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Investing in rural people in **Azerbaijan**

Azerbaijan is a middle-income country in the southern Caucasus with a gross national income per capita of US\$4,760 in 2016. The country has an estimated population of 9.9 million people (2018). Azerbaijan is one of the oldest oil-producing countries in the world, and the country has rapidly developed its natural gas sector over the past decade. Together, the oil and gas sectors generate almost 60 per cent of the country's GDP.

In 2016, Azerbaijan faced a multifaceted crisis when low oil prices led to a contraction of the economy, along with a currency devaluation and a rise in inflation. The economic crisis indicated a need for a more diversified economy along with a focus on market-based policies and better social services. The government has since adopted a number of strategies to strengthen the agriculture sector, and the economy is expected to return to positive growth in 2018. Increased focus on the agriculture sector is an important step because, although farming contributes only 6 per cent of GDP, it has great potential for stimulating growth of the non-oil sector, job creation and increasing food security in the country. The agriculture sector in Azerbaijan employs more than 39 per cent of the active labour force, mostly in the farming and

agroprocessing sectors. After the collapse of the Soviet Union, the number of farms increased from about 200 collective state farms to almost one million private landholdings. These smallholder farmers usually have fragmented land areas of 1-3 hectares. Smallholder farmers generally have scarce financial means and make limited profits from farming activities. Climate change is an increasing challenge for smallholder farmers.



Eradicating rural poverty in Azerbaijan

Although poverty has declined significantly in Azerbaijan, from 49 per cent in 2004 to 4.9 per cent in 2014, figures show significant disparities between rural and urban areas. Most of the poor live in rural areas, where social conditions continue to be a major source of concern, and a large number of households remain vulnerable to poverty. Over the past few years, the government has initiated a series of reforms in the agriculture and food sectors to diversify the economy and assist poor rural people in achieving lasting improvements in their living standards. Large investments have been made by the government to support farmers through loans provided by the National Fund for Entrepreneurship Support and through subsidies to farmers. The 2014 Presidential Decree Additional Measures to Improve the Agricultural and Food Commodities Market recognizes the importance of agriculture for the country. In addition, the recently prepared Azerbaijan Economic Development Strategy places more priority on agriculture and the non-oil economy. Some immediate results include: the restructuring of the Ministry of Agriculture; pronounced interest in agribusiness development, value chains and post-harvest; support to small and medium-sized enterprises; and the development of an animal registration system.

IFAD projects in Azerbaijan assist poor rural people in **accessing assets and services** needed to **manage natural resources sustainably**

IFAD's strategy in Azerbaijan

IFAD has enjoyed a long history of a strong and successful partnership with the Government of Azerbaijan in rural poverty reduction and overall agricultural development efforts, with focused interventions in remote and sometimes difficult to reach areas of the country where extreme pockets of poverty exist. IFAD's results-based country strategic opportunities programme (RB-COSOP 2014-2020) for Azerbaijan focuses on reducing poverty and improving living conditions for disadvantaged rural communities. More specifically, IFAD projects assist poor rural people in accessing assets and services needed to manage natural resources sustainably, including improved irrigation and rangeland management; and improve farmers' access to profitable value chains.

To date, IFAD has supported six projects in Azerbaijan. It has contributed US\$77.6 million in financing to projects costing a total of US\$232.3 million and directly benefiting 108,549 households. Good results have emerged from completed projects. For example, the Farm Privatization Project pioneered a land redistribution initiative that led to the revival of the rural sector and assisted Azerbaijan in its transformation into a market-based economy.

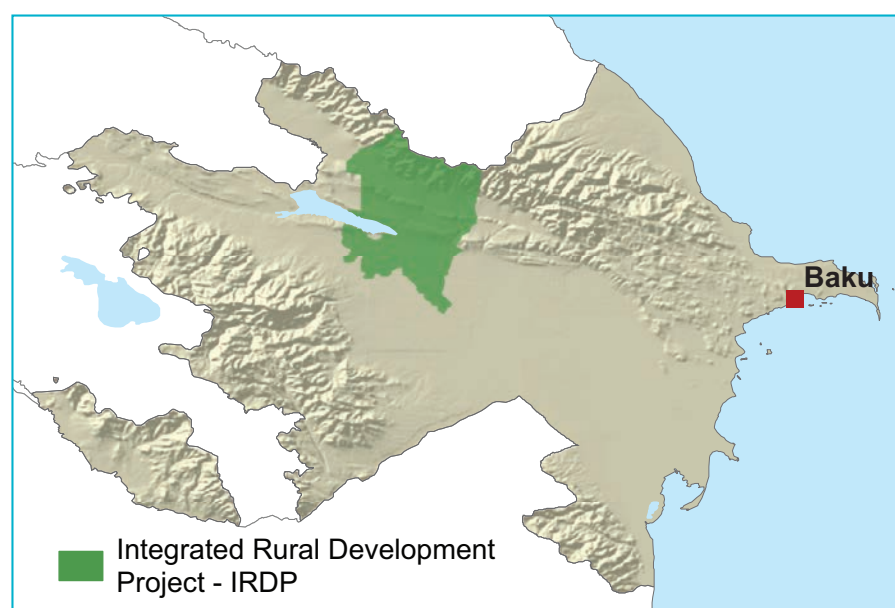
The project enabled land title registration to take place and contributed to the emergence of a land market. The project also pioneered the establishment and support of water users associations, demonstrating the practicability of participatory irrigation management. The Rural Development Programme for Mountainous and Highland Areas focused on community-based participatory development and social infrastructure investment, including income-generation support in crop and livestock productivity, processing and marketing. The programme made good progress in the uptake of livestock improvement services, establishment of local groups and producer associations, the introduction of bee-keeping, provision of rural financial services, enterprise development and gender mainstreaming.

Ongoing operations

Integrated Rural Development Project

The main goal of the Integrated Rural Development Project (2011-2019) is to reduce rural poverty in the four targeted administrative districts of Agdash, Yevlakh, Sheki and Oghuz through increased food security and enhanced income-raising opportunities. The project has a total cost of US\$103.5 million, and IFAD is providing a loan of US\$19.3 million, while the Islamic Development Bank is providing US\$66.4 million in cofinancing. Directly benefiting 52,600 households, the project assists poor rural people in improving their skills to use available natural resources effectively and efficiently in order to achieve sustainable productivity and profitability for crop and livestock husbandry; and to improve the incomes of smallholder producers through better farm management and access to credit.

Agriculture is a major contributor to Azerbaijan's non-oil economy and has **great potential** for stimulating growth, **job creation and food security**





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IFAD has invested in rural people for 40 years, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$20.4 billion in grants and low-interest loans to projects that have reached about 480 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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Investing in rural people

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October 2018