EU4Business

COUNTRY REPORT 2021

AZERBAIJAN

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY FOR AZERBAIJAN:

2021 AT A GLANCE

The 2022 EU4Business Country Report for Azerbaijan shows that the difficulties and challenges due to the COVID pandemic continue to affect SMEs and are challenging for the delivery of support by EU partners and implementers.

The budgets available to support SMEs in the Azerbaijan rose by **98.8%**

The total budget of support

in 2021 **€111.47 million**

in 2020 **€56.07 million**

Representing an increase in **€55.4 million**

Despite this, the multiple lockdowns across much of 2021 meant disbursements slightly grew

as projects, SMEs, and government closed down or worked remotely and travel restrictions were in force.

13,129 SMEs in 2021

A fell down of **-24.92%** compared with 2020 as EU in Azerbaijan

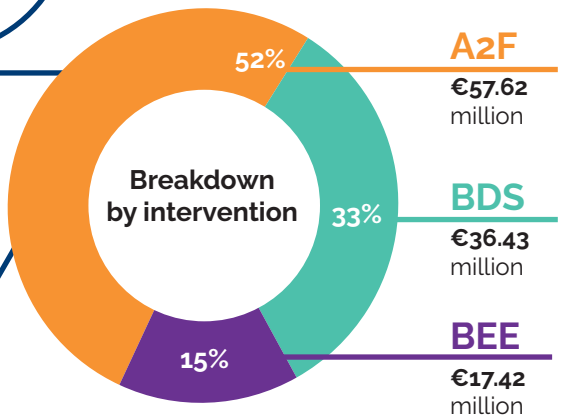
PORTFOLIO FOR AZERBAIJAN IN 2021

Total Budget of EU support in Azerbaijan

€111.47 million

47 Projects

Of which **€11.97 million** was disbursed



RESULTS OF EU SUPPORT IN 2021

€62.99 million extra income generated

13,129 SMEs supported

14% women-owned SMEs

2,074 new jobs created

€634.41 million total turnover

+7.2% increase in staff among EU-supported SMEs

+11% growth in SMEs' turnover recorded

+0.44% EU-supported SMEs engaged in exporting

+7.94% increase in exports among EU-supported SMEs

IMPACT OF EU SUPPORT

For every million euro of EU support **€1 million**

1,097 SMEs benefited

173 new jobs were generated

€5.26 million increase in income

Compared with 2020

1,557 SMEs benefited

114 new jobs were generated

€3.04 million increase in income

RESULTS PER PILLAR

A2F

149 SMEs received loans

25.16% to women-owned SMEs

€7.34 million total value of loans

€49,277 average loan

2 partner financial institutions working with EU4Business

BDS

87 business support organisations improved their capacity

11,331 consultancy services delivered to SMEs

13.9% women-owned SMEs

1,637 SMEs participated in B2B events

BEE

43 laws, policies, regulations and procedures reformed

14 public-private dialogue events held

9 government institutions improved their capacity

EU4BUSINESS FACILITY COMMUNICATIONS

30+

success stories and news items were generated in Azerbaijan and shared

WWW.EU4BUSINESS.AZ

website regularly maintained and updated

5,980

total visits to the Azerbaijann website in 2021

Promotion campaign in the social and traditional media was conducted in September 2021 to attract SMEs to the newly created websites.

Threefold increase in average monthly website visits recorded in Azerbaijan following the promo campaign

300,000+

audience reach in the social media

over a dozen media outlets reached with campaign messages

Mark Hellyer
Team Leader,
EU4Business Facility

Despite the continuing challenges to SMEs post-COVID and fewer SMEs supported, these SMEs created more jobs, grew more and increased exports. There are continuing challenges in 2022 but despite the regional turmoil, the EU is committed to continue to support SMEs in Azerbaijan. The EU4Business initiative is adapting and providing appropriate measures so that SMEs can access the support they need.

EU SUPPORT TO SMES IN AZERBAIJAN IN 2021

PORTFOLIO OVERVIEW

The European Union's support for SMEs in Azerbaijan grew in 2021 by

+98.8%

EU support is focusing on three types of interventions:

- Access to Finance (A2F)
- Business Development Services (BDS)
- Business Enabling Environment (BEE)

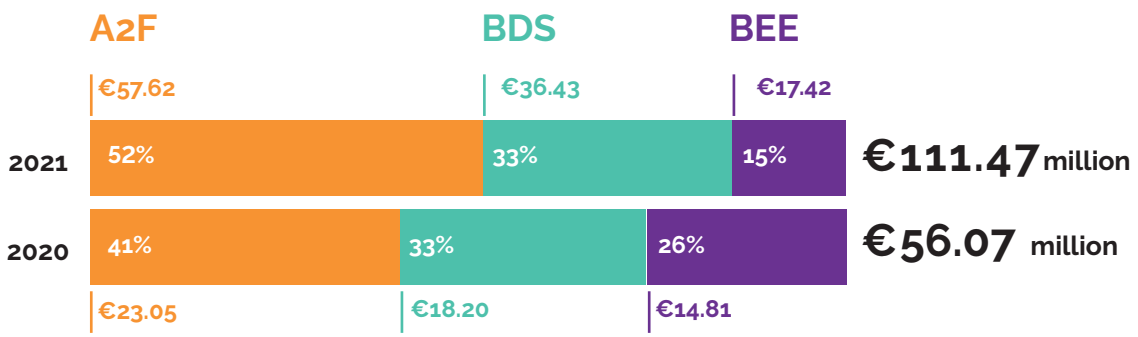
47

Projects provided support to SMEs in Azerbaijan in 2021

with a total budget of **€111.47** million

This is the total value of contracts being implemented in 2021 rather than disbursements

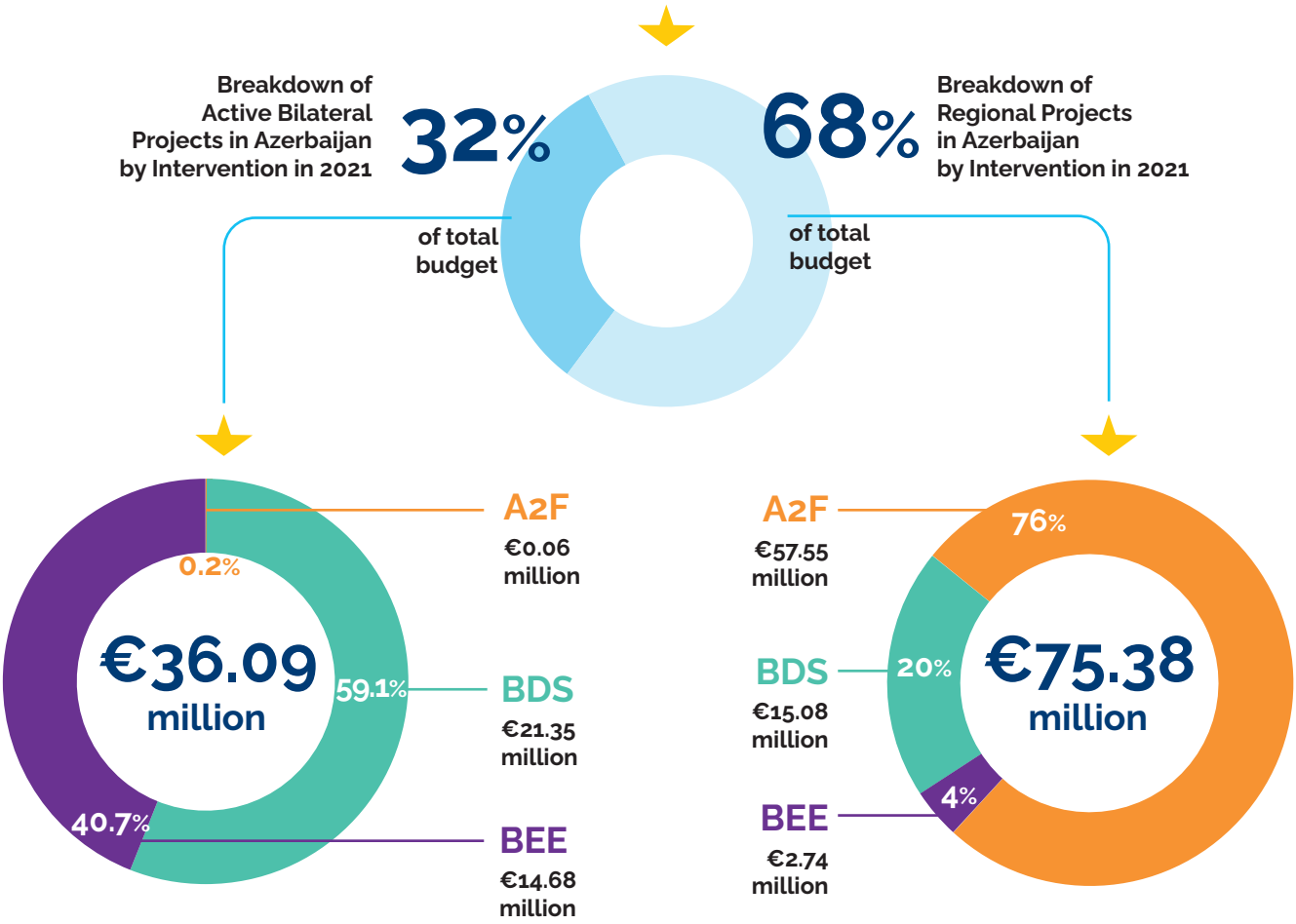
BREAKDOWN BY INTERVENTION



with a total budget*

€111.47

million



OVERVIEW
BY TYPE OF INTERVENTION

ACCESS TO FINANCE (A2F)

