EU4Business

Country Report

Azerbaijan

2024

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Table of Contents

EU4Business Initiative:

How the EU supports SMEs in Azerbaijan

Small and medium-sized enterprises (SMEs) in the Eastern Partnership region have the potential to create jobs and drive economic growth. Obstacles such as limited access to finance, burdensome legislation and difficulties entering new markets are hindering their progress.

The European Union's EU4Business Initiative ultimately serves SMEs as the beneficiaries of EU support in the Eastern Partnership countries –

EU4Business supports SMEs by

- Improving access to finance
- Upgrading services to business
- Promoting better business regulations

Access to Finance (A2F):

- concessionary loans via national banks
- micro financing for household businesses
- small grants to SMEs
- training staff at national banks to better serve SMEs
- training SMEs in financial literacy

Business Development Services (BDS):

- providing direct advice and training to SMEs
- training and capacity-building among national business support organisations (BSOs)
- establishing business incubators for start-ups
- developing business clusters for mutual support and development
- supporting governments in identifying new markets
- building capacities at export support organisations

Business Enabling Environment (BEE):

- promoting regulatory reform and best practice
- building capacity amongst policy makers and regulators
- encouraging public-private dialogue
- informing business about reform processes and rules/ procedures

Enhancing business environment in the Eastern Partnership member states

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Since the turn of the century, the countries in the Eastern Partnership (EaP) region have faced multiple shocks: the global financial crisis, the end of the commodity super-cycle, the COVID-19 pandemic, and, most recently, Russia's invasion of Ukraine. The latter, beyond the direct destructive impact on Ukraine itself, continues to have major repercussions on the entire region, provoking energy crises, new migration flows, and disruptions to trade.

These shocks have compounded long-term structural challenges for the EaP countries, hindering increases in their competitiveness, economic growth and productivity, which are key to lifting living standards in the region.

- Per capita economic growth in the EaP countries weakened from an annual average of 8.1% from 2000 to 2009 to 3.4% during 2010 to 2019, and to just 2.6% in 2020-2023. In the last four years, this is about 1.5 percentage points less than other middle-income countries in Europe and Central Asia.
- Similarly, while GDP per capita in the EaP region rose from 16% of the EU level in 1999 to 29% by 2009, it had only reached 35% by 2023. The income convergence of the EaP countries in the region is also slowing down compared to other middle-income countries.[1]

In more recent years, short-term factors have influenced sub-regional dynamics. **Growth accelerated** in 2024 in the South Caucasus, even as inflows of capital and migrants from Russia started to fade, while inflation was more contained than in 2023. GDP growth is projected to moderate in 2025 and 2026, reflecting external vulnerabilities and regional tensions, but could be strengthened by greater regional trade integration. In Ukraine and Moldova, earlier signs of an economic rebound subsided in the second half of 2024 amid a resurgence of inflation. A **shortage of domestic electricity production** caused by Russia's deliberate attacks on energy infrastructure in Ukraine and the cut-off of supply of Russian gas to Moldova's largest thermal power plant will continue to constrain growth in both countries in 2025[2].

Countries in the EaP region face common challenges related to uncertain geopolitical developments, dependency on major trade partners, and low productivity. While external factors are important determinants of overall economic performance, national governments can influence their economies' development trajectories by prioritising reforms. At the regional level, sizeable benefits can be expected from **increased connectivity and regional integration**, while at the national level governments should continue to advance domestic **reforms to improve the business environment** and create the conditions to attract investment, encourage entrepreneurship, and foster innovation. This will be key to reviving business dynamism and productivity, and to bringing these countries onto a steady growth path.

1 World Bank, World Development Indicators, https://datatopics.worldbank.org/world-development-indicators/
2 EBRD (2025), Regional Economic Prospects, February 2025.

Armenia

Armenia's economy has performed exceptionally well since the COVID-19 contraction. After rebounding by 5.8% in 2021, GDP grew by another 12.3% in 2022 and by 8.3% in 2023, primarily owing to an influx of people and capital from Russia. Economic activity in Armenia is now decelerating towards its long-term growth potential after two years of rapid growth. Real GDP growth stood at 5.9% in 2024, reflecting waning inflows of capital, the diminishing impact of high-skilled Russian migration, and slower growth in trade and ICT services.[3][4]

Armenia's efforts to **reform its public administration and reduce corruption** are important measures to improve the country's business environment. The government's ongoing public-sector reform strategy, in particular, focuses on public service delivery, digital infrastructure and data policy. Public investment and infrastructure expansion will continue to support economic activity.

While geopolitical volatility remains the key downside risk for Armenia, the country could also become an increasingly attractive transit option within the **Middle Corridor** (the **Trans-Caspian International Transport Route**, connecting China, Central Asia and the Caucasus with Europe) if new east-west routes became available. Armenia's export basket is primarily composed of low complexity good (minerals and agriculture), and the government intends to support diversification and concentrate on higher value-added products for international markets.[5]

The European Union has renewed its commitment to supporting a strengthened relationship with Armenia through a €270 million **Resilience and Growth Plan for Armenia** for the period 2024-2027. The plan will focus on building a resilient Armenian society (e.g. supporting democratic reforms and the rule of law, investing in skills and employment), facilitating investment in connectivity and business development (e.g. energy and transport infrastructure, start-ups and SMEs), and bringing Armenia closer to Europe with regulatory alignments and diversification of exports.

