INFORMATION NOTE
on the implementation of the actions of the Vienna Programme of Action (VPoA) for Landlocked Developing Countries

III. Mainstreaming of the VPoA into the national development planning process and coherence with the 2030 Agenda and other global processes.

Fulfilling the commitments made by the Republic of Azerbaijan on the Sustainable Development Goals (SDGs) is an integral part of state policy. The state programs, strategies, and action plans covering social, economic, and environmental spheres have been adjusted to meet the goals and objectives of the 2030 Agenda for Sustainable Development, while sector strategic plans were also developed within medium-term expenditure, which will be a significant roadmap for SDG financing.

In February, 2021, “Azerbaijan 2030: National Priorities for Socio-Economic Development” was approved by the Order of the President of the Republic of Azerbaijan. In this framework, the Government of Azerbaijan has established five national priorities targeted at achieving the long-term evolution towards the social-economic and environmental development of the country for the next decade:

1. a steadily growing, competitive economy;
2. a dynamic, inclusive society based on social justice;
3. areas of modern innovations and competitive human capital;
4. the Great return to the territories liberated from occupation;
5. a clean environment and country of “green growth”.

In line with the priorities, “2022-2026 Social and Economic Development Strategy” has been approved. “2022-2026 Social and Economic Development Strategy” is closely mapped to UN’s 17 Sustainable Development Goals.

IV. Assessment of key economic, social and environmental development trends

Despite the negative effects of the coronavirus (COVID-19) pandemic, as a result of the implemented flexible and effective economic management measures, the country’s economy was adapted to the new global realities in a short period of time, macroeconomic stability was ensured, and the population’s well-being and health were protected.

A number of regulatory legal acts have been adopted and successfully implemented to reduce the negative impact of the pandemic and the resulting sharp fluctuations in the world
energy and stock markets on the economy of the Republic of Azerbaijan, macroeconomic stability, employment issues and business entities in the country.

The Government of the Republic of Azerbaijan responded promptly to the processes taking place in the world economy and global markets, and first of all, emergency anti-inflation measures were implemented in the country.

A number of customs and fiscal regulation measures have been taken in the field of improving the supply of the domestic market with food products included in the minimum consumption basket, as well as stimulating local producers of such products, and protecting the level of self-sufficiency in the domestic market for relevant food products. At the same time, the use of concessional financing instruments for micro, small and medium-sized entrepreneurs involved in the supply and processing of basic food products and the processing of agricultural products has been expanded. As a result of implemented consistent and purposeful economic policy the Azerbaijani economy in 2022 showed an increase of 4.6%.

V. Assessment of progress and challenges in the implementation of the VPoA (for each priority area)

**Priority Area 1: Fundamental transit policy issues**

The transit policy of the Republic of Azerbaijan, as a landlocked country, aims at creating a new infrastructure and diversifying transport connections, using rationally transit opportunities, providing state support for transport projects, brings the legal and institutional framework closer to international standards, implementing widely transport and logistical systems facilitating transportation operations and the goods movement process.

New projects are being implemented for strengthening the transit potential. In particular, measures are continuously taken by the customs authorities to increase the transit potential of the Republic of Azerbaijan by simplifying border crossing procedures during international transportation. In this area, our country has joined a number of agreements that provide for the use of simplified customs and border crossing procedures during international cargo transportation.

Among these “Protocol among the Customs Administrations of the GUAM (Organization for Democracy and Economic Development) Member States on organizing the preliminary data exchange related to the movement of goods and vehicles across the state borders of the GUAM Member States” dated 8 July 2015, “Transit and Transport Cooperation

In order to simplify the customs border crossing procedures during international freight transportation by rail, the railway waybill (SMGS) is accepted as a transit customs declaration pursuant to the Article 4 of the Technical Annex to the “Basic Agreement on the procedures of international customs transit in the TRACECA corridor for the transportation of goods by rail using the SMGS railway bill”.

Transportations are successfully carried out within the framework of the Agreement "On the Baku-Tbilisi-Kars new railway line between the Government of the Republic of Azerbaijan, the Government of Georgia and the Government of the Republic of Turkey". The connection of transportation along the TRACECA corridor, as well as the Lapis Lazuli route with the Baku-Tbilisi-Kars railway is important in reducing the delivery time of goods in the western direction. In order to minimize the time of customs control and clearance during international freight transportation by rail, data exchange is carried out between the State Customs Committee and “Azerbaijan Railways CJSC” in test regime. The mentioned project is planned to be fully commissioned in the near future.

With the support of the Asian Development Bank (ADB) within the framework of the Central Asian Regional Economic Cooperation (CAREC) program, the "Agreement on the pilot verification of the CAREC advanced transit system and information common exchange" (CATS) project was developed on the route Kazakhstan-Azerbaijan-Georgia. The CATS project
envisages the advance data exchange on the transport route, the application of electronic transit document and customs guarantee.

The TIR-EPD system, which provides for the preliminary submission of information about goods and vehicles by carriers to customs authorities during international freight transportation using the TIR Carnet, has been fully operational since February 1, 2019. eTIR pilot project considering the implementation of the procedures regulated by the Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention, 1975) via electron platforms was implemented in June of 2019 between Azerbaijan and Iran. Taking into account that the 11th Appendix, which constitutes the legal framework for the complete digitalization of the TIR procedure, entered into force on May 25, 2021, for the purpose of applying the eTIR procedure the works of accession to the said Appendix and implementing technical adaptation have been started, and appropriate measures are being taken in this direction.

The protocol regarding additions to the “Guarantee Agreement on TIR Carnets” dated 14 July 2016 between the State Customs Committee of the Republic of Azerbaijan and the Azerbaijan International Association of Road Carriers on the implementation of the eTIR procedure in our country was signed on 3 June 2022. Mutual work is being carried out between the customs authorities of the Republic of Azerbaijan and Georgia in the direction of eTIR transportation, and the first transportation is expected to be realized in the near future. In order to speed up customs clearance and customs control, a separate TIR service window has been established for carrying out customs clearance of goods transported under the coverage of TIR Carnet at the Baku International Sea Trade Port.

