

DEVELOPMENT CONCEPT "AZERBAIJAN – 2020: THE VISION OF THE FUTURE"**TABLE OF CONTENTS**

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1. Current situation

In the 20 years of independence modern Azerbaijan covered a difficult and glorious road.

The break-up of the socialist public and political system in the early 1990s and the collapse of such a giant state as the Soviet Union resulted in political chaos, economic paralysis and social collapse in post-Soviet republics, including Azerbaijan. The fact that Azerbaijan was also subjected to military aggression, 20 per cent of its territory was occupied as a result of the Armenian policy of genocide and aggression and one million Azerbaijanis became refugees in their own country further exacerbated the situation in those years.

In the mid-1990s, the republic began to gradually revive and take resolute steps to resolve its vitally important problems under the leadership of great leader Heydar Aliyev. First of all, the sustainability of national independence was ensured and political stability established in the country.

At the same time, a macroeconomic balance was created and effective measures taken to stop the hyper-inflation that existed at the time. Difficult social issues were tackled.

The foundation of a policy towards channeling Azerbaijan's hydrocarbon reserves into national development was laid with the signing of the Contract of the Century. Also, extensive economic reforms were launched at the time. The drastic institutional reforms aiming to facilitate the transition from the Soviet administrative command system to free competition, consistent measures to create a market economy, privatization of state property and formation of a new system of proprietary relations, land reforms, etc. were carried out in the said period.

A further deepening of the comprehensive reform in the 2000s paved the way for a rapid development and allowed society the opportunity to ascend to a more advanced development stage. Important steps were taken to improve the investment environment, while public administration was restructured to meet modern criteria.

The extensive production and export of natural resources gave an impetus to economic growth. The fact that Azerbaijani economy registered growth even in 2009, a year of global economic recession, is evidence of the fact that the strategic course chosen was right. Also, the channeling of oil revenues into the non-oil sector contributed to its development at an average of 11 per cent a year in the last 10 years.

In 2011, the real GDP tripled in comparison with 2003. In 2011, Azerbaijan accounted for over 70 per cent of the added value generated in the South Caucasus, thus becoming a regional leader.

The country's strategic exchange reserves have increased more than 22 times in the last eight years to reach \$41 billion at the end of 2011, which exceeds the foreign debt by about 10 per cent.

Besides, the opening of new enterprises and creation of jobs in the non-oil sector, the unprecedented development of the manufacturing, transport and utilities infrastructure, the establishment of modern social facilities, including educational, health and sports institutions, laid the foundation for the country's all-round development in the said period.

Particularly noteworthy has been a dramatic change in the solution of social problems in Azerbaijan. The system of social protection of the population has been completely revamped in accordance with advanced international standards. A new pension system has been introduced and programs on targeted social assistance and social benefits developed. As a result of the successful social policy, the level of poverty has dropped from 49 per cent in 2000 to 7.6 per cent in 2011, while salaries and pensions have been substantially increased.

The country's growing economic potential has facilitated the development of the healthcare sector, as public health problems started to be consistently dealt with. Budget allocations for public health have increased more than 10 times in the past decade to exceed 650 million manats at present. Over 400 medical institutions have been built or renovated in the vast majority of Azerbaijani districts in the last 10 years. All of these have been fitted with state-of-the-art equipment and technology.

Important measures were taken to protect public health and improve the quality of medical service. Significant progress was made in the prevention of infectious diseases. This area continues to be in the spotlight.

The tangible progress made in the sphere of education in recent years is also largely due to the country's policies towards socioeconomic modernization. Suffice it to say that budget allocations to education have increased more than five times as compared to 2003 to reach 1.5 billion manats in 2011. Important steps have been taken to improve the country's education infrastructure, resulting in better training conditions for over 1 million pupils. Reforms were undertaken to upgrade the quality of education. Important measures were taken to bring it into line with European standards. In addition, according to the "State Program on the education of Azerbaijani youth in foreign countries for 2007-2015", a total of 1,204 people were sent to receive education in foreign countries at the expense of the State Oil Fund. In total, 10,700 Azerbaijanis are financed from other sources and private initiatives to receive education abroad.

Significant progress has been made in computerizing education. Whereas in 2004 one in only 1,063 pupils had a computer, the current ratio is one to 20. As part of the "People's computer" project, over 10,000 teachers were provided with computers, 1,200 educational institutions connected to the Internet, 75,000 teaching and technical staff

received ICT training. Electronic resources on various subjects have been designed and provided to schools, while 20 schools have joined the "electronic school" project.

Azerbaijan's socioeconomic achievements are also recognized by international rating agencies ("Fitch Ratings", "Moody's", "Standard & Poor's") which have consistently raised their credit rating of the Azerbaijani economy. Azerbaijan's position has also improved in the World Bank's and the International Finance Corporation's "Doing Business" report, while the "Global Competitiveness Report" prepared by the World Economic Forum has put Azerbaijan in the leading place among CIS and regional countries. Azerbaijan has entered the category of "high average income" countries in the World Bank's gross national income classification. According to the UN Development Program's Human Development report for 2010, Azerbaijan has left the group of countries with "average human development" to join the "high human development" category.

The building of a democratic society and a system of transparent public relations has been the key direction of state policies in the years of independence. Political pluralism has been established as the necessary foundation of progress. Necessary legal and democratic conditions have been put in place for political parties. A total of 55 political parties are registered in Azerbaijan, of which 11 are represented in parliament. Political parties are closely involved in the country's public and political life and are represented in elective and other government bodies. Extensive opportunities have been created to improve the material and technical logistics of political parties and enhance their role in the development of the country's political system and civil society.

The emergence of a new system of public relations has brought about major changes in society and enabled citizens to take a more active part in public and political developments. The country's civil society is currently undergoing a period of development. More than 2,700 NGOs dealing with human rights, education, health, economics, social issues, environment, gender, etc. are registered in Azerbaijan, and the number keeps growing. Important steps have been taken in the past 10 years to improve the legal framework on establishing NGOs and using their opportunities more effectively. NGO access to financial resources has been facilitated. Also, there is a free and pluralist press meeting international standards in Azerbaijan.

