



Regional Investment Ratings

Center for Analysis of Economic Reforms and Communication

Baku city, 1 February, 2017

Introduction

This is the first edition of the Regional Investment Ratings of Republic of Azerbaijan for the year 2017 prepared by the Center for Economic Analysis and Communication (Center).

The main purpose for the preparation of the ratings:

- Identification of specialization areas, considering special economic opportunities of economic districts and general level of development;
- Evaluation of results of economic activities of districts, determination of competitive areas and application of time series and cross-sectional analyses;
- Incentivize and Increase competitiveness level of the districts within the main regions of Azerbaijan.
- Attraction of investments into the regions.

Applied Methodology

A Method similar to Global Competitiveness Index prepared by Global Economic Forum has been implemented.

Similar approach has also been used during compilation of EU Regional Competitiveness Index.

In accordance with the approach taken, the categorization by weight of the sub index, efficiency sub index and innovation sub index has been implemented and proper indicators have been used.

Normalization actions performed:

The indicators have been normalized via application of unitary division interval.

Statistical Significance

The correlation found between the compiled ratings and the total production per capita has been 86,29%.

The small p-value found implies that we can deny the hypothesis that the effect of the total production per capita on the compiled ratings is zero.

Regression Results are as following :

Multiple R:	0,86
R - Square:	0,75
Adjusted R - Square:	0,74
Standard Error:	0,86
	P-value
Intercept:	4,42E-44
X Variable 1:	9,83E-20

Indicators used for Sub Base Indexes of the Ratings

Education - Ratio of the number of kindergartens, elementary, middle and high schools to the total population and ratio of the number of public libraries to the total population.

Health - Ratio of the total number of doctors, medical personnel, and medical beds per 10,000 people to the total population and the strength of patient and clinical facilities per 10,000 people.

Necessary Infrastructure - Total average area per capita, passenger and cargo circulation, the ratio of the number of post offices per 100 people and the telephone devices per 100 families.

Quality of the institutions - Ratio of the number of enterprises (physical and legal entities) to the total population and the ratio of the number of recorded crimes to the total population.

Contribution to the economy - Ratio of the resources transferred to the capital assets, to the total population.

Indicators used for Efficiency Sub Base Index of the Ratings

Labor Market Efficiency - Ratio of the nominal minimum wage, and the number of employed to the total population and the ratio of the number of newly opened workplaces and the number of permanent positions to the total population

Higher Education - Ratio of the number of people with higher education to the total population

State Budget Dependence - Ratio of the amount of resources attracted from centralized expenditures to the total population

Indicators used for Innovation Sub Index of Rating

Application of Higher Technologies - Ratio of the mobile cellular subscriptions and internet users to the total population.

Innovation - Ratio of the number of published academic papers to the total population and the ratio of the number of organizations engaged in research and development to the total population.

Selected Indicators for the use in RIR

Factors affecting the results (Inputs):

- Governance and Infrastructure (Institutional Quality, Economic Contribution and Infrastructure);
- Human Capital (Health, Education and Higher Education);
- Higher Technologies (Application of Higher Technologies).

Factors affected by results (Output):

- Labor Market Efficiency;
- State Budget Dependency;
- Innovation.

