



# Agriculture in Azerbaijan: Prerequisites for sustainable growth and food security

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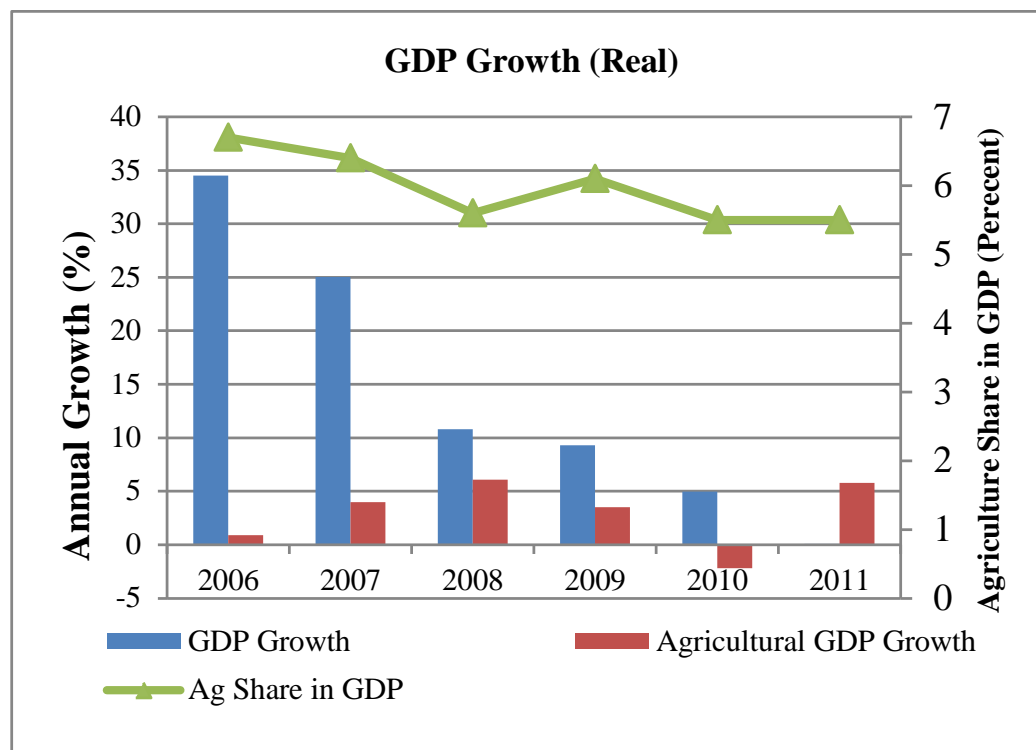
- **GDP composition by sector (2014 est)**

  - agriculture: 5.7%

  - industry: 61.2% (mostly carbon)