All this has been made possible by prudent and consistent policies. The implementation of state programs, concepts and strategies adopted at top level is an important tool of these policies. Suffice it to say that there are currently about 60 ongoing state programs, strategies and concepts that can develop all areas of life in the country.

It can be said with confidence that Azerbaijan has completed a period of transition. A new socioeconomic system based on free market relations and political pluralism has emerged. The necessary infrastructure for fully-fledged economic activities is about to take shape. A reliable system of social protection has been put in place and is currently being improved.

The President of the Republic of Azerbaijan has set the task of developing the development concept "Azerbaijan-2020: outlook for the future". The need for such a concept is explained by the fact that the country is entering a new phase in its development. The results achieved thus far have enabled Azerbaijan to set even more ambitious goals and identify further objectives.

2. Global and domestic challenges

The information and communication technologies rapidly developing in the first decade of the 21st century and the resulting globalization trends have had a major impact on the socioeconomic lives of many countries. Azerbaijan is no exception. Global developments cannot but affect all areas of life in the country, including social, political, humanitarian, cultural, etc. In addition, Azerbaijan also has factors of regional and domestic significance (typical of regional states) that represent great importance from the standpoint of managing various aspects of the country's public life.

Global and domestic factors (challenges) can be grouped as follows.

1. The development of innovation activities, the ever-changing economic processes in the world and the application of innovative ideas to the manufacturing sector in the conditions of globalization have assumed an unprecedented pace. This is described as the "positive burden" of globalization which enables a growing number of countries to benefit from innovation achievements, advanced technical standards and management techniques. According to predictions, this factor is expected to drive global economic growth in the mid- and long-term future.

Global trade is expected to grow rapidly in the coming years. Globalization will inevitably bolster regional integration. It is believed that international organizations will contribute a lot to the emergence of new standards of international trade, competition, intellectual property and environmental issues. Countries giving preference to specialized activities in international markets, developing production technologies and innovation potential and thus promoting sectors that create added value are expected to be sustainable at global and regional levels. Industrial development will be made possible by strengthening of the scientific and technological potential and enhancing educational opportunities.

Under such circumstances, the main objectives facing Azerbaijan are to prevent setbacks, not to become a raw material appendage and technological outsider for the global economy, to boost economic efficiency and competitiveness and to ensure innovation-based progress. In other words, the foundation for a transition from the traditional economy to a "knowledge-based economy" should be laid now. To do this, it is necessary to adequately develop the human capital. This, in addition to entailing certain economic requirements, envisages a complete restructuring of the education system,

creation of additional education and life-long education components, as well as the ICT and virtual education and enhancement of computer-based knowledge.

2. Along with extensive opportunities, globalization has also brought with itself major risks, triggering large-scale production, trade, cash flow and labor migration. Global development has assumed even more unclear shapes, while the ranks of global powerhouses have been joined by the likes of China, India, Brazil, etc. This has affected economic and trade relations, led to a redistribution of resources and boosted international competition.

The years ahead will be characterized by a change of balance between the main economic powerhouses, the resulting economic restructuring and the growing role of regional economic alliances. For Azerbaijan, this will open up new opportunities in terms of facilitating foreign economic integration and conducting its transformation in the global context, not regional, which may enable the country to benefit from participation in various economic markets. The influence of economies that are both a destination and a source of investment has been growing. The pace of economic growth in high-income countries is expected to be half as fast as in developing economies in the post-crisis period. As a result, developing countries will serve as a locomotive of global economic growth.

3. Along with promoting positive change in the form of new technologies and innovation, globalization also triggers negative processes involving the assimilation of countries engaged in global economic integration. In this respect, the implication of the global economic recession which began in 2008 and has now entered into a second phase have been quite broad. The global crisis did not catch the Azerbaijani economy off guard. Despite high investment risks and a wave of depreciation in neighboring countries, the surplus in international investment positions and the stability of the manat have been preserved. This was made possible by rational macroeconomic and monetary policy carried out in the country in the years before the crisis, the accumulation of currency reserves and proactive management of financial risks.

Therefore, the global downturn and its implications have necessitated the introduction and strengthening of anti-depression protective mechanisms in the modern economic architecture. In addition to the traditional bailout funds, quite important are special anti-crisis measures, a diversified national economy and the ability to quickly adapt to the new environment.

4. One of the biggest and most powerful issues of concern for the public and economic life of mankind is the environmental impact resulting from rapid industrialization.

In the local and regional context, Azerbaijan's environmental problems are mainly associated with decades of careless oil production in the Absheron Peninsula and the Caspian Sea. Besides, the massive extermination of the flora and fauna on the Armenian-occupied territories, including numerous cases of arson, have turned into a major environmental problem. A large portion of Azerbaijan's fresh water resources is generated

in neighboring countries, which contaminate them with chemical, radioactive and other hazardous substances. Also, the technologically obsolete Metsamor nuclear power plant located in a seismic zone in Armenia poses a threat to the entire region.

The climate change and global warming, which are seen as a manifestation of the worsening environmental situation on the planet, may trigger natural disasters (rivers bursting banks, flooding of villages and cities, excessive precipitation, mudslides, etc.). These are factors directly affecting the country's socioeconomic life and therefore requiring relevant policies. The experience of recent years shows that in order to fight a calamity and its consequences effectively, the state must have the right emergency procedures to protect social security of the population. At the same time, the likelihood of a natural disaster should be taken into account at the stage of drafting and implementing infrastructure projects in the districts. Certain standards should be observed in terms of the functionality of vital infrastructure facilities in emergency situations.

3. Azerbaijan – 2020: strategic outlook and key priorities

The key strategic vision of the concept is to take into consideration the existing opportunities and resources to achieve sustainable economic growth and social prosperity in Azerbaijan, ensure effective state governance, rule of law and complete exercise of all human rights and freedoms, and reach a development stage characterized with an active status of civil society in the country's public life. In 2020, Azerbaijan will be an economically and politically developed and competitive country. All the necessary communications required for comfortable life (internet, bank services, public utilities, roads, etc.) will be available even in the most remote Azerbaijani villages. Azerbaijan will be a country with high population incomes, minimum unemployment rate, highly developed human capital, a sound environment and extensive opportunities for every citizen.

