

*Republic of Azerbaijan*  
*Total area – 86,6 thousand km<sup>2</sup>*  
*Population – 8,4 million*



### *Role of agriculture in the economy of the country*

- In 2006 agriculture contributed 7,1% GDP (3,5% of total export and 10,6% of import). Agriculture export totalled 220,3 mln USD, import 556,8 mln USD.
- 48,4% of the population live in rural areas
- Agriculture employees 39,2% of the workforce
- Azerbaijan has the greatest potential and comparative advantages in the production of traditional agricultural products.
- It has favorable, unique soil-climatic conditions (it possesses 9 out of 11 natural climatic zones existing in the world), comparatively cheap labor force
- Country's location at the intersection of important transport lines turns the agrarian sector into the major priorities of country's economic development.

## *Outcomes of the first phase of agrarian reforms.*

- In 1995 the country embarked on reforms in the agrarian sector
- Land reform and privatization of state property has served as a basis of reforms in agrarian industry.
- The government has adopted more than 100 normative and juridical documents to support agrarian policy.
- Reform included 1970 public households, as well as processing and agricultural service enterprises, and as a result 3.4 million people or 867 thousand families have been allocated a land of 1.39 million hectares of land as a private property and 820 thousand people received their property shares.

## **Support to agricultural producers**

- Agricultural entrepreneurs are exempt from all taxes, except for land tax;
- A number of inputs and seeds can be imported duty-free.
- During the first stage of the reform, fuel was sold at a half price, certain amount of agricultural machinery and loans were provided;
- Huge discount is made for sale of water.
- Prices have been liberalized and interventions in entrepreneurship were removed.

## *Government strategies in agriculture*

- . General strategy of the economic policy of the agrarian sector is laid out in political documents, such as:
  - *“Food Security program”,*
  - *“State Program on development of small and medium size entrepreneurship in 2003-2005”*
  - *In general, more than 100 laws, decrees, ordinances, regulations and other legal-normative documents related to agrarian field have been adopted during 1995-2006.*

## *Food Security Program*

- Food Security Program covers the duties and responsibilities of the Government of the Republic of Azerbaijan. It is intended to be realized on the account of state financial obligations and budgetary funds.
- ***The objectives of the Program are as follows:***
  - Increase of domestic agricultural produce and implementation of measures to keep prices of foodstuffs on the reasonable level;
  - Establishment of system not allowing severe food shortage
- In order to obtain food security the Government has taken responsibility to implement the following strategy which consists of two stages:
  - Application of short- and mid-term transitional measures to ensure food security during the period of economic reforms, which is provided by the support to private family households and entrepreneurship.
  - Long-term measures in the food security field is an increase of income and competitiveness of agriculture of the country, as well as its integration into international economic system.

## *Acceleration and deepening of the second phase of the agrarian reforms*

- For the last couple of years there have been several Presidential decrees directed to the development of the sector:
  - Decree on "Measures on fostering socio-economic development in the Republic of Azerbaijan" , November 24, 2003
  - "State Program on socio-economic development of the regions of the Republic of Azerbaijan (2004-2008)" approved by the Presidential Decree of February 11, 2004
  - Decrees dated October 23, 2004, on "Measures on improvement of management in agrarian sector" and on "Additional measures on extending leasing in agrarian sector"

## *State Program on Development of regions*

- State program has determined factors which accelerate the development of economy in different regions and main directions of state policy and state support in this regard in 2004-2008.
- The main objective of state support on the second stage of reforms in agrarian field is to improve significantly the livelihoods and social conditions of rural people, establishment of 600 thousand new jobs.
- Besides, the Program gives special attention to the development of economy of high mountainous and highland areas, development of agricultural processing enterprises; direction of state investments mainly to the restoration of production enterprises, improvement of the infrastructure and public utilities provision in regions and construction of social buildings, establishment of Support Fund to Export, food stock exchange, wholesale warehouses, auctions etc.

## ***Establishment of "Agroleasing Joint Stock Company"***

- In accordance with the Decree of the President "On additional measures in the field of enlargement of leasing service in the agrarian sector", "Agroleasing" Joint-Stock company was established.
- In order to regulate the provision of agriculture with up-to-date machinery, in 2005-2006 48,0 million manat was allocated from the state budget for the purchase of the agricultural machinery and 14,4 million manat for the procurement of fertilizers and pesticides.
- Procured machinery and fertilizers have been sold to farmers by means of leasing.

## ***Establishment of the State Agency on Agricultural Credits under the Ministry of Agriculture***

- By the Presidential Decree of October 23, 2004 the Ministry of Agriculture has been re-organized and State Agency on Agricultural Credits have been established under the Ministry.
- It is expected that over the next five years concessional credits in the worth of 250 million USD will be allocated from the state budget to entrepreneurs engaged in agriculture sector for the financing of projects which will lead to the increase of production and processing of crops which will be implemented through the State Agency on Agricultural Credits under the Ministry of Agriculture.

# International Cooperation

- More than 25 international projects that had been implemented during the last 11 years and are being implemented at present with assistance of international organizations and financial institutions, as well as donor countries has significantly contributed to the success and experience gained by our country:
  - European Commission "Food Security Program", TACIS program, UN Food and Agriculture Organization (FAO), World Bank, German Government's GTZ program, Dutch PSO Program, Japanese Government, International Fund on Agricultural Development (IFAD), USAID;
  - A number of USA, German, French, Turkish, Italian businessmen are engaged in agrarian sector of the republic.

