



USAID
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AZERBAIJAN

ECONOMIC GROWTH

July 2010



A greenhouse employee shows off produce on its way to market. Greenhouses are a growing sub-sector due to Azerbaijan's prized tomatoes and cucumbers.

AZERBAIJAN SNAPSHOT

Currency: Azerbaijani manat (AZN)

GDP Real Growth Rate: 9.3% (2009)

GDP Per Capita: \$10,400 (2009)

Inflation: 1.5% (2009)

Industries: petroleum, natural gas, petroleum products, oilfield equipment

Agriculture: cotton, grain, rice, grapes, fruit, vegetables, tea, tobacco, cattle, sheep

Source: CIA Factbook

OVERVIEW

Azerbaijan, a country rich in oil and gas reserves, has in recent years experienced a dramatic influx of foreign revenue and unprecedented GDP growth. However, much of this wealth remains with a relatively small number of beneficiaries in the capital of Baku while the rest of the country struggles to ward off symptoms of "Dutch Disease," a situation in which a country's economy is overly dependent on the export of a single natural resource and thus fails to diversify and enact needed reforms. Failure to address Azerbaijan's Dutch Disease could leave the economy highly imbalanced, uncompetitive, and financially isolated.

USAID is working with the Government of Azerbaijan and other donors to avert the consequences of this boom and bust cycle by focusing on vital legislative reforms, economic diversification outside of the capital, and financial sector strengthening.

PROGRAMS

- Financial Sector Stability
- Private Sector Competitiveness Enhancement
- Trade and Investment Reform Support
- School Economics Education
- Community Based Support to Producers of Dairy Products

PROGRAM HIGHLIGHTS - 2010

AZERBAIJAN PROGRESSES TOWARDS WTO ACCESSION

USAID's Trade and Investment Reform Support Program (TIRSP) provides a wide array of technical assistance and training to facilitate Azerbaijan's aspirations to accede to the World Trade Organization (WTO). USAID has helped facilitate the preparation of 45 laws and legal acts or decrees, and has dramatically improved the quality of Azerbaijan's accession documentation and responsiveness.

TIRSP is working to enhance the technical capacity of key ministry staff to enhance legislation and regulation reforms needed in the areas of trade,



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ECONOMIC GROWTH, CONTINUED

customs, competition law, intellectual property rights, and cost/benefit analysis for publicly-funded projects. TIRSP also provides ongoing support for reforms in key legal areas to improve the business enabling environment, such as investor protection, property tax reform, E-commerce, and capital and securities market development, among other areas.

COMPETITIVENESS OF NON-OIL SECTORS GAINS MOMENTUM

USAID is working to strengthen the competitiveness of six selected non-oil and gas sectors in Azerbaijan, including dairy, poultry, aquaculture, fruits and vegetables, ICT, and finance. The Private Sector Competitiveness Enhancement Program (PSCEP) uses a value chain approach to address key barriers to growth within these sectors and to increase the knowledge and skills of key local businesses and associations. So far, PSCEP has leveraged over \$73 million of outside investment into these sectors and has assisted over 6,000 SME firms.

CBA CONTINUES GROUNDBREAKING FINANCIAL SECTOR REFORM

USAID has a very strong partnership with the Central Bank of Azerbaijan (CBA) under a groundbreaking co-financing agreement for the Financial Sector Stability Program (FSSP). Phase I of the program focused on strengthening the CBA's IT systems, macro/financial policy analysis capacity, and supervisory capabilities to oversee regulatory practices in five commercial banks and to train 1,116 staff on international financial standards. Under phase II, FSSP is assisting the CBA to develop a fully functioning Anti-Money Laundering Unit and Cash Management Center based on international best practices, which will lead to a more stable and secure financial sector, in addition to strengthening the CBA's banking supervision department and financial management capabilities.

USAID SUPPORTS LOCAL PARTNERS

USAID, with private sector support, provides direct grants to two local organizations – Junior Achievement Azerbaijan (JAA) and UMID Humanitarian and Social Company. While the goals of these two projects differ, the outcome of strengthening the capacity of local organizations remains the same. JAA's School Economics Education program educates schoolchildren to become Azerbaijan's business leaders of tomorrow. UMID's Community Based Support to Producers of Dairy Products builds the skills of local dairy farmers and is establishing community-based milk collection centers to link these farmers to large processors and, ultimately, consumers.

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