A2F is the largest area of support in Azerbaijan representing 52% of budgets in 2021

A total of

€57.61

million

In EU support was allocated to unlock access to finance in Azerbaijan in 2021

8

specific support instruments are used in Azerbaijan

+150%

Compared with 2020

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 SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is generally up to 10% of the total loan portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually 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, with 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 technical assistance to PFIs in the form of consultancy services, mentoring, and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become more familiar with the modus operandi of the big IFIs, the characteristics of their credit lines, their reporting requirements, as well as the standards regarding financial and risk analysis of the potential borrowers.

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 through guarantees to reduce collateral requirements of SMEs. This is a guarantee that enables improved access to finance through the reimbursement of a portion of the loss caused by the SME portfolio. These guarantees are generally capped at up to 25% of the total portfolio of the respective partner financial institution and to generally 70%-80% of each individual sub-loan. In the case of the DCFTA facility phase 1 EIB/ EIF, the guarantee is 25%/70%, for EIF COSME support the guarantee is 50%/70%, for DCFTA facility phase 2 the guarantee is 25%/80%.

A5 Currency Hedging Subsidy

This instrument is given to IFIs in order to enable them to disburse loans to PFIs (and ultimately to SMEs) in local currency. Traditionally, the IFIs only provide credit lines in euros or dollars. In order to sign credit contracts in national currency, the IFIs need to protect their investment through "currency hedging". This is a currency risk coverage facility provided by specialised agencies (that would cover the cost of currency devaluation, therefore the IFIs do not lose any money) at a certain cost. Without the EU grant to cover the cost of "currency hedging", the IFIs would add this additional cost in the lending contract with PFIs and the loans for SMEs in local currency would naturally become more expensive. Due to the EU grant, the IFIs and subsequently the PFIs can offer loans in local currency to SMEs at a competitive price.

A6 SME Incentive Grants (linked to loans)

This instrument is different from regular grant schemes as the incentive grants are not given directly to SMEs as a "pure grant". The SME signs 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 or feasibility study and of the other pre-conditions for the loan disbursement. 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 as is the case for the EBRD DCFTA facility 1 and 2.

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 in order 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 into targeted communities.

A8 Structured Funds

This instrument is implemented directly by EU participation as opposed to risk-sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. 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).

ALLOCATION OF A2F BUDGETS IN AZERBAIJAN BY INSTRUMENT

A1 Capped Loss Recovery (grant contract)

A2 Interest Subsidy (grant contract)

A3 TA to PFIs

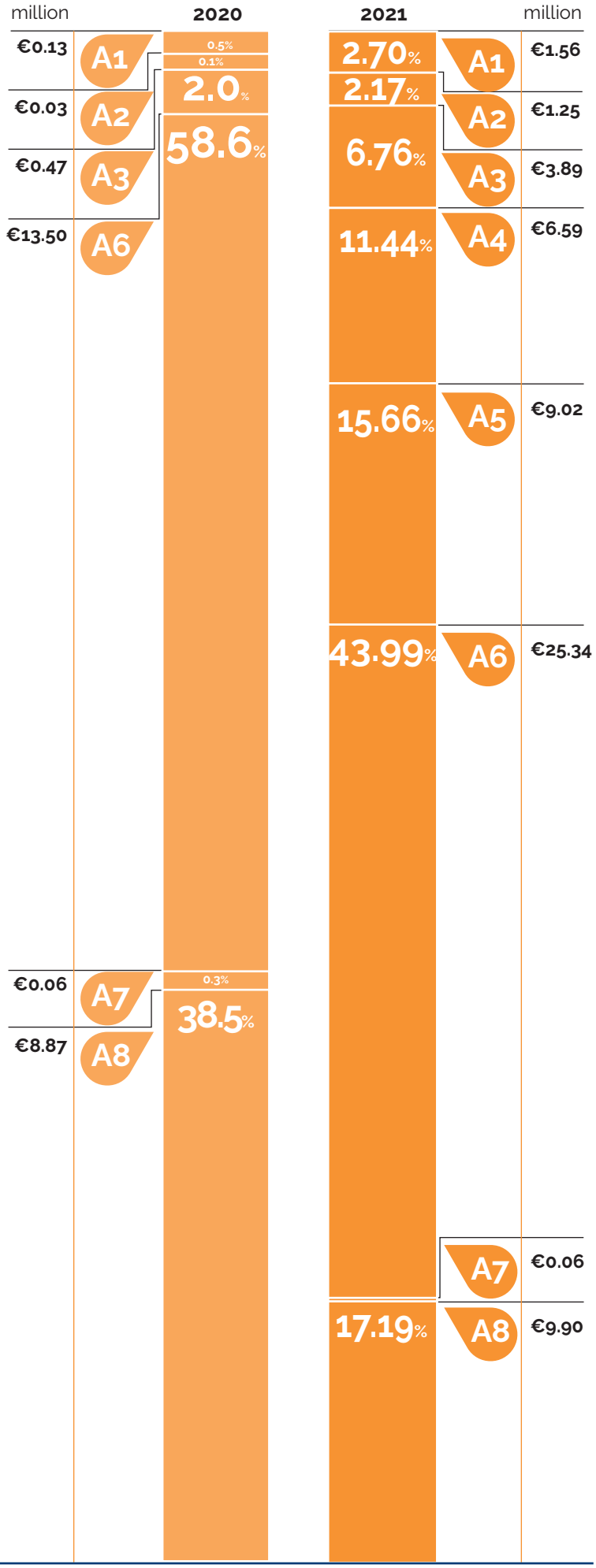
A4 Capped Guarantees (Financial instrument)

A5 Currency Hedging Subsidy (Financial instrument)

A6 SME Incentive grants (linked to loans)

A7 Grants to SMEs

A8 Structured Funds



SCHOOLTEACHER TURNS DRIED FRUIT HOBBY INTO BUSINESS

Tahmina Isayeva, a teacher in the village school, started a small business drying fruits a few months before COVID-19 hit the world. Over the year, she produced almost 300 kg of dried fruit. To expand her business, Tahmina applied to the "Development of sustainable and inclusive local food systems in the northwest region of Azerbaijan" project implemented by the Food and Agriculture Organization of the United Nations (FAO) with the support of the EU4Business Initiative. This project is focused on creating local inclusive models of farming and establishing a food system for local products to facilitate access to markets and expand the potential of agritourism in the region.