Azerbaijan

Azerbaijan's economy experienced **robust growth in 2024**, primarily fuelled by the non-oil sector and increased public investment. The country's real GDP rose by 4.1% in 2024, a significant improvement on the 1.1% growth seen in 2023. Non-oil sector growth reached 6.2%, compared to 3.7% in the previous year. This economic expansion was supported by higher real incomes and infrastructure development, alongside a recovery in the oil and gas industry, with gas production increasing to meet European demand. However, Azerbaijan's economy remains vulnerable to fluctuations in global oil and gas prices and geopolitical uncertainties in the region. Additionally, the evolving international tariff landscape may impact economic growth in Europe, Azerbaijan's largest export market, potentially reducing demand for its gas exports.[6]

Gas and oil make up two-thirds of Azerbaijan's GDP, 90% of its export revenues, and 60% of the country's budget revenues. Despite ongoing challenges such as heavy state involvement in the economy and skill shortages that hinder private sector development, the government is making efforts to **diversify its economic base** beyond hydrocarbons. Key focus areas for this diversification include green energy, agriculture, tourism, and technology. Although Azerbaijan's manufacturing sector remains limited, the government has taken steps to foster its growth, particularly through the establishment of **industrial parks**, offering incentives such as exemptions from property, land, and profit taxes for new businesses in their initial years of operation.

In the medium term, trade along the **Middle Corridor** could create opportunities for Azerbaijan's transport and logistics sectors. The country is in the middle of the Eurasian landmass and offers a **strategic port link** with access to the Caspian Sea on the east-west transport routes. Development of the Middle Corridor is a government priority, although the volumes of cargo that are currently handled are modest. In recent years, Azerbaijan has finalised several agreements with other countries along the corridor to increase throughput capacity, harmonise their regulatory systems, and reduce cargo transit waiting times.[7]

3 EBRD (2025), Regional Economic Prospects, February 2025.
4 Armstat (2025), Statistical Indicators, System of National Accounts.
5 EIU (2025), Armenia country report, April 2025
6 EBRD (2025), Regional Economic Prospects, February 2025.
7 EIU (2025), Azerbaijan country report, April 2025

Article

Georgia

In 2024, Georgia's economy experienced **growth of 9.4%**, up from 7.8% in 2023, driven by the ICT, trade, education, and construction sectors. The tourism industry set new records, drawing in 7.4 million international visitors. Although financial inflows related to Russia's invasion of Ukraine and migration from Russia diminished, domestic consumption remained strong, supported by credit and wage increases. In the medium-term, however, the economy faces downside risks, including **geopolitical instability**, deteriorating external balances, and a slowdown in credit growth, which could dampen economic performance.[8][9]

The country remains heavily dependent on imports, particularly energy, which will continue to weigh on the trade balance. However, increased exports of agricultural goods, wine and industrial products to the EU and other markets may provide some relief. **Trade diversification** efforts will be crucial in mitigating external vulnerabilities and reducing dependence on any single trading partner.

While domestic policy priorities remain focused on implementing business-friendly reforms, easing the entry of foreign businesses and improving conditions for small and medium-sized enterprises, trade relations might worsen in the absence of EU accession negotiations.[10]

Georgia was granted EU candidate status in December 2023, on the understanding that it takes the relevant steps set out in the European Commission recommendation of 8 November 2023, relative to, among others, protecting human rights, media independence, judicial reforms and fighting corruption. However, the government's course of action following the latest parliamentary elections **jeopardised Georgia's EU path**, leading to a de facto halt of the accession process and the decision of the government to suspend it until 2028.[11]

Moldova

Economic growth in Moldova in 2024 was 0.1%, due to a decline in the volatile agriculture sector and a contraction in the exports of goods. Forecasts for the future, however, are relatively positive, with GDP growth expected at 1.8% in 2025 and 3.8% in 2026[12].

In early 2025, a renewed **energy crisis** caused by a halt in Russian gas supplies to the breakaway region of Transnistria placed additional strain on economic activity. In response, Moldova and the EU agreed on a 2-year Comprehensive Strategy for the Energy Independence and Resilience of Moldova, with the short-term objective of providing **financial relief to consumers** facing steep increases in their energy bills, along with aid to vulnerable households and support for agricultural and manufacturing businesses, coupled with a long-term vision for strengthening Moldova's energy security through investments and reforms for energy transition.

While Moldova faces short-term economic challenges due to a still-limited level of diversification, there are some signs of progress. **The country's export base is gradually becoming more varied**, reflecting initial steps towards building a more resilient and export-oriented economy. Agriculture continues to account for nearly half of exports, but there are efforts to attract investment and reduce vulnerability to climate-related shocks. The industrial sector comprises around 14% of GDP, and the emergence of the ICT sector, now contributing about 7-8% to GDP[13], has been a particularly noteworthy development in recent years.

The European Commission's recently adopted **Growth Plan for the Republic of Moldova**, worth €1.9 billion for the period 2025-2027 (out of which up to €385 million were grants), is the largest EU financial support package since Moldova's independence and could provide substantial relief to Moldova's growth challenges. It aims at **boosting Moldova's economy** and bringing the country closer to EU membership by providing resources for investment in priority areas (e.g. infrastructure, energy, healthcare, digitalisation), enhancing access to the EU single market (e.g. alignment of standards in trade, energy, and digital sectors), and accelerating reforms for socio-economic development[14].