Regionların İnvestisiya Reytingi 2016-2017

Şəhər/ İnzibati Rayon	2017		2016		Dinamika	Şəhər/ İnzibati Rayon	2017		2016		Dinamika
	Reyting	Göstərici	Reyting	Göstərici			Reyting	Göstərici	Reyting	Göstərici	
Bakı şəhəri	1	0.785	1	0.781	-	Göyçay rayonu	33	0.316	38	0.322	▲ 5
Naxçıvan şəhəri	2	0.638	2	0.580	-	Ağcabədi rayonu	34	0.315	40	0.315	▲ 6
Mingəçevir şəhəri	3	0.465	3	0.502	-	Neftçala rayonu	35	0.315	36	0.324	▲ 1
Sumqayıt şəhəri	4	0.448	4	0.458	-	Ağstafa rayonu	36	0.312	35	0.324	▼ -1
Şirvan şəhəri	5	0.419	6	0.426	▲ 1	Goranboy rayonu	37	0.311	30	0.328	▼ -7
Gəncə şəhəri	6	0.408	5	0.429	▼ -1	Şamaxı rayonu	38	0.311	46	0.303	▲ 8
Abşeron rayonu	7	0.407	7	0.420	-	Quba rayonu	39	0.310	31	0.327	▼ -8
Naftalan şəhəri	8	0.376	14	0.393	▲ 6	Ağdaş rayonu	40	0.309	39	0.316	▼ -1
İmişli rayonu	9	0.374	13	0.394	▲ 4	Tovuz rayonu	41	0.308	43	0.307	▲ 2
Culfa rayonu	10	0.364	8	0.403	▼ -2	Salyan rayonu	42	0.307	45	0.304	▲ 3
Beyləqan rayonu	11	0.351	17	0.358	▲ 6	Samux rayonu	43	0.305	34	0.325	▼ -9
Qəbələ rayonu	12	0.350	19	0.353	▲ 7	Şəmkir rayonu	44	0.305	41	0.310	▼ -3
Ordubad rayonu	13	0.347	9	0.398	▼ -4	İsmayilli rayonu	45	0.304	33	0.326	▼ -12
Babək rayonu	14	0.346	11	0.396	▼ -3	Şabran rayonu	46	0.304	32	0.326	▼ -14
Bərdə rayonu	15	0.343	24	0.390	▲ 9	Qobustan rayonu	47	0.299	47	0.302	-
Qax rayonu	16	0.341	20	0.348	▲ 4	Masallı rayonu	48	0.297	44	0.301	▼ -4
Siyəzən rayonu	17	0.341	37	0.323	▲ 20	Ucar rayonu	49	0.295	50	0.299	▲ 1
Qazax rayonu	18	0.340	18	0.353	-	Biləsuvar rayonu	50	0.289	49	0.300	▼ -1
Şərur rayonu	19	0.340	12	0.395	▼ -7	Tərtər rayonu	51	0.288	51	0.298	0
Xızı rayonu	20	0.333	59	0.273	▲ 39	Kürdəmir rayonu	52	0.289	48	0.295	▼ -4
Yevlax şəhəri	21	0.332	21	0.348	-	Saatlı rayonu	53	0.285	54	0.290	▲ 1
Şəki şəhəri	22	0.331	22	0.346	-	Zərdab rayonu	54	0.284	56	0.283	▲ 2
Zaqatala rayonu	23	0.330	26	0.338	▲ 3	Sabirabad rayonu	55	0.284	58	0.278	▲ 3
Oğuz rayonu	24	0.329	23	0.344	▼ -1	Balakən rayonu	56	0.280	52	0.295	▼ -4
Göygöl rayonu	25	0.330	25	0.342	-	Ağsu rayonu	57	0.280	53	0.294	▼ -4
Lənkəran şəhəri	26	0.323	29	0.333	▲ 3	Daşkəsən rayonu	58	0.278	55	0.284	▼ -3
Xaçmaz rayonu	27	0.319	27	0.335	-	Cəlilabad rayonu	59	0.272	61	0.267	▲ 2
Şahbuz rayonu	28	0.319	15	0.390	▼ -13	Yardımlı rayonu	60	0.268	60	0.269	-
Qusar rayonu	29	0.318	28	0.333	▼ -1	Lerik rayonu	61	0.267	57	0.282	▼ -4
Sədərək rayonu	30	0.318	16	0.372	▼ -14	Astara rayonu	62	0.262	62	0.265	-
Hacıqabul rayonu	31	0.318	42	0.309	▲ 11	Gədəbəy rayonu	63	0.260	63	0.265	-
Kəngərli rayonu	32	0.317	10	0.397	▼ -22						

