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Strategic Roadmap on production and processing of agricultural products in the Republic of Azerbaijan



The implementation of 9 strategic targets for creating favorable environment to achieve formation of production and processing sector of competitive agricultural products is intended based on sustainable development principles in the country through implementation of the Strategic Roadmap during the years of 2016-2020. These strategic targets involve strengthening the sustainability of food safety, increasing production capacity of agricultural products along the rings of value chain, developing the market of agricultural production means, facilitating the access to relevant resources, as well as finance, upgrading scientific provision and quality of education in agricultural field, developing the system of extension services, facilitating development of market infrastructure and access of producers to market, shaping mechanisms of sustainable use of natural resources, improving business environment in agricultural field and increasing welfare in rural areas.

Relevant tasks on preparation of the Strategic Roadmap based on a thorough analysis of the existing condition of the economy have been given by the Order of the President of the Republic of Azerbaijan No. 1897 dated 16 March, 2016 regarding "Approval of the Main Directions of the Strategic Roadmap on the National Economy and Main Sectors of the Economy, and the issues arising from it". Accordingly, the existing condition in industrial fields of production and processing of agricultural products has been investigated systematically and thoroughly with the participation of relevant state bodies, research centres and independent experts, series of debates have been conducted and relevant evaluations have been made and the "Strategic Roadmap (hereinafter referred to as – the Strategic Roadmap) on production and processing of agricultural products in the Republic of Azerbaijan" has been prepared on the basis of the abovementioned.

The strategic vision by 2020 regarding development of the agricultural field of the country, long-term vision for the period by 2025 and target vision for the period after 2025 have been reflected in the Strategic Roadmap which implies the country has a clear roadmap to be implemented in consecutive steps in order to achieve strategic development targets in the agricultural field for both short-term and long-term period.

Nine major targets have been determined in the tourism sector of the country in order to achieve long-term perspective in this sector.

- **Strengthen institutional capacity for provision of sustainability of the food security**

Build information and monitoring system in association with sustainability of food security and accessibility of the population to food, shape mechanisms to achieve reliable food supply for people of all social classes, form

a food security system which involves all the stages of the value chain and is based on the approach of risk analysis.

- **Increase production capacity of agricultural products along the value chain**

Reinforce production capacity of competitive products of agriculture and processing industry both in domestic and foreign markets, promote the growth of production of agricultural and processing industry products that are potentially able to replace imports, form farmer partnership and improve cooperation in agriculture, develop public-private partnership for carrying out complex projects, form support infrastructure for development of agrobusiness

- **Facilitate access to finance**

Upgrade financing mechanisms in agricultural field, develop agrarian insurance, promote attracting investments in agrarian field

- **Develop the market of production means in agricultural field and upgrade provision with services**

Improve land market, better the provision of producers with irrigation water, better the provision of producers of agricultural products with equipment, vehicle and machinery and develop the market of agricultural services, develop the market of seed and sapling and reinforce the local production capacity, better the provision with fertiliser and plant protection means, better the provision of cattle-breeding with mixed feed and develop pure-breeding, better the provision of producers of agricultural products with veterinary and phytosanitary services

- **Develop the system of science, education and extension services in the agricultural field**

Provide the transition to a new development phase in terms of quality in the agrarian field, improve the mechanisms to plan, carry out scientific researches and implement results in the agriculture, form a network of extension services that meet the requirements of agriculture

- **Develop the market infrastructure of agricultural products and facilitate the access of the producers to the markets**

Develop the market infrastructure of agricultural products, upgrade the market regulating system of agricultural products, promote and support export of agricultural and processing industry products

- **Environmental protection, sustainable use of natural resources and management of the impacts of the natural factors on the agriculture**

Elaborate the mechanisms to reduce the side effects of climate changes and other natural factors on agriculture, improve the mechanisms of environmental protection in the agrarian field, improve the mechanisms of sustainable use of agricultural lands and water reserves, develop environmentally friendly agricultural production

- **Raise efficiency of state regulation in the agrarian field and improve business environment**

Take measures to form favourable agrobusiness environment, build electronic rural farming, upgrade the system of registration, accounting and statistics, strengthen the capacity of the bodies regulating the agriculture, improve the state aid policy to the producers of the agricultural products based on the development goals, build the system to monitor and evaluate the outcomes of the agrarian policy

