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**STATE PROGRAMME
ON
SOCIO-ECONOMIC DEVELOPMENT OF REGIONS OF THE REPUBLIC OF
AZERBAIJAN FOR 2014-2018 YEARS**

Baku -2014

INTRODUCTION

The strategy of the founder of modern Azerbaijan, the author of the Azerbaijan model of development, National Leader Heydar Aliiev, having been implemented in the country, has yielded remarkable results: political and macroeconomic stability has been achieved, radical reforms have been implemented in all sector of economy, a solid foundation has been laid for the dynamic social-economic growth.

In the last 10 years progress has been achieved in all areas; financial capacities of Azerbaijan have been grown; the country acts as an initiator and main participant of transnational projects; the infrastructure meeting modern standards is developed; enterprises based on the advanced technologies are launched; entrepreneurship is supported; the business climate has been improved- all this has resulted in extension of Azerbaijan influence in the world, increased competitiveness of economy, continuous growth of living standard of the population.

The state programmes on socio-economic development of the regions adopted in the last 10 years have important role to play in raising the development of the regions to a new level of quality. As a continuation of the targeted policy for the development of regions having been started since

2004, "The State Programme on Socio-economic Development of the Regions of the Republic of Azerbaijan for 2014-2018" has been developed. The implementation of "The State Programme on Socio-economic Development of the Regions of the Republic of Azerbaijan for 2014-2018" is important for the development of the country economy, and has key role to play in ensuring macroeconomic stability, expansion of the entrepreneurship in the regions, establishment of new enterprises and creation of new jobs, implementation of large infrastructure projects, improvement of the communal services, and eventually, further improvement of social wellbeing and poverty reduction.

The Action Plan of the State Programme consists of the following sections:

1. Measures of national importance

2. Measures for economic regions of the country:

- **Nakhchivan economic region** (Nakhchivan city, Babek, Julfa, Ordubad, Sederek, Shahbuz, Kengerli, Sherur rayons);
- **Absheron economic region** (Absheron, Xizi rayons, Sumgait city);
- **Aran economic region** (Aghjabedi, Aghdash, Beylagan, Berde, Bilesuvar, Goychay, Hajigabul, Imishli, Kurdemir, Neftchala, Saatli, Sabirabad, Salyan, Ujar, Zerdab rayons, Shirvan, Mingechevir, Yevlakh cities);
- **Upper Shirvan economic region** (Aghsu, Ismayilli, Gobustan, Shamakhi rayons);
- **Ganja-Gazakh economic region** (Aghstafa, Dashkesen, Gedebe, Goranboy, Goygol, Gazakh, Samukh, Shemkir, Tovuz rayons, Ganja and Naftalan cities);
- **Guba-Khachmaz economic region** (Devechi, Khachmaz, Guba, Gusar, Siyezen rayons);
- **Lenkeran economic region** (Astara, Jelilabad, Lerik, Masalli, Yardimli, Lenkeran rayons);
- **Kelbejer-Lachin economic region** (Kelbejer, Lachin, Zengilan, Gubadli rayons);
- **Sheki-Zagatala economic region** (Balaken, Gakh, Gebele, Oghuz, Zagatala, Sheki rayons);
- **Upper Garabagh economic region**¹ (Aghdam, Terter, Khojavend, Khojali, Shusha, Jebrayil, Fuzuli rayons, Khankendi city).

Relevant central and local bodies of the executive power are responsible for the implementation of the State Programme. The coordinator of its implementation is the Ministry of Industry and Energy of the Republic of Azerbaijan. The implementation of the activities planned for each year in the State Programme shall be included in the State Investment Programme drafted for the respective year.

¹Special program will be prepared and implemented for administrative rayons of Kelbejer-Lachin and Upper Garabagh economic regions after they are liberated from Armenian occupation.

1. Achievements of the Regional Development Policy

State Programmes on regional development, which is identified as a priority in the socio-economic development of the country and plays key role for ensuring of regional balance through effective utilisation of oil and gas revenues, have contributed to the stepping up business activity of the people, further expansion of entrepreneurship in regions, implementation of

infrastructure projects, creation of new enterprises and facilities to produce competitive and export-oriented goods in compliance with international requirements, and have improved considerably qualitative indicators characterizing the citizens wellbeing.

