From MDGs to SDGs in Azerbaijan: The Way to Sustainability and Inclusion

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<td>ACIP</td>
<td>Agriculture Competiveness Improvement Project</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ASAN</td>
<td>Azerbaijani Service and Assessment Network</td>
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<td>BSEC</td>
<td>Black Sea Economic Cooperation</td>
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<td>CCC</td>
<td>Commission on Combating Corruption</td>
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<td>CPF</td>
<td>The Country Partnership Framework</td>
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<td>CSC</td>
<td>Civil Service Commission</td>
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<td>CSI</td>
<td>Commonwealth of Independent States</td>
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<td>EDCF</td>
<td>Korea Development and Cooperation Fund</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>EMP</td>
<td>Environment Management Plan</td>
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<td>ECA</td>
<td>Europe and Central Asia</td>
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<td>EITI</td>
<td>Extractive Industries Transparency Initiative</td>
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<td>ESG</td>
<td>Environmental, Social and Governance</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>DEF</td>
<td>Global Environment Facility</td>
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<td>HBS</td>
<td>Household Budget Survey</td>
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<td>HLPF</td>
<td>High-level Political Forum for Sustainable Development</td>
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<td>IDB</td>
<td>Islamic Development Bank</td>
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<td>IDP</td>
<td>Internally Displaced Persons</td>
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<td>IFAD</td>
<td>International Fund for Agriculture Development</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>IG</td>
<td>Inclusive Growth</td>
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<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>KW</td>
<td>German Development Bank</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MSME</td>
<td>Medium and Small Micro-Enterprises</td>
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<td>NCCSD</td>
<td>National Coordination for Sustainable Development</td>
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<td>OECD</td>
<td>Organization for Economic, Cooperation and Development</td>
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<td>OGP</td>
<td>Open Government Partnership</td>
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<td>PPP</td>
<td>Public-private Partnership</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNCTADD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDG</td>
<td>United Nations Development Group</td>
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<td>UNECE</td>
<td>United Nations Economic Commission</td>
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<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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<td>UMI</td>
<td>Upper Middle Income</td>
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<td>USSR</td>
<td>Union of Soviet Socialist Republic</td>
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<td>SCD</td>
<td>Systematic Country Diagnostic</td>
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<td>SCFCA</td>
<td>State Committee for Family, Women and Children Affairs of the Republic of</td>
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<td></td>
<td>Azerbaijan</td>
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<td>SCP</td>
<td>South Caucasus Pipeline</td>
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<td>SDG</td>
<td>Millennium Development Goal</td>
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<td>SGC</td>
<td>Southern Gas Corridor</td>
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<td>SOFAZ</td>
<td>State Oil Fund of Azerbaijan</td>
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<td>SPECA</td>
<td>Special Program for Economics of Central Asia</td>
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<td>SPPRSD</td>
<td>State Program on Poverty Reduction and Sustainable Development</td>
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<td>SSC</td>
<td>State Statistical Committee</td>
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<td>SSPFA</td>
<td>State Social Protection Fund of Azerbaijan</td>
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<td>TANAP</td>
<td>Trans Anatolian Pipeline</td>
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<td>TAP</td>
<td>Trans Adriatic Pipeline</td>
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<td>TSA</td>
<td>Target Social Assistance</td>
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<td>TVET</td>
<td>Technical and Vocational Education and Training</td>
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<td>VNR</td>
<td>Voluntary National Reviews</td>
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<td>WBG</td>
<td>World Bank Group</td>
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<td>WDI</td>
<td>World Development Index</td>
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<td>WHO</td>
<td>World Health Organization</td>
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1. INTRODUCTION

In September 2000, the United Nation Millennium Assembly took place in New York to agree on a set of global goals, the Millennium Development Goals (MDGs). This gathering was the first undertaking to build a global partnership framework, which put the people’s needs at the forefront by ending extreme hunger and poverty, reducing child and maternal deaths, increasing education enrollment and gender equality, and ensuring the access to safe water and nutritious food all over the world till the end of 2015. The member countries have made huge progress in achieving the global goals successfully and helped millions of people out of poverty but could not have finished completely. In fact, some of them have been far from reaching the goals equally and sustainably within and across countries. To improve and complete what the former agenda could not achieve, the world leaders came together for the second round and decided on a new set of common goals - the Sustainable Development Goals (SDGs). The SDG framework is a universal agenda and will frame the next 15 years of international development by creating and focusing on a coherent plan of action towards a sustainable and inclusive future. As other countries, Azerbaijan is going to adapt the SDGs to local conditions in accordance with global targets. To this end, the government created a new country specific agenda which is communicated in the key document: ‘Azerbaijan 2020: Look into the Future’.

