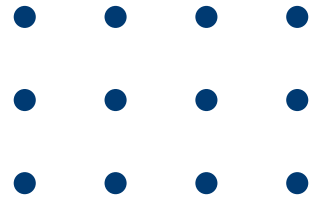




EU4Business



# [SME POLICY TRENDS OCTOBER 2022 BULLETIN]



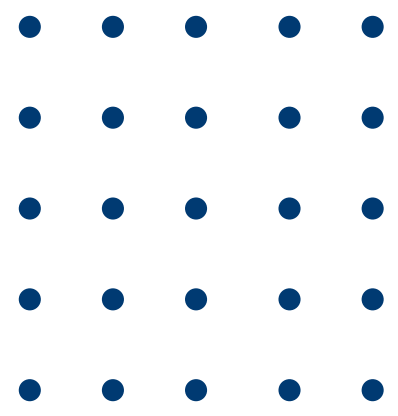
AZERBAIJAN



[WWW.EU4BUSINESS.AZ](http://WWW.EU4BUSINESS.AZ)

# TRENDS IN SME DEVELOPMENT

## IN AZERBAIJAN Q1 2022



Total SMEs in Azerbaijan

**33,656**

Of which

**2,604**

export

compared with

**33,656**

in 2021

Government Resources supporting SMEs in 2022

**€1,581.3**

million

**3%**

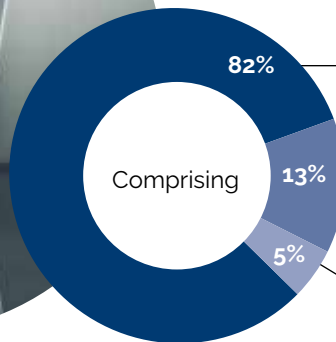
of GDP

Annual Change in SMEs':

Incomes **-20%**

Employment **+12.9%**

Exports **-5.2%**



**Micro**

24,797

**Small**

5,943

**Medium**

2,916

SMEs supported by EU

amounted to

**13,129**

**52%**

of total in Azerbaijan in 2021

Estimated Annualised EU support SMEs in Azerbaijan

**€11.97**

million

(annualised budgets available in 2021)

Performance of EU supported SMEs in 2021, Annual Change:

Incomes **+11.02%**

Employment **+7.23%**

Exports **+7.94%**

# 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 [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

- New processing facilities;
- increasing competitiveness of the local economy and local products;
- Increase production and processing of agriculture production;
- develop tourism potential;
- create big farms;
- improved supply of energy to the regions.



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

[Link](#)

## OBJECTIVES

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- 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

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

## STRATEGIC PLAN OF STATE ENTREPRENEURSHIP DEVELOPMENT FUND (EDF)

[Link](#)

## OBJECTIVES

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- Strengthening the institutional base.
- Creation of Enterprise Risk Management
- Improving access to fiancé for entrepreneurs
- Support to creation of innovative enterprises

## TARGETS

- SME Development of SMEs.
- Subsidizing loan interest.