In this context, the objective of "The State Programme on Socio-economic Development of the Regions of the Republic of Azerbaijan (2004-2008)" approved by Presidential Decree N 24 dated 11 February 2004 was to increase the employment level and improve living standard through the sustainable development of the non-oil sector, ensurance of balanced development of the regions, improvement of communal services and infrastructure facilities, creation of new jobs and establishment of new enterprises.

Successful implementation of "The State Programme on Socio-economic Development of the Regions of the Republic of Azerbaijan (2004-2008)" has contributed to boosting the development of the activities started in the area of the socio-economic development of the country and should be carried on. To continue the activities having been started since 2004 with the aim to achieve the rapid development of the non-oil sector, diversification of economy, balanced regional and sustainable socio-economic development, further improvement of the living standards of the people, "The State Programme on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2009-2013" was approved by Decree of the President of the Republic of Azerbaijan N 80 dated 14 April 2009.

As a result of successful implementation of "The State Programme on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2009-2013" a high level of macroeconomic indicators was achieved, the implementation of the activities provided for in the area of the socio-economic development has played important role in further improvement of living standards of the population.

In the course of implementation of both programmes for regional development additional 240 decrees were signed aiming at the acceleration of the socio-economic development of towns and districts included in all economic regions.

On the whole, the policy of socio-economic development of the regions pursued during the last 10 years has contributed to rapid development of the macroeconomic indicators of the country, GDP increased 3.2 times, per capita GDP -2.8 times, the non-oil sector rose by 2.6 times and average annual growth in the country reached 12.8%.

In the last 10 years the strategic exchange reserves increased by 31 times, foreign trade turnover -6.6 times, export -9.3 times, import – 4.1 times, non-oil export -4.7 times.

According to the "Global Competitiveness Index 2013-2014", Azerbaijan economy ranked the 39th for the competitiveness, and was 1st among the CIS countries, for the first time our country was included in a group of "high middle income" and "high human development" countries. All the influential rating agencies ("Fitch Ratings", "Standard & Poor's" and "Moody's") gave Azerbaijan the investment credit rating, and Azerbaijan was the only country with investment rating among the Caucasian countries.

Over the last 10 years the state budget revenues raised by 16 times, the average annual wages – by 5.5 times, pensions – by 9.6 times, savings of the population -27 times.

The policy of raising minimum wages to the subsistence minimum was pursued, annual increase in average monthly wages due to labour policy and implemented wage reforms, has ensured the growth in the living standard. Over the last 10 years the minimum wage increased by 11.7 times, the poverty level dropped from 44.7 in 2003 to 5.3 % - in 2013.

Works continued in Azerbaijan towards strengthening the economic power of the country through the flexible budget and tax policy pursued, the development of the regions, non-oil sector and entrepreneurship, upgrading the production and infrastructure in line with the modern standards, improving the well-being of the people; the state budget has been socially- and

investment- oriented, development and building budget, the source for funding economic reforms and state programmes.

In 2003 only 26.8 % of total investment in the country economy was funded out of domestic sources, while in 2013 a share of the domestic investment reached 62.5%.

Totally, in 2004-2013 domestic investment increased by 14.6 %, investment in the non-oil sector – by 12.9 times; 50.7 bln Manats were invested in regions out of all sources.

The well-targeted activities implemented in the country in the last 10 years have resulted in creation of over 1.2 mln jobs, including 900 mln permanent jobs, 55.6 new enterprises established. Around 80% of new jobs falls to the share of the regions.

Introduction of innovative technologies was continued, new enterprises were established, production potential has been increased. 2.7 times growth was registered in the country industry. Share of the non-state enterprises in gross output of industry is 81.4 % against 56.8 in 2003. All this provided a powerful impetus to increase in business activity, creation of new jobs, development of small entrepreneurship.

Strong growth has been achieved in machine building, metallurgy, chemistry, furniture, textile, food and other sectors of industry, the development of the non-oil sector of Azerbaijan industry has been ensured amid the crisis experienced by the world economy. The establishment of the Sumgait Technological Park, Sumgait Chemistry and Industry and Balakhany Industrial Parks, High-Tech Park etc. have been important steps towards ensuring the sustainable development of the non-oil sector, creating conducive environment for the development of competitive industry production based on innovative and high technologies, establishing industrial enterprises based on high technologies, increasing employment of population in the industry sector.