To realise these objectives, Moldova has committed to implementing 56 **targeted policy area reforms** and 153 steps, focusing on economic modernisation, governance improvements, and long-term competitiveness. With such sustained policy reform, and the strengthening of institution and financial support, these developments could make Moldova's economy more competitive and put the country on a path of long-term convergence with EU-levels.

[8] EBRD (2025), Regional Economic Prospects, February 2025.
[9] Geostat (2025), National Accounts, Gross Domestic Product (GDP)
[10] EIU (2025), Georgia country report, April 2025
[11] Council of Europe (2025), EU Statement on Georgia, 1516th Meeting of the Committee of Ministers.
[12] EBRD (2025), Regional Economic Prospects, February 2025
[13] Government of Moldova (2025), Reform Agenda under the Republic of Moldova`s Growth Plan for the years 2025-2027
[14] Council of the EU (2025), Press release 18 March 2025, "Moldova: Council gives final green light to support reforms and economic growth with €1.9 billion"

Article

Ukraine

After the initial shock of the full-scale invasion, Ukraine's economy has been resilient. Real GDP fell by 28.8% in 2022, but its growth rates were 5.5% and 2.9% in the following two years[15]. The continuation of the war and deliberate attacks by Russia on electricity infrastructure caused power shortages, high prices of imported electricity and acute labour shortages, causing a **slowdown in economic growth and accelerating inflation**.

Ukraine's industrial sector, historically concentrated in the eastern oblasts, has been targeted by Russian attacks, causing extensive damage to factories and supporting infrastructure, and severely disrupting activity in the country's industrial core. Similarly, agricultural production experienced a significant decline in 2022, with the collapse of the Kakhovka dam creating long-term irrigation issues in the regions where a large portion of Ukraine's agricultural lands are located. In contrast, the services sector has shown greater resilience, with a considerable share of services being based in Kyiv and other large cities far from the front line, which have been less affected by the ongoing hostilities.[16]

Russia's invasion of Ukraine has caused civilian casualties and hardship, as well as damage to infrastructure and productive assets. As of end-December 2024, the recovery and reconstruction needs are estimated at nearly USD 524 billion (€445.4 billion) over the next 10 years, which is approximately 2.8 times the estimated nominal GDP of Ukraine for 2024.[17]

Investing in recovery and reconstruction provides an opportunity not just to address the destruction caused by Russia's invasion, but also to build back better by adopting innovative solutions and reforms that meet the expectations of EU membership. Ukraine is **pursuing reforms** to strengthen its education and social protection systems, reduce regulatory burdens, improve public governance and make inroads into the significant challenges of corruption and public integrity. Nevertheless, the restrictions of martial law and full-scale defence have frozen the implementation of many reforms.[18]

The Ukraine Facility is a major EU financing mechanism to sustain Ukraine's recovery and reconstruction, mobilise investments, and support reforms towards EU accession. It covers the period from 2024 to 2027 and offers up to €50 billion in stable and predictable financial support. Private sector involvement will also be critical to bridging Ukraine's financing gap, with significant investment opportunities in areas like renewable energy generation, transport infrastructure concessions, and housing reconstruction. Key priorities to enable greater private sector participation include **strengthening regulatory frameworks**, promoting competition and innovation, and improving access to finance to attract both domestic and international investment.[19]

[15] Ukrstat (2025), Economic statistics / National accounts
[16] EIU (2025), Ukraine country report, April 2025
[17] World Bank (2025), Fourth Rapid Damage and Needs Assessment RDNA4
[18] OECD (forthcoming), OECD Economic Survey: Ukraine 2025
[19] European Commission (2024), Ukraine Facility factsheet.

EU4Business Portfolio in 2024 in Azerbaijan

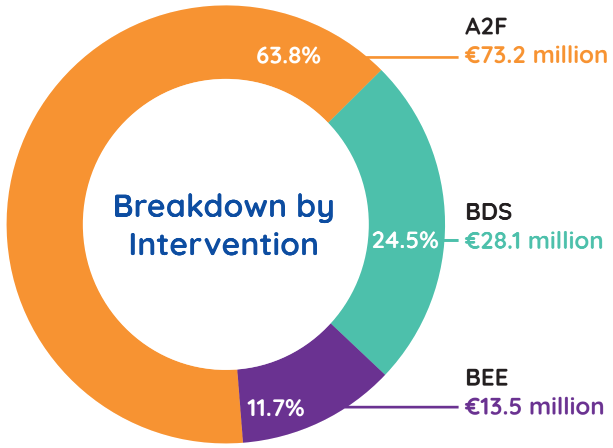
Total budget of EU support to SMEs in Azerbaijan in 2024

€114.8 million

33 projects

projects provided support to SMEs in Azerbaijan in 2024, as opposed to 31 in 2023

Breakdown by intervention



For comparison, the 2023 shares were: Access to Finance – 64.8%, Improving the Business Environment – 13.4%, and Better Business Development Services – 21.8%. There was therefore a small reallocation in favour of Better Business Development Services, but no radical change.