This paper will discuss the global goals from MDGs to SDGs related to Azerbaijan in a way so it would be accessible and understandable for everybody, with and without background knowledge in the economy of Azerbaijan or the global goals agenda. To do so, the paper starts with an overview about Azerbaijan by gathering the country’s relevant data and characteristics, before starting the introduction of the global goals, which are divided into two big blocks.

The first block, which is related to the MDG agenda, treats the performance, implementation and the shortcomings of each MDG, which is important to understand with regard of the SDGs. The second big block is going to introduce the SDGs by working out the characteristics of the new goals and the differences between them and the former ones before it starts to elaborate among others the reason for Azerbaijan’s need to implement the new global goals or the discussion about challenges and opportunities the country is currently facing.

Because of great economic changes in the last three years and difficulties of local access to recent and valuable data, the information collected and given in this paper tried to use the most recent data, mostly taken from the State Statistical Committee of Azerbaijan and the World Bank.
2. OVERVIEW AZERBAIJAN

The country of Azerbaijan is an independent secular state with ten economic regions, 66 administrative rayons and 13 urban districts and has a spread of land of about 8.6 million ha (incl. the area of Nagorno-Karabakh and the Nakhichivan Autonomous Republic) (AzNS 2013, p.13; Ahouissoussi et. al, p.32). It is located in the East of South Caucasus region of Eurasia, straddling Western Asia and Eastern Europe and surrounded by Iran and Turkey in the South, the Russian Federation in the North, Georgia in the Northwest and Armenia in the West. It also lies between the Black Sea and the Caspian Sea. Because of the attractive location, Azerbaijan was always fiercely contested, firstly by Iran and later by other neighbors like Turkey and lastly by the Union of Soviet Socialist Republic (USSR). Before the incorporation into the former Soviet Union in 1920, Azerbaijan was the first Muslim country with a parliamentary democracy that introduced a universal suffrage in May 1918, gender mainstreaming, the separation of church and state, and a multinational parliament. With the breakdown of the Soviet Union in 1991, Azerbaijan regained its independence and has been, since the election in September 2016, a semi-presidential republic with a unicameral parliament and a multiparty system. The head of the state is President Ilham Aliyev, who is also the chairmen ruling New Azerbaijan and successor of his father Heydar Aliyev (1993-2003).

Azerbaijan’s national movement reads as follows: Islamic in belief, westward in spirit and European in appearance¹. This direction is also portrayed in the national flag, which is compound by the colors: Blue for the affiliation to the Turkic community; red for the will to build up a modern society and a democratic state, and green for the belonging to the Islamic civilization. Azerbaijan is a member state of several organizations like the Council of Europe, the OECD, the NATO Partnership for Peace, the Turkic Council and the TÜRKSOY community or the United Nations. At the end of 2016, Azerbaijan total population counts 9705,6 thsd. of which over 90 percent are of Azeri ethnicity. Around 53.1 percent of Azerbaijanis’ are living in urban (more than three million in the capital city Baku) and 46,9 percent in rural areas². The biggest problem Azerbaijan has been facing after the collapse of the Soviet Union is the conflict in and around Nagorno-Karabakh. Armenia has occupied 20 percent of Azerbaijan’s territory and more than seven percent of the population (approximately 623,00 people) are Internationally Displaced Persons (IDPs)³. According Azerbaijan’s statistical data, there are around one million IDPs, which is in either case one of the highest number per capita worldwide (Azerbaijan 2020).

¹ LIPortal. Das Länder-Informations-Portal https://www.liportal.de/azerbaidschan/geschichte-staat/de
Azerbaijan, which is a resource rich country and the cradle of oil industry, both onshore and offshore, faces, after an oil boom area between 2008 and 2014 a second economic crisis. While the first one was drawn by the breakdown of the USSR through political, social and economic dependence, which led to massive economic turbulences and profound hardship until 1994, the second economic crisis is due to the collapse of the oil price since mid-2014 and a dependence of total exports of over 90 percent. With the crash of oil prices and a strong devaluation of the national currency (Manat, ANZ) to 50 percent in 2017, the total GDP decreased tremendously and Azerbaijan has been struggling to keep its development progress running. Azerbaijan’s development progress with huge investments in infrastructure, public services and environment slowed down and the vision of becoming a full-fledged Upper Middle Income (UMI) country moves more far away.