In the agriculture sector, activities towards ensuring food security have been implemented: the plant-growing and animal breeding have been developed, the level of self-sufficiency in food stuff has been improved. The implementation of activities included in the State Programmes on the Socio-economic Development of Regions, reimbursement by the State of about 50% of cost of fuel, motor oil and mineral fertilizers used in agricultural production, state assistance provided to encourage wheat production, works done in the area of seeding and pedigree livestock breeding, agro-services provided at concessive prices, soft credits provided to agriculture producers by the National Fund for Entrepreneurship Support and the State Agency for Agricultural Credit of the Republic of Azerbaijan – are factors enabling to achieve strong annual growth in agricultural production.

Gross agricultural output in the last 10 years increased by 1.5 times, wheat production –by 43.9%, potato production -29.1 %, vegetable production 17.8%, water-melon production by 20.5%, fruit and berry production by 49.1 %, grape production by 2.4%. Large wheat-growing farms were established in the Agjabedi and Beylaqan districts and record yield -55 centners per hectare was harvested. Works are going on towards creation of large private wheat –growing farms in the other regions of the country, and currently the development of 5 large private farm enterprises are completed in the Beylaqan, Hajiqabul, Jalilabad and Khachmaz districts.

To strengthen cooperative relationships between the processors and producers in the agrarian sector and enable farmers to use more effectively the state support mechanisms, creation of 50-head pedigree dairy cattle-breeding farms started in the regions.

Development of new production areas and successful agrarian reforms implemented have enabled to increase production of a number of domestic food stuff and decrease imports. Local products have enriched the domestic market and decreased dependence on import of the basic food products.

Dynamics of the development indicators of the entrepreneurship sector in the country is clear evidence of successful results of economic reforms implemented in the country.

In recent years, financial support for the entrepreneurship development has been further improved, the amount of soft credits increased considerably. With the aim to support entrepreneurship and increase state care of this area, 1.2 bln manats of soft loans were given to 19.1 thousand of businesses by the State Fund for Entrepreneurship Support, and 110 new jobs were created during the implementation of both Regional Development Programmes.

Business forums organised regularly in the regions have had positive effect both on organization of awareness activities among local and foreign businessmen and entrepreneurs, improvement of their access to information, on the process of efficient use of natural and labour resources available in the regions of the country and attraction of foreign investment.

Electronic Information Portal on Permissions has been developed to provide comprehensive information in this area and to enable the individuals, wishing to start entrepreneurship activity and expand their activities, to obtain from the single source all information on required permissions, their issuance procedures, documents to be submitted, dates of issue and validity of permits.

Rapid development of the country economy, boosting its prestige around the world, have resulted in raising interest to our country, promoted annual increase of visitors from abroad and facilitated expansion of tourism business. In order to efficiently use tourism opportunities and ensure promotion of the natural monuments of our country with its rich geographical landscape and tangible- historical heritage of our nation, the year 2011 was declared as "The Tourism Year" by the President of the Republic of Azerbaijan.

Tourism complexes, hotels, recreation centres put into operation both in Baku and the regions have provided ample opportunities for tourism development and leisure time activities of population. Over last 10 years, 35 5-star hotels were built in 14 regions and work in this area is going on.

The transport is an infrastructure sector which has been developing in recent years; regular and large investment in this sector has enabled to continue works on renewal of rolling stock, construction of bridges, construction and reconstruction of new roads, etc.; effective operation of strategic projects had positive impact, totally, 2.5 times growth has been achieved in this sector.

Direct transport links with other countries, in particular, with EU Member - States, have been expanded, the Baku-Tbilisi-Ceyhan (BTC) main oil export pipeline and the Baku-Tbilisi-Erzurum gas export pipeline have made worthy contribution to ensuring energy security in the world. Signature of the final investment decision on TANAP and TAP projects which are of the utmost importance for ensurance of energy security in the region and Europe, as well as on project "Shahdeniz -2", is beneficial for the development of the country economy and is very important for boosting the socio-economic development of the country.