As a result of the activities envisaged in the concept, the GDP per capita will more than two double to reach \$13,000. In 2020, according to the World Bank's gross national income classification, Azerbaijan will become a "high average income country" with plans to advance further among "high human development" countries of the UNDP human development report.

From the standpoint of economic development, Azerbaijan will advance from being a regional leader to become a highly competitive participant in the system of international economic relations. To do that, the country will avail itself of the advantageous geographical location and broad potential to turn into a regional commercial center with the per capita volume of non-oil exports of \$1,000.

To achieve the said goal, effective state regulation will be applied to ensure sound competition in the conditions of a market economy, principles of efficient use of energy and transformation to an export-oriented added value economy applied and comprehensive socioeconomic development secured.

Increased economic competitiveness requires preservation of macroeconomic stability and effective coordination of fiscal policies, improvement of the business environment and support for private initiatives, development of the financial services market, modernization of foreign trade and investment policies, etc. The plan is to keep inflation at an acceptable level and gradually switch to a more flexible exchange rate.

Consistent measures will also be taken to improve the structure of the economy. The modernization of the oil-gas and petrochemical sectors, diversification and development of the non-oil industry, broader use of alternative and renewable energy, agricultural development and food security, development of trade and service sectors, modernization of foreign trade and investment will be among top priorities. The goal is to achieve 7 per cent growth in the average annual non-oil GDP.

The primary task on the agenda now is to speed up economic diversification, maintain rapid non-oil sector growth regardless of the level of oil revenues, increase competitiveness and expand export opportunities. The development concept "Azerbaijan-2020: outlook for the future" is based on an export-oriented economic model. It is expected that great economic competitiveness will lead to growth in non-oil exports. Along with the rapid development of the non-oil sector, the promotion of innovation activities will create favorable conditions for the emergence of a knowledge-based economy.

To achieve the goals set, all of the country's opportunities must be fully engaged, make the best of the existing economic, social and political resources and create the necessary conditions for the strengthening of the country's potential. From this standpoint, developing the energy, transport, transit and logistical infrastructure, focusing on the development of the districts, establishing regional centers given the competitive advantages of each district, and expanding the social services infrastructure in urban and rural locations.

The expansion of ICT and communication opportunities, creation of a reliable security system in the ICT system, formation of national standards, application of digital and cessation of analogous broadcasts throughout the country, and complete application of electronic governance are the main priorities in the emergence of Azerbaijan as a modern state.

The goal of any economic development is to improve the well-being of the population. Therefore, the main priority of the concept is to develop social spheres and human capital, improve the quality of the education and healthcare, strengthen social protection, ensure gender equality and family development, enhance the youth potential and develop sports.

The concept views the issue of poverty from the angle of the notion of "multi-factor poverty". Azerbaijan has made great strides in reducing the level of poverty in the last decade. The problem of "abject poverty" has been resolved, i.e. the number of people and families attributable to the category of the poor according to the existing criteria has

dramatically reduced, which is a result of successful socioeconomic policies. This concept will continue to keep the issue of "abject poverty" in the spotlight. Besides, one of the key goals is to expand the size and role of the middle class. International experience shows that countries with a strong middle class are usually more sustainable in economic, political and other respects and have a greater development potential.

The quantitative and qualitative indicators of the population structure are key indicators of national strength. They are important to the gene pool of the Azerbaijani people and national security matters such as migration and demography. Over the period covered by the concept, Azerbaijan's population will increase by an average of 1.1 per cent a year to reach 10.2 million people by 2020.

To reach the goals specified in the concept, measures will continue to be taken to continuously improve the legal framework and strengthen the institutional capacity.

The protection and effective management of the cultural heritage and environmental issues are seen as a priority, with plans to implement relevant policies in these areas.

4. Towards a highly competitive economy

4.1. Developing an economic model based on effective state governance and mature market relations

The achievement of the socioeconomic goals defined in the concept requires the presence of a highly efficient and globally competitive economy. History and the recent experience show that such a system can only emerge in the conditions of private initiative and free competition. Besides, sustainable socioeconomic growth requires adequate modernization of state regulation in accordance with the latest global economic trends and directions.

In the conditions of a completed transition and formation of mature market relations, state regulation and management functions in Azerbaijan will mainly boil down to preserving macroeconomic stability, improving the business environment and ensuring free competition, creating favorable conditions for local and foreign investments, taking measures to upgrade the structure of the economy, implementing investment and other large-scale projects, and organizing effective social security of the population.

Coordination of the macroeconomic policy will be reinforced, ultimate macro-fiscal framework created and an effective monetary policy pursued from the standpoint of financial sustainability. The first phase of this policy will deal with inflation, other macroeconomic goals and relevant regulation tools, while the second will target financial stability and tools to manage financial activity and risks. As part of the inflation-related activities, special attention will be paid to the demand for money. Institutional support for monetary management will be strengthened.

Special attention will be paid to fiscal discipline in the formation and use of budget resources, their proper distribution and greater efficiency of spending. A flexible assessment of various budget risks (foreign, financial, alienation, operational, etc.) will be made.

In order to bolster the competitiveness of the economic system, a gradual shift from a passive to active tax system will be ensured, while measures to streamline tax rates will create favorable conditions for entrepreneurial activity.

The mechanism for using oil and gas revenues will be improved. The revenues fetched by the sale of hydrocarbons will be gradually replaced with interest on their reinvestment and the work ongoing in this area now will be accelerated.

Another important requirement related to improving the country's payment capacity and orienting the economy towards exports is to implement a more flexible exchange rate policy and maintain a surplus on net foreign investment.

Further measures will be taken to improve the business environment and procedures to protect investor rights. Foreign trade procedures will be simplified and measures taken to facilitate business people's access to foreign markets. In order to raise the export capacity of small and medium-sized businesses, promotion activities will be carried out, the level of provision of state loans increased and anti-dumping and other internationally accepted protective measures taken to thwart unfair competition.

At the same time, the measures to optimize tax rates and the structure of obligatory social insurance fees (paid by employers and insured persons) will help create favorable conditions for entrepreneurial activity.