One of the important steps in the field of transit was obtaining informal observer status by the Republic of Azerbaijan in 2017 in the management structures of the Common Transit and Simplification of Formalities in Trade in Goods (Single Administrative Document) Conventions. As well as during the period from June 1, 2020 to March 31, 2022, within the framework of the financial support of the European Union and cooperation with the Italian Customs and Monopolies Agency "Support to the State Customs Committee of the Republic of Azerbaijan in the accession to the Convention on a Common Transit Procedure, Convention on Simplification of Formalities in Trade in Goods and implementation of the New Computerised Transit System (NCTS)" project was implemented. The mentioned project was completed in
March of 2022 and the works related to the harmonization of the legislation as a result of the implementation of the project is being continued.

In the framework of international container transportation, work is being done in the field of studying international experience and creating a national mechanism for ensuring control over the return of temporarily imported containers from the territory of the country. Fundamental reconstruction works have been completed for increasing the release capacity in “Khanoba” customs post situated on the state border of the Republic of Azerbaijan with Russian Federation in order to ensure faster passage of transit goods and vehicles through the territory of the Republic of Azerbaijan, to increase the competitiveness of the part of the "North-South" international transport corridor passing through the territory of our country, and especially to simplify the border-crossing procedures for the export of agricultural products to foreign markets.

During container transportation from Kazakhstan and Turkmenistan by sea in the direction of Azerbaijan on the "Trans-Caspian International Transport Route", it is not required by the customs authorities to draw up railway bills (SMGS) in accordance with the new railway platforms on which containers are transported in our country, and the customs clearance is carried out with correction on platform number of SMGS railway bills drawn up in the country of departure. During placement of goods brought to the customs territory by sea transport and continued to be transited by railway transport in containers under international transit procedure, due to the fact that determination of the railway platforms where the containers will be loaded takes time, relevant measures have been taken by the customs authorities in order to realize the declaration based on the container number, as well as currently a simplified mechanism is being implemented by coordinating with carriers. This mechanism enables electronic declaration of containers before they are brought to the customs territory.

Azerbaijan has acceded to a number of conventions that regulate customs issues related to transit, and is conducting relevant work to simplify border crossing procedures. The Republic of Azerbaijan ratified 14 of UN Agreements and Conventions on Transport and transit, and relevant work is being done to join the others. The Republic of Azerbaijan has joined the Convention concerning International Carriage by Rail (COTIF) since April 14, 2015. In October 2022, Azerbaijan has accessed to the Additional Protocol on an electronic consignment note (e-CMR) of 2008 "Convention on the contract for the international carriage of goods by road (CMR)" of 1956.
Azerbaijan is one of the first among countries to sign the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific. It is known that the "Digital Customs" solution is crucial for the implementation of the provisions of the Framework Agreement. In this regard, the relevant work done by the State Customs Committee. Azerbaijan ranked 9th in the survey on trade facilitation and paperless trade in Asia and the Pacific. The strategy of the future development of this sector has been identified and endorsed within the policy documents “Strategic Road Map for the Development of Logistics and Trade in the Republic of Azerbaijan” and other State Programs, approved by the relevant decrees of President of the Republic of Azerbaijan. The roadmap defines the short-term, medium-term and long-term perspective directions of economic development of Azerbaijan in the field of logistics and trade for the period up to 2020, 2025 and beyond 2025.

In order to implement the relevant provisions of the "Strategy Document on Trade Facilitation" approved within the framework of Organization of Turkic States (OTS), a "Committee on Trade Facilitation" was established under the organization and the necessary work is being continued within the organization.

As a country that plays the role of a bridge between the Central Asian LLDCs and the Black Sea Basin countries, Azerbaijan is active in the framework of TRACECA and the Organization of Turkic States for the development of multimodal transportation. At 2022, Azerbaijan signed the "Agreement on international combined cargo transportation between the governments of the member states of the Organization of Turkic States". Also, Azerbaijan Railways CJSC (ADY) became a member of the Agreement on Freight Transportation of the Organization for Cooperation of Railways (OSJD) on May 5, 2022, and the work is being continued in order to appoint a forwarder by Azerbaijan as the national operator of this Agreement.

The Coordinating Council on Transit Freight in Azerbaijan was established to enhance coordination of national agencies responsible for transport and transit. The mentioned Council is the collegial executive body engaged with the creation of new transit facilities, maximum usage of the potential of the existing infrastructure, elimination of obstacles for developing of transit cargo transportation, impediment for creation of unfair competition, consideration of applications of transit freight participants, taking appropriate measures to protect their rights, ensuring the registration of agreements between carriers and customers. Within the framework of Council, chaired by the Minister of Digital Development and Transport, works are underway
for optimization of tariffs, coordinating activities of carriers and government agencies, ensuring transparency, simplifying transit procedures and sustainable development of transport.

The number of customs officers at the Yalama station has been increased. In order to speed up the work, the process of transfer of the employees of the State Border Service to the station area is ongoing. Optimization of a number of operations on the Alat complex was carried out within the framework of the operation management service launch. Coordination work has been organized between all related services in the complex. Daily selector meetings were organized with the participation of the main services. Planning of daily tasks is carried out. During the meetings with the participation of the representatives of Kazakhstan and Georgia, the movement of block trains and the return of unloaded wagons are controlled, which enables timely provision of wagons and efficient use of wagons for goods entering Cargo.

In order to further speed up operations, a medium-term planning service was created within the framework of the Transformation project. The main task of medium-term planning is to forecast the transit corridor for bulk cargoes up to 14 days, to establish the exchange of information with the participants of transportation. Regular selectors held with the Georgian side regarding the transportation of urea cargo, and data collection on ships and platforms are among the obtained results.

Under the Azerbaijan railways reconstruction project (2nd stage) repair works of 600 kilometers of the railway line, which are planned to be overhauled on the Baku-Boyuk Kasik railway line, have been completed. The Boyuk Kasik - Ujar area (excluding Ujar station) is being operated with alternating current under the project of designing, supplying and installing the energy system on the Baku-Boyuk Kasik railway line. The installation work of other areas is planned to be completed in 2023-2026.

Signaling and communication equipment has been completely installed in 21 out of 40 stations under the communication-signaling project. Procurement processes are being carried out to continue the remaining works on the reconstruction of the electricity supply and communication-signaling systems. The project is planned to be finalized in 2023-2026.