Furthermore, successful activities were carried out aiming at the exploitation of available opportunities as a transit country, including operation of the Europe-Caucasus-Asia Transport Corridor, projects of construction of main highways over the Baku-Tbilisi-Kars railway, the Alat International Sea Trade Port, North-South, East-West transport corridors.

In the framework of implementation of State Programmes for Regional Development in last 10 years, 8.3 km roads of republican and local status were built or repaired, 307 new bridges and viaducts were constructed or repaired, airports in Nakhchivan, Ganja, Lenkeren, Zaqatala, Qabala and Yevlakh were put into operation. To regulate and manage the traffic, an Intelligent Transport Management Centre was established in Baku.

A 8.2 -time growth has been achieved in the development of the information and communications sector which has key role to play in the socio-economic life of the country. High rate and level of development of the current information and communications sectors is characterized by widespread introduction of new types of services, including mobile

communication and internet. Due to transition to and building of the information society, formation of e-government and development of intellectual capacity in the 21st century in Azerbaijan, the information and communication sector is considered to be the next priority sector following the oil sector, and in recent years its influence on social and economic life of the country has been expanded. Over the last 10 years, as many as 1400 ATS, about 1000 post offices were built or thoroughly repaired in regions. Number of telephone lines per family increased by 1.6 times, number of mobile phone subscribers - by 9.6 times; 70 people out of 100 was internet users. 2013 was declared as "Year of Information and Communication Technology" and on 8 February the first telecommunication satellite of the country was launched.

Life in healthy environment and use of natural resources for improvement of the public welfare are integral parts of socio-economic reforms implemented in the country. In recent years, a number of measures have been taken aiming to protect ecology and environmental balance, meet clean water and air demand of the population.

Since 2003, the State Nature Reserves of the mud volcanoes group of Baku and Absheron Peninsula, Eldar pine and Korchay; National Parks: Absheron, Aggol, Goygol, Shahdag, Shirvan, Zangezur - named after Academician Hasan Aliyev, Hirkan, Altiagaj and Samur-Yalama have been established to expand the network of natural areas under special protection throughout the country; the area of specially protected natural reservations was increased from 478 thousand to 893 thousand hectares. 20 million trees and shrubs were planted in the framework of landscape gardening activities, modular water purification systems were installed in 222 settlements to supply environmentally safe water to the people. Waste to energy and Solid waste sorting Plants have been put into operation in the Balakhany settlement of Baku enabling to save natural resources and energy and reduce adverse environmental impact. 130 Heads of gazelles were released to their historical habitat under the "Protection, Reintroduction of Gazelles and Rehabilitation of their Historical Habitats in the Territory of the Republic of Azerbaijan" Project of the Heydar Aliyev Foundation.

Significant efforts have been made in regions under state programmes aimed at rehabilitation and development of infrastructure, provision of public utility services to population, including electric power, gas and water supply; construction of health and education facilities; further improvement of social welfare of population; large investment has been made in this area.

To meet public demand for electric power, 17 power stations with total capacity of about 2000 megawatt were built in regions in last 10 years, over 10 thousand km power lines were laid and over 1500 substations were built and reconstructed; as many as 40 km gas lines were built and repaired to improve gas supply, natural gas coverage of residential houses rose from 34% to 83.4%

In the last 10 years new water and sewerage lines were laid, new water reservoirs were put into operation to improve water supply of population, important amelioration activities were implemented. In that period more than 3.4 thousand km water, over 1.2 km sewerage lines were laid, 96 water reservoirs were built.

Essential measures on development of regions have been continued aiming to solve social issues, with human factor being in focus, significant works have been carried out towards improvement of social infrastructure serving this area. Heydar Aliyev Foundation has played important role in the implementation of education, health, culture and other social projects. The scope of projects, implemented on the Foundation's initiative, has enabled to improve living conditions of thousands of peoples.

In the last 10 years, 2708 schools were built or rebuilt -in the area of development of the education infrastructure, over 500 health facilities have been put into operation - in the area of further improvement of health services for population.

To improve wellbeing of the country citizens, strengthen social protection of low-income people, since 2007 the basic part of a retirement pension and social benefits has been increased annually, and currently minimum pension rose from 20 manats to 100 manats.

In last 10 years all tent camps have been abolished, 77 modern settlements have been built for IDPs, 37 thousand families – 166 thousand IDPs have been housed. Works on strengthening social protection of disabled and martyr families were continued, blocks of 2788 flats, including 2041 – in regions, and more than 450 individual houses have been built.

