerbaijan**



# BASIC INFORMATION

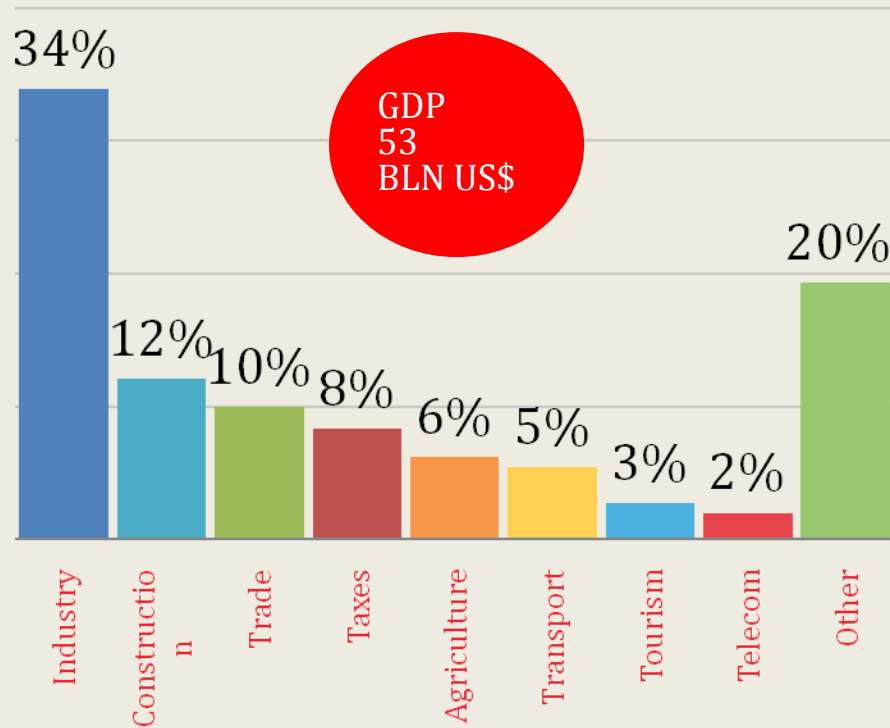
- Establishment:** 28 May 1918
- Independence:** 18 October 1991
- Official Language:** Azerbaijani
- Political system:** Presidential Republic
- Area:** 86.6 ths. sq. km.
- Population:** 9,6 million
- Capital:** Baku
- Autonomous Republic:** Nakhchivan
- Currency:** Manat \*



# Portrait of Azerbaijan's economy in general



## state of economy 2015



5558,7 US \$ GDP PER CAPITA



9 705 600 POPULATION



6,894.3 MLN US\$ EXTERNAL PUBLIC DEBT

# Competitiveness of Azerbaijan economy



## The Global Competitiveness Report 2015-2016 Commonwealth of Independent States

### AZERBAIJAN

#### Global Competitiveness Index

	Rank (out of 140)	Score (1-7)
<b>GCI 2015-2016</b> .....	<b>40</b>	<b>4.5</b>
GCI 2014-2015 (out of 144).....	38	4.5
GCI 2013-2014 (out of 148).....	39	4.5
GCI 2012-2013 (out of 144).....	46	4.4
<b>Basic requirements (55.9%)</b> .....	<b>43</b>	<b>4.9</b>
1st pillar: Institutions.....	64	3.9
2nd pillar: Infrastructure.....	65	4.1
3rd pillar: Macroeconomic environment.....	10	6.4
4th pillar: Health and primary education.....	102	5.2
<b>Efficiency enhancers (38.1%)</b> .....	<b>69</b>	<b>4.0</b>
5th pillar: Higher education and training.....	89	3.9
6th pillar: Goods market efficiency.....	66	4.3
7th pillar: Labor market efficiency.....	30	4.6
8th pillar: Financial market development.....	114	3.3
9th pillar: Technological readiness.....	57	4.3
10th pillar: Market size.....	67	3.9
<b>Innovation and sophistication factors (6.0%)</b> .....	<b>66</b>	<b>3.6</b>
11th pillar: Business sophistication.....	73	3.9
12th pillar: Innovation.....	61	3.3