Within the framework of project on designing, reconstruction, construction and expropriation of land under construction of the Alat-Astara railway line, energy and communication-signaling systems, detailed design of railway lines and bridges and initial conceptual design works related to contact network, signaling and communication works have been completed. The works on the detailed architecture of the stations and the detailed project
documents of the overpasses have been completed. The project is planned to be completed in 2023-2032. Within the framework of the construction project of depots in Bilajari and Ganja for AC locomotives, works on the supply, delivery and installation of storage equipment for Bilajari and Ganja depots, both depots, and training for locomotive drivers and technicians have been completed. Work on the creation of a spare parts warehouse for locomotives continues. A contract was signed with the contractor company on December 5, 2019 within the framework of the "Sumgayit-Yalama railway line reconstruction" project. The design and construction works are continued by the contractor company. The construction works of 5 alternating current traction substations have been completed. Procurement processes are being carried out for the reconstruction of the contact network and communication-signaling system on the Bilajari-Yalama railway line. The project is planned to be completed in 2023-2026.

All the locomotives (40 freight and 10 passenger locomotives) planned under the project on "Contract for purchase of 50 AC locomotives" which was carried out for the purpose of modernizing the locomotive fleet of ADY in connection with the transition of the electricity supply system from direct current to alternating current on the Baku-Boyuk Kasik railway line, that forms the part of the East-West Transport Corridor that passes through the territory, have been delivered to the country.

Regional cooperation is very important for Azerbaijan. Azerbaijan has initiated a number of major regional transport and communications projects over the last years. The Baku-Tbilisi-Kars railway, Baku international Sea Trade Port, Alat Free Economic Zone - all these projects are designed for broader regional cooperation and turn Azerbaijan with its geostrategic location into an international transport hub.

"Trans-Caspian International Transport Route" (TBNM) currently spans from China to Europe. TBNM created favorable conditions for cargo owners along the entire route, set a single transit tariff and applied the "one-stop shop" principle. Furthermore, regular feeder (container) lines have been commissioned by “Azerbaijan Caspian Shipping” CJSC (ASCO) on the Alat-Aktau-Alat and Alat-Turkmanbashi-Alat routes in the Caspian Sea, and from Poti and Batumi ports in Georgia to Constanta port in Romania in the Black Sea for ensuring container transportation across the Caspian in the East-West direction, increasing the competitiveness of the Trans-Caspian International Transport Route and ensuring the sustainability of container transportation within the route. In order to attract additional cargo volumes to the routes across the Caspian Sea, discounted rates have been applied to the transportation of a number of
cargoes, including container transportation, as well as wagon and auto equipment transportation by ferry ships. In order to attract additional cargo volumes to the routes across the Caspian Sea, discounted rates have been applied by ASCO to the transportation of a number of cargoes, including container transportation, as well as wagon and auto equipment transportation by ferry ships. Within the framework of infrastructure projects, in the direction of the renewal of the shipping fleet, 26 new ships have been commissioned by ASCO since 2014, including 8 dry cargo ships for the transport fleet, 4 tankers and 2 Ro-Pax/Ferry type ships, and for the specialized oil fleet 1 anchor-carrying supply tug, 4 supply ships, 3 supply tugs, 1 port tug and 3 passenger ships. In addition, the construction of 1 more tanker at the Baku Shipbuilding Plant, and 6 small water-capacity service boats at the Zigh ship repair and construction plant of ASCO is ongoing.

Projects initiated by our country play a special role in the development of international transport corridors. Among these projects, we would like to highlight the Middle Corridor, which starts from Southeast Asia and China, passes through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia and Turkiye, and reaches Europe. Over the last year significant results have been achieved through initiatives of relevant agencies and companies from Azerbaijan, Turkiye, Kazakhstan and Georgia to achieve efficient operations on this corridor:

- Azerbaijan Railways and Georgian Railways processes have been optimized and delivery times reduced (the duration of the train journey ranges from 25-30 days to 8-11 days -from Alat to Georgian ports and in the opposite direction);
- Handling of ships at Alat port from 8-10 hours to 4—5 hours;
- Average container delivery time from Kazakhstan-China border to Poti port reduced from 38-53 days to 19-23 days.

The Operations Management Center was set up jointly with the railway and port administrations of Georgia and Kazakhstan. This initiative has made it possible to organize operational coordination between all parties at Alat port. Thanks to which:

- the daily container loading has doubled;
- the shipment of containers from Alat port (with containers in stock) began with a load of 3 trains per day.

Conference calls have been organized among all participants of the transit corridor. Due to the organization of cooperation and information exchange the travel time from Alat port to
Batumi/Poti port has been reduced by 2-3 times through daily conference calls regarding the movement of container block trains according to the timetable.

An 18-month roadmap providing for the necessary investment for operational improvements and bottlenecks in the Middle Corridor was signed at the Azerbaijan-Turkije-Kazakhstan trilateral summit in the city of Aktau in November 2022. In the next years, it is planned to increase the annual cargo handling capacity of the Baku International Sea Trade Port from 15 million tons to 25 million tons, as well as the annual freight capacity of the Baku-Tbilisi-Kars railway to 5 million tons.

Digitalization is another important tool for making the transport routes more efficient. In this regard, we are working on the implementation of electronic data exchange between the Caspian ports, we are cooperating with Georgia and Kazakhstan on the implementation of an improved transit system, we have completed the process of joining the e-CMR and e-TIR systems.

Another important initiative for the region is the opening of the Zangezur Corridor, which can have a significant impact on expansion the transit potential of the Middle Corridor and cause strategic changes in the transport and communication map of the region. The Zangezur Corridor, being the shortest and safest transit corridor, will ensure the diversification of transport links between China and the countries of Central Asia towards Europe. The construction of the Horadiz-Agbend 110 km railway, which is part of the Zangezur Corridor, is being intensively continued and the works are expected to be completed in 2024.

