

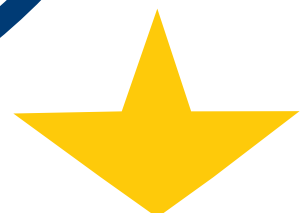


EU4Business

SME POLICY TRENDS

DECEMBER 2021 BULLETIN

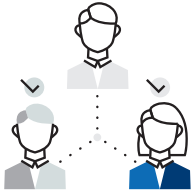
AZERBAIJAN



WWW.EU4BUSINESS.AZ

TRENDS IN SME DEVELOPMENT

IN AZERBAIJAN



Total SMEs in Azerbaijan

33,656

Of which

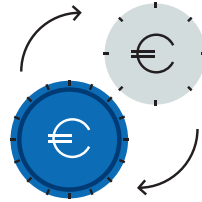
2,604

export

compared with

31,196

in 2020

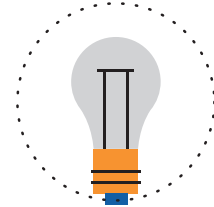


Government Resources supporting SMEs in 2021

€1,804.8

million

5% of GDP

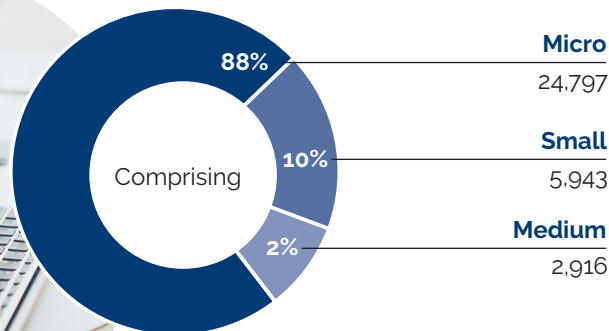


Annual Change in SMEs':

Incomes **-20%**

Employment **+12.9%**

Exports **-5.2%**



SMEs supported by EU

amounted to

17,486

52%

of total in Azerbaijan

in 2020

Estimated Annualised EU support SMEs in Azerbaijan

€11.23

million

(annualised budgets available in 2020)

Performance of EU supported SMEs in 2020, Annual Change:

Incomes **+13.04%**

Employment **+4.7%**

Exports **+7.3%**

GOVERNMENT OF AZERBAIJAN CURRENT SME POLICY

LATEST POLICY DEVELOPMENTS
ON AZERBAIJANIAN SME POLICY

In order to facilitate the centralized acquisition of information necessary for the implementation of entrepreneurial activities (documents provided for in normative legal acts, taxes and duties payable, reports, licenses and permits, etc.), the “e-SME House” portal as well as “Entrepreneur’s electronic cabinet” will be created. State institutions in SME houses to be included in the Electronic Registry of Public Services, as well as in the Electronic Government Information System to ensure the provision of integrated electronic services will be done electronically via the portal.

Regulations of e-SME House were approved

Amendment to Presidential decree No148 (2018) dated 09.08.2021

[Link](#)



[SME DEVELOPMENT STRATEGY]

STATE PROGRAM ON SOCIO-ECONOMIC DEVELOPMENT OF REGIONS OF AZERBAIJAN FOR 2019-2023 PUBLISHED IN 2019 [Link](#)

OBJECTIVES

- To create a favourable environment for the sustainable and balanced development of the regions of Azerbaijan, including competitive environment, sustainable social development, high standards of social welfare, efficient use of natural resources and environmentally friendly productions.

TARGETS

- Innovation;
- Environment-friendly production;
- Employment;
- Entrepreneurship development;
- Alternative energy

BUDGET COMMITMENTS

€585 million

THE STRATEGIC ROAD MAP ON PRODUCTION OF CONSUMER GOODS AT THE LEVEL OF SMALL AND MEDIUM BUSINESS IN THE AZERBAIJAN REPUBLIC

OBJECTIVES

- To improve SME business environment, access to finance.
- To increase competitiveness of SMEs.
- To foster international cooperation.