WORLD  
ECONOMIC  
FORUM



Azerbaijan #40



KAZAKHSTAN #42



RUSSIA #45



GEORGIA #66



UKRAINE #79



TAJKISTAN #80



ARMENIA #82



MOLDOVA #84



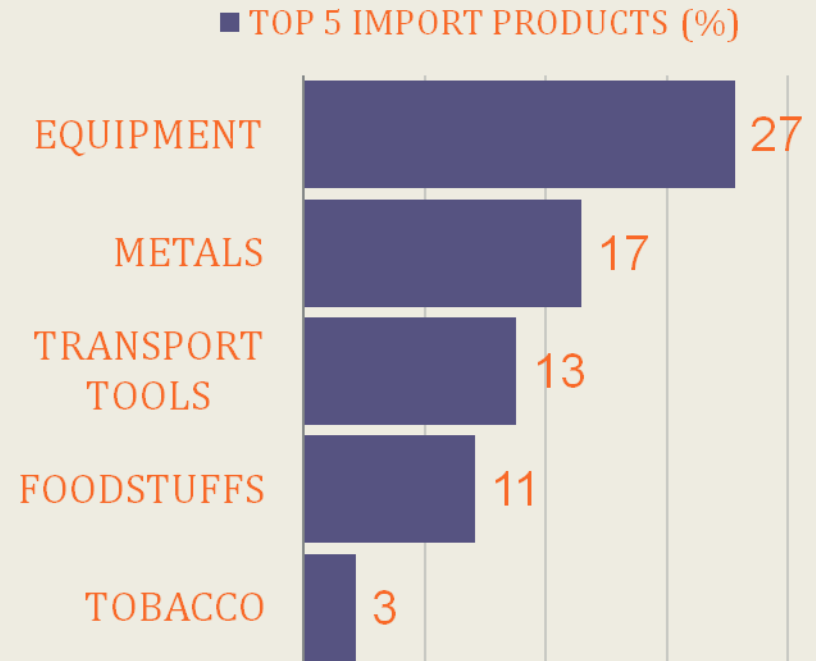
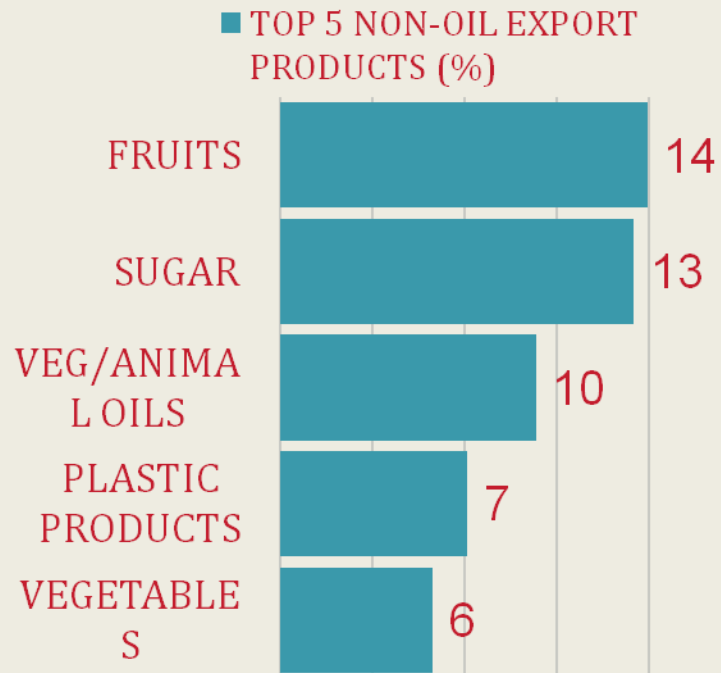
KYRGYZSTAN #102

# TRADE BALANCE



US\$ 16.56 BLN  
TOTAL VALUE OF EXPORTS

US\$ 9.22 BLN  
TOTAL VALUE OF IMPORTS





# BILITERAL FREE TRADE RELATIONS

## **COUNTRIES**

1. GEORGIA
2. KAZAKHSTAN
3. MOLDOVA
4. RUSSIAN FEDERATION
5. TURKMENISTAN
6. UKRAIN
7. UZBEKISTAN

## **ORGANIZATIONS**

1. ECONOMIC COOPERATION ORGANIZATION
2. BSEC
3. Economic Union of CIS
4. GUAM



# REGIONAL PROSPECT

## ECONOMIC REGIONS MAP

- Absheron economic region
- Ganja-Kazakh economic region
- Sheki-Zagatala economic region
- Lenkoran economic region
- Guba-Khachmaz economic region
- Aran economic region
- Yuxari Karabakh economic region
- Kalbajar Lachin economic region
- Daglig Shirvan economic region
- Nakhichevan economic region

- Viticulture
- Tobacco cultivation
- Vegetable-growing
- Poultry keeping
- Fruit-growing
- Grain cultivation
- Canned fruits
- Canned vegetables