Overview by type of intervention

Access to Finance

EU support allocated to unlock access to finance in Azerbaijan in 2024 **€73.2 million**

Allocation of A2F portfolio by instrument

A1	€10.5 million	14.3%	Capped Loss Recovery
A2	€1.5 million	2.1%	Interest Subsidy
A3	€4.4 million	6.0%	TA to PFIs
A4	€6.6 million	9.0%	Capped Guarantees
A5	€7.7 million	10.5%	Currency Hedging Subsidy
A6	€29.0 million	39.6%	SME Incentive Grants
A7	€2.8 million	3.8%	Grants to SMEs
A8	€9.1 million	12.5%	Structured Funds
A9	€1.6 million	2.2%	Equity

As in 2023, grants to SMEs formed the largest share of financing (2023 – 40.1%), with other major interventions being Capped Loss Recovery (2023 – 14.4%), Structured Funds (2023 – 12.6%), Currency Hedging Subsidies (2023 – 10.6%), and Capped Guarantees (2023 – 9.1%). As the comparison suggests, there was little year-on-year change.

Success stories

Digital transformation in advertising: How a Baku-based SME boosted revenue and productivity

Baku-based advertising company Setline transformed its business through digitalisation with the EU4Business support. Facing operational inefficiencies, the SME introduced new software systems in 2022, automating workflows and improving data management. Within a year, its revenue and labour productivity increased by 40%, while operational costs fell. The digital upgrade also enhanced team collaboration and positioned the company for long-term growth and regional expansion.

Read full story

Types of Support Included in Access To Finance

A1	Capped Loss Recovery	This is a risk-sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of an SME not repaying part or all of its loan. This means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs, which are generally perceived as high-risk borrowers.
A2	Interest Subsidy	This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the regular interest rate at which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.
A3	Targeted Assistance (TA) to PFIs	This instrument consists of consultancy services, mentoring, and specialised training provided to the local banks. It helps the local banks better understand the policies and procedures of the IFIs and improves the capacity of the local banks in their work with the SMEs.
A4	Capped Guarantees	This instrument consists of a guarantee given to IFIs in order to lower the risk of lending to SMEs via local PFIs. The guarantees reduce the need of SMEs to provide extensive collateral for loans from the local banks. These guarantees are generally capped at up to 25% of the total portfolio of the local bank and generally 70%-80% of each individual subloan.
A5	Currency Hedging Subsidy	This instrument is given to IFIs to enable them to disburse loans to PFIs (and ultimately to SMEs) in local currency as there is a risk from fluctuations in exchange rates. Due to the EU grant, the IFIs and subsequently the PFIs can offer loans in local currency to SMEs at a more competitive price, as the banks will not need to add the costs of protecting themselves from adverse changes in the exchange rates to the charges that they levy from the SMEs.
A6	SME Incentive Grants	SMEs sign a loan contract from one of the credit lines of the IFIs via the PFIs. After the loan is disbursed, there is a verification process to check if the loan was used for the purpose listed in the business plan. Once the verification report confirms compliance, a part of the loan is transformed into a grant, so that the total "cost" of financing is lowered. The most common incentive grants are between 10% and 15% of the loan value.
A7	Grants to SMEs	These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed to target specific economic development goals such as development in rural areas, poor communities, or a response to various types of crises. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links to targeted communities.
A8	Structured Funds	Typically, this involves direct loans or equity investment in a financial instrument or fund by the EU, rather than working in partnership with IFIs and PFIs. As the EU does not have the capacity to disburse direct loans to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).
A9	Equity	Equity is a direct investment instrument for funding SMEs by buying participation (shares) in the respective business, when it is a in the form of a company. This type of support instrument involves more risk and for now it is only active in Armenia, where the EU provides a first loss guarantee for the Amber Equity Fund that invests equity in SMEs of Armenia.

Business Development Services

EU support allocated to improving business development services in Azerbaijan in 2024 **€28.1 million**

Allocation of BDS portfolio by instrument

B1	€19.6 million	69.8%	Consultancy Services for SMEs
B2	€4.1 million	14.8%	Capacity Building of BSOs
B3	€1.6 million	5.5%	Incubators
B4	€0.6 million	2.0%	Clusters
B5	€1.4 million	5.2%	Trade Information
B6	€0.7 million	2.4%	B2B Activities
B7	€0.1 million	0.3%	Export Strategies

As in 2023, the lion's share of the BDS portfolio went to consultancy services for MSMEs, for which there is constant demand, although the share fell from the 2023 peak of 78.3%. Second in line was funding for BSOs, which actually rose from the 2023 figure of 10.1%. This follows the logic of increasing the capacity of those who can provide services to MSMEs, thereby reaching more MSMEs indirectly. Support to incubators also increased.

Success stories

A window of opportunity: How an Azerbaijani company is reshaping the security solutions market

AGZ LLC, founded in 2017, is Azerbaijan's trusted supplier of door fittings, automatic doors, and security systems. Hit by COVID-era disruptions, it pursued digital transformation with the EU4Business support. In 2023, its new business management system automated CRM, finance, HR, workflows, and procurement. As a result, turnover increased by 18%, labor productivity rose by 26%, and the company expanded its reach into international markets.