For strengthening the material and technical base of sport, 41 Olympic sport complexes have been put into operation throughout the regions, totally over 250 sport and youth facilities have been built or reconstructed in last 10 years.

2. Objective and Tasks of the State Programme and Priority Areas of Regional Development

The main objective of the "State Programme on Socio-Economic Development of Regions of the Republic of Azerbaijan for 2014-2018 Years" shall be the continuation of activities aimed at the development of the non-oil sector, diversification of economy, rapid development of regions, in particular, further improvement of infrastructure and social services related to rural development. To achieve the objective set forth in the State Programme, such important tasks are expected to be continued, as infrastructure provision in regions, including provision of population with public utility services; boosting the development of entrepreneurship aiming at export-oriented and competitive production; raising employment level and reducing poverty level of population, especially, of rural population.

Maintaining macroeconomic stability is crucial for achievement of the goals set in the State Programme and for fulfilment of the relevant tasks. The budget policy of the government, taking into account macroeconomic stability, will be focused on the modernization of priority sectors of economy and the creation of conditions for ensuring its effectiveness and long-term sustainability; further improvement of investment climate. The non -oil sector, as main source of economic growth, budget and currency income, will continue its role as a strategic factor in achieving balanced and sustainable development and forming high income economy. In this area the following activities will be continued in 2014-2018 as key conditions for development of the whole economy, including development of individual sectors in regions:

- Keep average annual inflation rate and exchange rate of national currency at acceptable level;
- Set taxes and customs rates at optimal level
- Continue measures to stimulate agricultural producers
- Increase wheat production and strengthen competitiveness
- Stimulate export-oriented activities of producers
- Stimulate creation of new jobs
- Raise share of budget revenue from the non-oil sector in the Gross Domestic Product
- Continue the development of the agrarian sector aiming to ensure food safety.

The state **employment policy** shall address the creation of investment climate facilitating the employment; further improvement of a policy related to tax, customs, education and other relevant areas; formation of institutional environment stimulating creation of new jobs. In the forthcoming years the following measures are envisaged to be implemented:

- Expansion of regional economic relations

- Formation and development of fair competition climate; ensurance of control over compliance with labour legislation
- Allocation of a part of oil incomes for the development of human capital, and introduction advanced technologies and innovations related to science-based sectors
- Creation of conditions to ensure balance between the labour resources offered and the existing workplaces
- Decrease of the migration level through further development of social and communal infrastructure in rural area
- Raising level of woman and youth employment.

The main areas of the **tax policy** of the Republic of Azerbaijan in the coming years shall be as follows:

- Expansion of partnership relations between tax payers and tax bodies
- Extension and improvement of electronic services using modern information communications
- Stimulation of investment in economy of regions and innovation activities
- Creation of more favourable climate for entrepreneurship in regions

The customs policy has a significantly increased role in integration of Azerbaijan economy into the world economic area and protection of economic security of the country and domestic market. Further improvement of the customs management, as a main means for ensuring socio-economic growth of the country, and development of a transparency-based system, strengthening protection of rights of entrepreneurs and individuals, continuation of the work on modernization of the customs infrastructure and strengthening its material and technical base will be the main priorities of the customs policy in 2014-2018.

The policy of upholding the liquidity of the banking sector at adequate level to support the role of financial intermediary in economy will be continued and the banking system will have more important role to play in ensuring diversification of economy, boosting regional development, expanding the scope of entrepreneurial initiative, and eventually, in reducing the level of poverty through sustainable development of the non-oil sector.

Relevant activities will be continued aiming at formation of an efficient national insurance system which shall ensure effective and stable activity of the market economy, protect entrepreneurial activity from potential risks, create long-term investment sources for development of economy .

In terms of ensurance of long-term economic and social development of the country, **attraction of investment** will play a particular role, hence, creation of more favourable investment climate to ensure required volume and quality of investment, is a key task ahead. To this end, the main priority directions of the state investment policy for years 2014-2018 are set forth as follows:

- Investment to the non-oil sector and development of regions
- Prioritization of the regional investment policy according to modern development trends
- Further strengthening social orientation of investment activity in the country, ensurance of priority for investment to human capital and infrastructure
- Ensurance of priority for state investment to nanotechnology and the low-carbon production sector
- Acceleration of stimulating activities aimed at attraction of domestic or foreign investment to priority sectors of economy, including export-oriented sectors and sectors with high share of added value
- Attraction of domestic and foreign investment to emerging industrial parks.

