



Statement of the IDB Governor for the Republic of Azerbaijan

The 43rd Annual Meeting of the IDB Board of Governors
Tunis – Republic of Tunisia
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Original Text
(English)

**Your Excellency, Mr. Chairman of the Board of Governors,
Your Excellency, President of Islamic Development Bank,
Your Excellency, Governors and Alternate Governors,
Ladies and gentlemen.**

Let me express my deep respect and gratitude to the Government of Tunisia and Islamic Development Bank for the excellent arrangement of the 43rd Annual Meeting of the Board of Governors of the IDB.

I would like to highlight the importance of this meeting from the perspective of collaboration of Islamic World. We highly appreciate the efforts of the Islamic Development Bank Group directed to the improvement of well-being of its member countries. The government of Azerbaijan supports strategy of the IDB focused on development of such crucial areas as agriculture, rural infrastructure, transport, small and medium entrepreneurship, trade and communication. We welcome priorities of the Bank including cooperation in private sector, financing of infrastructural, environmental and social projects and implementation of the programs targeted in developing high technologies and these directions are in line with the general development policy of Azerbaijan.

Cooperation with the Islamic Development Bank has been determined as one of the highest priority directions of Azerbaijan's foreign policy. More than 25 years of cooperation between Azerbaijan and IDB is clear evidence for above mentioned. The Islamic Development Bank has financed a number of projects with total amount of almost 1 billion USD in Azerbaijan since the launch of cooperation with IDB.

Azerbaijan is a member of International Trade Finance Corporation (ITFC), Islamic Corporation for the Development of Private sector (ICD) and Islamic Solidarity Fund.

Dear friends!

Availing myself of this opportunity I would like to brief you on current social and economic reforms, and achievements of our country.

Political and macroeconomic stability, sustainable economic growth and a favorable business environment create a wide range of business opportunities for the development of mutually beneficial cooperation.

As a result of successfully implemented socio-economic reforms during last 15 years the overall GDP, GDP in non-oil sector, as well as GDP in industry and agriculture have increased by 3.6, 3.2, 2.6 and 1.8 times, respectively. Thus, during the years of 1995-2017, 249 billion USD were invested in the country's economy of which 48.9% domestic and 51.1 % foreign investments. Foreign exchange reserves have reached 44 billion USD.

I would like to underline that despite the global economic slowdown, as a result of comprehensive economic reforms and stabilization of economy of Azerbaijan in 2017, macroeconomic stability was ensured in the country, and a new phase of economic development started. Complex measures were taken in the country in order to improve the business environment, entrepreneurship, diversification of the economy, and socio-economic development

of the regions of the country which also includes a huge number of legal and institutional reforms.

In order to prevent cases of abuse, illegal interference in entrepreneurial activity, as well as ensuring transparency, a Law on "Suspension of inspections in the field of entrepreneurship" was adopted by the Parliament of Azerbaijan in 2015. According to this Law all inspections in the field of entrepreneurship, at the beginning were suspended until 2017 and then this period was extended till 2021.

As part of the economic reforms, in order to facilitate and simplify the procedures of starting business activities and getting permits, the number of licenses for economic activities was reduced from 59 to 37 and the number of permits decreased from 330 to 86, respectively. The one-stop shop principle is being applied for getting licenses for economic activities and also, an internet portal has already been put into operation which will provide the licenses and permits to entrepreneurs on-line.

In order to promote investment attraction to the economy of the country the investment promotion mechanisms have been introduced since 2016. According to these mechanisms entrepreneurs who obtain "Investment Promotion Certificates" from the Ministry of Economy are exempted from 50% of income and corporate tax, as well as from paying property and land tax, VAT (value added tax) on imported technological equipment and facilities, also from paying import duties for next 7 years.

As part of investment promotion reforms a number of industrial parks and zones, as well as agro parks, were created in the country which play important role towards industrial and agricultural development. During short period of time 5 industrial parks in the fields of chemistry, pharmacy, textile, waste recycling and others have already been established. More than \$ 2.5 billion have been invested to the industrial parks by residents so far and more than 11,000 jobs were created. In addition, for the next phase about US\$ 1.1 billion is expected to be invested. The International Financial Institutions have also started to finance projects of the entrepreneurs who are willing to create production lines in the industrial parks and zones. In this regard we would like to invite IDB also to consider these cooperation opportunities with the residents of the industrial parks and zones.