Further measures will be taken to encourage fair competition, limit monopolistic trends in the economy, especially in the consumer market. Consumer rights will be protected, an effective mechanism put in place to exercise control over the quality of goods, national quality control standards prepared and certification system improved. Public associations of entrepreneurs, including professional ones, will be supported and regular monitoring carried out to detect and eliminate factors impeding entrepreneurship.

The measures to be taken in the said period will contribute to a balanced development of the key segments of Azerbaijan's financial services market (banks, nonbank credit institutions, insurance, leasing, securities, factoring markets). Bank supervision tools will be improved and necessary measures taken to ensure a stable and secure development of the bank system. Consolidation measures and structural reforms in the banking sector will be continued. Attention will be paid to stimulating competition and improving the quality of financial services, including the enhancement of electronic payments infrastructure. Capitalization of the bank system will be continued, expansion of banks into the districts promoted, establishment of construction savings banks supported and mortgage procedure improved. The systems of electronic payments and postal

services will be developed and the rights of consumers of banking services securely protected.

The growing level of capitalization of insurance companies and the range of their products, the broader application of reinsurance, life insurance and medical insurance will boost the development of the country's insurance market. In order to encourage the insurance of agricultural products, relevant legislation is to be revised. Also, the provision of leasing organizations with long-term financial resources will enhance the share of leasing in the financing of infrastructure and investment projects and improve the provision of agriculture with equipment.

Systematic measures will be taken to restrict unofficial securities market and enhance its attractiveness to investors. Relevant laws will be revised to facilitate the activities of professional participants in the market and improve monitoring procedures.

4.2. Improving the structure of the economy, developing the non-oil sector

In the period covered by the concept, the oil and gas production, transit and processing infrastructure is to be rebuilt and modernized. There are plans to build an oil, gas and petrochemical complex to develop the economy in clusters. Such a complex will facilitate the attraction of investment, compliance with environmental standards, creation of a technological process, competitiveness of finished products and broader assortment of exports.

Besides, in order to develop the non-oil sector, the country's natural and economic resources will be fully and effectively engaged. In an effort to accelerate the use of alternative (renewable) energy, stimulating measures will be taken, institutional environment developed, scientific and technical potential reinforced, personnel training continued and awareness campaigns carried out for energy consumers. In addition to state-funded projects in this area, private sector involvement will be encouraged and flexible procedures put in place to regulate alternative energy tariffs.

A modern production, social and market infrastructure serving non-oil sector development and meeting contemporary requirements will be created and progressive management techniques applied.

Measures will be taken to reorganize existing raw material enterprises and establish new quality ones in the districts. In the years covered by the concept, a steel company, an oil and gas processing and petrochemical complex, fertilizer, shipbuilding and cement plants will be built in the country. The aluminum industry will be developed, production of primary aluminum increased, a process chain involving the private sector created and its export capacity enhanced.

The application of innovative technologies at industrial enterprises will be encouraged and specialized and general industrial parks established. The creation of an industrial infrastructure in economic districts will form the main component of state investment policies on developing the non-oil sector. Therefore, the goal will be to create a special economic zone and set up industrial parks in each economic district (including the Sumgayit petrochemical, Balakhani waste treatment and Ganja metal (aluminum) complexes).

Along with developing and expanding the export opportunities in traditional non-oil industries (chemical, metallurgy, machine engineering, electrical technology, electronics, light and food industries, etc.), new competitive sites will be encouraged. To speed up investment inflow in the non-oil sector, stimulating procedures will be applied and investment collaboration between public and private sectors developed to bolster non-oil exports.

The concept intends to develop the tourism infrastructure, expand the scope of tourism services meeting international standards, enhance the competitiveness of this sphere and increase its share in the GDP. To this end, relevant legislation and standards will be updated, tourism activities in the countryside encouraged, promotion and awareness work stepped up, and tourism types and travel destinations advertised for their national, historical, cultural, socioeconomic and natural importance.

Special attention will be paid to the processing of agricultural produce as one of the key areas of non-oil sector the development. The application of state-of-the-art technology by agricultural processing enterprises will boost production capacities and lead to the opening of new enterprises. State support for agriculture will be continued, the procedure for crediting the sector simplified and the network of private service companies expanded. Agricultural insurance procedures will be improved.

The land market will be developed in the years ahead and the tradition of collective farming explored. Land reclamation and irrigation activities will be strengthened and measures taken to prevent soil erosion and salinization of arable land.

The production of environmentally friendly agricultural produce will be encouraged. Also, consistent measures will be taken to protect genetic and biological diversity, improve sapling, seed-farming and cattle-breeding.

The provision of farmers with modern equipment, fertilizer, seeds and saplings will improve. There are plans to further improve personnel training in agriculture. Stimulating measures will be taken to develop various spheres of agriculture and the initiatives to establish major granaries supported.

The establishment of modern and high-tech warehousing complexes in the districts will facilitate rapid development of agriculture, help regulate seasonal prices, prevent losses, protect the domestic market and enhance the export potential.

4.3. Support for scientific potential and innovative activity

To ensure sustainable economic development, form a knowledge-based economy and speed up the emergence of knowledge-intensive products (works and services), one of the key goals will be to expand innovative activity. Therefore, the development of science will be prioritized in accordance with national history and global trends. Effective integration into progressive global science will be continued. The academic infrastructure will be improved, its logistics updated and this area put on electronic rails.

Also, science will be financed from both the state budget and other sources, which will eventually strengthen the social protection of scientists and prevent the "brain drain".

In order to create an innovative economy, the relations between science and the manufacturing sector will be reinforced and necessary procedures put in place to conduct scientific research in accordance with market demand.

To encourage production of competitive goods through enhancing innovative activity, create the necessary procedures for innovative activity and make the best of the innovation potential, state support will be provided and relevant laws developed.

Along with creating a favorable environment for innovative entrepreneurship and developing new activity types and products, measures will be taken to establish industrial parks and innovation zones applying advanced technologies and designing knowledge-intensive products and technologies. A regulatory framework will be prepared and the State Fund on the Development of Information Technologies established to develop innovative entrepreneurship and a knowledge-based economy.