Read full story

Types of Support Included in Business Development Services

B1	Consultancy Services for SMEs	The EU4Business Initiative aims to increase directly the knowledge and skills of SMEs in the EaP countries through the direct provision (fully or partly paid) of non-financial business services. These can range from basic start-up and registration, accounting, marketing, input supply to technology and product development, training and technical assistance, infrastructure support, and advocacy. These services can be delivered through both international and/or local consultants, in both private firms/individuals, and/or business support organisations.
B2	Capacity Building of BSOs	This instrument aims at increasing the capacity of Business Support Organisations (such as chambers of commerces, SME associations, professional bodies, sector trade associations, training institutes, etc.) to deliver BDS services to SMEs. The capacity building is achieved though mentoring, training trainers, advisory services, and study tours that enhance existing services, create new ones, or improve organisational structures.
B3	Incubators	A business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections.
B4	Clusters	This instrument involves group support to SMEs involved in the same field of activity but at different positions in the value chain or with common interests. The basis of the cluster approach is the synergy of creating a more effective value chain within the cluster.
B5	Trade Information	This instrument provides SMEs already exporting, exporting infrequently, or those interested in exporting with the range of information needed to move closer to exports. This instrument can include producing brochures, guides, market report or developing tools for accessing online resources and intelligent searches. It covers market information, marketing guides, and market access requirements.
B6	Business to Business (B2B) Activities	The instrument helps SMEs to make specific contact with nominally interested buyers in the target export markets. This can include participation in online buyer auctions, trade fairs, inward and outward trade missions, buyer meetings, etc. EU support can range from organisation, logistics, preparation and advice, as well as covering the costs of travel and/or stand and event costs.
B7	Export Strategies	This instrument is typically based on studies, analysis, and stakeholder consultation that assesses national production, market requirements, and export constraints. Working with government and stakeholders, it builds a common sector or national approach to develop the exports of competitive products in the target markets. In addition, this instrument can also include support in coordination with implementation of the strategy itself as well as national visibility and branding, support programmes, and stakeholder dialogue.

Business Enabling Environment

EU support allocated to improving the business enabling environment in Azerbaijan in 2024 **€13.5 million**

BEE Portfolio by Instrument in Azerbaijan

C1	€9.8 million	72.8%	Capacity Building of Policymakers / Regulators
C2	€1.2 million	8.6%	Public-Private Dialogue
C3	€1.7 million	12.9%	Regulatory Reform
C4	€0.8 million	5.7%	Information and Communication to SMEs

Capacity building of policymakers is seen as a key task for EU4Business in the EaP, and Azerbaijan is no exception: the share of this activity in BEE actions actually rose from the 2023 level of 69.7%. Public-private dialogue and Regulatory reform remained broadly at 2023 levels, with only minor changes. However, resources devoted to information and communications were just over half of the 2023 share, which had previously stood at 10.9%.

Types of Support Included in Business Enabling Environment

C1	Capacity Building of Policymakers and Regulators	EU4Business interventions aim at strengthening the capacity of staff of various government agencies to ensure better, more transparent, and open policies and regulations that affect business, whilst ensuring appropriate controls in the five EaP countries. This can include making and amending policies, laws, and administrative procedures based on need and risk assessment. EU4Business interventions deliver direct advisory, mentoring services, and study tours to the relevant staff involved in policymaking.
C2	Public-Private Dialogue (PPD)	PPD is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between government and the private sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.
C3	Regulatory Reform	Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on the best practices and to align their SME related legislations, rules, and regulations with those of the EU. Approximation occurs in all five EaP countries, but it is more intensely applied in Georgia, Moldova and Ukraine, as they are future member states of the EU.
C4	Information and Communication to SMEs	EU4Business interventions support governments to inform SMEs on reforms and implications for their business and steps to compliance with regulatory reform.

EU4Business Results in Azerbaijan in 2024

Disbursed budget

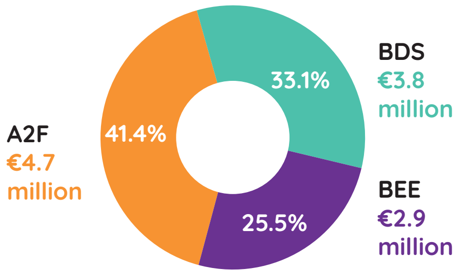
€11.4 million

disbursed to support SME growth in Azerbaijan in 2024

6.7%

out of total budget disbursed in the EaP

Disbursed budget per pillar in 2024



There were substantial changes in the disbursements for the three pillars, due to the reduction of BEE from 52.6% in 2023. However, it must be remembered that these are aggregate results of over 30 projects and that disbursements are not made on a straight-line basis. More importantly, disbursements rose from €4 million in 2023 to €11.4 million in 2024, representing 285% of the 2023 level.

Number of SMEs supported

7,038

SMEs supported by the EU in Azerbaijan in 2024

8.8%

out of total EU-supported SMEs in the EaP

Supported SMEs by pillar:

A2F 3,102 SMEs — 5.3% of the EaP total

BDS 3,936 SMEs — 17.9% of the EaP total

The number of MSMEs supported in 2023 was 1,999, so the 2024 figure was more than three times higher. The major change in 2024 was that more MSMEs sought support through the BDS pillar than the A2F pillar, a reversal of the 2023 situation. However, the categories may be porous: MSMEs might seek advice on business strategy and planning through BDS, then use the results of that support to obtain financing from the A2F pillar.