TARGETS

- SME development;
- Quality of production

BUDGET COMMITMENTS

€585 million

for Strengthen capacity for production of agricultural and processing industry products competitive in both domestic and foreign markets; Form a supporting infrastructure for agribusiness development; Develop public-private partnership for implementation of complex projects; Improve financing mechanisms in agricultural sector; Promote and support export of agricultural and processing industry products; Develop organic agricultural production

MAJOR INSTRUMENTS

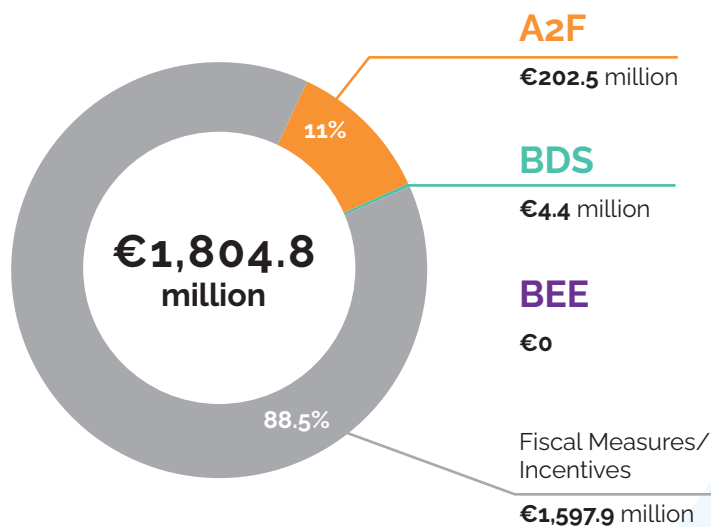
AVAILABLE FOR SMES IN AZERBAIJAN

These are instruments that were active in 2021, some of which have ended already

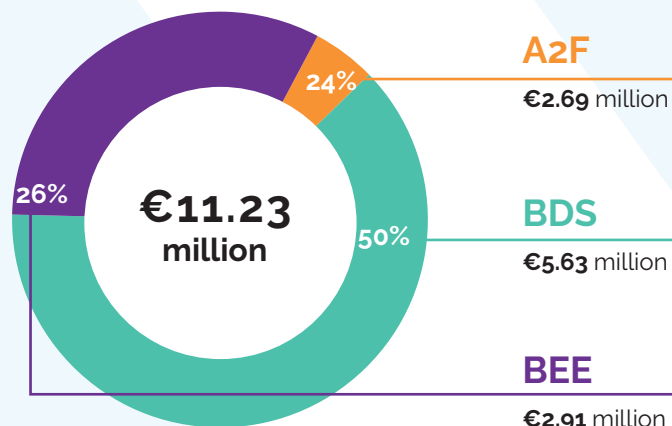
The following instruments to support SMEs are categorised by instrument in line with EU4Business Facility to allow comparison and coherence of EU support in Azerbaijan