Best international practices will be used in the years ahead, thus completing the formation of a national innovation system ensuring the use, appropriation and spread of new knowledge and technologies in Azerbaijan.

5. Modernization of the transport infrastructure. Balanced development of regions

For Azerbaijan to become a regional trade center, the country's strategic geographical location must be effectively used, transit and transport services developed and logistical centers established in the districts. This will also enhance the country's attractiveness as a production and investment center and open new business and employment opportunities.

The management of local and international transport will be improved and the integration of the country's transport into the international system expanded. Accordingly, a new unified strategic approach will be applied to automobile, railway, water, air and underground transport.

In order to enhance the country's competitiveness in the Europe-Caucasus-Asia and North-South international transit corridors, measures will be taken to reduce transit costs via Azerbaijani territory, expedite import and export operations, shorten transit time and simplify transit procedures.

The construction of the international trade seaport will be completed in Alat, the sea fleet renewed and expanded, a logistical transport hub established, the Baku-Boyuk Kasik and Baku-Yalama railway lines rebuilt and modernized and the Baku-Tbilisi-Kars railway project commissioned in the coming years as part of a policy to diversify the railway network. Also, reconstruction will be carried out on main railway lines, rolling stock renewed and all railways will switch to the AC system.

The expansion of motor-roads in the direction of the East-West and North-South transport corridors, construction and reconstruction of national highways will bring the country's road transport infrastructure into line with international standards.

Gravel roads will gradually be replaced with paved ones, the construction and reconstruction of national highways continued, tougher environmental requirements introduced, road junctions and bridges built, repaired and modernized. New roads will be built to observe public safety, the construction of a fleet of intra-city and suburban vehicles accelerated and an intelligent transport management system introduced in big cities.

The Baku underground will rapidly develop in the years covered by the concept, including the construction of new stations and renewal of the rolling stock.

A new airport terminal, a runway and hangars will be commissioned at the Heydar Aliyev international airport and a free economic zone established here. Further measures will be taken to renew the six other international airports and the air fleet.

Considering regional development priorities, state infrastructure and investment policies will be coordinated with business investment strategies. The gap between the living standards and quality of life, per capital production and investment between economic districts will be reduced.

The flexibility of local governments in economic decision-making will be enhanced as part of a modern approach. Agricultural development projects will be implemented and further measures taken to improve the infrastructure and social services. The issue of roads in districts and villages will be in the spotlight and measures taken to meet transport sector demand.

Improved infrastructure in the districts, broader use of information technologies, the emerging tourism and recreation zones and production clusters on priority economic sectors in accordance with competitive advantages of each district will speed up the socioeconomic development of the districts.

Regional development centers will stimulate balanced socioeconomic growth of the districts, reduce regional inequality, enhance the share of districts in the structure of

commodity turnover and slow down the concentration of economic development in big cities.

6. Development of information and communication technologies and transition to a knowledge-based society

The main priorities under the concept are to ensure a transition to a knowledge-based society, build a knowledge-based economy through ICT development, expand the application of ICT to state and local governments, develop the National Electronic Security Center, meet the public demand for information products and services, and strengthen the competitiveness and export capacity of the ICT sector.

Measures will be taken to develop the space industry. Azerbaijan will become an owner of a satellite. The application of new technologies to the telecommunication network will be expanded and satellite broadcasts of national radio and TV programs organized.

The implementation of the Trans-Eurasia Super Information Highway project will reduce digital gaps between regional countries. Access to broadband internet through the creation of a strong and sustainable information infrastructure, development of e-commerce and e-marketing systems are expected to speed up the country's integration into the global information space.

Such important indicators as the number of computer, telephone and mobile phone users, the share of households that have access to internet and broadband services in the total number of households and the proportion of pupils using computer in the total number of pupils will be improved in the years ahead. By expanding the ICT application in the districts, the level of digital preparedness will improve. Telephone and internet fees will be optimized, TDM exchanges replaced with IP ones, the use of Wi-Fi expanded, 4G CDMA stations established, and a universal package of telecommunication and postal services provided in the country.

The measures towards creating e-government are expected to enhance consistent and stage-by-stage application of ICT in state bodies, facilitate information exchange within a unified infrastructure, provide e-services on relevant functional responsibilities, strengthen information security, train competent users and specialists, etc.

7. Development of the human capital and social spheres

The concept intends to provide the country's population with quality health and education services, focusing as the main strategic line on their accessibility for all categories of the population, including the low-income and destitute families.

7.1. Main public health and healthcare objectives

There are plans to develop mechanisms for a dynamic increase of the share of healthcare allocations in the GDP and use them more efficiently. Further measures will be taken to build, renovate and rebuild healthcare facilities, strengthen their material and technical infrastructure, supply them with sophisticated medical equipment and continue consistent healthcare reforms. Measures will be taken to get rid of excessive centralization in management and replace executive functions with purely administrative ones, which will contribute to effective management at different levels and enable better coordination.

A transition to obligatory medical insurance will be implemented, paving the way for effective procedures on the provision of quality medical services and protection of patient rights. As a result of healthcare reforms, the mainly stationary medical assistance will be replaced with first aid medicine and suitable conditions created for enhancing family doctor practices. Consistent measures will also be taken to improve outpatient medical services.

State support for those suffering from social diseases (diabetes, hemophilia, oncologic diseases, immunological prophylaxis, haemodialysis, tuberculosis, AIDS, etc.) will be provided through prophylaxis measures, sanitary awareness campaigns, various state programs to fight drug addiction, alcoholism and smoking. In order to prevent the spread of infectious diseases, preventive measures will be stepped up and a program on the development of sanitary and epidemiological services in 2015-2020 prepared.

Besides, a special strategy to deal with non-infectious diseases (smoking, obesity, lack of physical activity, abuse of alcohol, etc.) covering 2013-2020 will be adopted, conditions and opportunities created for a healthy lifestyle and awareness activities carried out to enhance population responsibility and interest in their own health.