Women in business

24.3%

Share of women-owned/managed enterprises in Azerbaijan in 2024

The 2024 figure was a sharp drop from 2023, when 53.6% of the MSMEs supported were owned or managed by women. However, it must be remembered that this represents only the share of such MSMEs that applied for and received support, not the share of all MSMEs in Azerbaijan owned and managed by women. That figure is reportedly 23%, so the current EU numbers are in line with the general trend.

SME turnover

Turnover of EU-supported SMEs in Azerbaijan in 2024

€256.1 million

2.6%

out of total income generated by EU-supported SMEs in the EaP

Increase in SMEs' turnover **18.7%**

Increase in turnover by pillar

A2F **20.3%**

BDS **12.4%**

Average income per SME supported **€30,661**

The 2024 figure was almost €100 million higher than in 2023 (which stood at €162.5 million). Turnover in 2023 had been slightly down compared to 2022, but 2024 not only recovered this reduction but went much further.

Exports

Value of exports for supported SMEs

€45.9 million

1.9%

out of total EU exports in the EaP

Increase in volume of export

6.4%

Increase in volume of exports by pillar

A2F	BDS
5.9%	11.9%

EU-supported SMEs that started exporting activities in Azerbaijan

33

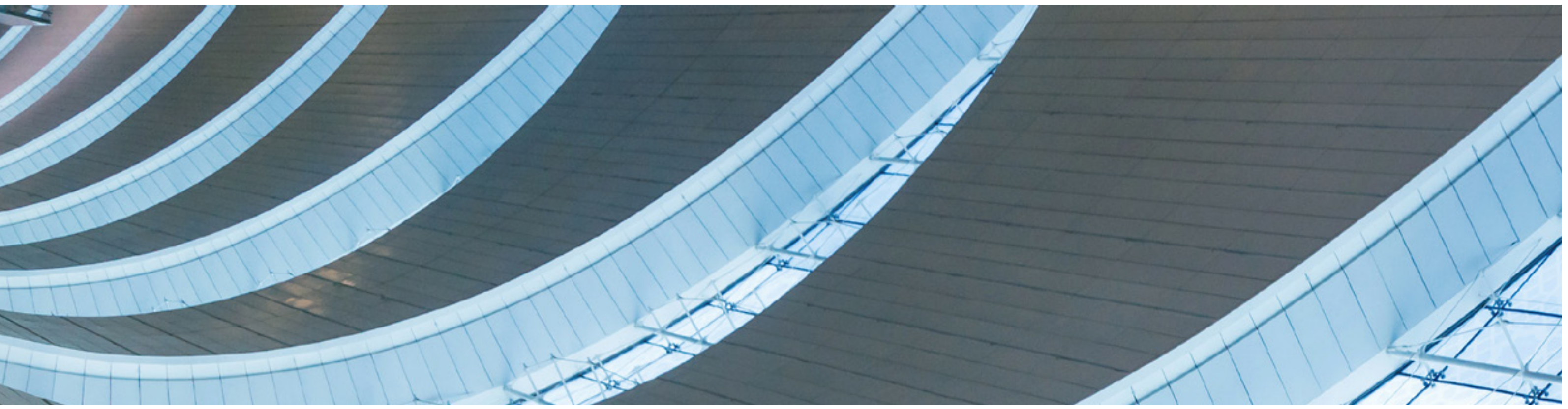
1.3%

out of total EU new exporters in the EaP

Increase in new exporters by pillar

A2F	BDS
1.0%	0.1%

There was a sharp rise in the value of exports from the 2023 figure of €28 million. Once again, this was largely attributable to support from BDS, where MSMEs had access to expert advice on overseas markets and the development of export strategies, either directly or via BSOs. The exports supported were equal to 18% of the turnover of the supported MSMEs.



Employment and job creation

Number of new jobs created in supported SMEs

10,167

new jobs created by EU-supported SMEs in Azerbaijan

8.4%

out of total new jobs created in the EaP

Increase in staff

110.0%

Breakdown of job creation by pillar

A2F

9,948

9.3%

out of total new jobs created in the EaP

BDS

219

1.6%

out of total new jobs created in the EaP

Support for job creation and increased access to income-earning opportunities is a key objective of the EU4Business Initiative, making the number of new jobs created a high-profile indicator for measuring results. Almost ten times as many new jobs were created in 2024 as in 2023 (when the total was 1,067). As in 2023, most of this growth was attributable to A2F, which provided access to capital for development and expansion, leading to new employment opportunities.

Number of sustained jobs

19,413

Proxy number of employees in EU-supported SMEs in Azerbaijan

3.0%

out of total sustained jobs in the EaP

Average jobs per SME supported

1.3

The number of sustained jobs almost doubled compared to the 2023 figure of 10,609, indicating that the jobs created were potentially long-term. As in 2023, the number of jobs per MSME remained small, as many businesses are still small-scale or micro-enterprises.

Results by Key Instruments

Results in Access to Finance

Disbursed budget in A2F

€4.7 million EU funds disbursed for improving access to finance for SMEs in Azerbaijan

4.5% of the total disbursed A2F budget in 2024

In 2023, only €0.9 million was disbursed in A2F, so the total for 2024 was five times higher than the previous year. However, A2F actions are often regional and long-term, with fluctuations in disbursement levels reflecting variations in demand and the very different levels of maturity among applicant MSMEs.

