

### Social-Economic Development Zone Overview – Guba-Khachmaz

<b>Population:</b> 518 100 people	<b>Land Area:</b> 6, 96 thous. square km	<b>Topography:</b>
<b>Unemployment %:</b> 25-28 %	<b>Districts:</b> Gusar, Guba, Khachmaz, Shabran, Siyazan	<b>GNP (per capita):</b> 5 800 \$
<b>Registered:</b> Operator <b>Businesses:</b> 440 (Industry, Agriculture, Trade)	<b>Registered NGOs:</b> 15	<b>Active Political Parties:</b> 6
<b>Other Demographic Conditions (IDPs, minorities, youth bulge, etc.):</b> National minorities prevail in the region. Jews, lezgins, avars, tats, etc, live in different rural areas and settlements. Average density of population is low (71 people). 39% of population lives in urban areas and 61% in rural areas. Women constitute 50.4 % of population and men 49.6%.		
<b>Five Major Cities and Populations:</b> Gusar (89 200 people), Guba(155 200 people), Khachmaz(161 800 people), Shabran(52 600 people ), Siyazan(38 300 people)		
<b>Industry / Economic Overview:</b> In recent years industrial production reduced by 11%. But total product manufacturing increased by 57% including construction materials 59%, agricultural products 17% and trade sector 16%.		
<b>Access to Credit Overview:</b> Entrepreneurs have limited access to credits. Annual credit rates for entrepreneurs are above 25%. National Fund for Entrepreneurship Support allocates credits with preferable terms (annual 6%), but these credits do not meet demand.		
<b>Transportation and Communications Overview:</b> Having borders with Russia and access to the Caspian Sea ensured development of the region. Baku-Rostov highway cross the region. The key transport types are railways and motorways. Goods and passengers are carrying is realized via transport means owned by private enterprises. The region ahs satisfactory communicational opportunities		
<b>Government Overview:</b> The economic zone is consisted of 5 administrative regions and Chiefs of Executive Powers assigned by the President govern the regions. The region has 500 dwelling settlements (6 cities, 6 settlements 488 villages). 110 administrative territorial units and 127 municipalities are active in the region.		
<b>Social Services Overview:</b> In accordance with state program on development of regions in 2009-2013 years, allocating social allowances for vulnerable families, establishment of rehabilitation centers for disabled people, repair of medical points, hospitals and equipment supply, construction of sport centers is envisaged.		
<b>Regional Business and Economic Support Resources (universities, extension services, business centers):</b> 440 education facilities including one university (Guba), 3 secondary-education schools (Guba Gusar), 5 vocational education schools (Guba, Khachmaz, Shabran, Siyazan) 431 schools are active in the region.		
<b>Highlights of Regional Economic Plan:</b> Support to development of fruit and grain growing, bee-farming, and cattle breeding, rehabilitation of dwelling settlements, and repair of roads, improving gas and water supply, upgrade quality of telecasting, construction of sport-health complexes, rehabilitation of educational and medical facilities and their equipment provision, development of tourism sector, support to development of private entrepreneurship etc.		

## Social-Economic Development Zone – Economic Summary – Guba-Khachmaz

### Economic Overview:

Agricultural products, oil, gas and construction materials are produced in the Guba-Khachmaz economic region. Besides, the region has favorable tourism potential. Tourism centers, hotels, travel places are active Guba and Khachmaz regions. Temperate climate, ecological opportunities, forests and uplands yearly draw increasing tourist attention. Fruit and vegetable production, cattle breeding, sheep breeding, poultry farming are developed fields in the region. Railways, motorways, main water, gas and oil pipelines and communication lines are satisfactory.