The state program on improving mother and child health for 2013-2020 will be adopted and measures taken to conduct preventive checkups and health surveys among children and teenagers. To strengthen the fight against infectious diseases, relevant measures will be taken to enable children to undergo immunological prophylaxis. A national action plan (2014-2020) to prevent and treat child disability will be prepared and children's medical institutions profiled in an effort to expand inpatient services.

In order to make vitally important medicines physically and economically accessible to all categories of the population and improve the quality, effectiveness and safety of medicines, measures will be taken to create a unified database of medicines. Resolute steps will be taken to prevent the import of unlicensed and low-quality medicines.

Healthcare personnel issues will continue to be in the spotlight, relevant procedures put in place to continuously improve the knowledge and skills of medical personnel, including training in foreign countries. Measures will be taken to create suitable conditions for doctors and medical personnel working in rural areas and financial remuneration established. Measures will be taken to assess the work of medical personnel on the basis of their performance.

To monitor public health, various electronic registers, the system of "electronic health cards" and a healthcare information system will be created.

7.2. Formation of a modern education system

The total share of educational allocations in the GDP will be annually increased in 2013-2020 to reach the level of developed countries. Stimulating procedures will be put in place to improve the quality of education. The application of financing through grants for innovative activity will also be encouraged.

Educational management will continue to be upgraded and preference given to a model involving all interested parties. This will be achieved through increasing the independence of all types of educational institutions, managing educational institutions through broad public engagement (parents, pupils, students, local communities, etc.), applying modern technologies and other correctional activities.

The attendance of preschool institutions will be increased to match European levels. To do that, the network of state kindergartens will be expanded, their conditions and provision improved, measures taken to support and promote preschool institutions of various ownership forms (municipal, community, private, family).

The construction and renovation of schools will be continued, a program designed and implemented to rationalize the network of general education schools. A transition will be carried out to a 12-year general education system. Systematic measures will be taken to encourage pupils' intellectual activity and facilitate the transition from "memory-based" to "thought-provoking" schools. Complete secondary education will provide various specializations and individual programs will be designed for talented children. Various development, correctional and inclusive programs will be introduced for children in need of special attention or those with disabilities.

Campuses and technological parks will be established for higher education institutions. Standards will be developed to facilitate training of knowledgeable and competent specialists to meet the country's socioeconomic development needs and transform universities into educational, research and innovation centers.

Computerization of education and the overall organization of education at a modern level will always be in the spotlight. To this end, a state program on computerization of the education system in the Republic of Azerbaijan covering 2013-2020 will be adopted. Under the program, all educational institutions (including the schools in remote villages) will be connected to the Internet, provided with necessary equipment and joined to the single national educational network. Every classroom in a general education school will have a notebook, a projector and an electronic board, while every pupil will be provided with a netbook or a tablet as part of the "one pupil – one computer" project.

The application of electronic education technologies will significantly expand and a virtual learning environment for teachers and pupils emerge. To this end, the creation of electronic and methodological resources will be continued and "Bulud" technologies applied to ensure reliable storage of and easy access to electronic resources. Free-of-charge Open Training Resources will be established to integrate into the education process. The number of "electronic schools" will be increased to 1,000. To meet the ever-growing demand for self-education, libraries will be modernized and opportunities for using digital resources expanded. The number of electronic schools will be increased, a Distant Learning Center established and its application to universities expanded.

Effective ICT integration into educational management will be continued and information-based management procedures introduced through creating a unified educational database. The application of a system of electronic documents will expand resulting in greater managerial transparency. Also, online TV channel Education will be established.

Considering the crucial role of teachers in the effectiveness of the education system, special attention will be paid to teacher training. Targeted and inclusive specialization will be provided to all teachers using active/interactive technologies and a flexible system introduced for every teacher to master ICT skills. Teacher training in Azerbaijan will correspond to international standards, a stimulatory specialization system based on a new module-credit system developed and effective procedures created to spread the experience of the most successful teachers. Also, a result-based system of salaries and rewards will be introduced. The procedure for recruiting teachers will be further improved to match international experience and financial remuneration for teachers working in remote village schools enhanced.

The integration of Azerbaijani education into world and European environments will be reinforced. Along with the unification of educational standards and deepening of the Bologna process, special attention will be paid to the international relations of educational institutions, especially universities, and their participation in international educational programs. Also, the number of Azerbaijani students going to university in foreign countries at the expense of the state will reach 5,000 in 2015 and their expertise effectively used for national development. A new state program on the education of students in foreign countries for 2015–2020 will be adopted.

[7.3. Modernizing the social protection system](#)

In order to organize reliable social protection, consistent measures under the ongoing "State program on the development of insurance-pension system in the Republic of Azerbaijan in 2009-2015" will be continued. To further deepen pension reform, a new state program covering 2016-2020 will be prepared. This will result in improving the obligatory state social insurance system, private and state pension collection procedures

established. Obligatory state social insurance fees will be channeled into accumulation accounts, voluntary pension insurance introduced and non-state pension funds involved in managing the funds on individual accumulation accounts.

Also, citizens will easily access information on the amount accumulated in their individual social insurance accounts using various resources.

The registration of insurers will be fully automated, insurants automatically listed in the state social insurance system, electronic processing of obligatory state social insurance reports and information about insurants introduced, and electronic audits of insurers conducted. Besides, there will be no more need for submitting any documents, all applications will be processed electronically and pensions automatically appointed from a single center.

To ensure decent living standards for working citizens, measures will be taken to raise the minimum wage, depending on economic development, to the subsistence minimum in line with the European norm of 60 per cent of the monthly wage, increase the share of salaries in total population incomes and reduce income-based differentiation by further social protection measures. Measures will be taken to create safe and healthy working environment for citizens and a state program adopted to protect labor and monitor the situation in the labor market.

A national labor and employment information system will be created, a system put in place to monitor and analyze the labor market and measures taken to prevent unofficial employment.

The social protection system will be further improved, the material and technical infrastructure of state bodies providing social services reinforced, their types and network expanded and the sector of similar non-state and non-commercial organizations developed.

The number of social apartments (homes) will be increased and the legal access for sensitive population to these apartments ensured.