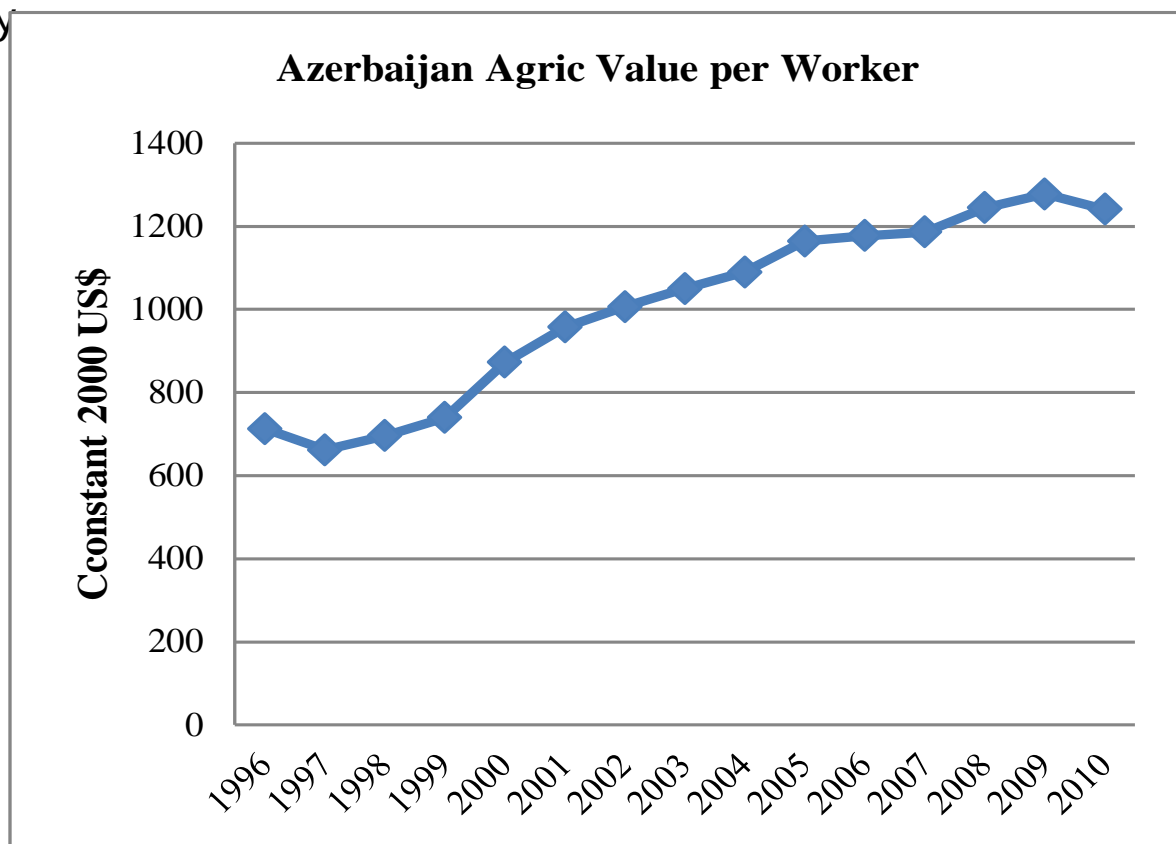
  - services: 33.2%

- Overall growth far exceeded ag sector growth in the past, but trend reversing





- Labour force by occupation (2008): agriculture: 38.3%, industry: 12.1%, services: 49.6%
- Ag. labour productivity had improved since the end of the 90ies, but is stagnating since then



•Sources: CIA World Fact Book, World Development Institute Data.



- Land degradation, erosion (0.7 million ha) and salinization (1.2 million ha)
- Low precipitation and droughts in areas where dry-farming applied
- Floods and other disasters in agricultural regions
- Degradation of pastures due to overgrazing

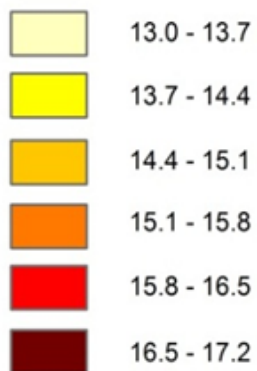
# Climate change impact: Temperature changes by region



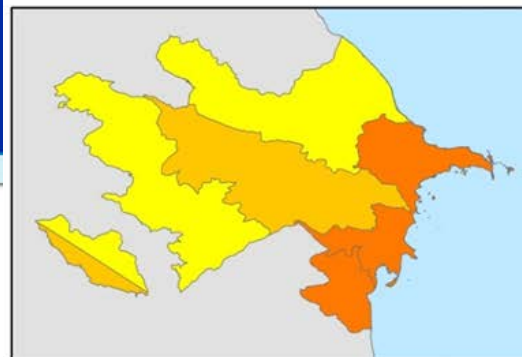
Baseline



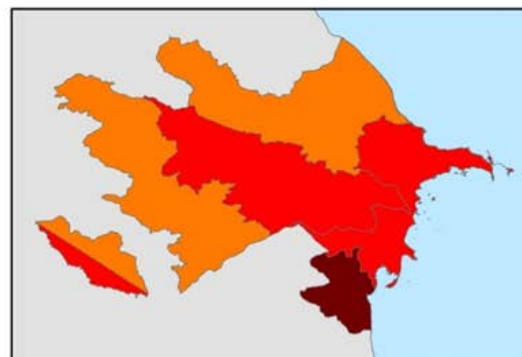
Temperature  
(degrees Celsius)