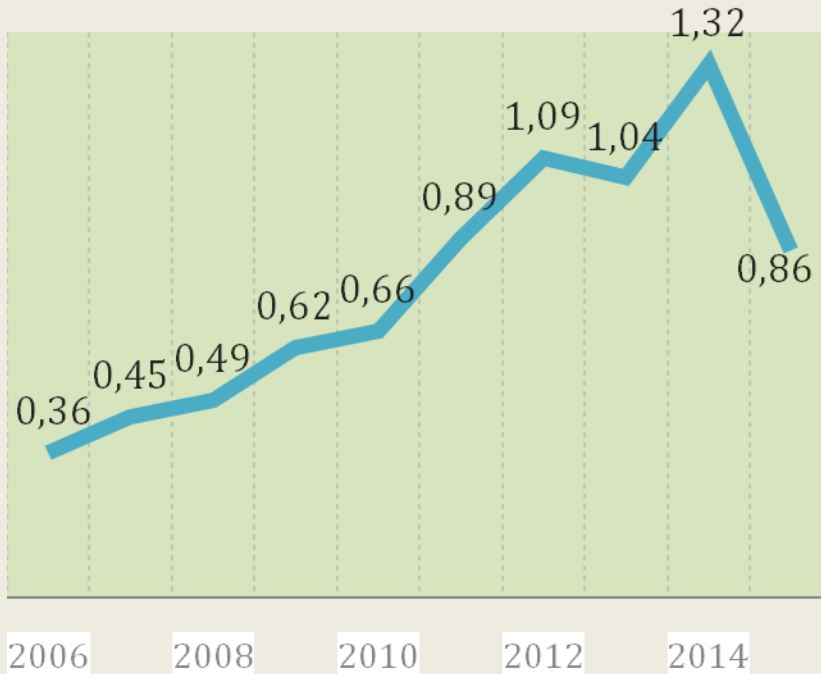
- Food processing
- Cotton cultivation
- Light industry
- Subtropical plants (tea, citrus fruits)
- Stock-breeding
- Winemaking
- Nut and hazelnut
- Canning mineral waters
- Irrigated farming
- Sericulture
- Diversified agriculture
- Saffron growing
- Olive growing
- Fish canning

# NON-OIL INVESTMENTS









## Non-oil Foreign Investments

Non-oil FDI, bln. USD



## Non-oil Top Investors

	TURKEY	2,8	BLN US \$
	UK	1,5	BLN US \$
	USA	1,0	BLN US \$
	NETHERLANDS	0,9	BLN US \$
	UAE	0,7	BLN US \$
	GERMANY	0,4	BLN US \$