## *International Loan projects in agrarian sector*

- In regard to support to the implementation of the socio-economic development program of the republic regions at present four loan projects (2 World Bank and 2 IFAD) are being implemented on the basis of agreements signed with international organizations and financial institutions.
- Within these projects, the total budget of which is 89.9 million USD, 545000 people have been provided with land titles and relevant certificates.
- The objectives of these projects are development of infrastructure which will promote the development of the agrarian sector in rural areas, development of bee-keeping, establishment of private veterinary services, assistance in rehabilitation-restoration of irrigation-drainage systems and roads, construction of schools, hospitals, kindergartens and other social buildings.

## *State support to farmers*

- Allocation of funds equaling 80 million manats for the sale of fuel and motor lubricants, as well as mineral lubricants, used by agricultural producers when cultivating their land, at 50 percent discounted price, effected by a decree signed in February of this year by the President of the Republic
- Provision of loans through National Entrepreneurship Support Foundation, and his authorization to increase financial support for insurance of most agricultural products, are highly welcome by rural entrepreneurs.
- It is beyond doubt that these measures will positively impact on improvement of livelihood of the population in regions, increase of volume of agricultural production, downsizing of extra costs of rural entrepreneurs and reduction of prices.

## **Current status of agrarian sector**

- Currently, 99,7 per cent of the agricultural production of the country is generated in non-state sector.
- Compared to 1995, the first year of the agrarian reforms, production of cereal has gone up by 1,7 times, potato by 3,0 times, garden plants by 6,2 times, vegetable by 1,8 times, meat and milk production by 1,3 times and egg by 1,2 times in 2006.
- Per capita consumption requirements of the population are covered by domestic production of potato, vegetable, garden plants and fruits, gross consumption of meat, milk and eggs, as well as grain products is increasing year by year.
- Last year, 407 processing enterprises, around 500 agricultural enterprises, more than 1000 trade and service enterprises were created, 40 percent of which are located in regions.
- In general, in comparison with 2003, the overall growth of agricultural produce was 365,6 mln mantas in 2005 and 527,3 mln mantas in 2006. Growth rate of overall production has been in range of 5-11 percent during 2001-2005.

## Priorities in agriculture

- In one words, an independent Republic of Azerbaijan has gained great successes within 11 years after the start of conduction of agrarian reforms. Of course, transformation-driven reforms are a long-term process, and on different stages of those reforms a number of new pressing problems and challenges arise.
- Thus, taking into account the above mentioned factors, in order to solve problems of rural entrepreneurs, there is need for the formulation and implementation of support programs and projects on the following priority fields of the country with the participation of FAO and other international organizations:
  - approximation of national standards, certificates and technical terms of agrarian products to the European and International standards;
  - approximation of veterinary-sanitary and phytosanitary procedure rules and other legislation to the European and international standards applied during the trade of animal and plant origin products and raw materials;

## Priorities in agriculture

- 657 thousand ha of sown areas of the republic is highly salinized, ground water came to the surface of soil in 908 thousand ha sown area. In mountainous and highland areas, 40% of land has undergone erosion on different levels. 105 thousand ha is highly contaminated with oil and minerals waste. Because of existing irrigation droves became obsolete, the efficiency of droves fell down, and the water loss is 35-40%. In this regard, improvement of soil fertility, re-establishment of irrigation infrastructure and application of modern irrigation technologies is one of the most pressing problems in the country;

## Priorities in agriculture

- because of lack of wholesale markets, refrigerated warehouses, special transport means in regions there is 30-35% of crop loss and impede rural entrepreneurs to bring their products to markets constantly by year-round. In this regard, it is necessary to implement projects in establishment of procurement infrastructures for the direct purchase of fruit and vegetables, meat-milk products in the yards of farmers; construction of medium and small size refrigerating-storage warehouse-cameras for the storage of agricultural raw and processing products; creation of special intent transportation infrastructure;
- establishment of food stocks for the development of agri-marketing structures in regions, protection of domestic market;
- establishment of specialized financial-credit institutions and private banks to meet the requirements of rural entrepreneurs for financial resources;
- extension of insurance of agricultural products and establishment of insurance market;
- organization of information service for local producers;

## Priorities in agriculture

- use of best practices in establishment of marketing cooperatives of farmers;
- development of projects in the establishment of centralized leasing structures which will provide rural entrepreneurs with high-productive cattle, to give them concessionary credits and subsidies, exemption of them from taxes;
- conduction of agriculture by extensive methods makes the field dependent on natural-climatic conditions and reduces its profitability. Establishment of associations and unions of rural family households owing small size plots in order to achieve wide-scale application of intensive technologies, to reduce losses in harvesting and transportation;

## Priorities in agriculture

- production of ecologically pure agriculture and food products, application of input-saving technologies;
- use of alternative bio-energy sources;
- preservation of environment and establishment of quality control service for food products;
- application of biological control measures and land treatment;
- application of advanced technologies on growing vegetables in greenhouses.

## Incentives for further International Cooperation

- Implementation of numerous regional programs in Azerbaijan, including Baku-Tbilisi-Ceyhan oil pipeline, Baku-Supsa oil pipeline, Baku-Tbilisi-Erzurum gas pipeline once more proves that there are fruitful and reliable conditions for investment and cooperation in our country.
- The increase of incomes generating from oil field in the country over the last years will allow the implementation of joint programs and projects with international organizations and financial institutions on the above mentioned priority directions.