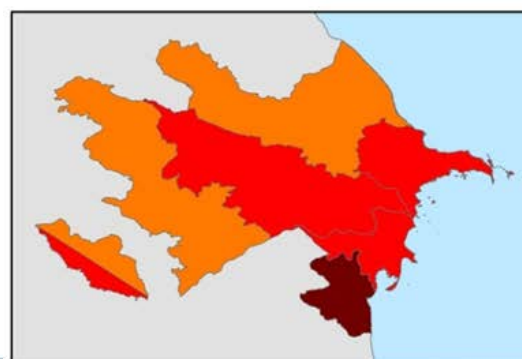
2040s  
Low Scenario



2040s  
Medium Scenario



2040s  
High Scenario

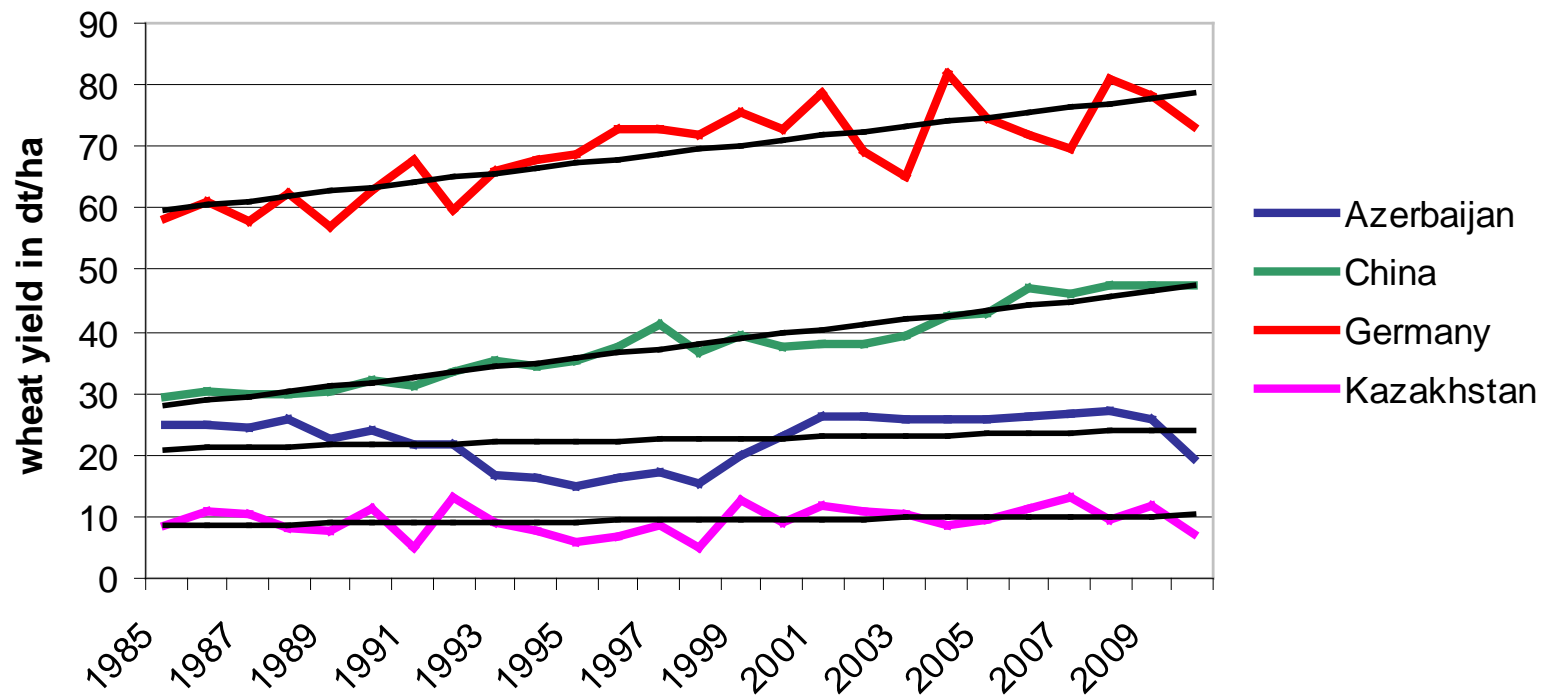


# Current agricultural sector problems – institutions, infrastructure and market



- Infrastructure, especially in remote rural areas (roads, water supply, irrigation system, drainage system,...)
- Weak agricultural market linkages and limited access to information (mainly market information)
- Agricultural extension services almost non-existent
- Lack of trained specialists (HE and VET system)
- Limited access to credit, high interest rates for farmers