Social benefits will be unified and measures taken to increase them. The system of benefits to families with children will be improved. In order to create a modern social protection system and reduce poverty, the procedure for identifying family needs for social aid will be improved and living standards continuously raised to align with the needs criteria. The effectiveness of social aid will be enhanced through the application of modern social technologies and, along with the existing system of targeted social assistance, active social aid programs (self-support, low-interest social loans) applied.

Incomplete, low-income, many-children families and those who have adopted children deprived of parental care will be provided with further support and measures taken to enhance the guardianship system. The network of rehabilitation centers for underage children and community-based facilities for children with disabilities will be established in districts.

To prevent these people's isolation from society and provide them with unhindered access to the social infrastructure, new projects will be implemented and more social and professional rehabilitation facilities established to increase employment opportunities. The opportunities for handicapped people to use the ICT resources to obtain information will be expanded.

IDPs housing conditions will be improved, social infrastructure in IDP settlements modernized, jobs opened to increase their employment rate, micro-credits provided, IDP youths supported, professional training, etc. provided. Also, community development and health programs will be expanded, new buildings constructed and equipped for the educational and health facilities operating in run-down buildings. The "Major Return" program will be prepared jointly with international financial institutions and UN agencies, in particular the UNHCR, and the public regularly updated.

International cooperation in improving labor migration regulations will be continued and the sending of Azerbaijani citizens to foreign countries as labor migrants aligned with international practices. Measures will be taken to develop effective social support procedures for refugees from other countries, prevent illegal labor migration into the country and strengthen the social security of Azerbaijani citizens working abroad.

7.4. Gender equality and family development

The gender problem will continue to be the spotlight and measures taken to resolve it. The key components of state policy in this field will be to prevent gender violence and create equal employment opportunities for men and women, career growth opportunities for women, including those for senior roles.

The social protection and security of mothers and children will be provided in accordance with the Convention on "Workers with family responsibilities" ratified by the ILO, the number of kindergartens increased and family planning serviced developed.

To meet the said goals, a number of specific documents will be adopted, including the "Strategy on Azerbaijani Families", the National Action Plan on gender equality, the Child Code and the National Strategy on Children. Also, the "Family psychologist" institution, centers and asylums for women exposed to domestic violence and a system to monitor violence, evasion of education and premature marriages established.

7.5. Development of youth potential and sports

To promote a healthy and active lifestyle for Azerbaijani youth, the Youth Development Strategy covering 2013-2023, the National Physical Culture and Sport Development Strategy covering 2012-2020 and a State Program for 2013-2016 will be adopted.

The existing legal framework will be regularly updated, youth councils established under district (city) executive authorities to encourage young people to do sports and local executive bodies engaged in organizing and developing physical culture and sports activities.

To meet the housing needs of young people and families, social mortgage conditions will be improved, recreation and training centers commissioned for physically handicapped youths.

Information and counseling services for young people, especially those living in remote villages, will be expanded. To develop working skills in young people, an effective methodology of teaching labor and economic relations will be introduced. Young people graduating from universities in Azerbaijan and beyond will be encouraged to work in districts and additional social support procedures (increased benefits and additions to the salary, service apartments, etc.) provided.

By 2020, all sports federations, sport clubs (professional clubs) and youth sport schools operating in the country will have specialized training bases. The material and technical infrastructure of sports institutions will continue to be upgraded, personnel training further improved and social security issues reinforced.

8. Updating the legislation and reinforcing institutional capacity

In order to meet the goals specified in the concept, consistent measures will be taken to update the legislation and reinforce institutional capacity.

The principle of effective state regulation enabling sound competition in a market economy will be applied to the process of updating the laws, the priorities of improving the business environment and aligning national laws with the international trade system pursued, and the executive discipline and control over the rule of law strengthened.

The activities of law-enforcement agencies will meet modern requirements and their transparency and openness ensured. The judicial infrastructure will be improved, electronic services incorporated and people's access to fair trial enhanced. Citizens' (especially those living in districts) desire to obtain specialized knowledge will be encouraged.

From the standpoint of meeting the concept goals, institutional capacity building will consist of three main directions: human resources development in the public sector, enhancement of e-governance and continuation of institutional reform.

Further measures will be taken to strengthen the social protection of civil servants, step up anti-corruption fight, reinforce local governments, train specialized municipal

personnel and support nongovernmental organizations, especially those working in districts.

Special attention will be paid to the distribution of state resources among priority public services and their efficient and rational use. In accordance with such important components of democracy and transparent management as equality, impartiality and openness, public access to the information circulated by the state will be facilitated and several public services delegated to specialized private institutions.

Under the concept, comprehensive measures will be taken to improve managerial procedures in state bodies and simplify the use of services by citizens and organizations. The number of services provided via electronic channels increased.

Further action will be taken to protect the domestic market from hazardous products, eliminate technical obstacles in commerce and align the certification system, which is crucial to entrepreneurial development, with international standards.

Proceeding from international experience, priority development goals of state bodies and institutions will be identified and aligned with relevant state programs, while each state body and institution will prepare and implement a strategic plan on meeting the said goals.

9. Civil society development

Azerbaijan's rapid socioeconomic development and national interests necessitate further democratization, continuous improvement of the relations among civil society institutions and encouragement of NGO activities. State policy towards developing civil society and improving cooperation between state bodies and civil society institutions will be continued in the years ahead.

To this end, the National Action Plan on civil society development will be prepared and implemented. The plan envisages the adoption of new legislative acts stimulating civil society development, public and private sector support for the society, greater financial assistance to NGO projects and programs, the establishment of NGO homes, educational centers, etc.

Improvement of the cooperation procedures between the state and public associations, NGO opinions on alternative solutions to various public issues will be in the spotlight. NGOs will contribute to the preparation of important national programs and participate in state commissions. NGO capacity in communicating the country's stance on the Armenian-Azerbaijani conflict over Nagorno-Karabakh to the world and international organizations will be used more effectively.

To develop civil society, it is important to stimulate private sector donor activities

and achieve institutional level in this area. The institute of national donors will contribute to the emergence of a culture of corporate social responsibility and give rise to investment programs on the part of trans-national companies and major businesses. To achieve this, corporate responsibility strategies and programs will be prepared and laws amended accordingly.