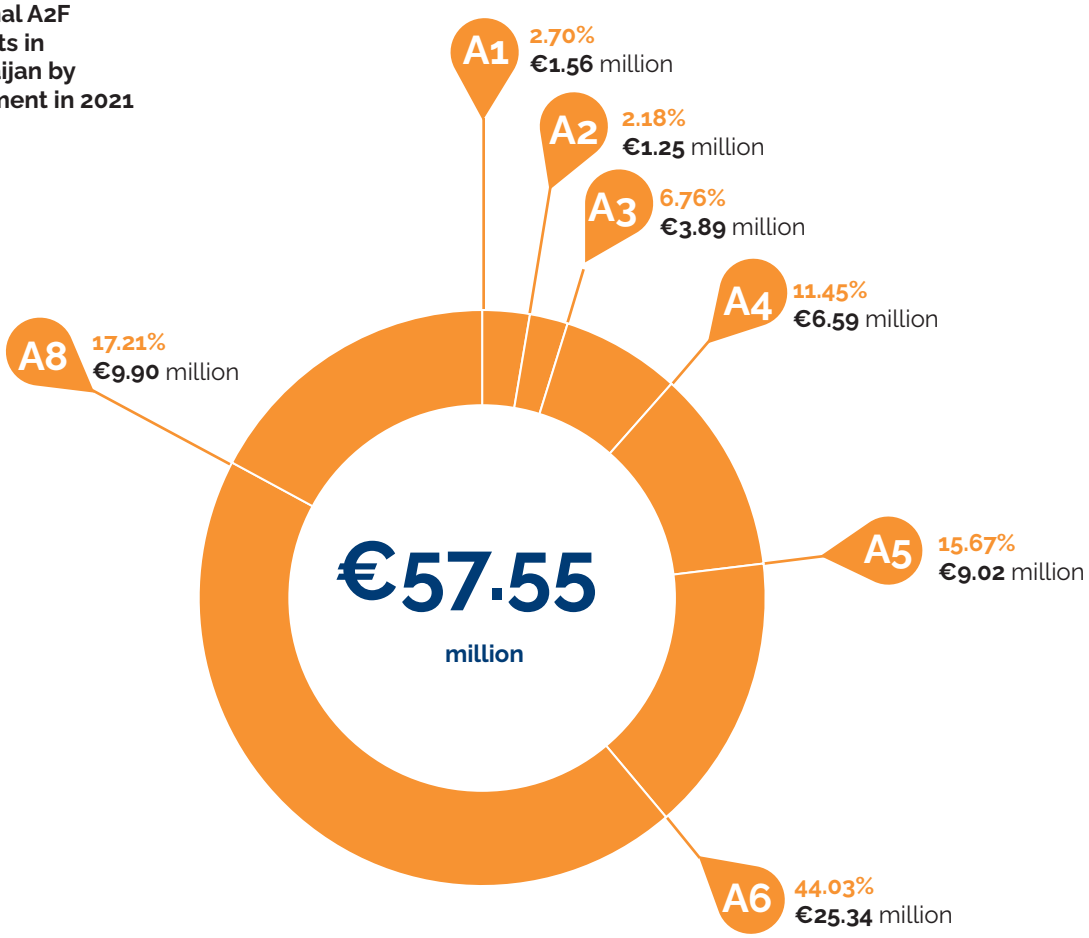
The project is very useful and has a positive impact on us. The project not only creates income-generating opportunities for rural women but also helps them feel strong and confident. Greater socializing improves their status in the family and in their communities."

Tahmina Isayeva
owner of drying fruits business

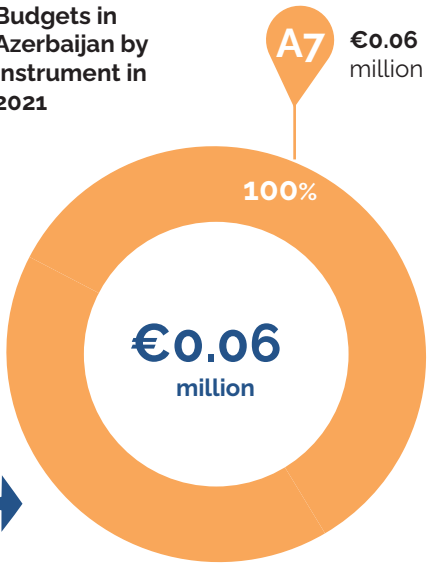
Read full story

ALLOCATION OF A2F BUDGETS BY REGIONAL AND BILATERAL INSTRUMENTS

Regional A2F Budgets in Azerbaijan by Instrument in 2021



Bilateral A2F Budgets in Azerbaijan by Instrument in 2021



A1 Capped Loss Recovery (grant contract)

A2 Interest Subsidy (grant contract)

A3 TA to PFIs

A4 Capped Guarantees (Financial instrument)

A5 Currency Hedging Subsidy (Financial instrument)

A6 SME Incentive grants (linked to loans)

A7 Grants to SMEs

A8 Structured Funds

CO-OPERATION PROVES KEY TO SUCCESS FOR PERSIMMON FARMERS IN BALAKAN

A 46-year-old farmer with a knack for organisation and adaptation, Nizami Musayev has been growing and selling persimmon for the past fifteen years in Balakan. His family is one of many small households who have helped Azerbaijan become a leading producer of this fruit.

After attending a few trainings under the joint project being run by UNDP and ABAD under the EU4Business, Nizami suggested that several fellow persimmon families unite under one common brand and make a joint application together for the project. Throughout the course, the families kept improving on their initial business idea, applying their new understanding of the importance of branding and securing regular supermarket clients. On the strength of their co-operative plan, the project provided each of the families with professional drying ovens and refrigerators and ABAD signed a contract for the first products.

With support from ABAD, four families have already managed to get their persimmon products displayed and sold in some of the major supermarket chains, including in Baku itself, and they are increasingly hopeful of attaining a steady income. Their joint success is good news for their wider community too, since each family already employs some ten or so seasonal workers and their expanding business will bring more local jobs.

What I've learnt from all the training and the whole experience is that you've got to keep moving with the times. But what one should always remember is that it works best when you take people along with you so everyone gets a better chance."

Nizami Musayev
entrepreneur

Read full story

BUSINESS DEVELOPMENT SERVICES (BDS)

BDS is the second largest area of support in Azerbaijan representing 33% of budgets in 2021

A total of

€36.43

million

in EU support is allocated to improving business development services in Azerbaijan in 2021

+100.2%

Compared with 2020

7 support instruments used in Azerbaijan for BDS are defined below

B1 Consultancy Services for SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in 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, 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 commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS services to SMEs (whether members or not). The capacity building is achieved though mentoring, training trainers, advisory services, and study tours to either enhance existing services, build new ones, or improve organisational structures.

B3 Incubators

The 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.

The EU4Business Incubators Instrument generally shares the cost with the local authorities where the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

B4 Clusters

This instrument involves group support to SMEs involved in the same field of activity but on different positions in the value chain or with common interests. The basis of the clusters approach is the synergy of creating a more effective value chain within the cluster. The success of the SME cluster is tightly related to the level of value added in the respective field of activity.

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 exporting. This instrument can include generating the necessary information (brochures, guides, market reports) or developing tools for accessing online resources and intelligent searches and covers market information, marketing guides, and market access requirements.

B6 B2B Activities

Business to Business (B2B) Activities support SMEs to make specific contact with nominally interested buyers (company decision makers in target export markets who regularly buy the export on offer). These can include participation in online buyer auctions, trade fair participation, inward and outward trade missions, buyer meetings, etc. and EU4Business 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 used at a national or sector level to develop a policy to increase a country's exports. This instrument is typically based on studies, analysis, and stakeholder consultation that assesses national production, market requirements, and export constraints and then, working with government and stakeholders, builds a common sector or national approach (and action plan) to develop the exports of competitive products in 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.