- **Increase employment and raise welfare in rural areas**

Strengthen the capacity of rural areas in socio-economic development policy, support development of alternative activity fields in rural areas, encourage the initiatives of the local communities in development of the rural area

GLOBAL TRENDS

Through "Green Revolution" which is characterised by expanding the application of mineral fertilisers, pesticides and perfect irrigation systems, increasing the level of mechanisation of production and improving selection and purebreeding works since 60-70s of the last century the production in both plant-growing and cattle-breeding fields has been substantially intensified at a global level. The process of consolidation of agricultural lands which is another important term of intensification of production is another global trend observed in agricultural field as an integral part of the policy of sustainable rural development and efficient management of natural resources. Today, the global agricultural field experiences its period of transition from the phase of "Green Revolution" to the phase of the "Second Green Revolution" or "Revolution of Biotechnology". Today, application of new irrigation methods (drip, sprinkler, soaker) and favourable cultivation methods (tillage without layers, bloc sowing, zero cultivation, mixed cultivation, laser harrow) is expanded as perfect technologies used in cultivation of planting areas. Along with the development of the relevant production technologies, the practice of automation of the management system of farms operating in the agrarian field is expanding, in particular in developed countries. The special weight of products processed in the global export on agricultural and food products, which means products produced by creating higher added value, is gradually increasing.

As a result of urbanization process happening fast at a global level, the volume of the consumption of food products of the urban population has increased significantly and this in its turn, has led to replacement of the traditional agricultural production model with the approach of "urban demand-oriented agriculture".

The challenges regarding the future development of the agriculture in the modern development phase of the community are determined on the basis of two global trends that seem different at first glance:

- **Thus, the growth pace of demand for agricultural and food products at a global scale has a tendency to decline.**

According to the calculations of the FAO, whereas the average annual pace of this demand was 2.2 percent for the last 40 years, it is expected to fall to 1.1 percent during the next 40 years. Besides, these indices are evaluated at 3.6 percent and 1.3 percent respectively for the developing countries.

- **In 2050 there will be an urge to increase global food production and it will be necessary to double the relevant production volume even in developing countries .**

It is because of the fact that the special weight of healthy and quality products increases gradually in the structure of production of food products in accordance with the gradual increase trend of life standards at a global scale.

There are several problems which hinder the realization of the international challenge regarding the necessity to satisfy the demand to be increased for food products at a global scale due to the rise in the number of the world population, as well as gradual improvement of

life in developing countries :

- The degradation of lands increases dangerously at a global scale and it covers the most part of the world.
- The activities in agricultural field have to be adapted to the global climate changes.
- The unfair trade conditions existing at a global scale act as another serious factor affecting the production of food products in developing, as well as least developed countries.
- Instability of prices of agricultural and food products observed at a global level makes the accessibility to food difficult, in particular, in developing, as well as least developed countries, also reduces the efficiency of performance of producers.
- The developing countries, as well as least developed countries have to increase the volume of investments in agriculture, even more than that in the directions related to this field in order to realize the challenge to increase the volume of the production of agricultural and food products.
- The existence of modernised system of science, education and extension services in the agrarian field in a period of widespread application of innovative production and management technologies at a global level acts as one of the necessary resources for provision of competitiveness in this field

ANALYSIS OF THE EXISTING CONDITION

Existing condition in the field of production and processing of agricultural products

- **General development trends of the field**

The total volume of agricultural products increased by 7.7 times (2.4 times in real terms) with actual prices during the years of 1995-2015 and by 3.1 times (38.4 percent in real terms) during the years of 2005-2015. The share of the production of agricultural products in GDP has fallen from 16.1 percent to 5.5 percent during

the years of 2000-2010 when the influence of the oil sector in the general economic growth was specifically strong. During the years of 2010-2015 the share of the production of the agricultural products in GDP rose from 5.5 percent to 6.2 percent. The main trend observed in the production of agricultural products after Azerbaijan gained independence and the start of transition to market economy in the country is characterised by fundamentally shaping production structure of this field on the basis of production of food-oriented agricultural products. At the same time, a huge increase took place in the production of food-oriented processing industry products over the last period. Along with this, the ratio of the volume of import of some products to the local production in those products is high enough in order to satisfy the consumption demand in the domestic market and demand of the processing industry for feedstock.