Production of high quality, export-oriented and competitive products due to improvement of business climate with the aim of **entrepreneurship development**, are key priorities for the economic development policy of the country. The state policy in this area will aim at further

improvement of business climate, further enhancement of state support and improvement of state-business relationships. A number of activities on entrepreneurship development will be implemented in the coming years:

- Continue further improvement of legal and regulatory framework for business activity
- Further improvement of other institutional mechanisms for state-business relations
- Further improvement of financial provision for entrepreneurs in regions
- Further improvement of the production, market and social infrastructure for entrepreneurship, including acceleration of development of modern market infrastructure mechanisms (finance, banking and insurance system, stock market, audit, hypothecation, leasing, franchising services)
- Support for efficient cooperation between small, medium and large enterprises in regions, including expansion and strengthening production-cooperation relationships

According to the industrialization policy, the measures will be taken aiming at activities of industrial enterprises based on local raw materials to be organized at modern level, establishment of industrial districts in regions; introduction of innovative technology will be encouraged, works on creation of specialized and general purpose type industrial parks will be continued. Establishment of the industrial parks will contribute to the development and modernization of the country economy, further expansion of competitive industrial production based on high-technology and growth of export capacity, as well as raising the employment level.

In the framework of the industrialization policy the following activities will be implemented:

- Promote creation of innovative and high technology industrial sectors in the country to manufacture competitive and export-oriented industrial products
- Develop traditional processing sectors of the non-oil industry (chemical industry, metallurgy, machine building, electrical technology, electronics, light industry, food industry, etc).
- Continue works towards introduction of world best practice of organizational models for supporting industrial entrepreneurship, including creation of industrial parks and business - incubators
- More transparent and efficient privatization process for industrial enterprises open for privatization, support for enterprise operation after privatisation
- Technological rearrangement of existing industrial enterprises and development of a mechanism for recruitment of qualified staff.

Consistent reforms and attraction of new technology will be continued aiming at **development of agriculture**, which is the main priority area in the development of the non-sector of the country's economy. Joining up farmers and creation of cooperatives will give an impetus for further increase in both income in the agrarian sector and competitiveness of agricultural products and their compliance with world standards. Development of the agrarian sector and ensurance of food security of population are main priorities of the State programme. The development directions of the agrarian sector are the following:

- Continue activities related to coordinated development of raw material production and processing industries of the agrarian sector, stimulate increase of competitive and export-oriented produces, self-sufficiency of basic foodstuffs
- Increase financial support to the agrarian sector and continue incentive measures for development of traditional agricultural sectors
- Introduce clean technologies in plant growing and animal breeding and stimulate economic operators' activities in this area
- Establish large wheat or seeding, seedling, grape growing, gardening enterprises
- Continue development of greenhouse, refrigerated and wheat warehouse complexes (logistics centres) in regions for agricultural produce production, procurement, storage and sale
- Implement appropriate activities for specialisation of production of agricultural products, taking

into account specifics, natural and climatic conditions of each district

- Develop environmentally clean agriculture and food stuff market
- Strengthen the material and technical base of the agrarian sector and introduce new structures operating based on the market principles
- Continue improving irrigation and amelioration activities in agriculture, ensure efficient use of land and water resources
- Implement appropriate works towards development of electronic technical record- keeping of land and an electronic farmer registration system.

Expansion of non-oil products export is a priority area in **the foreign trade policy of the state** to enable efficient integration of the country economy into the world economy. In this context, the implementation of the following activities will be important tasks set for 2014-2018

- Take appropriate measures on exploration and expansion of access to target markets for agricultural and processed products which play a major role in the development of regions
- Continue regular activities for expanding export capacity of entrepreneurs operating in regions
- Take appropriate measures for strengthening positions and protection of interests of national producers at foreign markets
- Implement appropriate activities aiming to further improve and upgrade infrastructure provision for the development of foreign trade
- Stimulate participation of export enterprises in international exhibitions and fairs with the aim of increasing access to world market for Azerbaijan products
- Carry out appropriate works on exploration and development of the opportunities for wide use of electronic trading in export
- Support to raise quality standards of exported and exportable products and stimulate enterprises producing products complying with international standards in this area; and create national brands.