ALLOCATION OF BDS BUDGETS IN AZERBAIJAN BY INSTRUMENT

B1 Consultancy Services for SMEs

B2 Capacity Building of BSOs

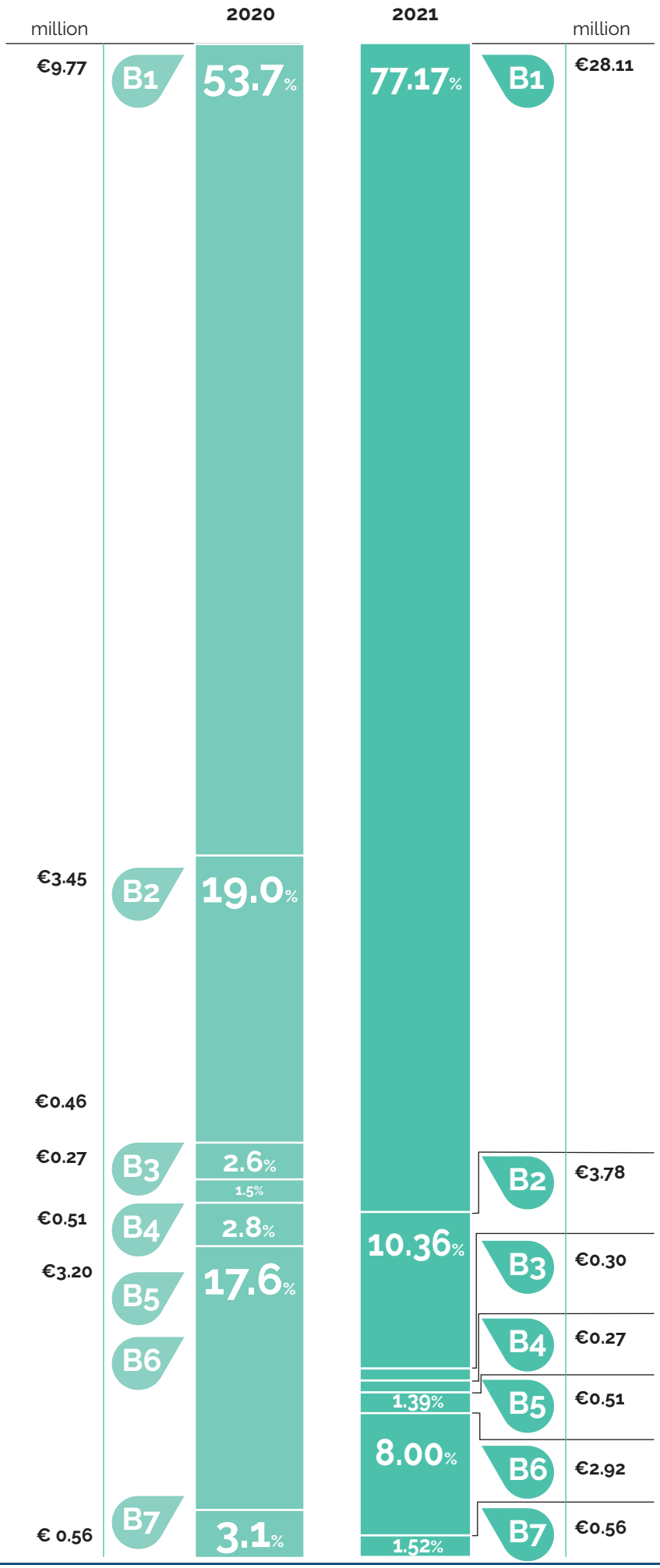
B3 Incubators

B4 Clusters

B5 Trade Information

B6 B2B Activiies

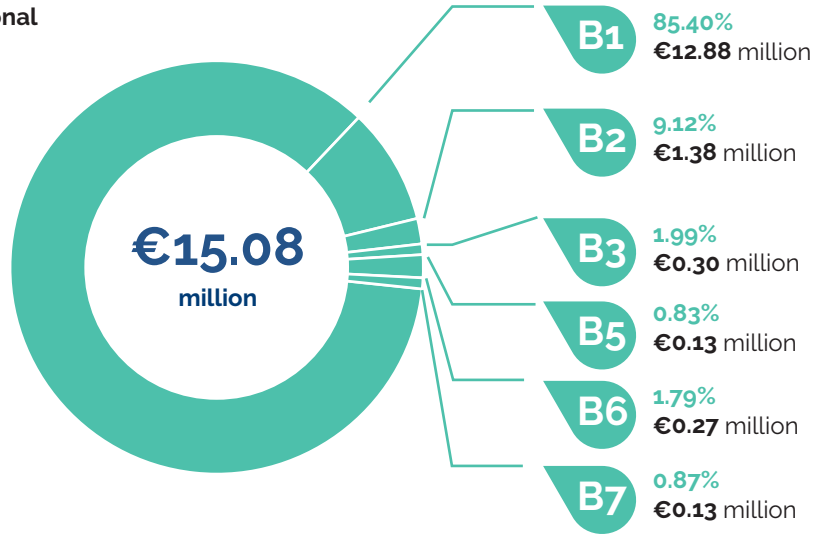
B7 Export Strategies



ALLOCATION OF BDS BUDGETS BY REGIONAL AND BILATERAL INSTRUMENTS

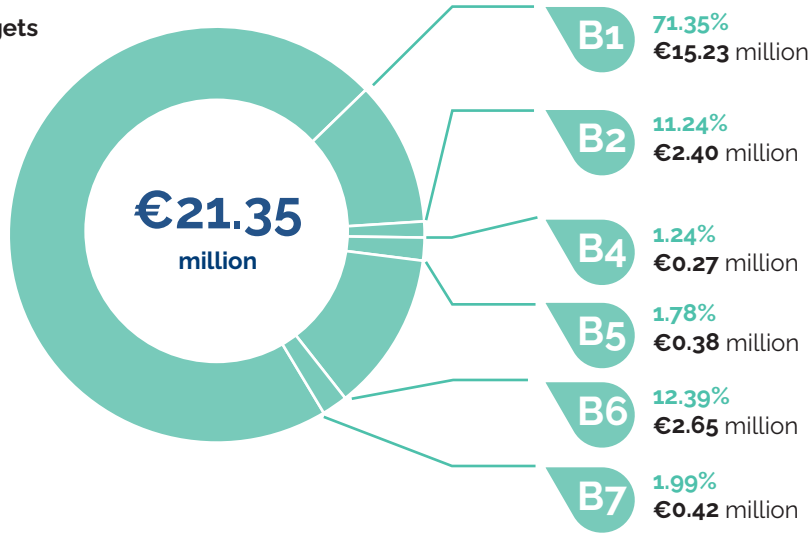
41%

Allocation of Regional BDS Budgets in Azerbaijan by Instrument in 2021



59%

Bilateral BDS Budgets in Azerbaijan by Instrument in 2021



B1	B2	B3	B4	B5	B6	B7
Consultancy Services for SMEs	Capacity Building of BSOs	Incubators	Clusters	Trade Information	B2B Activiies	Export Strategies

BUSINESS ENABLING ENVIRONMENT (BEE)

BEE is the third largest of area of support in Azerbaijan representing 15% of budgets in 2021

A total of

€17.32 million

In EU support was allocated to unlock access to finance in Azerbaijan in 2021

+16.95%

Compared with 2020

4 support instruments used in Azerbaijan for BEE are defined below

C1 Capacity Building among Policymakers and Regulators

Through this instrument, 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 six Eastern Partnership countries. This can include making and amending policies, laws, and administrative procedures based on need and risk assessment. Through this instrument, EU4Business interventions deliver direct advisory, mentoring services, and study tours to the relevant staff involved in policymaking.

C2 PPD (Public Private Dialogue)

Public Private Dialogue 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 best practices and most often approximation (to align their SME related legislations, rules, and regulations with those of the EU). Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which are committed to widespread adoption of EU business acquis under the Association Agreement (AA).

C4 Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications for their business and steps to compliance with regulatory reform.

ALLOCATION OF BEE BUDGETS IN AZERBAIJAN BY INSTRUMENT

C1

Capacity Building among Policymakers and Regulators

C2

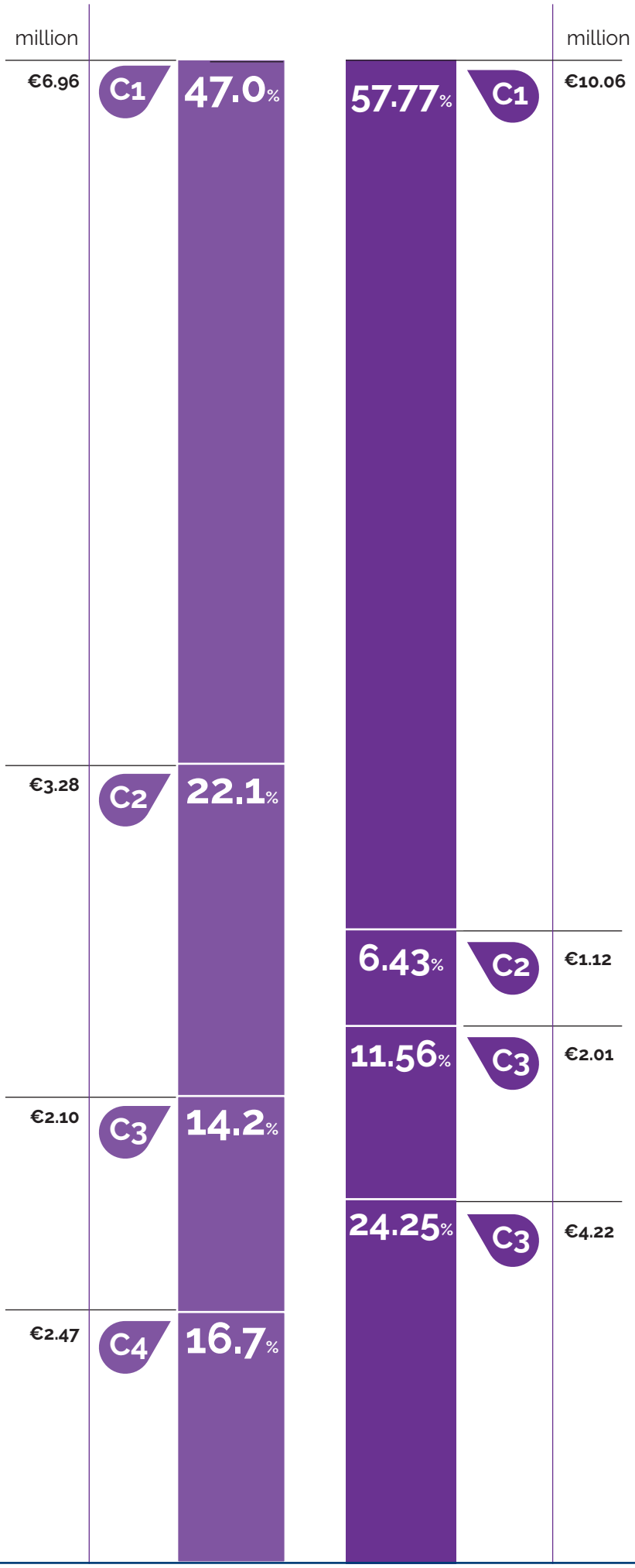
PPD (Public Private Dialogue)