- **The level of self-sustainability with food products and food security**

As a result of the goal-oriented measures carried out towards strengthening food security of the country, the self-sustainability with main food products increased in 2015. Fundamental development of control system on food security which is one of the important ingredients of food security, is one of the main challenges. Currently, control on quality and security of agricultural and food products in Azerbaijan is carried out by eight state bodies. Building proper coordination among these bodies and elimination of the existing problems make the institutional reforms necessary.

- **Institutional structure of the agriculture**

One of the pressing issues in terms of further increasing the production capacity in the field of agricultural products in the country, as well as increasing the fertility indices is smallness of the most farms, as well as low level of

their institutionalisation. The implementation of the system of "Agreement on Agriculture" which acts as one of the forms of agricultural cooperation is not at a desirable level. According to the abovementioned, implementation of consolidation measures of farms through advanced methods applied in global practice and development of cooperation in agricultural field in different forms is very pressing for the country.

- **Provision of the agrarian producers with financial resources and insurance system**

In recent years, the volume of the credits allocated to the fields of production and processing of agricultural products has increased continuously. Thus, according to the records of the Central Bank, credit investment in this field was only AZN 97.6 million in 2005, whereas it was AZN 508.1 million in 2015. Although, the share of this field in credits invested in the economy has fallen from 6.8 percent to 2.3 percent during that period. During the years of 2005-2015 the volume of the credits allocated to production and processing of agricultural products through the line of National Fund of Entrepreneurship Support has increased by 18.1 times. Since 2006, allocation of discounted credits in this field has been launched by the State Service of Management of Agricultural Projects and Credits attached to the Ministry of Agriculture. State Support for insurance of agricultural producers is carried out in Azerbaijan. However, the lack of information base of the last 30-40 years on fertility indices in agricultural production is one of the main elements hindering the development of the insurance system in agricultural field. In addition, the lack of the relevant insurance fund negatively impacts the development of this field.

- **Provision with production means and services**

- **Land resources**

According to the records of the State Statistical Committee of the Republic of Azerbaijan , 55

percent of the total area of Azerbaijan which is 8.64 million ha or 4.74 million ha of lands are agricultural lands. Azerbaijan is one of the countries with limited land resources. Although the land-climate condition enables to increase the irrigated land area to 3.0-3.5 million ha, it is not possible to realize that due to the lack of water resources.

- **Water resources and irrigation and amelioration systems**

Azerbaijan, which is located in an arid zone has got limited water resources. Large-scale projects have been carried out at the expense of state budget funds in order to reconstruct and improve the amelioration and irrigation system. Thus, during 2004-2015, 1492 subartesian wells were drilled in order to satisfy the demand of the planting areas and the population for potable water. Within the project of "Reconstruction of the Samur-Absheron irrigation system", "Takhtakorpu water reservoir" with total water storing capacity of 268 million m³ and main channels with the length of 140 km were built and put into operation. Through the measures of "Development of the Amelioration and Irrigation system", water provision of lands was improved in 266 thousand ha of area, 43 thousand ha of area was added to the group of lands newly watered. At the same time, the ameliorative condition of lands in 218 thousand ha of area was improved. However, as more than 90% of irrigation and collector and drainage networks are soil-bound and open, water is lost highly, mineralized ground waters rise to the planting layer and surrounding lands get salinized. Apart from that, as a main irrigation method, traditional "surface irrigation" or "flooding" are applied. The implementation of modern irrigation methods such as "drip irrigation" is within limited level.

- **Provision with machinery**

In recent years, a fundamental progress has been obtained towards improving the provision of the producers of the agricultural products with the relevant machinery and equipment through

important state aid and systematic measures taken. During 2005-2015, 1869 pieces of combine harvesters, 7265 pieces of tractors and 14507 pieces of other agricultural machinery were bought by the "Agroleasing" OJSC. During the period mentioned above, in general, 18090 pieces of agricultural machinery, including 723 pieces of combine harvesters, 6305 pieces of tractors and 11062 pieces of other agricultural machinery were leased or sold with leasing to 10644 legal and physical persons. Although, the number of newly purchased machinery and equipment in the technopark is growing, there is a need to replace the outdated equipment with new ones.