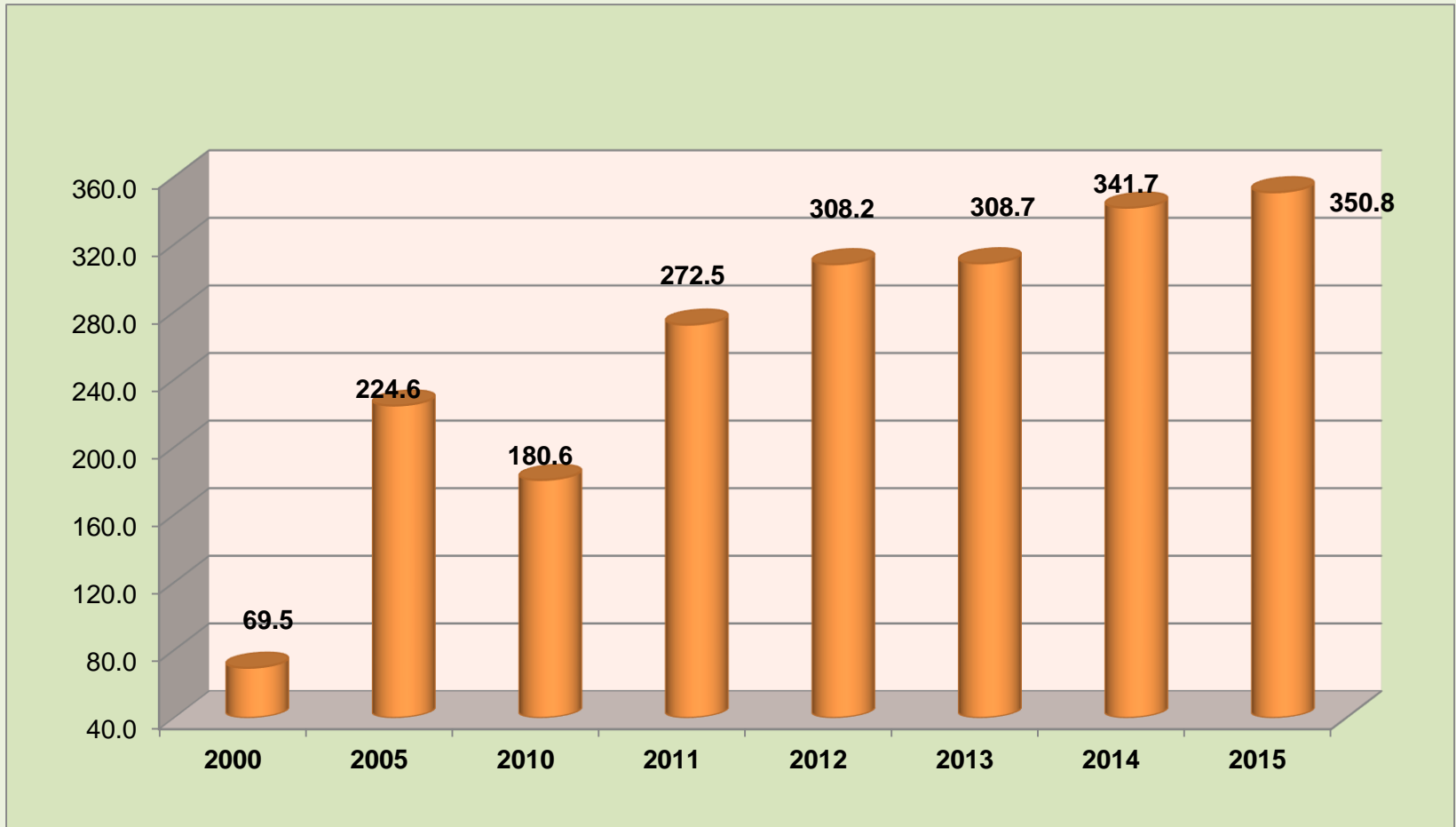


# Economic portrait of agricultural sector of Azerbaijan



- 1. The volume of contribution of Agriculture and food processing sector to country GDP is 6 % ( 31 December 2015).
- 2. Sector employs 39 % of labor force .

# THE MAIN AGRICULTURAL PRODUCTS EXPORT DYNAMICS, mln. US \$ .





# THE VOLUME of FRUITS EXPORT , tons



	2000	2005	2010	2011	2012	2013	2014	2015
<b>PERSIMON (KHURMA)</b>	28876.3	81202.9	116519.2	102777.8	109008.8	95118.2	69310.7	95631.32
<b>APPLE , PEAR , QUINCE</b>	2913.2	64241.3	42448.9	47140.2	60850.8	42096.9	47332.2	38754.0
<b>PEACH ,APRICOT, CHERRY , PLUM</b>	199.9	4867.0	8053.9	11156.8	23556.2	15178.6	21155.9	17156.6
<b>WALNUT, HAZELNUT</b>	7668.7	10888.6	8539.7	12918.5	10329.2	10416.9	12079.7	12226.9
<b>GRAPE</b>	547.3	385.1	24.1	50.3	300.1	1179.8	461.9	2027.2
<b>TANGERINE</b>	991.1	6015.7	11613.6	2164.4	2450.6	1019.2	28.4	147.04
<b>DRIED FRUITS</b>	445.2	257.9	136.4	73.9	65.3	79.5	22.3	132.2
<b>OTHER FRUITS (POMEGRANATE)</b>	7601.5	603.2	481.6	921.8	14173.8	8376.1	8016.1	7100.3
<b>FRUITS-TOTAL</b>	49243.2	168461.7	187817.4	177203.7	220734.8	173465.2	158407.2	173175.5