C3

Regulatory Reform

C3

Information and Communication to SMEs

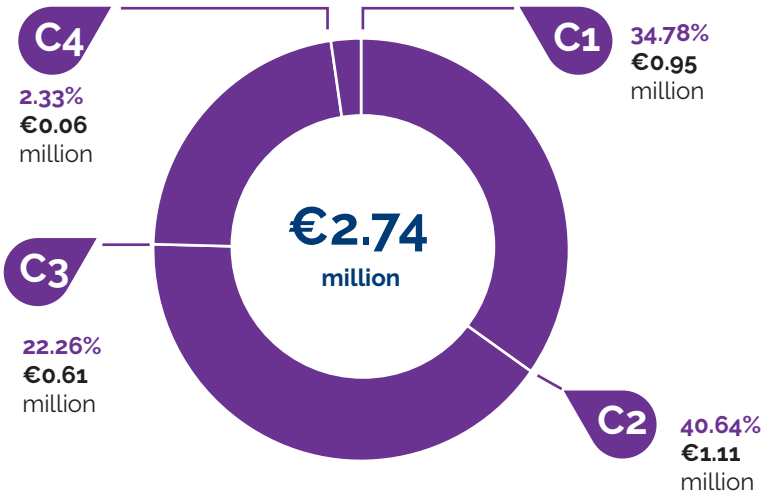


ALLOCATION OF BEE BUDGETS IN AZERBAIJAN BY INSTRUMENT

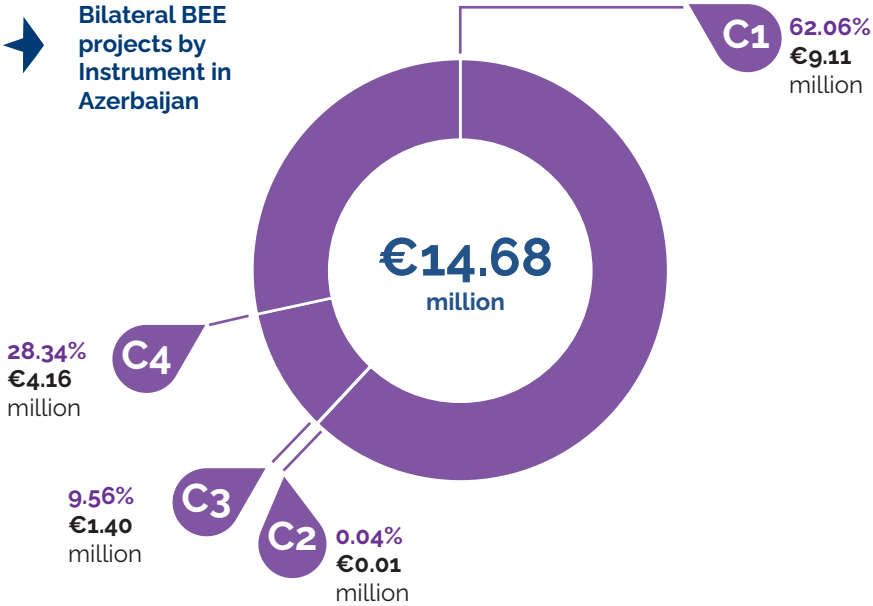
16%

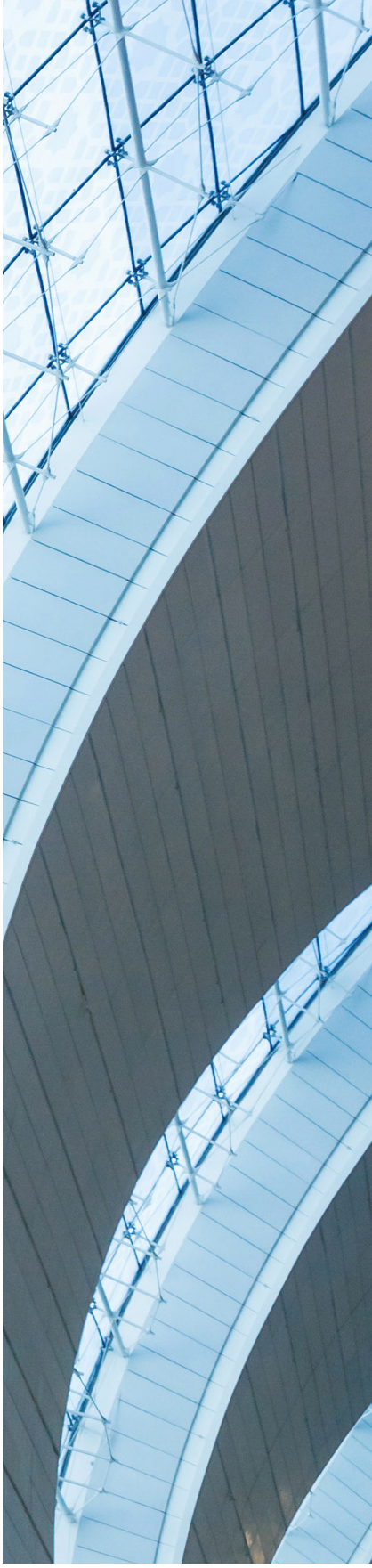
84%

Allocation of Regional BEE projects by Instrument in Azerbaijan



Bilateral BEE projects by Instrument in Azerbaijan





C1 Capacity Building among Policymakers and Regulators

C2 PPD (Public Private Dialogue)

C3 Regulatory Reform

C4 Information and Communication to SMEs

AZERBAIJAN AND THE OECD WORKING TOGETHER TO BOOST SME DEVELOPMENT AND DIGITALISATION

SMEs in Azerbaijan are an important source of employment, but their full potential remains untapped. In 2020, Azerbaijan's SMEs generated 42% of total employment but contributed to only 17% of value added (24% in the non-oil sector), according to the State Statistical Committee of the Republic of Azerbaijan. Their overall contribution to economic development is significantly lower than in OECD countries where SMEs account for about 53% of value added and 65% of employment.

SME DIGITALISATION IS AMONG THE STRATEGIC PRIORITIES IN AZERBAIJAN.

The EU4Business Initiative and the OECD help the country navigate the policy reform process and expand the provision of digitalisation support services for SMEs.

In close co-operation with the Ministry of Economy, the Small and Medium Business Development Agency of Azerbaijan, the Ministry of Digital Development and Transport and other stakeholders, the OECD identified a number of policy actions for Azerbaijan covering five broad areas:

- increasing the digital awareness among entrepreneurs;
- better understanding of SME digitalisation needs;
- reinforcing the provision of financial and non-financial support services;
- ensuring the high quality of provided services;
- creating an eco-system conducive to digitalisation with the support of the private sector.

The full analysis and recommendations are published in the report "Promoting Enterprise Digitalisation in Azerbaijan" (OECD, 2022).

Read full story

ACHIEVEMENTS IN 2021

AGGREGATE RESULTS IN AZERBAIJAN IN 2021

With an increase in budgets of over 98% allocated to SME development in 2021 in Azerbaijan, and despite the challenges of COVID in terms of national lockdowns, restrictions on travel, and restrictions in business and government office operations, the level of disbursement of EU support stayed largely the same in 2021 compared to 2020. Whilst partners adapted to new ways of working so that the maximum number of SMEs were supported at this crucial time, the budgets remain in place to support the build-back process as soon as the situation normalises.