## BUDGET COMMITMENTS

Circa **€76** million

# MAJOR INSTRUMENTS

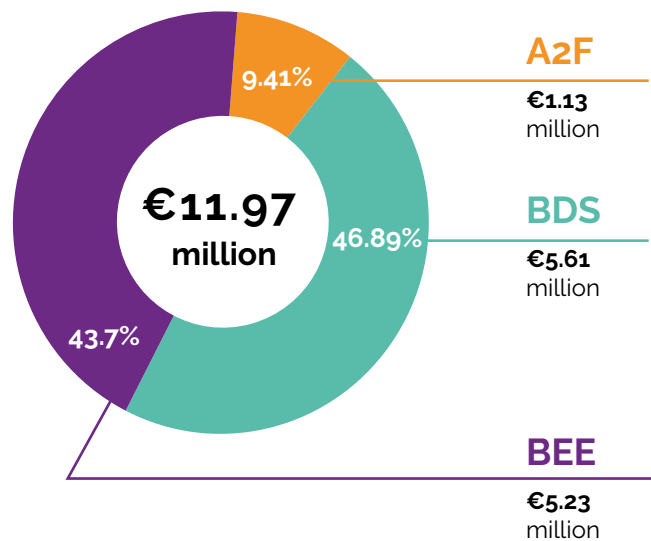
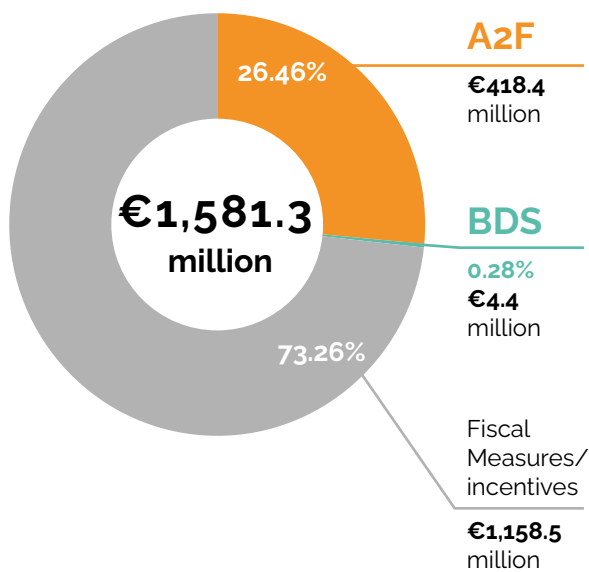
## AVAILABLE FOR SMES IN AZERBAIJAN

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



# ACCESS TO FINANCE (A2F) INSTRUMENTS

	million	Azerbaijan programmes	EU support	million
<p><b>A2</b></p> <p>Interest Subsidy</p> <p><b>A4</b></p> <p>Capped Guarantees</p> <p><b>A6</b></p> <p>SME Incentive grants (linked to loans)</p> <p><b>A7</b></p> <p>Grants to SMEs</p> <p><b>A8</b></p> <p>Structured Funds</p>	<p>€125.90</p> <p>Government returns 10% out of 18% of the loan interest as a subsidy (as of March 2020)</p> <p>Electronic Credit Platform created by the Ministry of Economy for entrepreneurs to easily and transparently obtain state-guaranteed loans (<a href="http://www.e-edf.gov.az">www.e-edf.gov.az</a>) (from State-owned funds providing government financial support)</p> <p>Entrepreneurship Development Fund of Azerbaijan); total value of support <b>€50 million</b>. <a href="#">Link</a></p> <p>Concessional loans were given to 1902 SMEs in 2021 (from Entrepreneurship Development Fund of Azerbaijan); total value of support <b>€75.9 million</b>. <a href="#">Link</a></p> <p>Startups are free from income tax for 3 years. The agency is issuing startup certificates (from Small and Medium Business Development Agency); total value of support <b>N/A</b>. <a href="#">Link</a></p>	<p><b>A2</b></p> <p>30.09%</p>	<p>30.4%</p>	<p><b>A6</b></p> <p>€0.34</p>
		<p><b>A4</b></p> <p>69.31%</p>	<p>2.98%</p>	<p><b>A7</b></p> <p>€0.03</p>
			<p>66.62%</p>	<p><b>A8</b></p> <p>€0.75</p>
<p>Intends to subsidize new loans and provide state guarantee. The essence of this mechanism is that 60 percent of loans taken by entrepreneurs from banks in manat will be guaranteed by the state, and half of the interest will be subsidized. The loan term should not exceed 3 years and the interest rate should not exceed 15 percent. Thus, the entrepreneur's loan interest rate will be 7.5 and less. On the other hand, 60 percent of the loans will be guaranteed by the state. Thus, 60% of the 250 mln EUR worth of loans will be covered by state guarantee (from Entrepreneurship Development Fund of Azerbaijan); total value of support <b>€290 million</b>. <a href="#">Link</a></p>	<p>€290</p>			
<p>Education, science, research and support projects related to the development of micro, small and medium enterprises financing rules" have been adopted in 2020 (from Small and Medium Business Development Agency); total value of support <b>€0.5 million</b>. <a href="#">Link</a></p>	<p>€0.5</p>			
<p>Access to small-scale grants as part of the AMBDA capacity building program (from Small and Medium Business Development Agency); total value of support <b>€2 million</b>. <a href="#">Link</a></p>	<p>€2</p>	<p><b>A6</b></p>		
		<p><b>A7</b></p>		