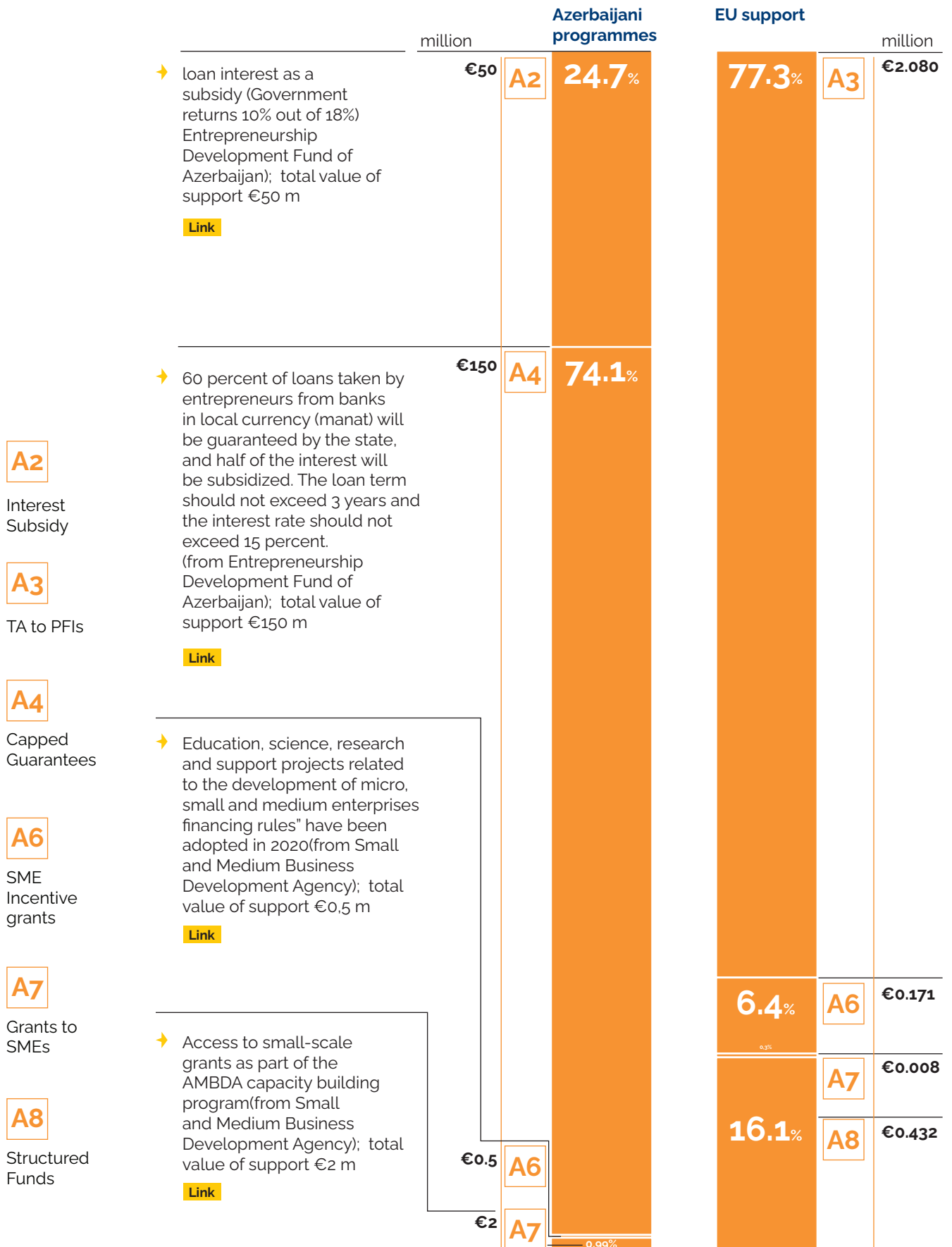
Government of Azerbaijan



EU4Business 2020



ACCESS TO FINANCE (A2F) INSTRUMENTS



BUSINESS DEVELOPMENT SERVICES INSTRUMENTS

		Azerbaijani programmes	EU support	million
B1 Consultancy Services for SMEs	Link → Business consultancy and trainings, soft skills trainings (from SMB House under the Small and Medium Business Development Agency); total value of support €2 m	€2 B1 45.5%	63.6% B1	€3.579
B2 Capacity Building of BSOs	Link → Foreign market research worth up to 15,000 EUR (from AZPROMO); total value of support €0.4 m	€0.4 B5 9.1%		
B3 Incubators				
B4 Clusters	Link → 100 B2B and 200 G2B (Government to Business) services (from SMB House under the Small and Medium Business Development Agency); total value of support €1 m	€1 B6 22.7%		
B5 Trade Information			18.7% B2	€1.055
B6 B2B activities	Link → 1) Support to export missions abroad (max 25 missions per year, up to 6 days, up to 30 participants per mission; transportation, hotel, visa support, translation and venue are provided)	€1 B7 22.7%		
B7 Export Strategies	Link → 2) Research and development programme for exporters covers up to 50% of its cost and cannot exceed 50,000 EUR 3) Support in getting international certificate for exporters (from AZPROMO); total value of support € 1 m		2.1% B3 1% 0.73% B4 11.2% B5 B6 2.6% B7	€0.118 €0.056 €0.045 €0.630 €0.145

FISCAL AND OTHER INSTRUMENTS



Certified startups are exempted from profit tax for 3 years for innovation activities (from Ministry of Taxes)

SME cluster companies are exempted from land, property and profit taxes for the period of 7 years



The profit of the SME cluster participant directed to incurring capital expenditures is exempted from income and profit tax for a period of 7 years (from Ministry of Taxes)

[Link](#)



National Confederation of Entrepreneurs/Employers of Republic of Azerbaijan regularly conducts public-private dialogues and produces policy recommendations on various topics (from National Confederation of Entrepreneurs/Employers of Republic of Azerbaijan, Ministry of Economy)

[Link](#)