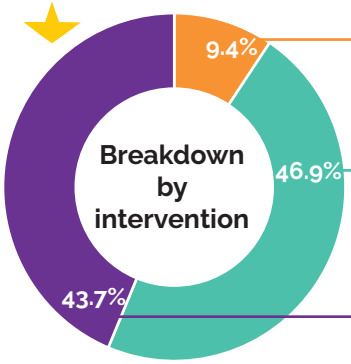
In 2021, the EU disbursed

€139.97 million

to support SME growth in the EaP

8.6% of total spending was in Azerbaijan

€11.97 million



A2F €1.13 million

BDS €5.61 million

BEE €5.23 million

NUMBER OF SMES SUPPORTED

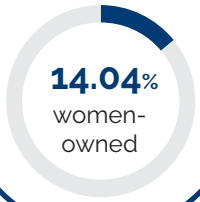
Overall, the EU supported

13,129

SMEs in Azerbaijan in 2021

Compared with in 2020 **17,486**

-24.92%



14.04% women-owned

Supported SMEs in Azerbaijan had

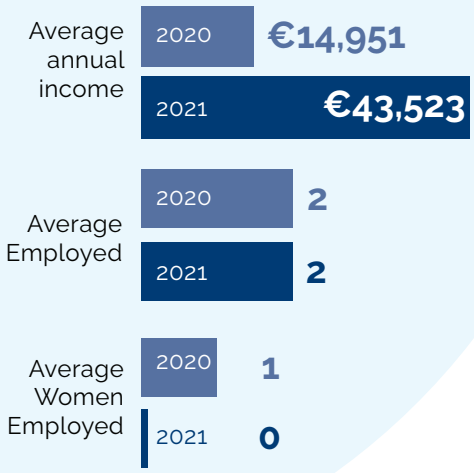
a combined turnover of

€634.41 million

Employed

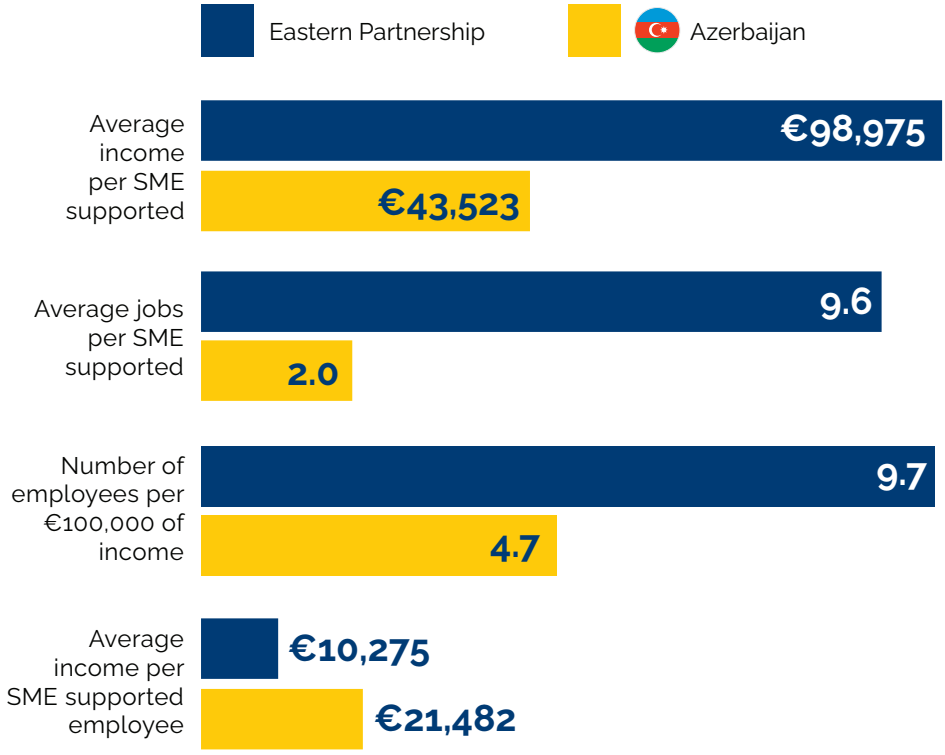
28,674

Average SMEs supported in Azerbaijan in 2021 were larger than in 2020

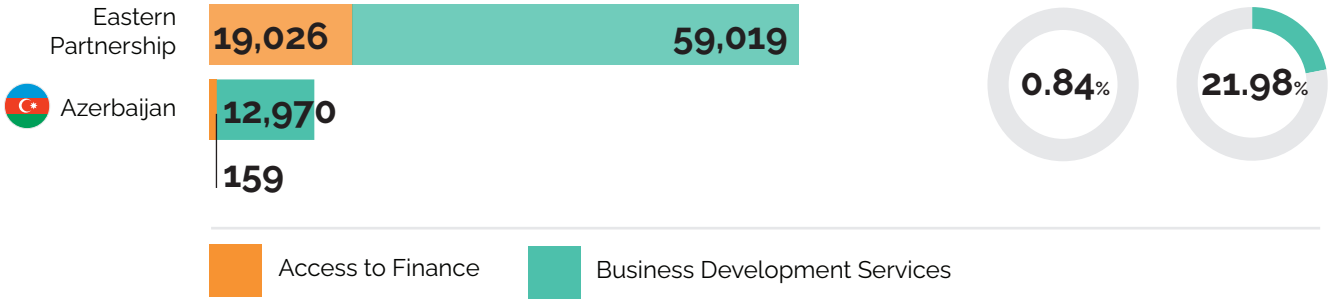


SUPPORT TO SMES IN AZERBAIJAN RELATIVE TO EAP

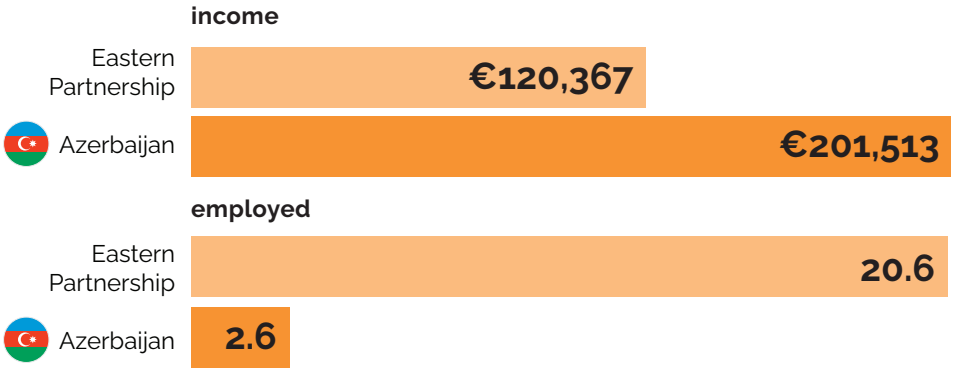
The average size of SMEs supported in Azerbaijan is much lower than the regional average, the number of supported jobs relative to income is much lower and the income per employee (labour intensity) is higher.



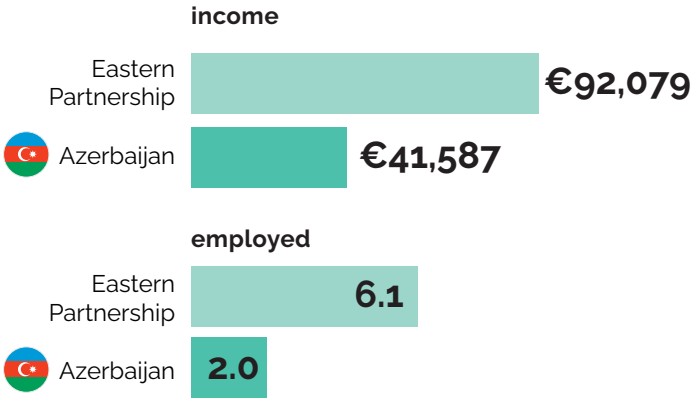
THE NUMBER OF SMES SUPPORTED PER PILLAR AZERBAIJAN VS THE EAP



The average A2F-supported SME



The average BDS-supported SME



JOB CREATION OF SUPPORTED SMES IN AZERBAIJAN

In 2021, SMEs supported by the EU in Azerbaijan generated

2,074

jobs

increased staff by

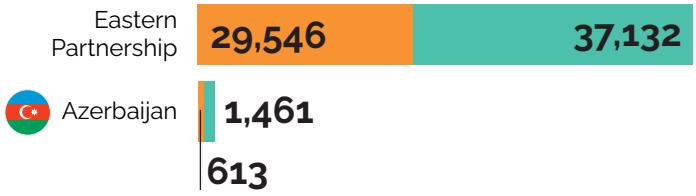
+7.80%

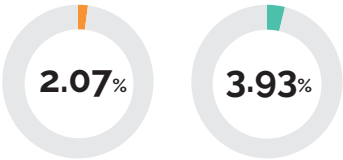
(compared with **+4.70%** in 2020)