Nevertheless, Azerbaijan strives to be part of the global economic system and to build up a modern society, which is a foundation for sustainable well-being and prosperity for Azerbaijan's citizens. An important step that Azerbaijan has taken to develop its country into this direction was the engagement of the Millennium Declaration which is going to be continued by the SDGs.

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3. AZERBAIJAN AND THE MDGS

In September 2000, the leaders from 189 nations signed a global contract about the vision of the future in which they agreed on eight common goals, the MDGs. To obtain the goals, 18 targets and 48 indicators for monitoring progress were formulated with a time limitation of 15 years. The former president of Azerbaijan Heydar Aliyev, attended to the United Nations (UN) Millennium Summit and signed the contract of the MDG agenda. The contract that was brought to life was both a product and a reflection of development across the world. It represented the human needs and basic rights and was constituted to give people more opportunities and freedom to catch up with developing countries. The goals were primarily based on human well-being, focusing eradication of extreme poverty and hunger and mainly determined in economic terms and measured by economic growth through countries Gross Domestic Product (GDP) and Per Capita Income (PCI).

As in other countries, the MDGs in Azerbaijan were related to the country’s specific conditions and needs and were supported by the implementation of state programs like the 'State Program on Poverty Reduction and Economic Development’ in the Republic of Azerbaijan in 2003 – 2005 (SPPRED) and the ‘State Program on Poverty Reduction and Sustainable Development’ in 2008 – 2015' (SPPRSD). The policy and the national government of Azerbaijan adapted the MDG’s over the last years

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successfully and have made significant progress in reaching the goals through several projects and due to the financial and non-financial assistance of international organizations.

### 3.1 PERFORMANCE OF MDGS IN AZERBAIJAN

Thanks to the immense oil revenues during the 2000s, Azerbaijan’s economy grew rapidly and made it possible to meet most of MDGs successfully. It has not only contributed to more tolerance and multiculturalism but made also remarkable progress in reaching the MDGs by reducing poverty and hunger and was awarded with a special FAO prize in Rome for its impressive achievements in reducing poverty and hunger. As figure 1 shows, the aggregate poverty rate decreased from 49.6 percent in 2000 to about 13.2 percent in 2008 and reached 5 percent in 2014.

**FIGURE 1: ERADICATION OF EXTREME HUNGER AND POVERTY**

Between that time, the middle class has increased from 4.3 to 28.9 percent in 2012 and with it, the living standards of many Azerbaijani’s with an Gross Domestic Product (GDP) per capita of $7,886. In 2014,

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3 UN Public Service Awards Winners 2015, UNDESA: [http://workspace.unpan.org/sites/Internet/Documents/Winners%202015%20UNPSA%204.06.15.docx.pdf](http://workspace.unpan.org/sites/Internet/Documents/Winners%202015%20UNPSA%204.06.15.docx.pdf)

Azerbaijan joined the group of ‘high average incomes’ and became an Upper Middle Income country while it developed to the category of ‘high human development’ and was ranked in 78th place\(^7\). The success of eradication in poverty and hunger was mainly driven by two factors: Firstly, with growing oil rents the government’s fiscal resources increased and made it possible to enhance the value of social transfers and public programs. Secondly, due to the growth of non-oil enterprises, the working poor could get out of the poverty line by additional employment and a rise in real wages. Other Millennium Development Goals (MDGs) that could be reached were for instance the net enrollment in primary education (among men and females up to 96.089 and 94.451 percent\(^8\)), an increase in the completion rate of primary education (for female till 90.6 percent and for men till 89.7 percent\(^9\)), and an improvement of elimination of gender disparities in primary and secondary education (with a gender parity in primary education of 0.992 percent and 1.105 percent in tertiary education\(^10\)).

Other reached goals were the empowerment of women with a rise of employment more than double between 2000 and 2014, a reduction of child death, or the health and nutrition that has improved through several undertakings in medical services and the provision of necessary treatment tools and means as well as the prevention of diseases. Through the improvement in medical assistance, the rate of immunized children (from 18-29 months) against measles, went up from 66.6 to 74.4 percent in 2006 and the mortality rate of children under the age of five decreased from 74 to 31.7 per 1000 live births between 2000 and 2015. At the same time, the total rate of infant mortality shrank from 60.6 to 27.9\(^{11}\).