# THE VOLUME of VEGETABLES EXPORT, tons

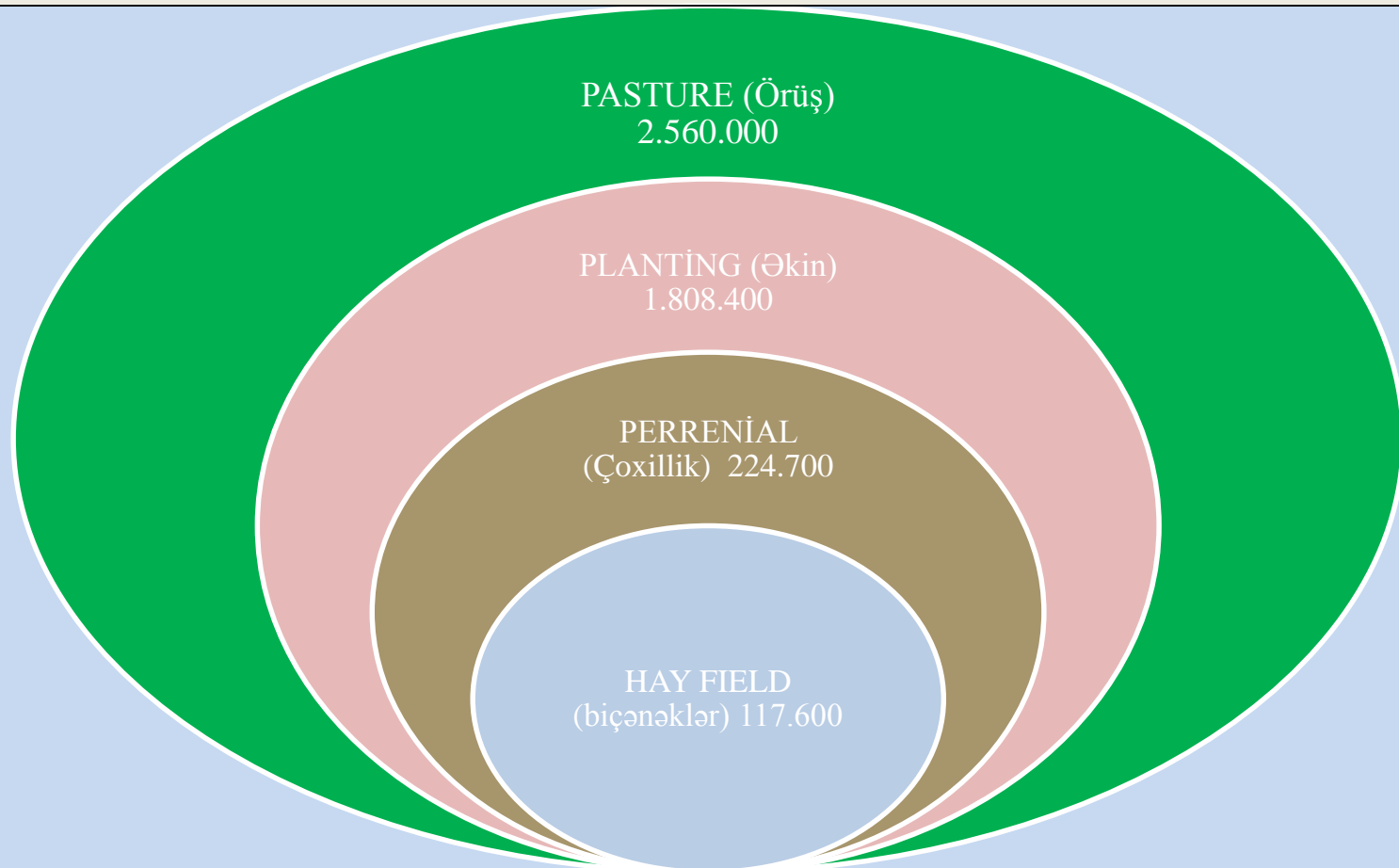


	2000	2005	2010	2011	2012	2013	2014	2015
<b>Kartof</b>	520.5	38998.5	63977.9	91719.8	58797.4	53936.5	49475.6	36712.0
<b>Pomidor</b>	473.7	28939.6	40242.3	42922.2	35677.4	46122.8	55436.7	65015.8
<b>Xiyar</b>	0.0	1645.0	7800.4	10281.2	12344.6	13690.0	15222.4	6753.3
<b>Soğan</b>	42.7	523.3	1257.5	5866.9	1826.3	3321.8	3558.0	8889.2
<b>Yerkökü</b>	35.0	348.0	679.8	956.6	673.7	308.1	245.8	918.3
<b>Paxlahlılar</b>	60.0	2.0	271.4	145.4	455	401.4	215.0	105.6
<b>Kələm</b>	70.0	56.0	117.6	78.1	50.7	8.1	0.0	19.4
<b>Digər tərəvəzlər</b>	44.7	2580.4	4527.5	5635.9	3820.8	1988.8	2194.4	1658.1
<b>Cəmi</b>	1246.6	73092.8	118874.4	157606.1	113645.9	119777.5	126347.9	120071.7