### Top 5 Industry Employers and Numbers they Employ:

1 – Siyazan broiler OJSC	- 1300 people
2 – “SEBA” OJSC	- 931 people
3 – Gafgaz canning factory	- 376 people
4 – "Caspian Coast winery and vineyards"	- 84 people
5 – Akkord" Siyazan Brick Factory	- 84 people

### Top 5 Company Employers and Numbers they Employ:

1 – "Shakhdagh" Tourism Complex	- 250 people
2 – "Soyuzaqrokontrakt" LLC	- 206 people
3 – "Guba Olympic Complex" LLC	- 89 people
4 – "Pak Nur" firm (bread stuffs)	- 72 people
5 – "Davachi Dayirman" LLC	- 72 people

### Skills Most in Demand by Regional Employers Regional

Managers, qualified workers, production engineers qualified junior service workers (hotel and catering services etc )

### Regional Potential for Domestic and International Export (products and logistics):

Construction materials, food industry products, canned food, mineral water, etc. produced in the region exported to foreign countries and offered in domestic market.

### Economic Value Chains that Are Working Well:

Mutual economic relations exist between construction, food industry enterprises and tourism companies

### Economic Value Chain Breakdowns / Opportunity for Investment:

Mutual interests exist between tourism and transport sectors, agriculture and industrial companies. Mutual value chain as formed between these enterprises. Tourism sector of the region (Guba, Khachmaz and Gusar) has opportunities for investment

### Unutilized Assets for Privatization or Government Investment:

Majority of small and medium enterprises have already been privatized in the region. But not all layers of population took participation in privatization process and social fair principles were not observed.

### Factors Negatively Affecting Greater Privatization and Investment in Regional Assets or New Businesses:

Unsatisfactory state support to this field and lack of knowledge on privatization, investment and securities; negative cases in privatization of land areas belonged to municipality

### Factors Negatively Affecting Individual Entrepreneurs:

High tax rates and customs dues and corruption/bribery cases in this field.

### Factors Negatively Affecting Operations and Expansion of Existing Business:

Ungrounded inspections conducted by state control bodies (tax, ministry of emergency cases, security bodies, relevant departments of ministry of economic development, state service for patents, license and standards etc) in small and medium entrepreneurship facilities In order to prevent unjustified conducted audits of small and medium entrepreneurs activities, serious steps have been taken and unified information registry of the audits in the area of entrepreneurship has been set up under the Ministry of Justice. ([www.yoxlama.gov.az](http://www.yoxlama.gov.az))

### Policy, Legislative and Law Enforcement Negatively Affecting Macro Regional Economic Growth:

Unsatisfactory transparency in customs offices regarding documentation of imported products and goods to the country. High due rates, not applying tax discounts to small processing facilities; high bank credit percentages allocated to entrepreneurs. Despite the fact that a large number of banks and branches of NBCO operating in the region, individual approach to each client has not been developed.

**Evaluation of Government Employment Office and Training Initiatives:**

There's need for development of linkages existing between employment departments and companies/enterprises. Although employment bodies conduct labor fairs but these fairs do not meet demand. There gaps in assessing youth's needs for vocational trades and enhancement of their vocational capacities.

**Access to Credit Details:**

So far, National Entrepreneurship Support Fund allocated 79.5 million. AZN worth of soft loan for 838 projects on Guba-Khachmaz region. (7% annual interest rate)

**Number of Banks in Region:**

Branches of commercial banks and non-credit institutions are active in the region

**Number of Bank Branches in Region:**

Branches of 15 banks and 6 non-bank credit organizations operate in the region. Commercial banks allocate credits mainly to development of small businesses, and purchase of consumption goods

**% of Districts without Bank Branch:**

Branches of banks operate almost in each of regions of the economic zone

**Type of Credit Access Needed:**

Production and sale of agricultural products, development of small and medium entrepreneurship, purchase of home appliances and technologies/devices; purchase and consumption of foods and agricultural products, mortgage ....

**Government, Private and Non-Profit Business Skills and Support Resources in the Region:**

Service centre is active in the region on development of entrepreneurship

**Perception of Corruption / Concrete Examples of How Corruption Hurts Local Economic Development:**

Corruption, monopoly and bribery are key factors negatively affecting economic growth. Monopoly prevails in market related to export of domestic products to Russia and other country of the World and buck to the Azerbaijan

**Progress and Challenges Toward Regional Economic Plan:**

In accordance with state program, within last year general product manufacturing increased by 57%. Industrial production comprised 6%, construction sector 59%, and service sector 16%. Also increase as observed in transport, communication and service sectors. But grain production was reduced. Development of tourism sector is supported. But still shortcomings are faced in provision of employment, development of vocational education, support to private sector and improvement of medical services.