In 2014-2018, **information and communication technologies (ICT)** will be developed, opportunities to benefit from up-to-date electronic services will be further expanded, access to the broadband, inexpensive and high quality Internet will be provided throughout the country, including the rural areas. To achieve the objective set in this sector, activities in the following areas will be implemented:

- Establishment of developed information and communication infrastructure, further expansion of information and communication services in the regions
- Raising level of knowledge and staff training in ICT among population of the regions
- Further improvement of TV broadcasting quality in regions.

Tourism development in regions will remain as a priority in the development of the non-oil sector in the forthcoming years, implementation of projects will be continued aimed at extension of tourism resources, expansion and adjustment to modern standards of a range of tourism services and other cultural activities needed for tourist's recreation and satisfaction of their demands, construction of tourism facilities. The development directions for the tourism sector will be as follows:

- Implementation of targeted projects in regions aimed at building the tourism infrastructure to high international standards
- Stimulation of tourism activities in all regions of the country and expansion of promotion activity through modern information and communication technologies with the aim of attraction of investment in this sector
- Creation of adequate modern infrastructure in tourism and recreation zones, development of various types of tourism, development of new tourist routes in regions
- Implementation of appropriate activities aimed at further improvement of quality of tourism

services in regions through raising the level of professional standard of tourism sector personnel

- Support for development of different category new hotels and other accommodation means, tourism service facilities.

In the forthcoming years, the works to be fulfilled in the country **fuel and energy complex** will consist in increasingly complete satisfaction of economy and people demand for energy resources, the development of the energy industry, including increasing its efficiency. For 2014-2018 years the main directions of the state policy in this sector will be the following:

- Continuation of activities on creation of new capacities in the country energy system, construction and reconstruction of new stations and power lines
- More use of alternative and renewable energy sources
- Construction of new thermal and hydro power stations, continuation of modernization of existing power units in regions
- Continuation of activities towards further improvement of gas supply in regions
- Installation of modern heating systems, continuation of rehabilitation, modernization and reconstruction of existing heating systems in regions.

Continuation and expansion of the scope of work in the area of **human capital development** and provision of efficient social protection system has been set as the main priority, to that end, housing improvement of the country population, in particular, vulnerable social groups, and development of this sector have been identified as one of main issues.

With the aim of **development of the housing and public utilities, and** improvement of a level of operation and maintenance of housing stock, the following priorities of the housing policy for 2014-2018 were set forth:

- Continuation of reforms in the housing and public utilities sector, support for the development of the real estate market in regions
- Continuation of appropriate activities aiming at provision of living accommodations to low-income citizens in need of housing, including young families, in regions
- Continuation of activities on reconstruction and improvement of water supply and sanitation system in regions
- Continuation of general territory improvement and landscaping works in regions
- Implementation of appropriate activities in the area of household waste management in regions.

Development of transit and **transport services**, improvement of domestic and international cargo carriage management mechanism, improvement of quality of transport services for population, will be main tasks for years 2014-2018. In this context, the following activities will be implemented:

- Sustainable development of the transport system, further improvement of competitive environment of the transport sector in regions, including in transport service market
- Further development of interregional, city and intra-district road-transport infrastructure
- Continuation of activities related to construction and reconstruction of main highways in regions, in particular, construction and main repairs of rural roads.

One of the main objectives set forth for years 2014-2018 is to achieve ensurance of environmental balance. Appropriate activities will be continued in the coming years aiming at protection of biodiversity, neutralization of adverse environmental impact of the fuel and energy sector, prevention of pollution and protection of the sea and its water area, rehabilitation of green areas and efficient protection of resources available.

The main objective of environmental policy will be to ensure sustainable development with protection of the existing ecological systems and efficient use of natural resources in order to meet present and future generations' demands. The main activities to be implemented in this area will include the following:

- Implement appropriate activities for operation of industrial enterprises in regions based on the "green economy" principles
- Explore new raw material deposits to provide a raw material base for the development of economy
- Continue afforestation and reforestation activities in regions, increase plant areas in regions
- Develop specially protected natural areas and ensure sustainability of biodiversity
- Management of solid household and industrial wastes generated in regions
- Expand use of alternative and renewable sources of energy.