Regionların İnvestisiya Reytingi 2013-2017

Şəhər/ İnzibati Rayon	2017		2016		2015		2014		2013	
	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici
Bakı şəhəri	1	0.785	1	0.781	1	0.876	1	0.837	1	0.832
Mingəçevir şəhəri	2	0.464	2	0.502	2	0.471	6	0.385	2	0.550
Sumqayıt şəhəri	3	0.448	3	0.458	5	0.446	2	0.423	8	0.468
Şirvan şəhəri	4	0.419	5	0.426	4	0.460	5	0.387	5	0.478
Gəncə şəhəri	5	0.408	4	0.429	6	0.381	3	0.399	4	0.494
Abşeron rayonu	6	0.407	6	0.420	9	0.373	4	0.397	19	0.430
Naftalan şəhəri	7	0.376	8	0.393	3	0.470	18	0.327	32	0.403
İmişli rayonu	8	0.374	7	0.394	12	0.357	19	0.327	7	0.473
Beyləqan rayonu	9	0.351	9	0.358	21	0.339	24	0.322	24	0.419
Qəbələ rayonu	10	0.350	11	0.353	15	0.346	14	0.332	15	0.432
Bərdə rayonu	11	0.343	16	0.343	10	0.369	26	0.318	17	0.431
Qax rayonu	12	0.341	12	0.348	41	0.300	7	0.363	6	0.477
Siyəzən rayonu	13	0.341	29	0.323	19	0.341	12	0.337	27	0.414
Qazax rayonu	14	0.340	10	0.353	14	0.350	9	0.356	12	0.442
Xızı rayonu	15	0.333	51	0.273	13	0.355	47	0.278	9	0.465
Yevlax şəhəri	16	0.332	13	0.348	18	0.344	25	0.321	40	0.389
Şeki şəhəri	17	0.331	14	0.346	33	0.313	15	0.332	26	0.416
Zaqatala rayonu	18	0.330	18	0.338	24	0.328	8	0.356	25	0.417
Oğuz rayonu	19	0.330	15	0.344	16	0.346	10	0.345	13	0.438
Göygöl rayonu	20	0.329	17	0.342	22	0.331	13	0.335	14	0.433
Lənkəran şəhəri	21	0.323	21	0.333	8	0.375	22	0.325	39	0.393
Xaçmaz rayonu	22	0.319	19	0.335	17	0.345	40	0.296	46	0.378
Qusar rayonu	23	0.318	20	0.333	43	0.298	17	0.328	10	0.449
Hacıqabul rayonu	24	0.318	34	0.309	11	0.358	33	0.311	16	0.432
Göyçay rayonu	25	0.316	30	0.322	26	0.325	37	0.301	35	0.395
Ağcabədi rayonu	26	0.315	32	0.315	29	0.324	27	0.315	18	0.430
Neftçala rayonu	27	0.315	28	0.324	34	0.313	30	0.314	42	0.389
Ağstafa rayonu	28	0.312	27	0.324	35	0.310	32	0.312	37	0.394
Goranboy rayonu	29	0.311	22	0.328	28	0.325	21	0.325	11	0.442
Şamaxı rayonu	30	0.311	38	0.303	38	0.307	39	0.297	41	0.389
Quba rayonu	31	0.310	23	0.327	39	0.307	31	0.312	47	0.373
Ağdaş rayonu	32	0.309	31	0.316	7	0.377	29	0.314	44	0.385
Tovuz rayonu	33	0.308	35	0.307	31	0.314	28	0.315	28	0.408
Salyan rayonu	34	0.307	37	0.304	25	0.326	34	0.307	36	0.394
Samux rayonu	35	0.305	26	0.325	44	0.297	23	0.322	21	0.426