**Priority Area 2: Infrastructure development and maintenance**

**Transport**

Development of transport infrastructure - including international transport corridors passing through the territory of the country - is significant for increasing transit potential. In the framework of the State Programme on modernization of railway transport in 2010-2020, envisages development of railway infrastructure on East-West corridor, meeting the international requirements. Works include track renewal, installation of electrification, signaling and communication systems, purchase of new locomotives and railcars, establishing centralized dispatching system with a view to upgrade speed of passenger trains to 140 km/hour and increase cargo capacity to 50 million tones/year.
Azerbaijan, together with Georgia and Turkiye, realized the Baku-Tbilisi-Kars new railway line project. Within the project, the construction of 101 km of new railway line connecting the Trans-European and Trans-Asian railway networks and the reconstruction of the existing 160 km of railway in Georgia were carried out. For this, the government of Azerbaijan allocated 775 mln. USD.

Another project of regional importance is the construction of the New Baku International Sea Trade Port, In May of 2018, a ceremony of completion of the first phase of construction of the Port was held. Today, the Port, which is capable of serving ferries and Ro-Ro vessels, has a carrying capacity of 15 million tons per year, including 100 thousand containers. Thanks to its location at the intersection of the main directions of transit freight traffic, the Port will transform into a major logistics center for the entire region. Furthermore, the Port, the logistics and transportation hub of the region, strives to align its operational principles with SDG principles, as well as to contribute to the global sustainable development strategy by creating sustainable mechanisms for the development of the regional supply chain. The port’s strategic activities aim to contribute to 11 of the 17 SDGs, and these activities are already included in the port’s mission statement and implementation plans. In December 2022, the Port became a member of the Global Agreement of the United Nations (UN).

Azerbaijan’s participation in the international "North-South" corridor project is also significant, given the favorable geographical location and transit potential of the country. In 2016, within the framework of the North-South transit corridor, 8.3 km length of railroad up to the border of Iran have been constructed. In 2017, a new 82.5-meter length bridge was built and put into operation on the River Astarachay between Azerbaijan and Iran. In 2018 the Astara (Azerbaijan) - Astara (Iran) railway was put into operation.

Construction of highway Alyat-Astara-state border with Iran (new 204 km, shorter by 38 km) which is a part of the international transport corridor North-South, is completed 2018. Reconstruction of highway Baku-Guba-state border with the Russia (208 km, shorter by 16 km) which is also a part of the international transport corridor North-South, is carried out to upgrade to the first technical degree (to be completed by the end of 2023). Reconstruction of highway Baku-Alyat-Qazakh-state border with the Georgia (503 km) which is a part of the transport corridor East-West, is carried out to upgrade to the first technical degree (to be completed by the 2024).
Over the past years, more than 10000 km of roads and highways have been constructed, reconstructed and repaired. Azerbaijan is ranked 27th for the quality of roads infrastructure among 137 countries in the Global Competitiveness Index 2019 published by the World Economic Forum. Our major road and rail networks are included in Trans-European Transport Network.

**Energy**

In 2021, the Law of the Republic of Azerbaijan "On the use of renewable energy sources in the production of electricity" was enacted. In connection with the resolution of the issues arising from the said Law, drafts of the Regulations on "Implementation of the active consumer support mechanism", the Regulation on "Renewable energy sources information system", of the rules on "Support for the holding of renewable energy auctions in Azerbaijan" rules, of the rule on "Issuance of a certificate for the source of electric energy produced from renewable energy sources" were prepared and submitted to the Cabinet of Ministers of the Republic of Azerbaijan for approval.

In order to reduce electricity losses, work is being continued both in the transmission network and in the distribution network. Unserviceable equipment in the transmission network is replaced with new modern equipment. Electric transmission lines that have expired are replaced with new ones. As a result of the measures implemented in the networks, the losses in 2021 decreased from 2.1% to 1.9% in the transmission network and from 8.9% to 8.8% in the distribution network compared to the previous year.

On June 4, 2022, in the city of Shusha of Azerbaijan, the Ministry of Energy of the Republic of Azerbaijan and bp signed an Annex, which reflects the measures to be taken to conclude the joint activity towards the realization of the "Shafaq" solar power plant project, to the Implementation Agreement concluded in June 2021 for the purpose of taking the next steps regarding the joint implementation of the 240 MW solar power plant project in Jabrayil.

On December 15, 2022, the Ministry of Energy of the Republic of Azerbaijan and Australia's Fortescue Future Industries (FFI) signed a Framework Agreement on joint cooperation on the study and development of renewable energy projects and the potential of "green hydrogen" in Azerbaijan. The contract envisages the investigation and realization of projects with a total capacity of up to 12 GW for the production of renewable energy and "green hydrogen" in Azerbaijan.
In Azerbaijan, the construction works of a 230 MW solar power plant by the United Arab Emirates (UAE) company "Masdar" and a 240 MW wind power plant by the "ACWA Power", company of the Kingdom of Saudi Arabia are ongoing. Moreover, "Executive Agreement on the assessment, development and implementation of onshore industrial-scale 1 GW solar and 1 GW wind energy projects in the Republic of Azerbaijan" and "Executive Agreement on the assessment, development and implementation of 2 GW offshore integrated wind and green hydrogen projects" were signed between the Ministry of Energy of the Republic of Azerbaijan and the "Masdar" company of the UAE.

In order to meet the demand for electric energy, new power centers are created, as well as relevant measures are regularly implemented in the transmission and distribution networks.

ICT

ICT is also the most rapidly growing sector of the economy of Azerbaijan. ICT development is part of the country’s development priorities and important activities are being carried out in this direction. Numerous state programs and other related important documents have been endorsed to create a sustainable information infrastructure in the country. National Strategy on the Development of Information Society encompasses the development of ICT infrastructure and services, high technologies, promotion of e-government and more effective and transparent public administration, strengthening the scientific and technical potential of high technologies, training of personnel, as well as ensuring cyber security.

Almost 8596 of the Azerbaijan’s population use Internet. According to 2020 numbers 8596 of households (8296 in rural and 8896 urban areas) have access to internet at home. Fixed broadband subscriptions per 100 inhabitants is 20. Government has an active role to play to support the backbone internet infrastructure. The strategy we follow in Azerbaijan is to achieve full home broadband internet coverage by 2024, with a minimum speed of 25Mbis. Work is underway for this project.

In Azerbaijan, the entire population is covered by a mobile-cellular network. Mobile broadband internet is widespread, so far active mobile-broadband subscriptions per 100 inhabitants is 73.
E-services in Azerbaijan are being implemented through “E-Government” portal which is functioning on the basis of “one window” principle. Currently, E-Government Portal offers 454 e-services which belong to various state authorities. Services such as registration of documents, presentation of reports and statements, obtaining social pensions, as well as other services that attach great importance to the citizens are widely used in Portal.