\(^7\) United Nations Azerbaijan, 2015 RC Annual: Report
http://www.az.undp.org/content/dam/azerbaijan/docs/RCreport/2015%20RC%20Annual%20Report.pdf (last access 02.03.2017)

\(^8\) World Bank. Data. Adjusted net enrollment rate, primary, male. Adjusted net enrollment rate female:
http://data.worldbank.org/indicator/SE.PRM.TENR.MA (last access: 12.02.2017)


\(^10\) World Bank. Data. School enrollment, primary/tertiary (gross), gender parity index (GPI):

The improvement of diseases and infections could be achieved among others by a cutback of infections of tuberculosis that declined from 178.6 to 103 per 100,000 with a decrease in death rate from 14.9 to 4.0. Other diseases like malaria could be eliminated completely and people with HIV/AIDS have been registered. A great improvement was also the maternal rate of morality per 100,000 per live births, that has fallen from 37.6 to 14.4 between 2000 and 2015\textsuperscript{12}.

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Regarding environment, Azerbaijan joined key multilateral environmental conventions and introduced new laws and policies that protected green areas and biological diversity which increased by more than half, from 5 percent in 2000 to 10.3 percent in 2014, and access to clean water and sanitation facilities improved, especially for people in rural areas and slum dwellers.\(^{13}\)

Due to a good connection and partnership progress, Azerbaijan could also develop the share of internet users from 8 percent in 2005 to 75 percent in 2014 with an increase of telephone lines from 10 percent in 2002 to 17 percent in 2014. The total unemployment rate of the youth population between 15 and 24 years old decreased from 18.9 in 2003 to 13.5 in 2014.\(^{14}\) In 2012, the government of Azerbaijan started a project, together with the World Bank, to integrate the huge number of displaced people by focusing on their living conditions and economic self-reliance. With the creation of the agency of ‘Social Fund of Development of IDPs, the government could increase the income and employment rate for IDP’s, especially for the youth.


The implementation of the global goals that were introduced when people were suffering and in need, the orientation of the MDGs were strongly focused on social aspects while neglecting economic and environmental aspects and coherences to a wider extent. This approach led to some grave failures, especially in developed countries like Azerbaijan because of the short-sighted policy in poverty reduction. According the Inclusive Growth (IG) theory which focuses on the long-term sustainability of growth and poverty reduction, Azerbaijan has not spent enough attention on productive employment and growth, and cannot hold its level of reduced poverty in the long-term. The way how the government reached the MDGs in Azerbaijan and why they are not stable and can break down very quickly is described in the following.

MDG 1: Poverty and Hunger

Transformation: One of the most important initiatives, that was implemented by the former National Leader Heydar Aliyev in December 1999 to ensure intergenerational equality, macroeconomic stability and to finance important socio-economic projects, was the foundation of the ‘State Oil fund of the Republic of Azerbaijan’ (SOFAZ). As a result, public spending could increasingly be financed by transfers of SOFAZ that accumulated Azerbaijan’s oil revenues and allowed the government to reduce absolute poverty.

In addition to the financial support, the government implemented social protection programs and introduced the ‘State Social Protection Fund of Azerbaijan’ (SSPFA) to cover for instance sick leave,
unemployment and pension. Supplementary to the contributory of social programs, the government created also the non-contributory social program of ‘Targeted Social Assistance’ (TSA) that was launched in 2006 to support war veterans, low-income citizens and those who are not covered by the contributory insurance program. One of the most important and effective types of social transfers in reducing poverty was the introduction and steady increase in pension. Moreover, boosting employment, especially among the poor population and raising real wages by 11 percent per year, while fixing the minimum wage from 1.1 to 105 Manats between 2000 and 2013, was another important factor in decreasing the poverty rate (WBG AZ SCD 2015, p.32). The World Bank stated in 2010 that the poverty rate would have been 25 percent higher without social transfers (Onder 2013, p.8).

Shortfall: The greatest challenge for Azerbaijan is the dependence on oil and gas. Because of higher competition and lower prices in the oil sector, mainly caused by United States shale oil and Canada tar sands, Azerbaijan’s revenues started to shrink since mid-2014 and the country’s fiscal resources did so as well (Husain et. al. 2015, p.11; SOFAZ Annual Report 2015, p.27).

While Azerbaijan could reach the goal of halving extreme poverty and hunger already by 2008, there are some groups, mainly two, who have been left behind from participating in the country’s economic growth and remain vulnerable to shocks. The one large group are people living in rural areas, especially those who are working in agriculture with a small income and the other large group are IDP’s who are much less integrated in the economy and the labor market than the rest of the population (Onder 2013, p.35). Together with wealth allocation problems, the government is not able to keep and enhance the level of poverty reduction sustainably due to high fiscal policy expenditures, that are mainly covered from oil revenues. The bottom line of Azerbaijan’s economic difficulties are: Macroeconomic adjustment problems caused by foreign exchange inflows through FDIs and imports, the unbalanced growth due to a crowding-out effect of the non-oil sector and the waste of natural resources through unproductive fiscal policy. Hence, economic growth and productive employment did not go hand in hand and a mismatch between them rose. With the boom in the oil sector and the economic crisis afterwards, Azerbaijan is often associated with the Dutch Disease (Rosenberg and Saavalainen 1998).