- **Provision with mineral fertilisers**

In recent years, the part of costs for improving the provision of producers of agricultural products with mineral fertilisers was paid by the state budget and it yielded positive results. During 2008-2015, the total volume of the fertiliser sold on favourable terms to the farmers by "Agroleasing" OJSC rose from 68.4 thousand tonnes to 124.6 thousand tonnes. Hence, the actual volume of the mineral fertilisers spread to planting areas is significantly lower compared to the current demand.

- **Provision with seed**

Totally, 354 private farms are engaged in the production of seeds and sapling over the country. Hence, the huge part of demand for seeds is met through import in the country. In general, poor tangible and technical bases of local seed farms and absence of professional management practice compatible with the market principles, poor development of seed sales network, imperfect control and certification of seed quality, disorderly import and use of unregulated and unrecognized varieties, undesirable level of the activity of the Seed Producers Association, insufficient protection of copyrights of breeders and other problems are serious challenges to the development of the field of seed-growing.

- **Breeding**

As it is known, local breeds have poor productivity in terms of milk production and meat production. Therefore, breeding animals with high fertility are imported from foreign countries at the expense of the state and artificial insemination of animals is gradually expanded in order to carry out selection and breeding works at animal farms on the basis of scientific grounds and improve the breeding structure of the cattle-breeding. During 2009-2015, 18252 heads of breeding cattle and 5947 heads of breeding goats were imported to the country through "Agroleasing" OJSC and leased to the producers of agricultural products on favourable terms. With all mentioned above, the collection, study, protection and preparation of reproduction plans for animal genetic resources obtained by the implementation of traditional breeding methods are one of the matters with great importance in breeding.

- **Feed provision for livestock**

Recently, new industrial establishments specialised in the production of feed products based on special recipes with the industrial method are being created in the country. However, the huge part of the demand for these products is met by import. Thus, in 2015, 12.8 thousand tonnes of strong feed was produced, more than 100 thousand of relevant products was imported. Apart from that, about 300 thousand tonnes of strong feed is annually produced for demands at poultry farms and the main feedstock provision of it is imported.

- **Provision with veterinary and phytosanitary services**

Nevertheless, 4400 veterinarians are required for providing effective veterinary services to 3.8 million heads of cattle which exist in the country, there are about 2600 veterinary experts working at all structures of the State Veterinary Control Service and this makes up

60 % of the whole requirement. Extensive measures are being taken towards development of the system of the veterinary and phytosanitary services being implemented by the state aid in order to protect the producers of agricultural products from risks, prevent and eliminate animal and plant diseases. At the same time, there is also a need to further strengthen provision with veterinary microbiology and virology researchers, bacteriologists and virologists at veterinary scientific research and diagnostic centres. In general, there is a need to develop and implement a complex activity plan for monitoring the health of animals and plants and building efficient system for control in accordance with the "Sanitary and Veterinary Code of Terrestrial Animals" of the World Organisation for Animal Health (OIE) and the International Standards on Phytosanitary Measures of the International Plant Protection Convention in order to improve the management of risks on animal and plant diseases in the country.

- **Science, education, training and extension services**

Regarding the problems of the agrarian field 12 scientific research institutions of the Ministry of Agriculture and Azerbaijan National Academy of Sciences operate. In addition, generally 4 scientific research institutes attached to the Ministry of Ecology and Natural Resources and Azerbaijan Water Management and Amelioration OJSC partly operate in accordance with the problems regarding the agrarian field. In order to further expand the highly-skilled personnel training on different fields of the agriculture, a Memorandum of Understanding regarding implementation of international master programme on business administration in Agricultural field was signed between the Ministry of Agriculture and ADA University on the date of October 24, 2016 and within its framework 30 students have started studying on the relevant profession at the ADA University. Low level of professional knowledge and skills of most farmers in the country makes

it necessary to develop informal training network along with the formal educational system, in other words, to raise professional knowledge and skills of agricultural producers in the courses arranged regularly for a short-time period.

- **Market and export of agricultural and food products**

However, a necessary sales network of food products has been created in the country, market structures and institutions on trade of agricultural products have not developed at a desired level yet. Since market channels are disconnected and simple, informal sector prevails here. Therefore, there are problems in access of agricultural producers which are mostly comprised of small farms, to market with favourable terms, in particular on plant products. There is a huge difference between the selling field price of agricultural products and the selling price in the final consumption market. This problem is rooted in insufficient development of the retail and wholesale selling network of fruit, vegetable and melons.