# Arable land



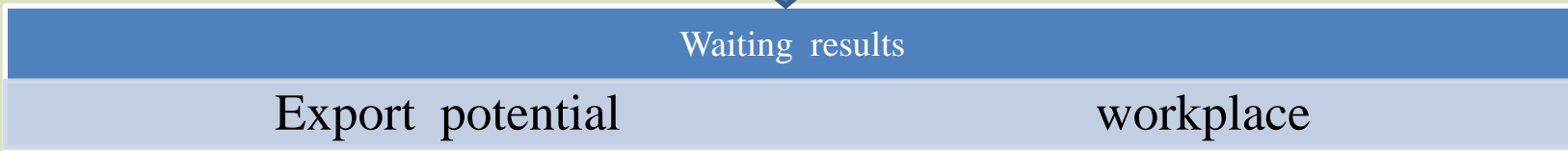
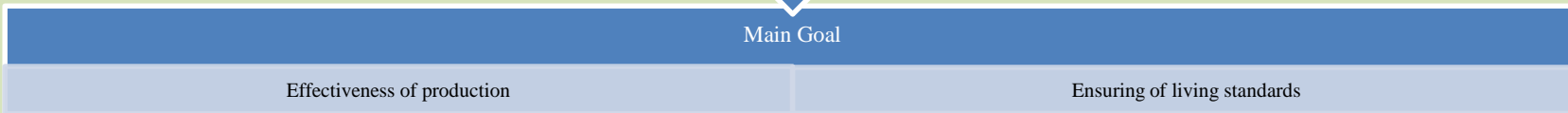
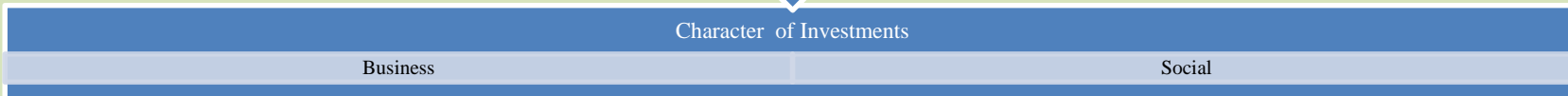
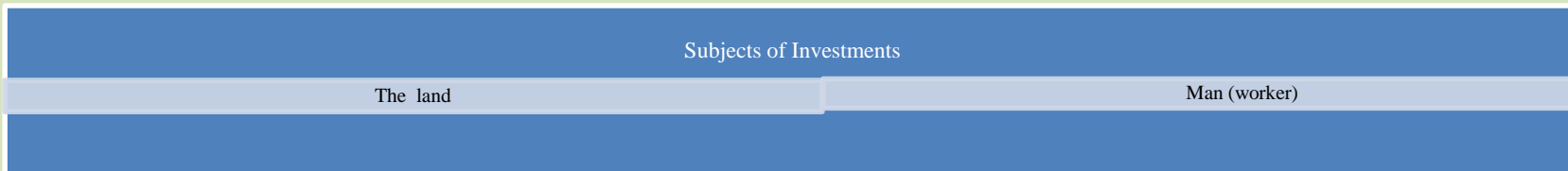
Total Square 4.756.500 ha  
and 1.432.600 of that are irrigated



# Structure of Land ownership



50 % big land owners (producers )	50 % small land owners (producers)
200 enterprises	3.000.000 plots owners
	42 % of that - 1-3 ha
	53 % of that - 3-5 ha



## SUPPORT OF AGRICULTURE AS % OF VALUE OUTPUT – PRODUCER SUPPORT ESTIMATE (PSE) .



\* Working Party for WTO accession of Azerbaijan was established at 1997 .

<b>N</b>	<b>COUNTRY</b>	<b>LEVEL OF SUPPORT (%)</b>
1	Azerbaijan	12
2	China	20
3	USA	7 – 10
4	Korea	51
5	Australia	2





# STATE SUPPORT MECHANISMS

## **I Institutional Support**

AZPROMO

Azerbaijan Investment Company

National Fund for Support of Entrepreneurship

“Agroleasing” JSC

## **I Subsidies**



# SUBSIDIES TO AGRICULTURAL SECTOR



## SUBSIDIES BY PRODUCTS

40 AZN aid to wheat and rice producers for each ha of planted areas

50% government subsidy to farmers for seed purchase

70% government subsidy to wheat producers for the purchase of mineral fertilizers

50% discount for the purchase of cattle pedigree

## NON-PRODUCT SUBSIDIES

"Tax heaven" to agrarian producers

Soft credits to agrarian producers

50% discount to producers for the purchase of fuel and motor oils

50% discount to producers for the purchase of mineral fertilizers

Sale of machinery to producers at privileged leasing terms

Privileged price of irrigation water for the agrarian producers

# EXPORT PROMOTION “BY BOXES” (Within TOTAL AMS )



## **DOMESTIC SUPPORT** **GREEN BOXES/ YELLOW BOXES**

Scientific researches  
Pest management  
Personal trainings  
Goods promotion on market  
Insurance of production  
Emergency support  
Development of state stocks for food securities  
Programs of regional development  
Insurance Programs  
Veterinary and Phytosanitary measures  
Fuel subsidy  
Direct payments and subsidies

## **EXPORT SUPPORT**

1. Export credits lending
2. Letters of guarantee for export credits
3. Direct subsidy of export from budget (3 % ) against export declaration .