MDG 2: Education

Transformation: Since 1995, the Constitution of the ‘Ministry of Education Republic of Azerbaijan’ regulates and ensures the general rights of Azerbaijan’s education system and implemented several new laws to adjust it with international education standards. For children from poor families, recreation camps were introduced, free hot meals for primary students as well as transportation for students in rural areas have been provided and projects like ‘SABAH’ for higher education have been implemented.
With international cooperation, the Ministry of Education has developed some strategies and concepts to offer pedagogical education and teacher training. Azerbaijan participated in the Bologna process in 2005 and started to improve its quality of education in line with European standards. Additionally, a ‘State Program on Education of Azerbaijani Youth abroad’ was signed for the period 2007 to 2015 that supported 3283 Azerbaijanis for an oversea study at the expense of SOFAZ with 156,8M Manats (SOFAZ Annual Report 2015, p.35). Many others went abroad with ERASMUS or other scholarships or with their own resources (Azerbaijan-2020, p.4). The idea to finance students at public expenses and sending them to leading universities in different countries, as for example the ‘London School of Economics and Political Science’ or ‘Columbia University’, was also a strategy to build up an elite group of specialists to secure the country’s future.

**ABBILDUNG 5: DISTRIBUTION OF OVERSEE STUDENTS FINANCED BY SOFAZ**

Source: SOFAZ, 2017

**Shortfall:** While Azerbaijan’s education expenditures have increased considerably between 2004 and 2013, from AZN 294M to AZN 1.5B, they have declined in absolute terms since 2011 when the expenses narrowed from AZN 138M to AZN 109M in 2014 (WBG AZ SCD 2015, p.49). Therefore, the investment in education, comparing to the country’s GDP growth was not enough.
A disparity occurs between the enrollment of Azari’s students in elementary and basic education with a basic education, close to 100 percent, that shrinks enormously in secondary and higher education.

Next to that, the quality of education has not improved sufficiently to meet national and international needs of employers. On average, many graduates lack job-specific and technical skills on the one side and cognitive and socio-behavioral skills like problem solving, communication or teamwork on the other side (Rutkowski 2015, p.1). In addition, the education system in Azerbaijan exhibits a mismatch between supplied and demanded skills held by graduates. While most tertiary students gained a degree in management, health or manufacturing, the number of graduates in other sectors like agriculture remains low (see figure 4 which shows the investment of oversee study with only 0.85 percent for agriculture).

Facilities at universities have risen over the years but necessary improvements like access to internet or an online management platform still don’t exist, which slows down the whole university education progress. Further, the financial support of local students has not progressed far enough. Compared to industrialized countries like Germany, where students can get financial support from the government, in Azerbaijan, only the best local students get financial support in form of a scholarship, which is a composition of released university fees and a small amount of monthly payment, which is by far not enough to finance academic studies. Therefore, the government has not spent enough attention to education, not only in closing the gap between skills hold by graduates and skills needed in the economy, but also in closing the gap of opportunities between students from poor and rich households to catch up with the industrialized countries and to secure the country’s developing progress.

MDG 3: Gender Equality and women empowerment

Transformation: According to the legislation of the Republic of Azerbaijan, men and women have equal rights and freedom opportunities as well as equal ownership and inheritance rights to property. To encourage women’s rights in all spheres of life and to eliminate gender disparities, Azerbaijan signed among others, the UN Convention on the ‘Political Rights of Women’ in 1992 and joined the World Conference on Women Beijing Declaration for ‘Elimination of All Forms of Discrimination Against Women’ in 1995. Further activities were an ‘Action Plan for increasing the Role of Women in Azerbaijan for 2000-2005’ or the ‘Implementation of State Policy for Women in the Republic of Azerbaijan’ in 2000. With some legal improvements in gender equality, Azerbaijan guarantees equal rights for both sexes since 2006; drafted new laws in terms of domestic violence’ (that covers physical, psychological, and sexual violence) in 2010; or improved the work conditions of women15. The SCFWCA, which is a joint project of the Heydar Aliyev Foundation and UN Children’s Fund and one of the most important

institutions for gender equality and women empowerment, was also active in the prohibition of underage marriage, a reduction of human trafficking, and raising awareness of women violence\textsuperscript{16}.