Overall results in A2F

3,102 SMEs supported with A2F interventions

48.4% were owned or managed by women

5.3% our of total A2F supported in the EaP

2 PFIs supported

9,948 new jobs generated at A2F-supported SMEs

20.3% increase in income of A2F-supported SMEs

Grants and loans received

Loans

3,020
SMEs received loans

48.7% women

€38.5 million total value of loans triggered in Azerbaijan

2% of the EaP total

€10,183
average size of loan

Grants

82
SMEs received grants

37.8% women

€2.3 million total value of grants triggered in Azerbaijan

13.3% of the EaP total

€28,254
average per grant

Results in Business Development Services

Disbursed budget in BDS

€3.8 million EU support disbursed to improve the skills of SMEs in Azerbaijan

10.8% of the total BDS disbursed budget in 2024

BDS disbursement in 2023 was only €1 million, so 2024 saw a substantial increase over the previous year.

Overall results in A2F

3,936
SMEs supported with BDS interventions

5.3% of women

17.9% % out of total BDS supported in the EaP

107 BSOs capacitated

15.1% of total in the EaP

219 new jobs generated at BDS-supported SMEs

12.4% increase in income of BDS-supported SMEs

In 2023, only 823 MSMEs had been assisted via BDS, so the total for 2024 was more than four times higher. The number of BSOs capacitated remained broadly the same, but there was a decrease in the number of jobs created within those BSOs (263 in 2023). However, we might say that the BSOs are maturing, and their level of development is better demonstrated by the number of BDS-supported MSMEs and their increased incomes, rather than by employment levels within the organisations themselves.

Results in Business Enabling Environment

Disbursed budget in BEE

€2.9 million

EU support disbursed to improve the business environment in Azerbaijan

10.1% of the total BEE disbursed budget in 2024

Regulators/governments capacitated

31 government institutions, including policy-makers, regulators and enforcement agencies had their capacities improved