Based on an agreement signed in 2018, the inauguration of the construction of fiber-optic cable along the bottom of the Caspian Sea between Azerbaijan and Kazakhstan took place in Aktau, Kazakhstan, in November 2019, with the participation of top officials from both sides. Measuring 400 kilometers, this line will have a data-transmission capacity reaching 4-6 terabits per second.

Another fiber-optic cable along the bottom of the Caspian Sea is Siyazan-Turkmenbashi line. The initial interstate agreement “On the Organization of Activities by Communications Operators of Azerbaijan and Turkmenistan in relation to the joint Construction of Fiber-Optic Transmission Lines along the Bottom of the Caspian Sea on the Azerbaijan-Turkmenistan route, Their Ownership, and Use” was signed in November 2019. With high data-transmission capacity, the new undersea fiber-optic cable will link the cities of Siyazan, Azerbaijan, and Turkmenbashi, Turkmenistan.

The creation of these lines will substantially contribute to the formation of the so-called “Digital Silk Road” between Europe and Asia by connecting the Internet centers of Frankfurt and Mumbai. It will also enable the transmission of web traffic from Europe to Kazakhstan, Turkmenistan, Uzbekistan, Afghanistan, Pakistan and India via Azerbaijani territory.

**Priority 3: International trade and trade facilitation**

It is worth noting that work has been ongoing to assess the compliance of the World Trade Organization (WTO) Trade Facilitation Agreement, moreover, relevant report has been prepared in 2017 with the support of United Nations Economic Commission for Europe (UNECE) and United Nations Conference on Trade and Development (UNCTAD) within the framework of technical assistance projects implemented with the support of international organizations. Furthermore, within the technical assistance projects financed by the European Union (EU), works were carried out in this direction with the support of experts, and it is planned to continue relevant works in the next technical assistance projects.
Necessary studies are being conducted in the direction of the establishment of the National Committee for Trade Facilitation in the Republic of Azerbaijan. In this regard, within the framework of EU-funded technical assistance projects in 2020 and 2022, international experts presented information on the experience of other countries, the Committee's Statute and functions, and prepared analysis documents. At the same time, in 2020, with the support of UNECE, a meeting and discussions were held regarding the experience of the said Committee in the member states of Commonwealth of Independent States (CIS) who are also the members of the WTO. Currently, the necessary works are being continued with the participation of the relevant state institutions.

In accordance with the recommendations of the World Customs Organization and best international practice, the "Green Corridor" release system has been implemented since February 1, 2019 in order to form a culture of voluntary compliance among foreign trade participants and to make customs clearance and customs control of goods and vehicles more prompt and transparent.

Since 2019, a total of 1,049 foreign trade participants have applied for the right to permanent use of the "Green Corridor" release system. As a result of the analysis of the received applications, 284 foreign trade participants were granted the right to export, 508 foreign trade participants were granted the right to import operations, and a total of 792 foreign trade participants were granted the right to use the "Green Corridor" release system.

In accordance with the relevant recommendations of the WTO Trade Facilitation Agreement, the Customs Code of the European Union, the Revised Kyoto Convention and the World Customs Organization, "Advance Rulings" project on the classification of goods and the determination of the country of origin is being implemented by the State Customs Committee in order to implement the customs clearance process of goods in a fast and simplified manner, elimination of loss of time and costs, efficient forecasting of people's business plans in advance, exclude repeated expert examination requests during the clearance of goods with the same characteristics and to increase economic competitiveness by providing support to foreign trade participants in general. In this regard, "The Guidelines for the application of advance rulings for the tariff classification of goods and country of origin ", "Application forms", "Rules" for submission of an electronic application form on issuance of advance rulings" have been prepared and placed as an electronic service in the subsection "Advance Rulings" created in

The construction of the "Trade Facilitation Center" near the "Red Bridge" border crossing point of the Western Territory General Customs Department has been completed and put into use in order to speed up the border crossing procedures and reduce the traffic congestion at the customs border crossing points. According to the "Agreement between the Government of the Republic of Azerbaijan and the Government of Georgia on state border crossing points between the Republic of Azerbaijan and Georgia" signed in Baku on September 29, 2021, the establishment of a joint customs-border crossing point "Silk Road - Abreshumis Gza" is planned, and currently, the customs authorities of the two countries are discussing legal, financial and technical issues related to the establishment of the mentioned BCP.

The infrastructural works of the administrative building of the Trade Facilitation Center near the "Khanoba" customs post on the border with the Russian Federation is completed, and the opening of the said Center speed up customs clearance and minimize the period of customs control.

We would like to note that measures are being taken to expand the work of Trade Facilitation Centers in the customs territory of the Republic of Azerbaijan, and the construction of such centers near all customs border crossing points is included in the target plans of the State Customs Committee.

Taking into account the need to carry out appropriate diagnostics in the country due to the introduction of an electronic single window system in Azerbaijan, the State Customs Committee addressed an appeal to the Asian Development Bank for the purpose of providing the necessary support.

In this regard, online discussions were held with the participation of authorized representatives of the State Customs Committee, the State Agency for Public Service and Social Innovations and an international expert on the "Conducting analyzes of the National Single Window System in Azerbaijan" project financed by the Asian Development Bank within the framework of the Central Asian Regional Economic Cooperation Program.

At the same time, conducting current diagnostics based on the proposals of the relevant institutions in accordance with clauses 2.2.1 and 2.2.2 of the Road Map for 2022-2023 on the implementation of improvements in the relevant field related to the "International trade" indicator of the World Bank Group's "Favourable Business Environment" project, establishment
of an electronic one-stop system for foreign trade without incurring additional costs by examining the missing parties and analyzing international experience by coordinating the existing systems, as well as taking into account the proposals of the relevant institutions when considering the establishment of the said system, in relation to the work to be done in the direction of analyzing the possibilities of interaction with similar platforms of other countries, the State Agency for Public Service and Social Innovations has been identified as the main, and the State Customs Committee and other relevant institutions as auxiliary executive institutions. According to paragraph 1.1.4 of the Roadmap for 2022-2023 on the implementation of improvements in the relevant field related to the "International trade" indicator of the World Bank Group's "Favourable Business Environment" Project the Ministry of Economy and the State Customs Committee have been identified as the main executive bodies for the approval of the normative legal act draft, which envisages the establishment of the National Committee on Trade Facilitation, provided for in the Trade Facilitation Agreement of the World Trade Organization.