\textit{Shortfall:} The idea of gender equality in Azerbaijan results mainly from the Soviet time with the protection of women rights and equal access to education and the labor market. In reality, gender equality is a greater challenge for Azerbaijan and ranks low in the Gender Inequality Index with 0.340 in 2013. Despite improvements in gender discrimination due to legal reforms and action plans, Azerbaijan’s women are in reality still treated unequal and remain vulnerable\textsuperscript{17}. One example is that women in Azerbaijan lose their job first or are not allowed to work without the permission of their husbands. Then, the salaries between men and women, which are almost the same at the beginning of their careers, are getting more unequal with time of employment. Disadvantages emerge particularly for young women at the time of building a family (during the childbearing years and childcare activities) (Pastore et al. 2016, p.2). Women are mostly concentrated in low-wage sectors, while they are underrepresented in management positions or in elective offices and senior decision-making. In the labor market, the level of education for men plays a much greater role than for women.

The average age of marriage for women is 20.3 years and for men 22.6 years. Notably, the rate of marriage is among females is much higher under the age of 19 years (Pastore et al. 2016, p.2). Many girls and women are being forced to marry and violence against women remains a serious problem in Azerbaijan\textsuperscript{18}. Discrimination and violence against women are often not seen as a crime in public; in this sense: Law and reality are drifting apart. As usual, the situation in rural areas is worse because of more conservative and outmoded views on the role of men and women. The government efforts of reforming the law and boosting the public awareness to advanced gender equality was a step in the right direction but there is more to do. Another serious problem is the high number of missing women and girls in South Caucasus that opens also new questions regarding the social position and the value of Azerbaijan’s females (Dudwick 2015; Gupa 2015).

The bottom line is that women are both underrepresented as employers and as wage earners. Apart from the elimination of gender disparity in primary and secondary education and the overall improvements in gender equality and empowerment of women which has been propelled in constitutions and legal undertakings, the main problem might be the traditional views on gender distribution, especially outside

\textsuperscript{16}\textsuperscript{18}\textsuperscript{17}Nora Dudwick (2015). World Bank paper: Missing Women in the South Caucasus
https://openknowledge.worldbank.org/bitstream/handle/10986/22506/94705.pdf?sequence=5&isAllowed=y

\textsuperscript{17}The State Statistical Committee of the Republic of Azerbaijan. Gender. Number of employees by economic activity in 2015:

\textsuperscript{18}OECD Development Center. Social Institutions & Gender Index: http://www.genderindex.org/sites/default/files/datasheets/AZ.pdf (last access 18.02.2017)
the center of Baku, which cannot be easily corrected, even by legal changes. The measurement and the lack of data and analysis make progress due to policy intervention difficult.

MDG 4: Child Mortality

Transformation: To expedite the reduction of child mortality, new laws have been implemented. For instance, laws on “Compulsory Medical Examination of Children” and perinatal centers have been created. The government was successful in combating diseases like thalassemia due to the improvement of medical care and the provision of free medical treatment and medicine for patients suffering from innate and infectious diseases. Important steps against morbidity and children’s death could also be reached with modern diagnostic equipment and by conducting laboratory tests on reagents. To raise further awareness of diseases and child mortality within the population, the government proclaimed the year 2009 as the “Year of Children”. By implementing the ‘State Committee on Issues of Family, Women and Children of the Republic of Azerbaijan’ the government created a place to support, coordinate, tackle, and solve child mortality issues. The new e-government system could facilitate Azerbaijan’s health care system due to connection and collection of patients’ information and helped to reduce child mortality more effective and efficiently19.

Shortfall: Poor families are suffering much more regarding various diseases and premature death. This states that, the poorer the families are, the higher the likelihood is of malnutrition of the children, lower living conditions, lack of drinking water and lack of health care. Therefore, the child mortality rate in families with low income is much higher than in other income groups because they do not consume enough food and supplements, enough fruits and vegetable so that prevalence of stunting can become another serious problem. A lack of a moderate public health services can be seen, among others, by the high rate of Anemia by children between 6 and 59 months.

MDG 5: Maternal Health

Transformation: To increase the nutrition and health status of children, non-pregnant and pregnant women, the Ministry of Health of the Republic of Azerbaijan, the SSC and the Azerbaijan office of the United Nations Children’s Fund (UNICEF) worked on a survey to find out the greatest causes for maternal mortality, maternal sufferings and obstacles for women for using medical health care.