In order to increase country's non-oil export potential and varieties of export goods as well as diversification of export geography, a series of measures under the "Made in Azerbaijan" brand promotion are being implemented. The measures such as foreign market research, organization of export missions, establishing trade houses and trade representatives are vivid examples. The government covers some expenses of the local exporters on foreign market research, export mission expenses, participation at the international exhibitions and so on.

In order to facilitate provision of public services to people including entrepreneurs by "single window" system, the State Agency for Public Service and Social Innovations under the President of Azerbaijan, so called "ASAN service" was established. ASAN means "easy. "ASAN service" centers are the bodies to ensure the realization of the public services in a uniformed and coordinated manner - in one stop shop.

As part of institutional reforms in order to ensure financial and macroeconomic stability, including the balancing of the currency market and improving the currency regime the Financial Stability Board was established.

Apart from above mentioned in order to increase the entrepreneurs' access to financial resources and to stimulate entrepreneurship activity, as well as to form a lending system based on financial risk allocation the Mortgage and Credit Guarantee Fund of Azerbaijan was established by the Decree of the President. The Fund guarantees entrepreneurs' manat loans borrowed from authorized banks and grants them subsidies to the relevant part of calculated interest on these loans.

In order to support SMEs in the country the Small and Medium Entrepreneurship Development Agency of the Republic of Azerbaijan under the Ministry of Economy was established by Presidential Decree in 2017. The Mission of the Agency is to expand the access of SMEs to financial resources, provide institutional support, strengthen mechanisms towards protection of the rights of entrepreneurs and provide legal services, as well as create favorable conditions for SME development in the country.

The implemented reforms and achievements are also recognised by different international financial institutions and organizations. According to the Global Competitiveness Reports of the World Economic Forum from 2005 to 2017 Azerbaijan moved forward 34 levels and ranked 35th place among 137 countries. Furthermore, Azerbaijan ranked 57th place among 190 countries and was one of the three most reforming European and Central Asian countries in the Doing Business 2018 report prepared by the World Bank.

Dear friends!

Azerbaijan is located at a very favorable geographical position. This location affects the country to play important transit role between Asia and Europe. In order to improve its transit opportunities Azerbaijan initiated different transport projects. One of these projects is Baku-Tbilisi-Kars railway project opening ceremony of which held in 2017. Baku-Tbilisi-Kars (BTK) railway line is a regional railway link that will directly connect Kars in Turkey, Tbilisi in Georgia and the capital of Azerbaijan Baku. The railway line will facilitate the trade and economic links between China and Europe. Another important strategic project is North-South Transport Corridor between Azerbaijan, Iran and Russia which will connect railway lines of Iran and Azerbaijan.

In order to accelerate and simplify the transit procedures and apply common transit tariffs as well as coordinate the activities of the government entities, the Coordinating Council on Transit Freights was established. As a result of its activity the transit tariffs have been reduced by 40% in Azerbaijan.

Dear participants!

I would like to highlight one important issue. Azerbaijan established fruitful economic and political cooperation with regional countries, except Armenia which occupied 20% of Azerbaijan's territories and caused more than 1 million citizens of Azerbaijan to become refugees and internally displaced persons in their own lands. Aggression of Armenia against Azerbaijan,

it's series of territorial claims to neighboring countries, create serious obstacles to the expansion of economic cooperation in the region, and limits the full realization of economic potential.

Meanwhile, I would like to thank members of the Organization of Islamic Cooperation (OIC) for supporting Azerbaijan's territorial integrity and Parliamentary Union of the OIC for adoption of resolution on recognizing Khojaly massacre as a genocide committed against Azerbaijanis by Armenians.

Availing myself of this opportunity I would also like to inform you that on May 22, 2017 Azerbaijan officially nominated the capital Baku to host the World Exhibition in 2025. As you know, Expo-2016 was successfully held in Antalya, Turkey, and Expo-2017 in Astana, Kazakhstan. Azerbaijan also took an active part in these exhibitions. I would like to ask the members of OIC to support Azerbaijan during the elections to host the Expo 2025.

Azerbaijan hopes for further cooperation with the IDB, in particular, for diversification of economy. We welcome investments in non-oil sector of our economy, aimed at the development of agricultural sector, industry, irrigation, transport, improvement of water supply and other sectors promoting enhancement of non-oil sector.

In conclusion I would like to thank His Excellency Dr. Bandar Hajjar and management of the Bank for their contribution to the development of relations between the Islamic Development Bank and its shareholders.

Thank you for your attention!