Şəhər/ İnzibati Rayon	2017		2016		2015		2014		2013	
	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici	Reyting	Göstərici
Şəmkir rayonu	36	0.305	33	0.310	20	0.341	20	0.326	30	0.405
İsmayıllı rayonu	37	0.304	25	0.326	27	0.325	43	0.288	23	0.424
Şabran rayonu	38	0.304	24	0.326	30	0.314	11	0.343	22	0.426
Qobustan rayonu	39	0.299	39	0.302	40	0.304	16	0.328	3	0.494
Masallı rayonu	40	0.297	36	0.305	32	0.314	35	0.305	50	0.356
Ucar rayonu	41	0.295	42	0.299	23	0.328	44	0.284	49	0.367
Biləsuvar rayonu	42	0.289	41	0.300	37	0.307	51	0.270	43	0.387
Tərtər rayonu	43	0.289	43	0.298	52	0.281	38	0.299	48	0.368
Kürdəmir rayonu	44	0.288	40	0.301	47	0.289	42	0.290	29	0.407
Saatlı rayonu	45	0.285	46	0.290	50	0.285	46	0.278	31	0.405
Zərdab rayonu	46	0.284	48	0.283	46	0.290	45	0.279	34	0.396
Sabirabad rayonu	47	0.284	50	0.278	49	0.286	50	0.271	45	0.382
Balakən rayonu	48	0.280	44	0.295	36	0.308	36	0.304	38	0.393
Ağsu rayonu	49	0.280	45	0.295	54	0.262	41	0.296	20	0.428
Daşkəsən rayonu	50	0.278	47	0.284	48	0.288	48	0.275	33	0.403
Cəlilabad rayonu	51	0.272	42	0.284	42	0.298	55	0.249	54	0.332
Yardımlı rayonu	52	0.268	52	0.269	45	0.293	53	0.255	53	0.338
Lerik rayonu	53	0.267	49	0.282	51	0.283	49	0.275	52	0.353
Astara rayonu	54	0.262	54	0.265	53	0.265	52	0.256	55	0.331
Gədəbəy rayonu	55	0.260	55	0.265	55	0.232	54	0.254	51	0.355

Interpretation of Results

The results of the study show significant improvements in the regional investment ratings of Azerbaijan. Despite the complicated economic and political situation in the world, the country has kept its dynamic regional growth as one of its priorities and was able to achieve an overall increase in the regional investment ratings.

Despite the observed decline in the economic activity in several regions, most of them have shown progress in a number of socio-economic sectors. The main indicators point towards a sustainable future for the regional economics of the country and investment climate of the regions. This will result in the improvements in the economic indicators of the country in the South Caucasian region.

Interpretation of Results

Main Observation Results for the Absheron Region:

Absheron is one of the main economic regions of the country. It has shown an overall improvement in the investment ratings.

Baku city: During the reported period, a positive change has been observed in the main indicators used.

Khizi district: Underlying reason for the increase in the rating has been significant investment in capital assets.

Sumgait city: Main reason for the decrease in the rating has been the considerable decline in the level of healthcare indicators.

Interpretation of Results

Main Observation Results for the Ganja – Kazakh and Nakhchivan Regions

Ganja city and all districts: During the reported period, most of the indicators illustrated show only a slight decline, however a considerable decrease in the level of healthcare should be noted.

Indicators that have been used for Infrastructure Index compilation show a significant positive dynamics.

Nakhchivan city: Main reason for an increase of the ratings was a decrease in the dependence from State budget. Similar to majority of other cities and districts of Azerbaijan, infrastructure has been developed.

All districts: During the reported period, a decline has been observed in all indicators that had been used, but more significantly in the labor market efficiency.

Summary

This extensive study of the investment ratings of the main regions of Azerbaijan has been carried out by the Center. The study covered several important factors affecting the regional investment ratings of 62 cities and regions of Azerbaijan. It was aimed to identify specialization areas, evaluation of results, elevation of competitiveness levels and attraction of investment to the regions.

The Method used was similar to the Global Competitiveness Index prepared by Global Economic Forum.

The results obtained from statistical analysis of the regions did not surprise the Center's experts and indicated a statistical significance for the regional investment ratings of the country. Null hypothesis, that the zero effect of the total production per capita on the complied ratings can be denied.

Summary

Taking the first place in the ratings is Baku city. The following cities of Azerbaijan; Nakhchivan, Mingachevir, Sumgait, Shirvan, Ganja, and Naftalan are in the top 10 of the ratings. In addition, Absheron, Imishli, and Julfa regions are also in this list.

Results show a very promising future for the economy and optimistic opportunities for both domestic and foreign investments for cities and regions of Azerbaijan. The aforementioned will assist Azerbaijan in further strengthening its position as a regional leader.