The retail sales turnover of agricultural and food products was AZN 12.9 billion in 2015. The volume indicator of the market was 2.4 times more in 2015 than that of in 1990. The volume of export of agricultural and food products increased by 11.1 times in 2001-2015 and by 2.2 times in 2005-2015.

- **System of environmental protection, protection of natural resources and management of impacts of natural climate factors on agriculture**

The efficient use of land and water resources is currently pressing in the country. There are not specific terms and instructions in relation with the duties of the separate agencies regarding recovery, increase and protection of fertility of the lands, as well as the mechanisms to carry out these duties in the existing rules. Besides, the functions repeating one another have been

found out in the statues of the relevant agencies regarding this issue. One of the main terms of efficient use of water resources is linked to the management of the irrigation systems. As a country with limited water resources, it is essential to take relevant support measures applied in the world practice for encouraging the expansion of the modern irrigation methods which save the water in Azerbaijan. Along with the traditional agricultural products, encouraging the production of environmentally friendly agricultural products takes an important place in protection of the environment.

- **Regulation of agriculture and state support**

Over the last period, a relevant support system was built for the producers of the agricultural products by the state and state support measures on the general field, plant-growing and cattle-breeding were taken in order to increase transparency. The state support system and the system of registration, accounting and statistics in Agriculture were built. Since 2015, building of "e-agriculture" information system has been launched on the basis of the methodology applied by the countries of the European Union (EU). The "e-agriculture" information system which is based on the principles of "Integrated Administration and Control System" (IACS) of the EU has 7 sub-modules, including the modules titled "Identification of Land Areas", "Register of Farms" and "Registration and Analysis of Applications for the Subsidy". The preparation of the technical specifications for creating "Identification and Registration System of Animals" has been started by involving a group of the international experts. The "Monitoring System of the Data of the Farms" was created for the first time in Azerbaijan among the CIS countries in accordance with the EU practice.

- **Employment in agricultural field and development of rural areas**

According to the records of the State Statistical Committee, as a result of the growth of 6.8

percent in the total employment level during the last 5 years, the growth in the number of the people engaged in processing industry was 9.3 percent and in agriculture 2.5 percent. Within the economic development programmes of the districts, 71 percent of, or more than 1 million new workplaces, as well as 42 percent of, or 29820 newly established enterprises are in the districts. Besides, 68 percent of, or 202 inns and inn-like facilities newly put into use operate in the districts. Along with the matters mentioned, improvement of the development policy of rural areas on the basis of advanced world practice is pressing in the modern phase of the socio-economic development of the country.

SWOT analysis of production and processing sector of agricultural products

Strengths

- favourable existing natural resources (land, water, climate resources) in terms of the development of the agriculture in the country;
- formation of farming traditions based on private ownership, and agrarian policy based on market economy principles ;
- formation of a new network of processing industry establishments that are based on modern technologies ;
- higher growth dynamics of the production of agricultural and food products than the average global indices ;
- high self-sustaining level of the country with the necessary food products after the state independence was gained;
- presence of high growth dynamics in the volume of export of agricultural products;
- strong state support in provision of the producers of agricultural products with relevant production means and satisfying the provision of production means at a level matching with the existing supply at the present time
- establishment of state support mechanisms to increase the production in

both plant-growing and cattle-breeding through intensive methods ;

- establishment of agrobusiness enterprises, activity of which is based on advanced farming methods and gradual expansion of practice in this direction;
- proximity to the international markets (Azerbaijan is situated closely to the Russian market which is quite large and has big access opportunities to the markets of Europe and Middle East);
- presence of rural infrastructure which is relatively well developed.