compared to the EaP average in 2021 of

+8.87%

BREAKDOWN OF JOB CREATION BY TYPE OF INTERVENTION IN AZERBAIJAN AND EAP





Access to Finance

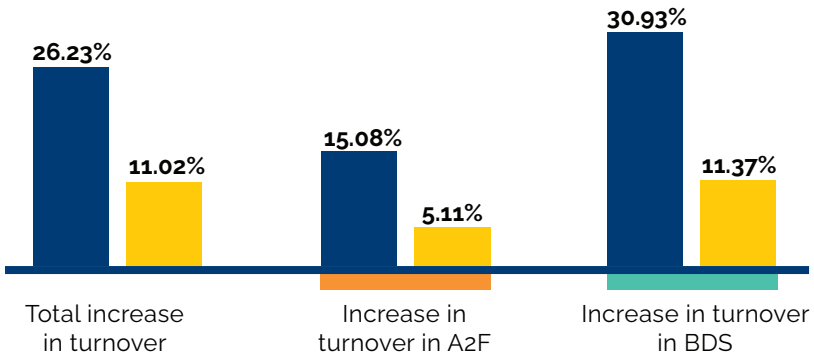
Business Development Services

IMPACT OF EU SUPPORT IN AZERBAIJAN

INCREASE IN TURNOVER

EU-supported SMEs in Azerbaijan increased turnover in 2021, although considerably less than the regional average. EU-supported SMEs in Azerbaijan increased turnover in 2021 by less than in 2020 (**+11.02%** compared with **13.04%**).

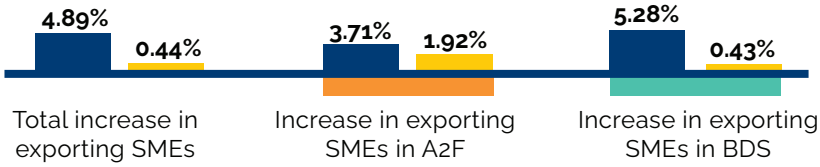
Average increase in turnover of EU-supported SMEs in 2021



INCREASE IN EXPORTING SMES

The number of EU-supported SMEs that started exporting in Azerbaijan in 2021 is lower than the average across the EAP and a bit up from 2020 (**0.44%** compared to **0.19%**).

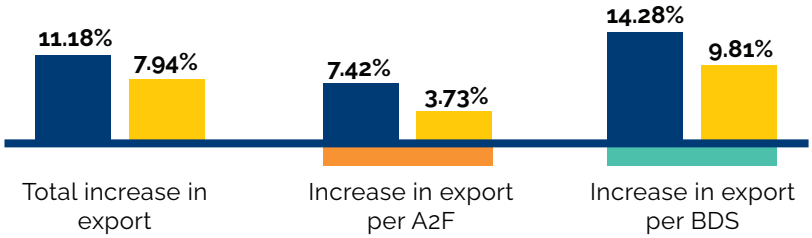
Increase in number of EU supported in 2021



INCREASE IN EXPORT

EU-supported SMEs in Azerbaijan increased their exports in 2021, a bit less than the regional average. The growth of exports of EU-supported SMEs in Azerbaijan in 2021 is pretty much the same as in 2020.

The increase in exports of EU Supported SMEs in Azerbaijan is higher than the EaP average.



Eastern Partnership

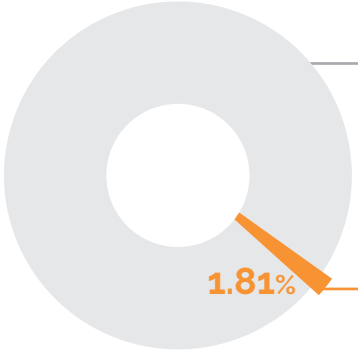
Azerbaijan

ACCESS TO FINANCE IN AZERBAIJAN

OVERALL RESULTS OF A2F INTERVENTIONS IN AZERBAIJAN IN 2021 WERE:

	2021	compared with 2020
SMEs supported with A2F interventions	159	+82.76%
in loans disbursed	€7.34 million	+130.97%
in grants given	€0.03 million	+380%
new jobs generated at SMEs supported through A2F	613	+423.93%
increase in income of supported SMEs	5.11%	+4.57%

SMES SUPPORTED BY ACCESS TO FINANCE INSTRUMENT



In 2021, the EU disbursed for A2F

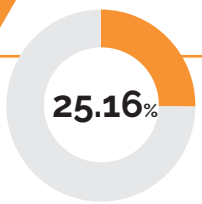
€62.20 million

Total spending for A2F was in Azerbaijan

€1.13 million

Number of SMEs supported

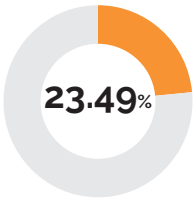
159

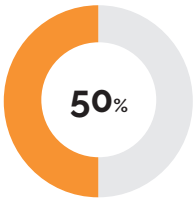


women-owned

average size of loans

€49,277





average size of grants

€3,360

BREAKDOWN OF SMES SUPPORTED PER A2F INSTRUMENT

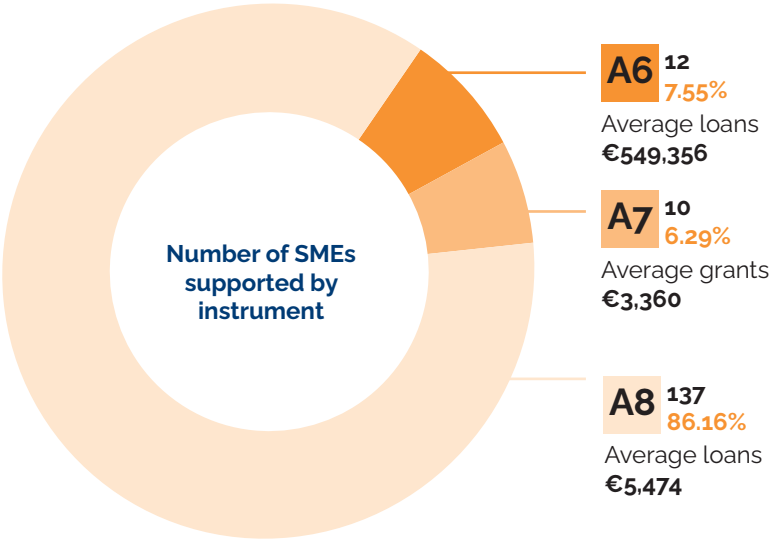
The EU used four A2F instruments in Azerbaijan:

lending through SME Incentive grants, structured funds and providing grants

A6 SME Incentive grants

A7 Grants to SMEs

A8 Structured Funds



OVERALL IMPACT OF A2F IN AZERBAIJAN

	2020	2021
Total Value of loans triggered in Azerbaijan	€3.18 million	€7.34 million
Average total loans triggered across EaP	€29.17 million	€43.22 million
SMEs receiving loans in Azerbaijan	85	149
Average size of loans in Azerbaijan	€37,398	€49,277
PFIs supported	6	2
Total value of Grants disbursed in Azerbaijan	€0.007 million	€0.03 million
Average total value of grants disbursed across EaP	€1.6 million	€1.81 million
SMEs receiving grants in Azerbaijan	2	10
Average amount of grant given in Azerbaijan	€3,500	€3,360

RESULTS PER A2F INSTRUMENT

	Number of SMEs supported	Income of SMEs	Jobs in SMEs	Jobs generated	Increase in turnover	% of increase in turnover
Total	**159**	**€33,677,148**	**1,022**	**613**	**€1,636,618**	**5.11%**
A6 SME Incentive grants	12	€23,775,422	703	163	€1,132,164	5.00%
A7 Grants to SMEs	10	€101,726	14	0	-€34,090	-25.10%
A8 Structured Funds	137	€9,800,000	305	450	€538,544	5.81%

BUSINESS DEVELOPMENT SERVICES
IN AZERBAIJAN

OVERALL RESULTS OF BDS INTERVENTIONS IN AZERBAIJAN IN 2021 WERE:

	2021	compared with 2020
SMEs supported through BDS interventions	12,970	-25.46%
new jobs generated at SMEs supported through BDS	1,461	+26.17%
increase in income at supported SMEs	11.37%	+13.56%
BSOs capacitated	87	43

in 2021, the EU disbursed for BDS

€52.75 million

total spending for BDS was in Azerbaijan

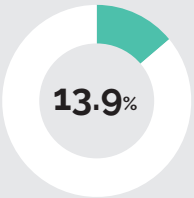
€5.61 million

down from

€5.63 million

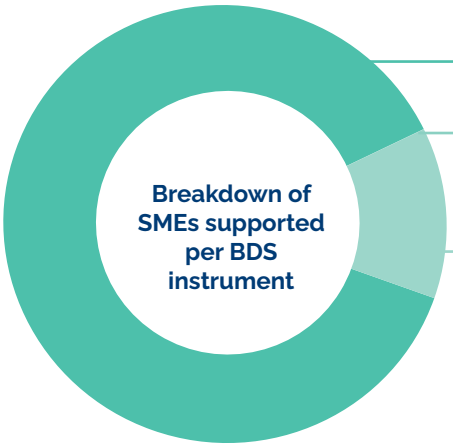
in 2020

12,970
SMEs benefited in 2021



women-owned

SMES SUPPORTED BY BDS INSTRUMENT



B1 11,331 87.36% — Consultancy services for SMEs

B4 2 0.02% — Clusters

B6 1,637 12.62% — B2B activities

RESULTS BY BDS INSTRUMENTS

	Sustained jobs in Supported SMEs	New jobs created in Supported SMEs	Total incomes of supported SMEs	Income growth	% of increase in turnover
Total	**29,673**	**1,461**	**€600,729,064**	**€61,349,889**	**11.37%**
B1 Consultancy services for SMEs	13,018	638	€260,358,595	€20,350,885	8.48%
B4 Clusters	98	5	€4,399,895	€554,340	14.42%
B6 B2B activities	14,536	818	€335,970,574	€40,444,664	13.69%

BUSINESS ENABLING ENVIRONMENT IN AZERBAIJAN

OVERALL RESULTS OF BEE INTERVENTIONS IN AZERBAIJAN IN 2021 WERE:

	2021	compared with 2020
Laws changes	43	↓ -15.69%
Public Private Dialogue Events	14	↓ -78.13%
Regulators/policy makers strengthened capacity	81	↑ +1,520%

in 2021, the EU disbursed for BEE

€25.02 million

of total spending for BEE was in Azerbaijan

€5.23 million

up from

€2.91 million

in 2020

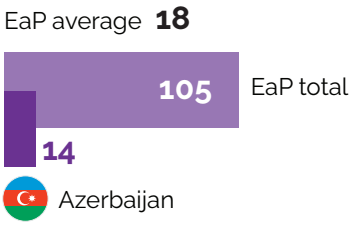
RESULTS OF BEE INSTRUMENTS IN AZERBAIJAN

BEE Support instruments used in Azerbaijan in 2021 are:

- Changing / improving laws and regulations
- Public-private dialogue events
- Capacity building among government agencies / regulators

NUMBER OF LAWS / REGULATIONS CHANGED

NUMBER OF PUBLIC PRIVATE DIALOGUE EVENTS



NUMBER OF REGULATORS/GOVERNMENT BENEFITING FROM CAPACITY BUILDING

ANNEX

LIST OF PROJECTS
IN AZERBAIJAN AS OF 2021

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Azerbaijan Rapid Technical Assistance Facility (AZTAF)	€ 5 250 000	tbc	tbc	Bilteral		●	●
Promoting Competitiveness, Collaboration and Modernization in Fruit and Vegetable Sector in Lankaran Region	€ 5 000 000	2021	2024	Bilteral		●	●
EU Support to Lankaran-Astara Economic Region of Azerbaijan	€ 5 097 000	2021	2024	Bilteral		●	●
Support to Transformation and Achievement of Excellence in Pomegranate Value Chain (STEP)	€ 502 210	2019	2023	Bilteral		●	
Developing innovation-driven and sustainable civil society in Azerbaijan	€ 3 000 000	2020	2023	Bilteral		●	●
"From Kitchen to Business" Food Promotion and Women Empowerment Action	€ 446 789	2019	2022	Bilteral		●	
EU AZE Business Forum 2020-2021	€ 296 250	2020	2022	Bilteral			●
Supporting women's entrepreneurship during COVID - 19	€ 60 000	2020	2022	Bilteral	●		
Azerbaijan Hazelnut and Pomegranate Initiative (AHPI)	€ 551 223	2017	2022	Bilteral		●	
Support to Azerbaijan Standardization Institute for implementation of the National Plan for harmonizing national standardization system with international requirements	€ 997 081	2020	2022	Bilteral			●
Improved Promotion and Marketing of Traditional Food Products	€ 1 900 000	2019	2022	Bilteral		●	

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Support to the State Statistical Committee and the State Tax Service under the Ministry of Economy to strengthen collection, harmonization, analysis, publishing and dissemination of business statistics	€ 997 519	2020	2022	Bilteral			●
Support the Government of Azerbaijan in development of export strategy and support in its implementation	€ 849 950	2020	2022	Bilteral		●	●
Twinning "Support to State Customs Committee of Azerbaijan in accession to the Convention on Common Transit Procedure, Convention on Simplification of Formalities in Trade in Goods and implementation of the New Computerised Transit System"	€ 1 000 000	2020	2022	Bilteral			●
Improved Support for Entrepreneurial Development in Rural Areas	€ 1 734 000	2019	2022	Bilteral		●	
Support to the government of Azerbaijan in creating more enabling SME's environment and to enhance their competitiveness	€ 914 210	2020	2022	Bilteral		●	●
Support to Development of a Rural Business Information System	€ 1 757 500	2020	2021	Bilteral			●
Strengthening of agricultural advisory services	€ 1 600 000	2019	2021	Bilteral		●	
COVCHEG: Community-based Value Chain Enhancement in the Greater Caucasus Mountains area in Azerbaijan	€ 813 106	2018	2021	Bilteral		●	
Promoting local food production and agri-business owners through advisory services, the creation of new value chain models and agri-tourism development	€ 569 719	2019	2021	Bilteral		●	

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Assistance to farmers to develop the sustainable value chains on soft fruit and vegetable production in the rural regions of Azerbaijan	€ 423 000	2019	2021	Bilteral		●	
Development of sustainable and inclusive local agri-food systems in north-west region of Azerbaijan	€ 1 200 000	2019	2021	Bilteral		●	
Promoting Community-based Agritourism as a Rural Regeneration Strategy	€ 384 437	2017	2021	Bilteral		●	
Entrepreneurship for Youth	€ 324 000	2018	2021	Bilteral		●	●
Accelerating development of sustainable micro-entrepreneurship in rural regions of Azerbaijan (ADSMIRRA)	€ 418 324	2018	2021	Bilteral		●	
DCFTA Initiative East (EIB) (can also be referred to as DCFTA Facility by EIB)	€ 62 746 000	2016	2031	Regional	●	●	
Grant for the DCFTA Initiative East - Local Currency Solution Programme	€ 5 300 000	2018	2031	Regional	●		
EU4Business EBRD Credit line (EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme)	€ 38 900 000	2017	2027	Regional	●	●	
EU4Business EBRD Credit line (SME Competitiveness Programme in Eastern Partnership)	€ 95 584 000	2019	2026	Regional	●		
DCFTA SME Direct Finance Facility	€ 10 220 000	2014	2024	Regional	●	●	
2018 NIP decision share - Green for Growth - Extension to Neighbourhood East II	€ 5 162 849	2018	2040	Regional	●		
Promoting Green Lending in the Eastern Partnership	€ 42 855 000	2020	2040	Regional	●		
EU4Business - The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€ 50 320 000	2018	2039	Regional	●		
Eastern Partnership SME Finance Facility - Phase II KfW	€ 5 200 000	2017	2032	Regional	●		

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
FINANCE AND TECHNOLOGY TRANSFER CENTRE FOR CLIMATE CHANGE (FINTECC) - EU4CLIMATE window	€ 15 400 000	2020	2027	Regional	●		
Eastern Partnership SME Finance Facility – Phase II EIB	€ 5 200 000	2017	2027	Regional	●		
EBRD Advice for Small Businesses, Team Europe EaP window	€ 14 976 000	2020	2026	Regional		●	
Mayors for Economic Growth 2 TA	€ 10 000 000	2020	2024	Regional		●	●
Eastern Partnership Trade Helpdesk	€ 3 700 000	2020	2024	Regional		●	
Structural Reform Facility: World Bank component	€ 1 500 000	2018	2023	Regional			●
Women in Business	€ 5 035 000	2015	2022	Regional	●	●	
Eastern Partnership SME Finance Facility – Phase II EBRD	€ 5 200 000	2016	2022	Regional	●		
EU4BUSINESS: Connecting Companies	€ 6 498 205	2020	2022	Regional		●	
Eastern Partnership: Ready to Trade - an EU4Business initiative	€ 6 000 000	2017	2021	Regional			●
Supporting regulatory framework for improving the business environment	€ 289 999	2019	2021	Regional		●	●
EU4Business: From Policies to Action	€ 4 000 000	2017	2021	Regional			●
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries.	€ 2 000 000	2018	2021	Regional			●