0.4% out of total in the EaP

Laws/regulations changed

31 laws, regulations and procedures reformed

10.0% out of total in the EaP

Public private dialogue events held

18 public-private dialogue events were supported

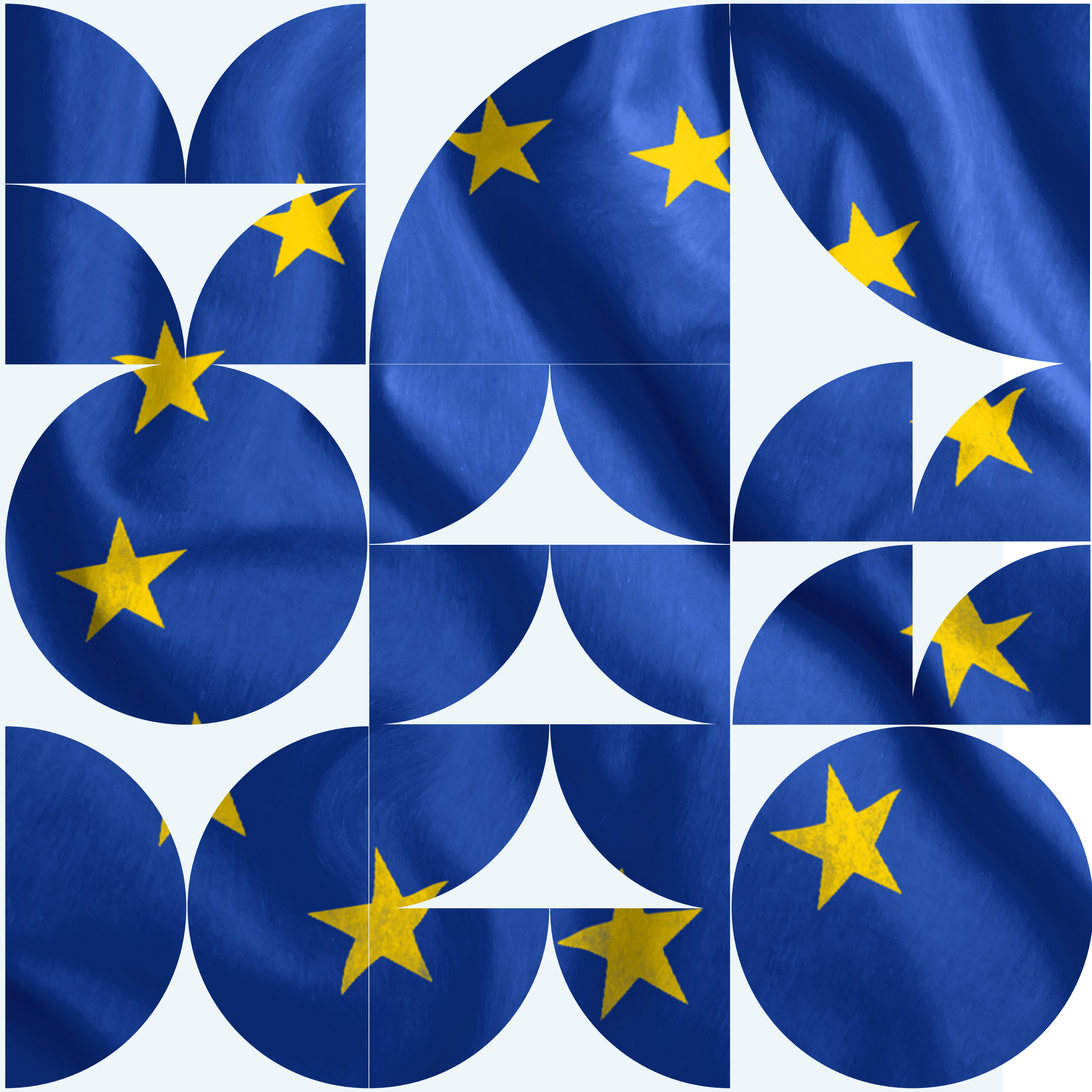
3.8% out of total in the EaP

The budget for BEE rose from €2.1 million in 2023 — an increase of almost 40%. This allowed the EU to expand the number of institutions capacitated from 4 to 31. It was also reflected in the number of laws and regulations supported, which grew from 6 in 2023 to 31 in 2024. The number of public-private dialogue events remained stable, increasing slightly from 16 to 18.

Annex 1: List of projects in Azerbaijan in 2024

Title	Total Budget	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Community-based Climate Change Resilience and Green Transition (COMRES)	€1,330,000	2024	2028	Bilateral	•	•	
Sustainable rural development for improved livelihoods in less developed regions of Azerbaijan	€5,000,000	2024	2027	Bilateral	•	•	•
Support to the Government of Azerbaijan on trade related activities, WTO accession negotiations, strengthening quality infrastructure (QI) and digital management system	€2,534,165	2024	2027	Bilateral			•
EU-Azerbaijan Business Forum 2024-2026	€297,426	2023	2026	Bilateral		•	•
Azerbaijan Rapid Technical Assistance Facility (AZTAF)	€5,250,000	2021	2025	Bilateral		•	•
Promoting Competitiveness, Collaboration and Modernization in Fruit and Vegetable Sector in Lankaran Region	€3,250,000	2021	2024	Bilateral		•	•
EU Support to Lankaran-Astara Economic Region of Azerbaijan	€2,396,000	2021	2024	Bilateral		•	•
EFSE – EU4Business: Local Currency Lending to MSEs in the Eastern Partnership	€39,921,000	2020	2041	Regional	•		
Promoting Green Lending in the Eastern Partnership	€32,855,000	2020	2040	Regional	•		
EU4Business – The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€50,320,000	2018	2039	Regional	•		
2018 NIP decision share – Green for Growth – Extension to Neighbourhood East II	€5,162,849	2018	2039	Regional	•		
"EU4Business Guarantee Facility" financed from the general budget of the European Union under the Neighbourhood Investment Platform	€41,495,000	2020	2035	Regional	•		
Eastern Partnership SME Finance Facility – Phase II KfW	€5,200,000	2017	2030	Regional	•		
EU EBRD Local Currency Initiative	€6,216,000	2021	2030	Regional	•		
DCFTA SME Direct Finance Facility	€10,220,000	2014	2029	Regional	•	•	

Title	Total Budget	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Grant for the DCFTA Initiative East – Local Currency Solution Programme	€5,300,000	2018	2029	Regional	•		
Women in Business Phase II	€8,440,000	2021	2027	Regional	•	•	
DCFTA Initiative East (EIB) (can also be referred to as DCFTA Facility by EIB)	€62,746,000	2016	2028	Regional	•	•	
EU4Business EBRD Credit line (SME Competitiveness Programme in Eastern Partnership – 2019 funds)	€42,675,049	2019	2028	Regional	•		
FINANCE AND TECHNOLOGY TRANSFER CENTRE FOR CLIMATE CHANGE (FINTECC) – EU4CLIMATE window	€15,400,000	2020	2027	Regional	•		
EU4Business EBRD Credit line (EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme)	€38,900,000	2017	2027	Regional	•	•	
Eastern Partnership SME Finance Facility – Phase II EIB	€5,200,000	2017	2027	Regional	•		
EU4Business EBRD Credit line (SME Competitiveness Programme in Eastern Partnership – 2018 funds)	€52,908,951	2019	2026	Regional	•		
EBRD Advice for Small Businesses, Team Europe EaP window	€14,976,000	2020	2026	Regional		•	
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries Phase II	€1,200,000	2022	2025	Regional			•
Mayors for Economic Growth 2 TA	€10,000,000	2021	2024	Regional		•	•
EU4BUSINESS: Connecting Companies	€6,498,205	2019	2024	Regional		•	
EU4Business: From Policies to Action Phase II	€2,900,000	2020	2024	Regional			•
Eastern Partnership Trade Helpdesk	€3,700,000	2019	2024	Regional		•	
EU4Environment – Mainstreaming and Circular Economy – Results 1 and 2	€9,700,000	2018	2024	Regional		•	•
Structural Reform Facility: World Bank component	€1,500,000	2018	2024	Regional			•
"EU4Innovation East" Support to Digital innovation in the Eastern Partnership region	€20,000,000	2024	2028	Regional		•	•
Green for Growth Fund – Technical Assistance Contribution for the East	€3,900,000	2024	2045	Regional	•	•	•



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