Weaknesses

- low fertility indices as a result of narrow dissemination of the implementation practice of advanced farming methods, great role of extensive factors in growth of production of most products ;
- presence of challenges in provision of cultivated lands with irrigation water;
- insufficient development of market infrastructure, as well as sales and storage infrastructure;
- poor use of existing opportunities for increasing added value created in production, processing and trade phases of the products;
- superiority of family businesses which are based on small land ownership and market-orientedness of these farms is at a low level ;
- supply-orientedness (production) is higher than the demand-orientedness (market) in the agrarian policy and in general, there is a need to improve this policy based on "value chain" approach;
- poor farmer partnership and cooperation in agriculture, as well as agrarian industry integration;
- insufficient reliance of activities of the processing industry establishments on local raw resources;
- poor development of access of producers to financial resources and agrarian insurance system;
- inadequate knowledge and skills of farmers in relevant fields to carry out activities with advanced methods ;

- production of agricultural products is carried out without sufficient consideration of terms of environmental protection and sustainable use of natural resources;
- underdeveloped system of extension services in agricultural field ;
- building perfect information base for existing resources in terms of further increasing the efficiency of agriculture and food policy is not complete yet (building electronic agriculture, electronic cadastre system of lands and identification system of animals) ;
- competitiveness of wheat production as a strategically important food product is low especially due to limited natural resources (lack of large land areas as in grain-growing countries);
- incomplete coordination of the quality management system of food security, agriculture and food products with the requirements of the international standards;
- poor coordination of scientific research activities carried out on agricultural challenges with practice.

Opportunities

- determination of development of the production and processing sector of the agricultural and food products as one of the priority directions in the general socio-economic development policy of the country;
- presence of relevant state aid for stimulating the growth of production of agricultural and food products;
- start developing the market infrastructure on market of agricultural and food products and measures to form effective market regulating system;
- geographical proximity to favourable export markets and significant position in those markets;
- start implementing extensive promoting measures for increasing the access to the export markets;
- presence of high comparative advantages on production of most agricultural products;
- presence of opportunity to develop

environmentally friendly agriculture ;

- low salary costs and enough work force (this factor leads to low production cost of the product) ;
- further increased competitiveness of the agricultural products produced domestically in the world market as a result of the devaluation of the national currency (the production becomes cheaper in foreign currency terms and it results in price advantage) ;
- an opportunity to develop multifunctional agriculture (taking into account that the people engaged in agriculture have a limited chance to find a job in rural areas, the development of rural tourism and expansion of energy production (bio, solar, wind) may increase the income of people involved in agriculture which will in its turn better the financial opportunities of farmers).

Threats

- notwithstanding that the existing natural resources (soil and water resources) are favourable in terms of development of the agriculture in the country, these resources are poor in comparison with the average global indices ;
- agrarian policy is not sufficiently coordinated with the principles of environmental protection and use of natural resources on a sustainable basis;
- geographical diversification of export markets is limited ;
- desertification-degradation (improper irrigation and global climate change lead to desertification-degradation of lands) of arable lands ;
- import of subsidized and dumped products of other countries (which, in its turn, creates unfair competition in the domestic market);
- reduction of domestic aids to agricultural sector after the potential WTO membership (Amber Box).

STRATEGIC VISION

Strategic vision by 2020

The strategic vision on production and processing of agricultural products in Azerbaijan by 2020 aims to create favourable environment for shaping production and processing sector of competitive agricultural products that are based on sustainable development principles, enable further strengthening of food security, contribute to diversification of economy, and increase social welfare in rural areas.

Description of the strategic vision

By achieving upgraded relevant regulating system, as well as increased efficiency of state aids and a lot better competitiveness in the market through implementation of the Strategic Roadmap a favourable market environment will be formed. Complex measures will be carried out in reinforcing the capacity of related regulating bodies, coordinating the state aids with development goals, improving food security system, developing competitive environment in the market of production and sales of products, and production means, facilitating the access to financial resources, improving market infrastructure and facilitating access opportunities to market, developing extension services, and other directions.

Long-term vision for the period by 2025

The long-term vision on production and processing of agricultural products in Azerbaijan for the period by 2025 envisions shaping competitive agrobusiness through amplifying the transition from traditional farming to intensive farming which creates added market value.

Description of the long-term vision

Share of agricultural products in non-oil export will significantly increase by 2025 on the basis of the purposeful approach applied for the

increase in overall production and productivity of these products. The goals set within the frames of long-term vision for the period by 2025 are to completely modernise agricultural sector and strengthen its competitiveness. As a result of the measures to be taken within the priorities set for 2016-2020, agrarian and industrial enterprises of the country will be the main driving force in the fundamental transformation of the agricultural sector by 2025. An electronic agricultural system will operate in the country by 2025, and this system will create an opportunity for taking more powerful decisions and policy making. Food security of the population will be ensured by developing the country's agrarian industry by 2025. Intensive production of agricultural products and enhancing efficiency in the use of resources will create an opportunity to ensure ecological sustainability.