# BUSINESS DEVELOPMENT SERVICES INSTRUMENTS

	Azerbaijan programmes		EU support	
	million		million	
<b>B1</b> Consultancy Services for SMEs	Business consultancy and trainings, soft skills trainings (from SMB House under the Small and Medium Business Development Agency); total value of support <b>€2 million</b> . <a href="#">Link</a>	€2 <b>B1</b> 45.45%	47.56% <b>B1</b> €2.67	
<b>B2</b> Capacity Building of BSOs	Certified startups are exempted from profit tax for 3 years for innovation activities (from Ministry of Taxes); total value of support <b>€0 million</b> . <a href="#">Link</a>	€0 <b>B3</b> 0%		
<b>B3</b> Incubators	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); total value of support <b>€0 million</b> . <a href="#">Link</a>	€0 <b>B4</b> 0%		
<b>B4</b> Clusters				
<b>B5</b> Trade Information	Foreign market research worth up to 15,000 EUR (from AZPROMO); total value of support <b>€0.4 million</b> . <a href="#">Link</a>	€0.4 <b>B5</b> 9.09%	30.80% <b>B2</b> €1.73	
<b>B6</b> B2B activities	100 B2B and 200 G2B (Government to Business) service types (from SMB House under the Small and Medium Business Development Agency); total value of support <b>€1 million</b> . <a href="#">Link</a>	€1 <b>B6</b> 22.73%		
<b>B7</b> Export Strategies			<b>B4</b> €0.03	
	<ol style="list-style-type: none"> <li>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)</li> <li>2) Research and development programme for exporters covers up to 50% of its cost and cannot exceed <b>50,000 EUR</b></li> <li>3) Support in getting international certificate for exporters (from AZPROMO); total value of support <b>€1 million</b>. <a href="#">Link</a> <a href="#">Link</a></li> </ol>	€1 <b>B7</b> 22.73%	<b>B5</b> €0.23	
			<b>B6</b> €0.66	
			<b>B7</b> €0.28	
			4.16%	
			11.79%	
			5.07%	

# FISCAL AND OTHER INSTRUMENTS



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 roadmap 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 **€351 million**.



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. (from Cabinet of Ministers and relevant ministries).



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 million**.

[Link](#)



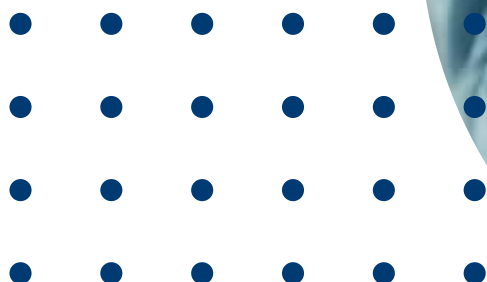
Credit-guarantee support program for new bank loans to businesses operating in pandemic-affected areas (from State Entrepreneurship Development Fund); total value of support **€250 million**.

[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 million**.

[Link](#)





# NATIONAL INSTITUTIONS FOR SME DEVELOPMENT

IN AZERBAIJAN

## SMALL AND MEDIUM BUSINESS DEVELOPMENT AGENCY (SMBDA)

**Established**  
2017

**Annual Budget**  
€7,000,000

**Staff**  
240

[Link](#)



## GOALS



To make SME share of non-oil GDP 35%.



To make SME share of non-oil sector in employment 60%.

## 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.
3. Issuance of startup certificates to startups
4. Holding grant competitions among SMEs

# 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 23.02.2022)

### 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 21.01.2022)

### SECRETARIAT:

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