Main priority areas for the **social protection of population** in 2014-2018:

- Continuation of works on decreasing social risks for aged population, low-income families and vulnerable social groups in regions, through development of the efficient social protection system
- Strengthening the material and technical base of state-owned enterprises providing social services in regions, expansion of their types and network
- Continuation of works related to improvement of housing conditions of Qarabag invalids and martyr families
- Continuation of relevant activities aimed at development of skills and capacities of disabled persons in regions, widening their employment opportunities.

Works to be carried out in the forthcoming years in the **education** sector, include large-scale activities on the development of an education system, which, due to its quality indicators and scope, will hold a leading position among the world countries and have the infrastructure based on advanced technology, as set forth in the "State Strategy on Development of Education in the Republic of Azerbaijan". The economically sustainable education system which is in line with standards of the world leading education systems, will facilitate reorganization of specialists training process, education management system and education infrastructure, following the best international practice and Azerbaijan development concept, and will ensure the sustainable development of the knowledge economy in the country.

To achieve these goals, the following activities will be implemented in the forthcoming years:

- Continuation of construction and major repairs of education facilities in regions
- Implementation of appropriate activities to equalize education quality throughout the regions by means of rationalisation measures within the education network
- Establishment of a system for regular survey of a labour market in regions
- Creation of regional universal centres to provide consultancy services on distance learning, education and development for gifted children and those who are in need of special care, adult education, vocational and education issues.

Main issues to be addressed in 2014-2016 in the **health** sector will be strengthening primary **health care services** in regions, further improvement of quality of health services provided to the people. Works will be continued aiming at strengthening material and technical base of the health system in regions, namely: construction, major repair and reconstruction of health facilities, their equipping with up-to-date medical equipment. To achieve the objectives set, the following priority directions of the state policy in the health sector are identified:

- Continuation of appropriate activities aiming at protection of public health in regions, further improvement of health service quality, regular development of skills and knowledge of specialists
- Medical aid for vulnerable social groups in regions, raising the coverage and quality of medical and preventive measures
- Support to establishment of medical industry enterprises to improve supply of medicine and equipment for health facilities
- Continuation of construction of new health facilities in regions and capital repairs of existing

ones

- Continuation of works on establishment and reconstruction of health resort facilities and improvement of their infrastructure

Activities aimed to support the development of **youth** and **physical culture and sport** will be continued in 2014-2018. Information and consultancy services for young people living in remote districts and rural areas will be expanded, activities will be continued to create appropriate conditions for raising the role of physical culture and sport in youth's health promotion and rational organization of their leisure activities:

- Further improvement of conditions for youth development in regions
- Further increase in youth employment and entrepreneurship development among youth
- Encourage graduates to work in regions
- Popularization of physical culture and sport among children, teenagers and the young in regions
- Continuation of activities on strengthening and development of the material and technical base of sport facilities in regions.

In the forthcoming years the appropriate activities will be continued in regions aiming at **protection of cultural heritage**, further development of cultural diversity in the context of globalization, restoration and preservation of intangible historical and cultural monuments, improvement and development of activities of historical and cultural reserves, major repairs of cultural objects in regions.

The implementation of the activities provided for in the above mentioned areas of the State Programme shall be an important stage in the socio-economic development of the Republic of Azerbaijan and shall have an important role to play in sustainable development of the country regions, in achieving the goals set in the Development Concept "Azerbaijan-2020: The Vision into the Future" , and in further improvement of well-being of the country population.

3. Funding Sources for the Actions envisaged in the State Programme

Actions included in "The State Program on Socio-Economic Development of Regions of the Republic of Azerbaijan for 2014-2018 years" are planned to be financed through following sources:

The State Budget of the Republic of Azerbaijan;

Non-budgetary state funds;

Funds of enterprises, entities and organizations, regardless of their property type;

Funds of "The National Fund for Entrepreneurship Support" and "The Azerbaijan Investment Company" OJSC;

Funds of local and foreign businessmen;

Financial resources of international organizations and foreign states;

Other sources not prohibited by the legislation.