The establishment of the "National Committee on Trade Facilitation" will serve to effectively manage the electronic single-window system, to the development of the inter-institutional integration process and cooperation, to the organization of regular dialogue between the state and the private sector, save time and costs, optimally solve the problems that may arise, as well as further increase the ranking of the country in global trade.

On December 2, 2022, the President of the Republic of Azerbaijan approved the Law "On the Development of Micro, Small and Medium Enterprises". The law regulates relations in the field of development of micro, small and medium entrepreneurship, determines the forms and methods of promotion of state support to micro, small and medium entrepreneurship subjects. The law reflects the goals, principles, main directions of the state policy in the field of development of micro, small and medium enterprises, conditions, forms, order and assessment of support, as well as other issues. In order to facilitate the access and sales of micro, small and medium enterprises (SMEs) to domestic and foreign markets, 78 SMEs participate in various international exhibitions through the support of the Small and Medium Business Development Agency of the Republic of Azerbaijan (SMBDA). Currently, 3 Business Councils were formed by SMBDA with the purpose of expanding of trade and business relations, ensuring exchange of projects with high investment potential and providing necessary support.
Regional integration and cooperation

In February 2017, ADY became a member of "Trans-Caspian International Transport Route" International Association in order to implement developed port infrastructure, unified transport technology and effective tariff policy.

In October 2017, a new railway line "Baku-Tbilisi-Kars" was opened, which plays an important role in the development of the country’s transit opportunities by integrating the East-West transport corridors, as well as the restoration of a part of the Historical Silk Road.

In September 2019, ADY joined the International Coordinating Council for Trans-Eurasian Transportation in order to increase the efficiency and competitiveness of rail and multimodal freight transportation in transit and export-import directions.

On December 17, 2022, the "Agreement on strategic partnership in the field of green energy development and transmission between the Governments of the Republic of Azerbaijan, Georgia, Romania and Hungary" was signed in Bucharest. The mentioned document creates a basis for long-term cooperation between the mentioned countries in a number of important areas. One of these directions is the construction of a digital internet line along with an underwater electricity line.

Currently, Azerbaijan has a Free Trade Agreements with 10 countries. In addition, the Preferential Trade Agreement (PTS) was signed between the Government of the Republic of Azerbaijan and the Government of the Republic of Turkiye on February 25, 2020, and entered into force on March 1, 2021 after the relevant procedures were completed. In April, 2023, Azerbaijan and Turkiye signed Protocol on Amendments to the Preferential Trade Agreement.

Currently, negotiations are underway to sign similar agreements with a number of countries.

Priority Area 5: Structural economic transformation

Diversification of the economy, as well as the production of competitive commodities that replace imports, the creation of industrial zones that meet modern requirements and have a competitive production infrastructure, ensuring the balanced development of the country's economy, the application of innovative management and modern technologies, the creation of new production areas and the reduction of the unemployment rate are currently part of the country's industrialization policy, and systematic and complex measures are implemented in this regard.
As part of the industrialization measures, the diversification of the industry has been expanded, new production areas such as shipbuilding industry, defense industry, pharmaceutical industry, automobile industry, production of rubber and plastic mass products, chemical industry, waste processing and competitive enterprises based on modern technologies have been created.

The application of the elements of the knowledge economy, the Fourth Industrial Revolution, integration into the global value chain, clustering, the development of the modern industrial ecosystem, the protection of strategic industrial areas, as well as the promotion of foreign direct investments, providing support to the small and medium entrepreneurship, transformation of the industry into a new digital era, development of R&D centers are among the main drivers of the industrial policy for the coming years.

The creation of industrial zones is one of the progressive methods and mechanisms in the sustainable development of the industry, especially the non-oil industry. The industrial zones, apart from being one of the most successful models of the industrialization policy and playing an important role in the development of the country's industry, make an important contribution to the development of the economy, to the increase of export potential and production of competitive products. Currently, there are 5 industrial parks in the country - Sumgayit Kimya, Pirallahi, Mingachevir, Garadag, Balakhani industrial parks. Aghdam Industrial Park and Araz Valley Economic Zone Industrial Park are also under construction. Moreover, there are Hajigabul, Masalli, Neftchala, Sabirabad and Sharur industrial districts in Azerbaijan.

Pursuant to the national legislation, stimulating measures include provision of infrastructure for the industrial park, determination of the minimum rent for land, provision of preferential loans, simplification of administrative procedures, organization of services for the efficient implementation of entrepreneurial activities, preferential tariffs for the sale of heat, electricity, water and gas, waste water discharge and household waste collection. Residents of industrial parks are exempt from income tax, profit tax, property tax, land tax for 10 years from the date of their registration.

Furthermore, import of machinery, technological equipment and plants by legal entities and individuals, engaged in entrepreneurial activities without forming a legal entity, being a residents established according to the decision of the relevant executive authorities of industrial and technological parks, on the basis of a confirming document of the relevant
executive authority for the construction of production facilities of industrial or technological parks, established in accordance with the decision of the relevant executive authority, the research and development work - within 10 years from the date of registration of the resident in the industrial or technological parks is exempted from VAT and custom duties.

Besides, import by a resident of the industrial park, engaged in the activities, defined by the relevant executive authority in the industrial park, established in accordance with the decision of the relevant executive authority, of all kinds of goods for the purposes of those activities, on the basis of the confirming document of the relevant executive authority - for a 10-year period since 1 May 2016 is exempted from VAT and custom duties.

Furthermore, stimulating measures in industrial districts include setting the rent of land and buildings at a lower limit, providing concessional loans, simplifying administrative procedures and organizing services for the efficient implementation of entrepreneurial activities. Also, with the aim of accelerating the development of the priority areas of the country’s economy, creating more favorable conditions for the attraction of local and foreign investments, and supporting the organization of efficient production and service areas, relevant work is being done in order to launch the activities of the Alat Free Economic Zone. The launch of the mentioned Economic Zone will make an important contribution to the development of the country’s industry.