The strategic road map on production of consumer goods at the level of small and medium business in the Azerbaijan Republic. The objective is to improve SME business environment, access to finance, increase competitiveness of SMEs, foster international cooperation. Strengthen capacity for production of agricultural and processing industry products competitive in both domestic and foreign markets; Form a supporting infrastructure for agribusiness development; Develop public-private partnership for implementation of complex projects; Improve financing mechanisms in agricultural sector; Promote and support export of agricultural and processing industry products; Develop organic agricultural production (from Ministry of Agriculture, Ministry of Economy, Ministry of finance, Ministry of Energy, various State Agencies, State Oil Fund, Cabinet of Ministers); total value of support 585



According to the Action Plan approved by the Cabinet of Ministers on April 4, 2020, tax benefits and holidays will be provided to businesses operating in areas affected by the pandemic. In this regard, a draft of major changes to the tax and social legislation has been prepared to provide tax benefits and holidays to businesses operating in areas affected by the pandemic (including small and medium enterprises). After reconsideration by the government, the draft documents included in the package of proposals were submitted to the Milli Majlis. Tax benefits and holidays will reduce the burden on taxpayers. for more details: 8e871d4a-c8ac-4233-bbf8-17db5dbf614b (admiralcloud.com) (from Cabinet of Ministers and relevant ministries)

[Link](#)



The Coronavirus Response Fund was established on March 19, 2020. The purpose of the Fund is to prevent the spread of the coronavirus infection in the Republic of Azerbaijan and provide financial assistance to the counter-measures (from Cabinet of Ministers); total value of support 57.9

[Link](#)



Financial support program to pay the salaries of 304,000 employees working in the pandemic-affected areas (in order not to reduce jobs) (from Ministry of Economy, Ministry of Taxes); total value of support 107.5

[Link](#)



Financial support program for 292,000 individual (micro) entrepreneurs operating in pandemic-affected areas (in order to protect jobs) (from Ministry of Taxes); total value of support 40

[Link](#)



Program of tax benefits, privileges and tax holidays for business entities operating in the pandemic-affected areas (from Ministry of Taxes); total value of support 57.5

[Link](#)



Credit-guarantee support program for new bank loans to businesses operating in pandemic-affected areas (from State Entrepreneurship Development Fund); total value of support 250

[Link](#)



Subsidizing interest rates on the existing loan portfolio of businesses operating in areas affected by the pandemic (from State Entrepreneurship Development Fund); total value of support 500

[Link](#)

NATIONAL INSTITUTIONS FOR SME DEVELOPMENT

IN AZERBAIJAN

SMALL AND MEDIUM BUSINESS DEVELOPMENT AGENCY (SMBDA)

Established
2017

Annual Budget
€6,400,000

Staff
240

[Link](#)

GOALS



While ensuring proper regulation of SMBs activity, to use a flexible supervision system, broadly implemented in this area as meeting modern requirements in compliance with international experience, and effective coordination mechanisms so as to increase the contribution and share of micro, small and medium-sized businesses in the national economy, boost their competitiveness, present them with broader opportunities to access financial resources, improve mechanisms to provide them with institutional support, coordinate the activities implemented by public and private entities in this area.



To establish favourable business environment



To ensure development of entrepreneurship in the country's regions and attract domestic and foreign investments to this area of activity.

MAIN ACTIVITIES

1. Support to micro, small and medium businesses in the form of information, advisory, training, education and legal services, coordination with other government agencies, protection of the entrepreneurs' rights

2. To ensure launch of new businesses, management of existing ones and their enhancement with innovative methods.

BUSINESS ADVOCACY MECHANISMS

IN AZERBAIJAN

The following mechanisms are in place to engage in dialogue between private sector and Government on business reform and advocacy in Azerbaijan:

Public Council under the Small and Medium Business Development Agency (since 2018)

[Link](#) [Link](#)

Chair

Small and Medium Business Development Agency;

OBJECTIVES

- To strengthen public participation in the Agency, as well as ensure public oversight of the activities of SMEs and strengthen relations between the Agency and the public

MEETING FREQUENCY:

- Minimum 4 times a year (last held 04.02.2021)

SECRETARIAT:

Chairman of the Council is Farhad Garashov, chairman of the Association of Producers and Exporters of Pomegranates.

Public Council under the Ministry of Economy (since 2021)

[Link](#) [Link](#)

Chair

MoE

OBJECTIVES

- Reviewing Ensuring the participation of citizens and civil society institutions in the adoption of legal acts on the lines and areas of activity of the Economy Ministry, and in the organization of public control

MEETING FREQUENCY:

- Minimum 4 times a year (last held 09.09.2021)

SECRETARIAT:

Adalat Muradov, representative of the Trade Union of the State Economic University.