**Was there Public Participation in the Regional Economic Plan Development / Is Any Participatory Economic Planning Occurring at District, Municipal or Community Levels:**

Implementation of state program on economic development of regions is realized by state authorities and public participation is weak, public participation is in municipality and community level on participation only in rehabilitation of schools and establishment of parks.

**Top 5 Recommendations for Project Activities to Support Regional Economic Growth:**

- 1 – expansion of production of industrial and agricultural products
- 2 – arrangement of efficient utilization of natural resources
- 3 – awareness raising of population, ensure active participation of communities in discussion (decision making process )of regional development plans
- 4 – development of tourism, support to capacity building of service personnel
- 5 – Improvement of social provision system, ensure social protection of population

**Top Government Agency and Individual Contacts**

- 1 - Agency for Privatization of State property - Aydin Jafarov
- 2 - Guba-Khachmaz Regional Department of Ministry of Economic Development - Matlab Jafarov
- 3 - Regional Department of Ministry of Taxes # 2 - Vusal Bayramov

**Top Civic and Private Contacts**

- 1 - Guba recreation centre - Jabrayil Aliyev
- 2 - Regional Resource and Training Centre of NGOs - Eynulla Kheyrollayev

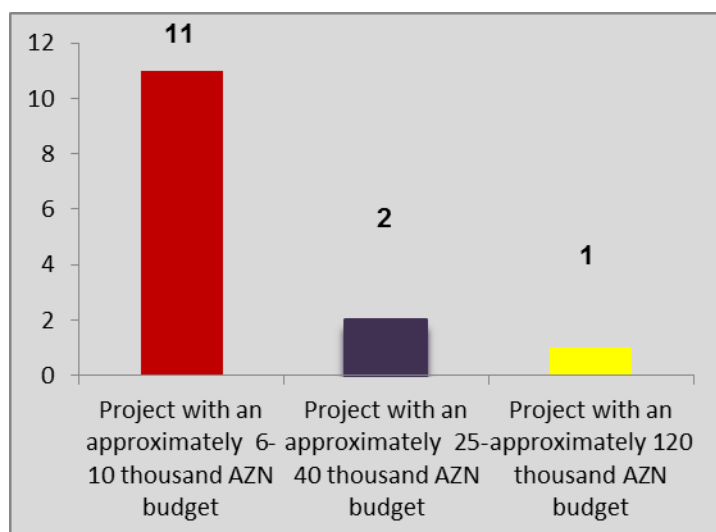
## Social-Economic Development Zone – Social Issue Summary – Guba-Khachmaz

### Social Situation Overview:

39% of population of Guba-Khachmaz economic region inhabit in urban areas and 61% in rural areas. social state of population complies with average indicators. Guba-Khachmaz is multicultural region of Azerbaijan. Different minorities live in the region i.e. Lazgis. Tats, meskheti turks, Russians, Kurds, Jews, Tatars, etc.

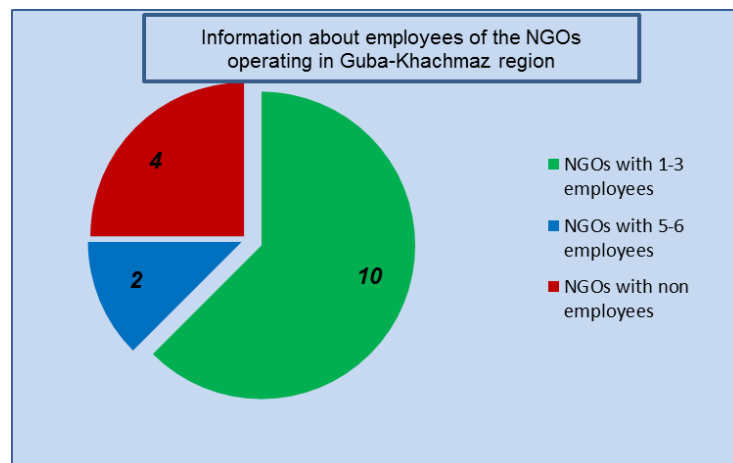
### Top Social Service Needs:

- 1 - Establishment of rehabilitation centers for aged and disabled people
- 2 – Ensure transparency in assigning pensions (for disability and age)
- 3 – Improvement of medical services and medical awareness raising
- 4 - vocational education and arrangement of qualification courses
- 5 – support to development of tourism, opening new vacancies



### Social Service CSOs and their Location:

Totally 21 NGOs are operating in Guba-Khachmaz region. 5 of them have frozen their activities for this or other reasons and 17 of them are currently operating. 3 of these 17 NGOs operate on "Supporting capacity development of teenagers and young people", 1 on "Protection of carpet weavers rights, supporting the identification and resolution of problems in the field of carpet", 2 on " The introduction of Khinalig district of Guba region, Support for the development and improvement of tourism opportunities", 2 on "Support for the development of villages in the region", 2 on "Support for the solution of social problems", 1 on "Support for the protection of human rights", 1 on "Support for solving the problems of Russian-speaking population living in the region", 1 on "Support for the development of the media in the region", 1 on "Support for solving the problems of rural women" and 1 as "NGO resource center". 14 NGOs were carried out projects: 11 projects with an 6 000 - 10 000 AZN budget, 2 with an 25 000 – 40 000 AZN budget and 1 with an 120 000 AZN budget. 10 NGOs working staff number is between 1-3, 2 NGOs is between 5-7, however 4 NGOs are not staffed.



### Employee Skills Most in Demand by Regional CSOs:

Management and language skills and computer literacy, initiative, competence on project development and submission

### Technical and Organizational Needs of Regional CSOs:

For continuous activity, regional NGOs have needs for offices. Sometimes NGOs face with difficulties in covering office rents which negatively affects their financial states. Government and Municipalities can not support NGOs on this issue. NGOs do need support in development of Strategic plans.

### IDP Geographic and Demographic Situational Summary:

Few IDPs have settled in Guba-Khachmaz economic zone. The plain and foothill areas are densely inhabited. Within recent years, coastal areas have become densely populated.

### IDP Issue Situational Summary:

Few IDPs have settled in the economic zone. Their financial condition of these families coincide with local people

<p><b>Other Vulnerable Populations:</b> Living condition in Guba-Khachmaz is higher than other regions. People living in remote areas are most vulnerable. People living in coastal areas (close to tourism and recreation centers) have better living conditions.</p>
<p><b>Factors Negatively Affecting Better Social Service Provision in the Region:</b> The education system has undergone unsystematic long-term reforms which negatively affected development of the field. Serious challenges are faced in rural schools. Finance allocated to municipalities does not cover to address all challenges. Also, gaps and irresponsibility cases exist in social provision</p>
<p><b>Progress Toward Social Rehabilitation Goals:</b> In recent years, rehabilitation and restoration works have been carried out in coastal areas and recreation centers. Sport and health clubs are under construction. Problems faced in electric and gas provision is addressed. Positive achievements are attained in medical services, provision of pensions and social allowances for vulnerable families.</p>
<p><b>How is Social Service Provision Measured and Analyzed for Performance:</b> Needs for social services and provision with services are assessed by relevant governmental bodies. Although high level of these services is reflected in reports but in fact people benefiting these services do not observe this improvement. NGOs are interested in conducting assessments on measuring level of social services</p>
<p><b>Government, Private and Non-Profit Social Service and Organizational Development Support Resources in the Region:</b> As per economic development plan, construction of sport and health complexes, restoration of cultural/historical monuments, places, establishment of enterprises for children in need of care and protection is envisaged. In Resource and Training centre of Regional NGOs information corners were created for entrepreneurs, computer and accounting courses are conducted. There's need for arrangement of social entrepreneurship services.</p>
<p><b>Perception of Corruption / Concrete Examples of How Corruption Hurts Local Social Service Provision:</b> Corruption cases exist in provision of social allowances- calculation of pensions and making payments, allocating allowances for IDPs, medical services, improving living conditions etc. in last months government deals with taking anti-corruption measures.</p>
<p><b>Progress and Challenges Toward Regional Poverty Reduction Strategy Plan:</b> Activities on poverty reduction and opening new job vacancies in accordance with state program on economic development of regions, provision of employment are under process. But these activities are not carried out systematically.</p>
<p><b>Top 5 Recommendations for Project Activities to Support Regional Economic Growth:</b> 1 – support to arrangement of junior service personnel meeting modern requirements 2 – expansion of employment opportunities, establishment of new production enterprises 3 – support to development of private sector 4 – development of banks and improve access to credits 5 – upgrade level of tourism and hotel services</p>
<p><b>Top Government Agency and Individual Contacts</b></p>
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<p>3 -</p>