Currently, it is planned to prepare new support mechanisms for the purpose of supporting large-scale investments in industry, attracting foreign investments to various sectors of industry, developing strategic industrial areas, organizing local production of products that have a special share in imports, and building new industrial enterprises that create high added value. The implementation of these mechanisms will contribute to the development of the industry in the medium and long term.

An investment promotion mechanism was created with the aim of expanding investment activity in the industrial sector, improving the business environment in this area, creating new production and service enterprises in the non-oil sector, accelerating industrialization, and increasing industrial production. The investment promotion document is a document that provides the basis for obtaining the concessions specified in the Tax Code of the Republic of Azerbaijan and the Law of the Republic of Azerbaijan "On Customs Tariff" for a period of 7 years from the date of receipt of that document. This mechanism allows business entities to obtain the following benefits:
- exemption from 50% of profit or income tax;
- full exemption from land and property tax;
- full exemption from customs duty and VAT of machinery, technological equipment and equipment imported from abroad under the project, based on the relevant confirmation document.

With the financial support of the European Union, the "Strengthening the capacity of the Ministry of Agriculture (MOA) to improve effectiveness and efficiency of state support to agriculture" Twinning Project was implemented and completed in 2022. The overall objective of the Twinning project “Strengthening the capacity of the MOA to improve effectiveness and efficiency of state support to agriculture” was to contribute to improving the performance of the agricultural sector thereby implementing Government policy on diversification of the economy, decreasing regional disparities, and improving rural livelihoods. The project worked towards this goal aiming to strengthen the capacity of the Ministry of Agriculture to define, programme, and administer effective state support to agriculture and for rural development and in line with relevant EU policy principles and best practices.

Within the framework of the project, activities were carried out in the direction of increasing the capacity of MOA for analyzing, compiling, monitoring, reporting and evaluating the current subsidy policy, preparing a program for the development of rural areas, and transparent, effective management and control of subsidy payments.

The Food and Agriculture Organization of the United Nations (FAO) and the Ministry of Agriculture implemented "Agricultural Employment Enhancement Project" (AMAL) under the FAO Azerbaijan Partnership Program (FATP). Within the framework of the project, together with partner institutions, the "Agro-Man" competition was announced, which will support the increase of agrarian innovative employment by providing the winners with the necessary assets. The main goal of the competition is to support the increase of agricultural employment of young people living in the regions, to reveal agrarian-oriented, innovative business initiatives.

In the competition, 59 applications for the development of animal husbandry, plant breeding, beekeeping, and fruit growing were reviewed and evaluated and 5 applications were declared as a winner. The certificates have been presented to the winners and the procurement process has been started to provide them with the required equipment. At the same time, a joint Memorandum was prepared with the Agrarian Development Volunteers, as well as the Agrarian
Development Volunteers were trained by international experts and the tender works for the purchase of IT equipment for them were finalized.

3 computers, 2 printers, 1 camera, 1 stabilizer and 1 tripod were purchased and handed over to volunteers at the FAO-Azerbaijan Office in order to strengthen the material and technical base of the Agrarian Development Volunteers to stimulate the individual development of young people, to increase their sense of social responsibility, to effectively use the potential of youth for the well-being of the people and the sustainable development of our country.

In Gabala, Gakh and Guba districts, "Gilan Holding", "Ani Delta" and "Fruit and Tea Cultivation Institute" conducted an internship program for farmers in the agrarian field in the fields of fruit growing and animal husbandry, and certificates were presented to the beneficiaries who participated in the training. Within the framework of the project,trainings on business plan preparation were organized in order to develop the entrepreneurial skills of young farmers across the country, as well as to ensure their access to financial resources. 428 young farmers applied for the training organized in this direction and they were trained by experts based on the "Start and develop your own business" program of the International Labor Organization. In addition, the beneficiaries who participated in the trainings and presented successful business plans were given equipment for animal husbandry, fruit growing, poultry farming and beekeeping in order to provide technical support according to the project action plan.

Against the backdrop of changes in the global economy, measures are regularly implemented by the Ministry of Agriculture in the direction of supporting farmers and increasing the production of agricultural products. As a positive result of the measures, the value added created in agriculture, forestry and fishing increased by 3.4 % in 2022 as compared to the previous year and accounted for 4.8 % of the country's GDP.

The value of the total agricultural production increased by 3.4 % in 2022 as compared to the previous year, including crop production that increased by 3.3 % and livestock production - by 3.4%. In the aforementioned time frame, livestock production accounted for 49.6 % of all agricultural production, while crop production made up 50.4 %.

Agrarian innovation festivals aim to encourage and promote the use of innovative agricultural products and technologies in Azerbaijan. The festival, where various technologies, equipment and other agricultural innovations are demonstrated, is organized in form of exhibition, start-up zones, round tables, and training and information sessions. During the
festival an information session and trainings were held on a number of priority issues of interest to farmers, such as intensive gardening, precision agriculture, pests and diseases control etc.

More than 4,000 farmers had the opportunity to get acquainted with innovative agricultural products and technologies at the festivals organized by the Agrarian Innovation Center in Guba, Ujar, Gobustan, Aghstafa, Zagatala, Imishli, Shamkir and Astara districts in 2022.

For the first time in the country, about 10 specialists were trained on embryo transfer, 35 heifers were equipped, and 30 heifers were transferred embryos within the framework of the project "Improvement of Cattle Production in Azerbaijan through Establishment of Effective Cattle Breeding and Feeding Systems".

In addition, within the framework of the project "Development and application of sustainable sheep production and food value chains", training skills were formed for the selected facilitators for the establishment of farmer business schools (FBM), orientation trainings on FBM were held, and phenotypic evaluation of local breeds was carried out for the first time in 3 districts. Also, the creation of 2 semi-intensive farms and 1 pilot farm for the management of local breeds has been started.

Within the framework of the FAO Azerbaijan Partnership Program (FATP), training programs were developed based on needs surveys under the project "Improved food security and rural livelihoods through women’s economic empowerment - WEP", virtual trainings were conducted by local experts to more than 30 agrarian consultancy providers, a gender assessment document for the country - agriculture and a national gender profile of rural conditions, as well as a report on the assessment of the development of agriculture and rural areas for the first time in Azerbaijan.