# Legal environment for export promotion in Azerbaijan



1. Middleterm national Program “Azerbaijan-2020” : The Vision of the Future
2. State Program on Reliable Provision of the Population with Food (2008-2015)
3. State Program on Social-Economic Development of Regions (2014-2018).
4. State Program on Poverty Reduction and Sustainable Development (2008-2015)
5. “The determinant directions of strategy roadmap on national economy and economy’s main sectors” (Presidential Decree 16.03.2016).
  - 2016-2020
  - 2025
  - 2025 and later
6. “Additional measures on non-oil products export promotion” ( Presidential Decree N811 on 01.03.2016 )
  - 3%

## **Business environment for export promotion in Azerbaijan.**



1. No State Inspection of businesses.
2. No taxation in agriculture sector up to 1 January 2019
3. Administrated prices are not used for agricultural products



## **International directive documents for agriculture sector of Azerbaijan**

- 1. “Millenium Development Goals” Declaration**
- 2. United Nations Development Assistance Framework (UNDAF) for the Republic of Azerbaijan (2011-2015)**
- 3. World Food Security Summits ; 1996, 2009**



## Tools of National export promotion policy

- 1. Conclusion of direct agreements with administrations of different subjects of Russian Federation (Stavropol kray, Sankt- Petersburg, Yekaterinburg oblast)
- 2. Financial resources of NFES (National Fund for Entrepreneurship Support)
- 3. Inclusion into National system the standards of Codex Alimentarius, ISO HACCP, standards of the European Union on food products
- 4. Establishment of “Electronic Agriculture” information system
- 5. Trade missions abroad
- 6. Involvement into activity of regional organizations (BSEC- Black Sea Economic Cooperation , OIC – Organization of Islamic Cooperation , OEC – Organization of Economic Cooperation)
- Supporting the “Product of Azerbaijan” brand .

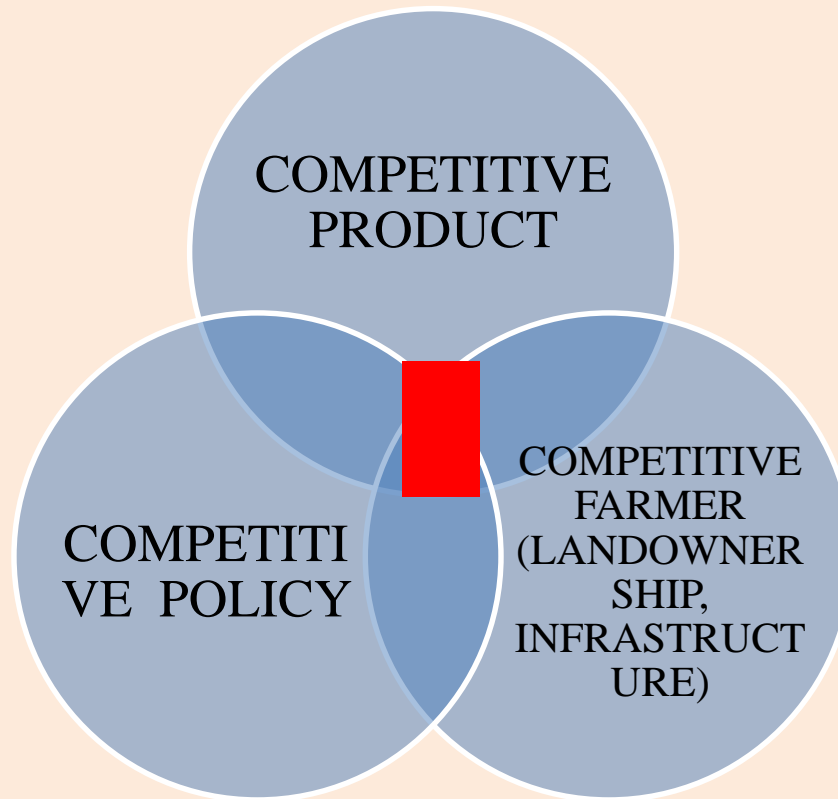


## Recent steps for export liberalization

- 1. Presidential Decree on additions to Law “On antimonopoly activity”, concerning cartels and oligopoly regulations
- 2. Decree on additional measures on non-oil products export ( 3% direct subsidy).



# Three pillars of successful export



Comparison of additional plants growing expenditures depending distance between farming land and place of living of farmer (% to total sum) .