# Agricultural productivity – wheat



Source: FAOStat

# Obstacles to agricultural and food industry growth



- Low productivity
- Agricultural structure, consisting of mainly smallholders and lack of cooperation between smallholders
- Legal framework for cooperatives missing
- Limited access to credit, high interest rates for farmers
- Outdated machinery and technology, but availability of local investors in modern food-processing technology
- Capacity and overlapping responsibilities of institutions involved in food safety controls, e.g. SANCO audit for hazelnuts: Political will needed
- Oligopolistic market structure for inputs and processing – limited competition





## Sector Policy Support Programmes (Budget Support) (14+19.5 MEUR)

### Agricultural and Rural Development Support Programme (ARDSP):

3 new wholesale markets have been established and operated, a new state-owned elevator (capacity of 100 000 tonnes) constructed, Wheat Fund operating procedures defined, all private and state-owned elevators, silos and milling facilities were registered, system for addressing complaints on false claims on foodstuffs and deficiencies inequality established.

### Rural Development Support Programme (RDSP):

Expected Results:

- i) **Improved business climate** and expanded opportunities in the rural areas for potential entrepreneurs including the establishment of incubators;
- ii) **Improved access to small loans** in rural regions from credit institutions with effective lending guidelines, and well trained staff in these credit institutions and
- iii) **Improved rural development policies**, strategies and programmes via improved capacity of coordination by the MED and use of appropriate indicators and statistics.



## **Technical assistance:**

- i) food safety reform: political will needed to reform system in line with global food safety requirements for exports.
- ii) Agricultural strategy development: adoption needed to proof a long-term vision for rural development to donors and investors
- iii) subsidy management and control/e-agriculture: political will needed to change subsidy policy – current system has proven ineffective in boosting productivity

## **Upcoming Twinning project:**

Support to the State Veterinary Control Service (SVCS) in Strengthening of the Epidemiological Surveillance System in Azerbaijan



## Through civil society call for proposals "**Support to local initiatives on regional and rural development in Azerbaijan**"

- **7 grant contracts** were signed in December 2013 with a **total budget of 5.27 million EURO**. The EU has committed 3.8 Million EURO in funding, whereas the remaining amount will be co-funded by the beneficiary organizations.
- The projects, which have started in the beginning of 2014 cover 6 economic regions of Azerbaijan.
- It was expected that more than **20,000 people from 25 rayons** of Azerbaijan will benefit from the assistance provided. About 900,000 EUR of the provided funds were to be sub-granted to the population and small businesses with the aim to either expand existing or to create new business entities in regions.
- It was expected that more than **2000 businesses** will be able to increase their capacity and expand their own business by benefitting from the assistance provided
- Unfortunately 4 of the grant contracts have been suspended following the crack down on civil society (Oxfam, Heks, World Vision, Brot fur die Welt)

# Recommendations for Regional/Rural Development Policy - 1



- Utilizing a per capita approach in regional investment policy;
- Adjusting the business climate to the development needs of the regions;
- Improving the business support infrastructure, introducing clusters and development agencies in the regions;
- Introducing business incubators and industrial/technological parks to support SME development in the regions;
- Facilitating access to financial resources in the regions;
- Improving access to microcredit schemes and business support centres for accelerating income generation activities in the regions



- Supporting application of innovations and IT in manufacturing, agriculture and tourism;
- Implementing measures to improve value-chains and efficient producer-supplier chains in agriculture;
- Improving the quality of the service sector in the regions;
- Adjusting VET education to regional labour market demands, strengthening continuing/adult education;
- Improving human resource management and skills development in the private sector for increasing labour productivity;
- Expanding/establishing networks of sectorial associations;
- Improving PPP (public-private partnership) in the regions.