8 video lessons on fruit and vegetable growing have been prepared. 277 beneficiaries of the 12 target regions of the project were provided with online and on-site trainings in agriculture, agro-tourism and business areas, about 300 rural women farmers were trained in business management, food safety, marketing and sales, beekeeping, poultry, animal husbandry, vegetable growing and horticulture, support was provided in increasing knowledge and skills on innovative agricultural technologies.

In accordance with the approved business plans, 245 women farmers received various types of technical equipment, as well as information technology equipment (notebook, printer, ADLS modem) to 14 women’s groups.
83 beekeepers were provided with bee colonies, beehives, and beekeeping supplies, more than 120 beneficiaries were provided with dairy and poultry equipment, including milking machines, milk separators, feed grinders, incubators, generators, bird feed and water containers, 13 beneficiaries were provided with drip irrigation systems, Gardening equipment was presented to 41 beneficiaries.

A brand called "Sovgat" was formed to select some products of project beneficiaries and market them. AKIA granted credits and discounts for the purchase of agricultural machinery and equipment for 102 requests to the processing area in 2022.

“Catalyzing the Efficiency and Sustainability of Azerbaijan’s Hazelnut Sector – HAZER”, a study was conducted on the use of sustainable bioenergy in the field of hazelnut cultivation.

Bioenergy technologies and the possibilities of renewable energy sources in Azerbaijan were reviewed in order to provide biofuel to households that are not connected to the natural gas network. Loans and concessions for financing the purchase of 12,458 heads of breeding cattle and 8,961 agricultural machinery (including 50 combines and 1,338 tractors) at the expense of the Agency in 2022. Cash preferential loans were given to 2870 entrepreneurs working in the agricultural sector in the country (including guaranteed microloans to 2863 entrepreneurs).

To the producers of agricultural products, for plantings carried out in autumn 2021 and spring 2022, as well as cultivated perennial plantings, repeated plantings of 2022, 1st and 2nd reproduction seeds and seedlings produced and sold, produced and delivered to suppliers for the amount of cotton, tobacco and sugar beet, for each calf purchased through artificial insemination in 2022, for each kilogram of wet cocoons (except spinning and carapace cocoons) delivered to cocoon processing and silk production enterprises and for each bee colony they keep at the expense of the state budget.

A business and management plan for the establishment of a 500-litr milk intake and processing unit per day has been developed within the framework of the "Development and application of sustainable sheep production and food value chains" implemented with the support of the FAO Azerbaijan Partnership Program (FATP). According to that plan, the relevant farmers were given detailed information about the efficiency of the cooperatives and the positive results it will show to the farmers regarding the establishment of the "EKO milk" production-consumption cooperative in Aghdam district for the collection and processing of dairy products.
Practical work has been done to support agritourism, which can be considered a new direction for the private sector. In order to define the concept of agrotourism, to determine the special support measures provided by the state, to direct agriculture to multifunctionality and diversification, the potential opportunities of agrotourism were investigated, and a draft of the Law of the Republic of Azerbaijan "Law on Agrotourism" was prepared based on the experiences of advanced countries included in the EU.

At the same time, in addition to the preparation of guidelines reflecting the methodology of developing a rural development program in line with EU approaches, the implementation of the Rural Development Framework in Azerbaijan within the framework of the Twinning project Strengthening the capacity of the Ministry of Agriculture to improve effectiveness and efficiency of state support to agriculture" (financed by the EU) and a “Seminar on introducing a Rural Development framework and setting-up a national Agritourism system in Azerbaijan” was organized.

Within the framework of the project, in the context of rural development policy, guidelines for the agritourism sector have been prepared in detail, including the Action Plan, which reflects the necessary steps for launching the National Agritourism System in Azerbaijan.

The Tourism Development Strategy document of the State Tourism Agency and the Azerbaijan Tourism Bureau for 2023-2026 reflects a strategic and holistic approach to tourism development in the country over the next four years. In general, the following issues are among the top priorities for tourism development:

- State management of tourism;
- Policy and regulation;
- Development of destinations, cultural heritage, and communities;
- Destination marketing;
- Tourism products;
- Digitalization, innovation and technology;
- Statistics, analytics and research;
- Tourism investment and cooperation;
- Human resources development.

The Strategic Roadmaps for National Economy and Key Sectors of the Economy were approved by the Decree No. 1138 of the President of the Republic of Azerbaijan dated December 6, 2016. The directions covered in these strategic roadmaps include the
development of oil and gas industry, production and processing of agricultural products, production of consumer goods at the level of small and medium enterprises, heavy industry and machine building, specialized tourism industry, logistics and trade, provision of affordable housing, vocational education and training, financial services, telecommunications and information technologies, utilities (electricity and heat energy, water and gas). The period of implementation of the measures determined in the mentioned areas is 2017-2020. As a result of the implementation of the strategic roadmaps, the economy of Azerbaijan recovered from the negative impact of external shocks in 2015-2016 and stabilized in the short term, while the development was restored in the medium term. It is as a result of this that the immunity gained by the Azerbaijani economy has made it possible to minimize the effects of the global crisis in 2020.

The SMBDA issues startup certificates and micro and small businesses can apply for a Startup Certificate. According to the Tax Code of the Republic of Azerbaijan, entrepreneurs engaged in micro and small businesses are exempt from income and profit tax on income from innovation activity for 3 years from the date of receiving the Startup Certificate. The SMBDA finances educational, scientific, research, and support projects related to the development of micro, small, and medium businesses by arranging competitions. In 2022, about 700 trainings on various topics were held by SME Development Centers, more than 9,000 hours of consulting services were provided, and up to 9,000 SMEs, start-ups and those who newly started their business benefited from these services. Also, free support to entrepreneurs in the preparation of more than 300 business plans were provided. Moreover, the creation of 30 new SMEs was supported in the fields of agriculture and services, including Baku and the regions of Azerbaijan.

In June, 2022, the Law of the Republic of Azerbaijan "On investment activity" was enacted with the aim to increase the attractiveness of the investment environment and create a favorable environment for attracting foreign direct investment. Moreover, in December, 2022, the Law of the Republic of Azerbaijan on public-private partnership was adopted in order to increase the efficiency of investments, activity in the non-oil sector, and public-private partnership.