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Credit Guarantee Fund of the Republic of Azerbaijan



The President of the Republic of Azerbaijan signed a decree "On a number of measures related to state support to expand opportunities for entrepreneurs in access to financial resources in the Republic of Azerbaijan", dated September 15, 2017.

The dynamic development of the non-oil sector in the Republic of Azerbaijan, development of the national economy securing entrepreneurship –oriented, diversified and sustainable economic growth are the most important goal of the economic policy of the Government. As a result of successful economic reforms carried out in the country in recent years, a number of important achievements have taken place in this area, business and investment environment have improved, macroeconomic and financial stability has been strengthened, a positive balance has been restored in overall trade balance, and the currency resources have been significantly increased.

Stabilization of Manat, control of inflation and the growth of strategic currency resources made it a priority for the Government to improve access of businesses to financial resources, restore the economic balance between the real and financial sectors, strengthen the stability of banks and financial inflow into the real sector and thereby stimulate de-dollarization of the economy.

The fulfillment of these tasks dictates, in the forthcoming period, the need for an even broader coverage of state support of representatives of small and medium-sized enterprises who need credit resources in order to modernize, expand and improve the efficiency of the existing production sectors and services to enhance the role of entrepreneurs in securing employment and comprehensive development of the non-oil sector in country. In particular, the distribution of risks between the parties in investment projects, the replacement of the demand for collateral by alternative means, and, thus, the improvement of entrepreneurs' access to financial resources are of particular relevance.

Decree No. 1138 of the President of the Republic of Azerbaijan "On strategic road maps on the perspectives of the national economy and the main sectors of the economy", dated December 6, 2016, identified the followings as

one of the main strategic goals and priorities: increasing financial inclusiveness, diversifying the delivery channels for financial services, expanding opportunities for entrepreneurs, particularly small and medium enterprises to access financial sources and improving the provision of their financial services.

In the light of the above, the President of the Republic of Azerbaijan hereby resolved to implement the following measures in order to increase the access of entrepreneurs to finance and thereby stimulate entrepreneurship activity and develop lending system based on the distribution of risks in the financial sphere as specified by the Decree No. 1138 of the President of the Republic of Azerbaijan "On the approval of strategic road maps for the national economy and the main sectors of the economy", dated December 6, 2016 :

1. Establishment of "Credit Guarantee Fund of the Republic of Azerbaijan" Open Joint Stock Company.

In order to ensure the activities of this Fund, simultaneously, the following provisions are defined in the Decree:

2. General provisions

- 2.1. The "Credit Guarantee Fund of the Azerbaijan Republic" Open Joint-Stock Company (hereinafter - the Company) is a legal entity that guarantees loans received by entrepreneurs from authorized banks in Manats and provides subsidies for part of the interest accrued on these loans where it is established by the President of the Republic of Azerbaijan;

- 2.2. A Supervisory Board consisting of 7 persons who work on a voluntary basis, as well as the Management Board exercising current management of the Company's activities are created in the Company;

- 2.3. The Supervisory Board of the Company is formed with the consent of the President of the Republic of Azerbaijan, comprising representatives of the Ministry of Finance of the Republic of Azerbaijan (1 person), the Ministry of Economy of the Republic of Azerbaijan

(1 person), the Central Bank of Azerbaijan Republic (1 person), the Financial Markets Supervision Chamber of the Republic of Azerbaijan (1 person), The State Oil Fund of the Republic of Azerbaijan (1 person), the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan (1 person) and the Association of Banks of Azerbaijan (1 person);

2.4. Members of the Supervisory Board elect the Chairman of the Supervisory Board consecutively among their members. The term of office of the chairman is 1 (one) year, but he/ she can be re-elected for the next term taking into account the election order.