Aspirational vision for post-2025 period

Vision for the future for the production and processing of agricultural products in Azerbaijan for the post 2025 period envisages the formation of industry-oriented agriculture meeting the requirements of environmental standards and efficiently integrating into the global value chain, based on high technological development.

Description of aspirational vision

After 2025 there will be an opportunity for the increase in productivity in the sectors of production and processing of agricultural products of the country, and processing enterprises will play an important role in transforming agricultural products into a highly value generating products by processing them. Increasing the production of agricultural products in Azerbaijan will not only satisfy domestic demand for food, but will also increase export opportunities to the regional and world markets. The Azerbaijani government will have minimum interference with the implementation of such measures and hence, will not act as a direct executing party, but as a party who promotes development by

implementing certain incentive measures. During the implementation of measures and projects based on priorities after 2025, environmental sustainability will remain at the centre of attention and changes will be made to such measures, if necessary.

TARGET INDICATORS

The following key target indicators have been identified by 2020 (in comparison with 2015) for the measures envisaged in the sector of production and processing of agricultural products.

- Real GDP of Azerbaijan will increase by 1235 million Manat. It is expected that the direct impact will be approximately 575 million Manat, while the indirect impact will be 660 million Manat;
- 20 thousand new jobs will be created in the sphere of production and processing of agricultural products through the implementation of the measures planned for the regions of the country;
- 20 percent increase in meat production;
- 30 percent increase in milk production;
- increase by at least 4 times in cotton production and processing;
- increase by at least 1000 times in cocoon production and processing;
- establishment of totally 25 small and medium-sized businesses in value chains of suitable products in each region by 2020;
- establishment of opportunity to access to additional funds of 665 million Manat;
- development of at least 100 investment projects in administrative regions and sectors;
- 20 percent increase in irrigation water supply of producers;
- 5 percent increase in the total area of cropland by returning lands which are unused, but suitable for agriculture to crop production;
- 25 percent increase in the use of mineral fertilisers by producers of agricultural products;
- 25 percent increase in the use of crop protection agents by the producers of agricultural products;
- raising the level of use of certified seeds, as well as seedlings by the producers of agricultural products up to 90 percent;
- 20 percent increase in the supply of the producers of agricultural products with machinery and equipment, as well as small-size machinery and equipment;
- 20 percent increase in the total number of students of agrarian disciplines at the higher education institutions;
- 30 percent increase in the number of the private veterinary service providers;
- establishment of 5 "green markets" and 50 "farmer shops" in the capital and major cities;
- specialisation of 200 farmers on the export of agricultural products in the country by 2020;
- improvement of reclamation status of 30 percent of irrigated lands.

STRATEGIC OBJECTIVES

- regional and sectoral development of agricultural products with competitive advantage, simplification of the agricultural products producers' access to production facilities, information and consulting services, as well as domestic and foreign markets, formation of farmer partnership in agriculture, formation of a competitive agricultural sector by developing agribusiness and agricultural products processing, improving the quality of science and education in the agrarian sector;
- increasing the specific weight of essential food products replacing imports in the domestic market, creating food reserves and enhancing food security;
- increasing decent employment opportunities in rural areas and raising living standards of the population, ensuring improvement of social well-being in rural areas;
- ensuring sustainable development in the agrarian sector through the implementation of advanced technology in order to protect the

environment, develop agriculture adapting to climate changes for the protection of land and water resources, as well as to enhance water and land use efficiency.

STRATEGIC TARGETS

The relevant priorities for Strategic Road Map for the development of specialized tourism industry in the Republic of Azerbaijan have been identified for each strategic target, with a total of 9 strategic targets. These strategic targets can be classified as below:

Strategic target 1

- Strengthening institutional capacity to ensure sustainability of food security
- Establishing information and monitoring system in connection with the sustainability of food security and accessibility of the population to the food
- Formation of mechanisms for achieving reliable food supply of all layers of the population
- Formation of food security system covering all stages of value chain and being based on risk analysis approach

Strategic target 2

- Increasing the production capacity of agricultural products through value chain
- Strengthening production capacity for competitive agricultural and processing industry products in both domestic and foreign markets
- Promoting increase in production of agricultural and processing industry products that are potentially capable of replacing imports, formation of farmer partnership and development of cooperation in agriculture
- Development of public and private partnerships for the implementation of complex projects, formation of the infrastructure to support agribusiness development