The relations between relevant state bodies and NGOs will be further strengthened in the process of civil society initiatives, the number of NGOs operating in the districts increased and their infrastructure improved.

In the longer-term future, measures towards developing freedom of speech and information will be continued, national laws on information and media activities aligned with international standards, modern technologies applied to the information sector, economic independence of media outlets reinforced, and comprehensive support provided to boost media capacity and facilitate their advancement to leading positions in the global information space.

Necessary steps will be taken to define priorities in the information sector at the current stage of emerging cross-border information and telecommunication network and knowledge-based society. The learning and application of modern methodological and technical innovations will be accelerated. The key goals will be to improve the quality and quantity of national information resources in the global network, expand their scope and enhance their capacity to influence international public opinion.

The role and importance of the media in a modern society as a means of formation and expression of public opinion is great. Therefore, the legal, economic, organizational and technological steps towards balancing personal, social and public interests and ensuring information security will form an important part of the public information policy.

Along with stimulating new components of the information sector, the government will focus on effective organization of traditional information resources and strengthening their logistics. According to the "Concept on state support for mass media development in the Republic of Azerbaijan", media projects will be financed through the State Fund on Mass Media Support under the President of Azerbaijan. Media outlets will also receive subventions, subsidies and soft loans. To develop the media functioning in the districts, targeted assistance will be provided and Press Homes and regional printing companies established. To ensure the economic independence of mass media, the advertisement market will be bolstered and the problems existing in this area resolved.

The state policy towards strengthening the social protection of media employees and improving their housing conditions will be consistently pursued.

The professionalism of journalists is crucial to the formation of democratic and

responsible media. To achieve this goal, attention to the training of journalists will be increased and activities for Azerbaijani journalists organized jointly with international organizations and foreign journalistic associations continued.

According to the 2005 Law of the Republic of Azerbaijan "On access to information", the activities of state bodies responsible for release of information will be improved and Internet resources developed. Further measures will be taken to secure the right of mass media to obtain and spread information, enhance mutual confidence and cooperation between state bodies and mass media.

10. Protection and effective use of cultural heritage

Necessary work will be carried out to promote the abundant customs and traditions of the Azerbaijani people, preserve national holidays and rituals, rebuild historical symbols, popularize national music and dances, protect oral folk art, restore national games and performances, develop the rich traditions of figurative, decorative and miniature art, study the examples of Azerbaijani culture in the authoritative museums around the world and have them recognized as being of Azerbaijani origin, promote and have Azerbaijani figurative arts recognized in UNESCO, ISESCO, TURKSOY and other international organizations.

National laws in this direction will be substantially improved, participation in the protection of copyright and related rights, application and development of the international legal framework ensured. Consistent steps will be taken to bring the material and technical base of the culture sector into line with modern standards, extensively apply information and communication technologies, increase the effectiveness of state budget allocations and attract funds from other legal sources. Also, necessary measures will be taken to introduce a system of fee-based cultural services and initiate a culture course at secondary and higher education institutions.

With the aim of adopting the State Program on the restoration and protection of immovable historical and cultural monuments, modernization and development of historical and cultural reserves covering 2013-2020, a single electronic database and register will be developed in this area.

Necessary work will be carried out to protect and effectively use the archeological heritage, support the activities of archeological organizations, complete the research of archeological sites and ancient townships, and bring such areas into line with relevant cultural and tourism requirements.

Considering the social, economic and cultural development of the republic, a new approach will be applied to museum practices, an electronic database of museum exhibits created in line with international standards to ensure their security and a centralized information system of all museums put in place. Further measures will be taken to

renovate and build museums, strengthen their material and technical infrastructure and establish new museums.

Work will be continued to recover the museum exhibits stolen from the museums on occupied territories, study the Azerbaijani exhibits stored in museums around the world and collect material to confirm their Azerbaijani origin.

In addition to improving the procedure for the protection of Azerbaijan's intangible cultural heritage, consistent measures will be taken to develop local studies, folklore and people's applied arts. International promotion work in this area will be a priority.

A special program and action plan will be prepared and implemented to introduce the Azerbaijani language, culture and history to world countries.

The opportunities for the disadvantaged categories of the population to use cultural facilities and services will be enhanced. Further measures will be taken to prepare relevant state programs on printing books, develop the country's library network, provide libraries with literature and modern information carriers and increase state support for the private institutions working in the cultural sphere.

11. Environmental protection and ecological matters

One of the main goals of the concept is to achieve sustainable socioeconomic development. Further measures will be taken to preserve biodiversity, neutralize the adverse environmental impact of the fuel and energy sector, eliminate the pollution of the sea and water resources, restore green areas and effectively protect the available resources.

The establishment and restoration of forests will increase the share of forests in the total territory of the country, roadside areas and atmospheric air will be protected and trees planted to reduce the noise generated by transport vehicles. The national standards on hazardous environmental emissions will be aligned with European standards.

The volume of energy consumption and carbon dioxide emissions required to produce an item of the GDP in Azerbaijan will be brought close to Economic Cooperation and Development Organization requirements, which is important to the implementation of millennium development goals.

Necessary work will be done to recycle, decontaminate and dispose wastes in order to save on raw materials, use natural resources rationally and protect the environment. Also, law-waste or waste-free technologies will be applied. Progressive waste management techniques will be used and enterprises established to dispose of industrial and domestic wastes.

Areas susceptible to floods and mudslides will be identified and regular forecasts prepared for relevant agencies to use.

In order to use land resources effectively, measures will be taken to prevent desertification, rehabilitate the areas affected by major industrial and mining facilities, modernize the system for using subsurface lands in agriculture and protect lands from anthropogenic pollution.

The share of Azerbaijan's urban population has increased in the past decade. The urbanization trend is expected to continue in the years ahead, which sets forth new goals in terms of the urban infrastructure. Drastic reforms will be carried out in the housing economy, people's access to water supply and sanitation improved, cities and their suburban settlements provided with treatment facilities and monitoring in this sphere reinforced.

A new heat supply system will be established, its coverage area expanded and new heat supply sources built, which will make the unprofitable boiler shops unnecessary.