Distance, km	1	2	3	5	6	8	10	13	15
<b>Crop</b>									
Grains ( dənلیلər)	2,2	3,4	4,6	6,9	8,1	10,5	12,9	16,5	19
Potato ( kartof)	3,0	4,1	5,2	7,3	8,4	10,5	12,6	15,7	18
Cotton ( pambiq)	2,5	3,9	5,3	8,1	9,4	12,0	14,4	17,9	20
Tomato ( tomat )	4,5	6,2	7,8	11,0	12,6	15,6	18,7	23,1	26
Cabbige ( kələm)	10,1	13,1	15,9	21,4	23,9	28,8	33,3	39,2	43
Grapes (üzüm)	1,6	2,5	3,4	5,2	6,0	7,8	9,4	11,9	13
Annual grasses (Biril)	2,4	4,9	7,3	12,2	14,5	19,3	24,0	30,9	35
Perrenual grasses (Çoxillik otlar)	0,5	1,3	2,1	3,6	4,3	5,7	7,0	8,9	10



## Expenditure variation indices for 1 ha crop growing depending on compartmentalization of land plots

Size of plots ha Crops	2	4	5	10	15	20	25	30	35	40
Grains ( dənلیلər)	1,17	1,15	1,14	1,10	1,08	1,05	1,04	1,03	1,02	1,01
Potato (kartof)	1,10	1,09	1,08	1,06	1,04	1,03	1,02	1,01	1,01	1,01
Cotton (pambıq)	1,16	1,14	1,13	1,10	1,07	1,05	1,04	1,03	1,02	1,02
Grapes (üzüm)	1,12	1,10	1,09	1,07	1,05	1,04	1,02	1,01	1,01	1,01
Annual grasses (birillik otlar)	1,11	1,09	1,08	1,06	1,05	1,03	1,02	1,01	1,01	1,01
Perrenual grasses (Coxillik otlar)	1,24	1,21	1,19	1,14	1,10	1,07	1,05	1,04	1,03	1,02

# COMPETITIVENESS of AGRICULTURAL PRODUCTS



Cotton - (4,34 )

Walnut - ( 10 )

Pomegranate ( 4 )

Percimone (2)

Grape (2)

Potato (2-5)

Cabbage ( 2 – 4 )

Onion ( 2-4)

Gilas (2-3)

Feyxoax (up to 10 for Lenkoran )

Apples ( up to 10 for Guba region)

Sabalid (uo to15for Zaqatala)

Findik (up to 12 for Sheki)

Erik (up to 7 for Nakhchivan)

Qoyunculuq ( 3-10 for Aran)





# COMPETITIVENESS OF EXPORT POLICY

## Cost estimation at export procedures

(provided by Economic Research Center within Azerbaijan Competitiveness and Trade Project and financed by USAID, 2011).

$$I \text{ (Total costs)} = C \text{ (Company costs)} + P \text{ (Costs of state bodies)} = (H \times S1) + (A + E) + (D \times S2)$$

$C = (H \times S1) + (A + E)$ ; H – Time spent by the company (hour); S1 – Average monthly salary in the companies ( per 1 hour);  
A – Official pays and taxes; E – Non-official pays

$$P = D \times S2$$

D – Time spent by state bodies, hour; S2 – average monthly salary (per 1)

Note: Costs have been estimated in a sample of export of pomegranate product 20 tons.

The number of legislative acts regulating export of pomegranate products to the countries of the European Union reaches 31. It includes 6 laws of the Republic of Azerbaijan, 1 Code, 13 resolutions of the Cabinet of Ministers, 2 Decrees by the President, 5 resolutions and 2 internal instruction manual of the Tariff (Price) Council, 1 State Program and 1 Charter.

N	Country	Export Costs (% of total cost)
1	AZERBAIJAN	27
2	EUROPEAN UNION	1

# Possible recommendations for export promotion policy in Azerbaijan



## Institutional tools

- For minimization of man factor in export procedures to transfer the numbers of acts into virtual space (examp. Electronic declaration)
- Establishment of “One Stop Shop” mechanism for export procedures (including certification)
- Providing potential exporters by information on standards and logistics information.

## Financial tools

1. Direct export subsidies from budget ( mainly small producers oriented)
  2. Covering of fairs and exhibitions participation.
  3. Co-financing of export credits
- Co-financing of risks insurance

## POSSIBLE RECOMMENDATIONS FOR FAO EXPORT PROMOTION POLICY



1. Continue the elaboration of multilateral trade system in region for minimizing the effect of market fluctuation on final consumers and small producers.
2. Periodically carry a quantitative estimation of an export cost for agricultural products in the countries of region .
3. To widen the information delivery on :
  - export markets,
  - countries potentials focused researches
  - assistance for accessing export markets
4. Support the establishment of “brain centers” deal with the researches on food security and agricultural trade policy and promote in the region to adequate ratio of expenditures for agricultural researches on respect of agricultural GDP like as in developed countries.



# Used sources

- 1. State Customs Committee
- 2. State Statistics Committee
- 3. “TradeMap” International trade portal
- 4. The State of agricultural commodity markets (SOCO) 2015-2016.
- 5. Global Agribusiness Annual 2016 (INFORMA Agribusiness Intelligence).





# End of presentation

Thank You very much !!!

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