Strategic target 3

- Simplification of access to the funds
- Improvement of financing mechanisms

in the field of agriculture

- Development of agrarian insurance
- Promoting investment in the agricultural sector

Strategic target 4

- Development of the market of the means of production in agricultural sector and improvement of service provision
- Development of land market
- Improving irrigation water supply to the producers
- Improving the provision of the producers of agricultural products with machinery and equipment, and development of agro-service market
- Development of seed and seedling market, and strengthening the potential of domestic production
- Improvement of the supply of fertiliser and means of plant protection
- Improving the supply of cattle-breeding with mixed feed, and improving breeding issue
- Improving provision of the producers of agricultural products with veterinary and phytosanitary services

Strategic target 5

- Development of science, education and information-consultancy services system in the agricultural sector
- Ensuring transition to a qualitatively new phase of development in agricultural education
- Improving mechanisms of planning and conducting scientific researches, and implementation of their results
- Formation of information and consulting services network that meet the needs of the agrarian sector

Strategic target 6

- Development of market infrastructure for agricultural products and simplifying access of the producers to the markets
- Development of market infrastructure for agricultural products
- Development of market regulation system for agricultural products
- Promotion and support of export of

Strategic target 7

- Environmental protection, sustainable use of natural resources and managing the impacts of natural factors on agriculture
 - Development of mechanisms for minimisation of negative impacts of climate changes and other natural factors on agriculture
 - Improvement of mechanisms for environmental protection in the agrarian field
 - Improvement of mechanisms for sustainable use of agricultural lands and water reserves
 - Developing production of ecologically pure agricultural products

Strategic target 8

- Enhancing the effectiveness of state regulation of the agrarian sector, and improving business climate
 - Taking actions to create a favourable agribusiness environment
 - Establishment of electronic agriculture, improvement of registration, accounting and statistics system
 - Strengthening the potential of the bodies regulating agriculture
 - Improving the policy of state support to the producers of agricultural products on the basis of development objectives
 - Establishment of the monitoring and evaluation system of the results of agricultural policy

Strategic target 9

- Increasing employment and raising the welfare of the population in rural areas
 - Strengthening the capacity of rural settlements based on the socio-economic development policy
 - Supporting the development of alternative activity areas in rural areas
 - Supporting initiatives of local communities on rural development

1170 million Manat investment is required for achieving established strategic targets. The implementation of the measures set forth in the State Strategy is intended to be financed by state budget, extra-budgetary funds; funds of the State Service for the Management of Agricultural Projects and Loans under the Ministry of Agriculture of the Republic of Azerbaijan; funds of the National Fund for Entrepreneurship Support, funds of Azerbaijan Investment Company; local budgets, funds of local administrations, enterprises and organizations regardless of their ownership form, direct foreign investments, securities, including stocks and bonds, derivative financial instruments; local loans and grants; loans, technical and financial assistance of international organizations and foreign countries, and other sources not prohibited by the laws.

In order to ensure effective spending of funds for priority targets, budgets will be prepared within the result-oriented budget drafting process. A great deal of the required funds will be provided through the restructuring of existing budgets, joint financing initiatives of private sector and different investors.

IMPLEMENTATION, MONITORING AND EVALUATION

Monitoring and evaluation of the Strategic Road Map

The Strategic Road Map will be monitored and evaluated through the required tools, processes etc. to ensure successful implementation. During monitoring and evaluation, attention will be paid to the implementation of actions based on merits, predefined results and indicators expected from relevant priority, compliance with deadlines. Monitoring and evaluation will be conducted in compliance with the rules designed in accordance with international methodologies.

Annual work programs of the working group will be consulted with the delivery unit and approved by the key implementer. Quarterly meetings of the working groups will be held with attendance of representatives of delivery unit.

The key implementer will submit a quarterly report on activities to the delivery unit not later than 10 days before a quarterly meeting of working group. The delivery unit will, considering detailed analysis of report and discussions of working group at the quarterly meeting, submit the results of the quarterly meetings and recommendations to the key implementer within 10 days upon such meeting. The delivery unit and the key implementer will take actions to ensure that the monitoring results and recommendations are considered by the working group in its daily undertakings.



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