The main step to increasing maternal health was, among others, an action plan between 2006-2010 that enhanced maternal and child health by increasing the quality of treatment prophylaxis or the protection reproductive health. In addition, some services for immunization of infectious diseases or pre- and postnatal periods has been improved and training courses has been provided. The UN Population Fund helped to implement projects on reproductive health, family planning, development of family medicine, increasing the role of family doctors in primary health care services, and prevention of sexually transmitted diseases. Facilitation like an ‘Electron health card’ allows faster and better access to information and increased maternal health effectively. In addition, social protection of mothers improved and services for children under three increased.

Shortfall: The maternal health progress is too slow in Azerbaijan. Women still do not use enough birth safety and basic newborn care as well as prevention measures. Lack of basic knowledge during the time of pregnancy, of giving birth or being a mother can be observed, and the access to sexual and reproductive health is poor, particularly for migrants, refugees, IDPs and women from rural areas. In 2013, around 21.7 percent of women were giving birth at home without any specialists while 28.0 percent did not have any checkups\(^{20}\). Women need better access to health care and information. They should be taught about their opportunities and how to behave during the process of pregnancy and childbirth. They also need to be prepared for complications and any danger signs to protect themselves and their infants or newborns. Provisions and essential services delivery for antenatal, postnatal and child diseases should increase. A strategy policy and legal framework on sexual and reproductive health is needed.

MDG 6: HIV/AIDS, malaria and other diseases

Transformation: During the MDG process, the government increased its health expenses from US $47.7 million in 2000 to US $848.2 million in 2014 and helped to build and refurbish medical facilities across the country. Undertakings in structural reforms were made due to the provision of modern medical equipment as well as the supply of medicine, bandage, and other medical and accommodation facilities. To develop the healthcare sector, the government established different state programs and created action plans to improve maternal and child health, including reproductive health, HIV/AIDS, tuberculosis and other infectious and non-infectious diseases. Along with new reforms in the health sector, the government provided free medical services and medicines for patients suffering from diseases like HIV/AIDS, malaria, diabetes, chronic kidney or oncologic diseases.

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\(^{20}\)Azerbaijan. Department of Maternal, Newborn, Child and Adolescent Health (MCA/WHO). Maternal and Perinatal Health Profile
http://www.who.int/maternal_child_adolescent/epidemiology/profiles/maternal/aze.pdf?ua=1 (last access 18.02.2017)
Reforms in medical education and staff preparation system have also improved to doctors participating in different trainings locally and abroad, to be up to date with new technologies, diagnostic and treatment methods.

**Shortfall:** While the total number of infection with diseases in some areas has fallen due to preventive measures, as for example in case of Malaria to zero percent, the infection rate of other diseases, such as Tuberculosis, decreased only little or grew rapidly, such as in the case of HIV/AIDS. In 2014, the number of people with HIV/AIDS infection was 4735 and reached a new peak. Between 2008 and 2014, the HIV prevalence level among 15-49 years increased for women from 0,053 percent to 0,125 percent and for men from 0,009 percent to 0,038 percent (WBG Report No. 95860-AZ 2015, p.82). Because of the huge challenge, especially in connection with HIV/AIDS, Azerbaijan tries to increase the awareness of diseases with consultation and information material, the distribution of protection equipment like condoms or the free and anonymous provision of inspection and treatment of HIV/AIDS.

**MDG 7: Environment**

**Transformation:** Since its independence, Azerbaijan has introduced about 40 new laws to protect its environment and has addressed improvements in forest, water and land. To achieve progress, the government has implemented several conventions, strategies, state programs and activity plans, such as the ‘National Programs on Environmentally Sustainable Socioeconomic Development from 2003 to 2010’ and the ‘National Strategy and Action Plan for the preservation and sustainable use of biodiversity in the Republic of Azerbaijan for the period 2006-2009 years’. The ecological situation in oil-contaminated areas has also been improved in Azerbaijan. Projects on cleaning areas with underground waters and polluted with industrial waste in Baku Bay, Bibi Heybat and Absheron Peninsula, were successful in changing the ecological circumstances positively.

Improvements in waste management could also be achieved as a result of establishment of factory for sorting, placing and decontaminating solid waste. Undertakings in reforestation and planting new forests to protect natural areas and the preservation of biological diversity have been realized. Between 2000 and 2015, the area protected to maintain biological diversity doubled in Azerbaijan.