## Social-Economic Development Zone – Political Issue Summary – Guba-Khachmaz

### **Political Situation Overview:**

Like other regions of the republic political situation in the economic zone is stable. Even political process of eastern counties haven't affected the region. "New Azerbaijan Party" is the leading party in the republic and has political privileges.

### **Government Willingness and Ability for Public Participation:**

There's no any challenges in mass participation of population in state events. Organization of mass events by opposite parties and organizations are not allowed. In decision making process and realization phases of state programs public participation is observed in municipality and community level.

### **Existence and Free Operation of Independent Political Parties and CSOs:**

All political parties have support points in region but majority of them are formally active and do not have organizational skills

### **Existence and Operation of a Free Media – Provide Examples:**

In recent years, government has taken measures regarding freedom of media. Public- Political Department of President Administration conducts meetings with representatives of mass media. Oppositional papers in the region are published without any limitation.

### **Existing Mechanisms for Citizens to Dialogue and Provide Policy Input:**

Citizens participate in meetings, events, actions; dialogues conducted by government party and share their political opinions. But oppositional parties face with difficulties in conducting assemblies, meetings etc.

### **Public Funding of NGOs – Existence and Examples:**

State Council for Support to NGOs under the president of AR is active in the republic. The council makes announcements on grants twice a year. During 2010, 285 grant projects were realized through financial support of the Council. Maximum grant amount for 1 project comprises 20,000 AZN (25,000 USD).

### **Factors Negatively Affecting Freedom of Speech and Association:**

Due to articles several authorities (oligarchs and state officials) bring actions against papers and information agencies, court decisions imposing fines on these papers.

### **Opportunities and Instances of More Opposition Civic and Political Groups Participating in Local Politics:**

Activities of oppositional groups in the region are very weak. Local state authorities impede their activities.

### **What Techniques are Used to Silence / Intimidate Civic and Political Groups:**

Short term arrests, unemployment, obstacles in businesses.

### **Freedom to Investigate and Expose Corrupt Practices by Government:**

In recent months anti-corruption measures are taken which is measures are observed in regions

### **Progress and Challenges Toward Increased Acceptance of Oppositional Voices in the Political Process:**

Last elections revealed that, there are serious problems in approval of voices of oppositional parties. In Election Commissions oppositional voices are falsified

### **Top 5 Recommendations for Project Activities to Support More Democratic Openness:**

- 1 – arrangement of government- opposition dialogue and discussions
- 2 – political awareness raising, development of democratic principles,
- 3 – development of inter-party relations
- 4 – Support to political activity of youth. Support to increasing initiatives
- 5 – organization of dialogues with citizens, ensure potentials for political contributions

### **Top Political Party and Individual Contacts**

- 1 - Vagif Agayev
- 2 - Vidadi Kerimov
- 3 - Matlab Hasanov

### **Top Civic and Media Contacts**

- 1 - Eynulla Xeyrullayev