3. The relevant provisions of the Decree specify the parties who should exercise the powers to hold General Meeting in the Company:

3.1. President of the Republic of Azerbaijan:

3.1.1. Approves the charter and structure of the Company, determines the amount of the authorized capital;

3.1.2. Appointment and dismissal of the Chairperson and Deputy Chairperson of the Company's Management Board, as well as early termination of their powers;

3.1.3. Reorganization and liquidation of the Company;

3.2. Supervisory Board of the Company:

3.2.1. in view of the sub- paragraph 3.1.2 of this Decree, appoint and dismiss other members of the Management Board, as well as decide on early termination of their powers, based on the submission of the Chairperson of the Management Board's;

3.3. Cabinet of Ministers of the Republic of Azerbaijan:

3.3.1. Except for the matters provided for in the paragraphs 3.1 and 3.2 of this Decree, as well as the circumstances established by the President of the Republic of Azerbaijan, resolve other issues referred to the powers of the General Meeting.

4. In order to fulfill the tasks set forth in Part 5 of this Decree, it is envisaged to create a Working Group in the following composition

as part of the measures to be taken within this Decree:

Head of the Working Group

Kamil Heydarov - head of Monetary and fiscal policy Division, Department of Economic policy and industrial Affairs, Presidential Administration of the Republic of Azerbaijan

Members of the Working Group

Asif Gasimov – Director, Department of Researches, The Central Bank of the Republic of Azerbaijan

Asim Zulfugarov - Deputy Chief Executive Officer, Financial Markets Supervision Chamber of the Republic of Azerbaijan, Director of the Strategic Services Department
Samir Humbatov - Head of Entrepreneurship Development Department, National Entrepreneurship Support Fund of the Republic of Azerbaijan

Khalid Ahadov - Chairman of the Board of the Open Joint Stock Company "International Bank of Azerbaijan"

Jalal Gasimov - Chairman of the Supervisory Board of Open Joint-Stock Company "Kapital Bank"

Nuran Kerimov - the Managing Partner of the Deloitte & Touche Audit Company

Vugar Aliyev - Executive director of KPMG Audit Azerbaijan Limited Liability Company.

5. The decree also instructs the Working Group to carry out the following tasks within a month and submit the President of the Republic of Azerbaijan:

5.1. draft of the Charter of the Company, proposals on its structure, including the amount of the authorized capital;

5.2. in view of the international best practices:

5.2.1. the draft rule for issuing guarantees for loans received by entrepreneurs in manats

5.2.2. draft of the rules for granting subsidies for interests accrued on loans extended to entrepreneurs in Manats

5.3. proposals for the application of the draft procedure for financing the introduction

of the credit rating system and other risk management tools to reduce risks;

5.4. proposals on other regulatory and legal acts necessary for the implementation of the objectives of the company, including the proposals on changes to existing regulations.

6. In order to fulfill the tasks set forth in Part 5 of this Decree, the Working Group may involve foreign and local experts.

7. The draft rule, subject to preparation in accordance with sub-clause 5.2.1 of this Decree, will also reflect the following issues:

7.1. beneficiaries (representatives of small, medium or large enterprises, including new business start-ups) who will benefit from guaranteed loan products (representatives of small, medium or large enterprises, including new entrepreneurs entering the activity), and the economic sector to which the guaranteed projects are assigned;

7.2. the maximum cost and term of guaranteed loans;

7.3. mechanisms for the distributing risks among the Company, authorized banks and debtors;

7.4. the maximum limit of credit guarantee issued to agent banks and the mechanisms for establishing the maximum limit for each agent bank;

7.5. the maximum ratio of the guarantee to be issued by the company, as well as the mechanisms for establishing the ratio of the provided guarantee to the credit amount;

7.6. mechanisms for establishing the upper limit of the guarantee issued to one entrepreneur;

7.7. mechanisms for establishing a payment for the service for provision of guarantee provided by the Company.

8. Along with this, the Cabinet of Ministers of the Republic of Azerbaijan was instructed to implement the following measures under this Decree:

8.1. to prepare and submit within three-month to the President of the Republic of Azerbaijan proposals related to bringing

the acts of the President of the Republic of Azerbaijan in line with this Edict;

8.2. Ensure bringing the normative and



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