Azerbaijan started to diversify its green energy market and started to use alternative energy sources like wind and sun to save natural fuel energy and to improve its ecological condition. With the program ‘On Certain Measures for improving Provision of the Population with Ecologically Clean Potable Water’, the government enhanced the access to portable clean and safe water, especially in rural areas. Other activities were directed on the extension and upgrading of sewage and sanitation, the cleansing of oil contaminated areas in water and land or the decrease of carbon dioxide emissions, chlorofluorocarbon and other heat gases to clean the air and protect the atmosphere.
Shortfall: The exploitation of fuel resources with over 130 years’ history has created huge areas of contaminated land and other environmental problems in Azerbaijan. Due to bad technologies, especially in the early years of oil production, Azerbaijan experienced oil spills (though relatively minor in scale) and production leakages, which polluted the country’s land, leading to several sufferings. Because of untouched contaminated areas and an ongoing production on fuel, large areas of land cannot be used for settlements or organic framings. Another problem is the emission of carbon dioxide, which has not improved much until 2014 and remains very high as a result of increasing population and vehicle use.

MDG 8: Partnership

After independence, Azerbaijan established bilateral and multilateral cooperation and developed different partnerships with several intergovernmental commissions, regional or global organizations and financial institutions. Azerbaijan has around 50 bilateral relations with different countries, among them the Kingdom of Saudi Arabia, Montenegro, Iran, Japan and China. Multilateral cooperation in form of regional organization is the cooperation between Azerbaijan and their neighbors, such as the cooperation in the North which covers agreements with the Commonwealth of Independent States (CIS) and the Organization for Democracy and Economic Development or the cooperation in the West which covers cooperation with the EU and the Black Sea Economic Cooperation (BSEC).

The Republic of Azerbaijan has been a UN member since 1992 and cooperates within the UN agencies and programs like the UN Development Program (UNDP), the UN Economic Commission for Europe (UNECE), the UN Conference on Trade and Development (UNCTADD) or the World Health Organization (WHO). Moreover, Azerbaijan became a member of the UN Industrial Development Organization (UNIDO) in 1993 and introduced several programs in collaboration, such as programs to increase energy efficiency, development of the national industrial statistic programs or the support of small and medium entrepreneurship. Additionally, Azerbaijan became a member of ‘Special Program for Economics of Central Asia (SPECA)’ and of the International Labor Organization (ILO).

In the sphere of financial institutions, the most important relations are following organizations:

- **World Bank**: Supports the country, among other things, in strengthening its macroeconomic performance and the oil revenue management as well as in dealing with IDPs, infrastructure restoration, and developing the education and health sector.

- **Asian Development Bank (ADB)**: Supports Azerbaijan in reducing the country’s poverty and developing the non-oil sector by funding several projects, such as the development of infrastructure in water and sewerage.

- **Islamic Development Bank (IDB)**: Funds projects like the reconstruction of water supply, rehabilitation of highways and railways, as well as the construction and repairing of power plants.
- **German Development Bank (KfW):** Helps the country in storage of energy, water and other infrastructure supply, as well as in developing the financial sector.

- Further financial cooperation exists with the Japan International Cooperation Agency (JICA), the Korea Development and Cooperation Fund (EDCF), the International Fund for Agricultural Development (IFAD), and the Arab Funds and commercial banks.

### 4. AZERBAIJAN AND THE SDGS

“Humanity has the ability to make development sustainable to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs. The concept of sustainable development does imply limits — not absolute limits but limitations imposed by the present state of technology and social organization on environmental resources and by the ability of the biosphere to absorb the effects of human activities” (Waage and Yap 2015, p.x).

After the end of the MDG agenda, the Sustainable Development Summit in September 2015, was held and the president of the Republic of Azerbaijan, Ilham Aliyev, participated to continue efforts to improve national and international circumstances. The universal 2030 Agenda for Sustainable Development with 17 global goals and 196 targets was adopted. The new agenda, that was established by the UN at the Rio+20 summit in June 2012, aims to build on the MDG progress to complete and improve the former goals which could not be completely reached by the end of 2015. Therefore, the SDGs were created to finish the job of the MDGs with more farsightedness by incorporating different problems in different countries while addressing to social, economic and environmental issues in a sustainable and inclusive way. Taking differences between and within societies, cultures and capacities into account, the vision of the new development agenda lays alongside poverty-reduction also great importance to dangerous environmental and economic aspects and is a jointly constituted and comprehensive plan of action (Sachs 2012, p.2206). Hence, the new global goals emphasize not only the need for scaled-up investments in poverty reduction, education, health, infrastructure, and gender equalities but also the combat of inequalities within and among countries, the creation of inclusive institutions, decent work and economic growth, responsible consumption and production, climate change, environmental pollution, the loss of biodiversity and other important topics (Sachs 2012, p.2207).

The 2030 agenda operates from a national to a global level and supports accountability and effective international cooperation while fostering the exchange of best practices and mutual learnings. With the orientation of sustainable development, the countries are called to meet their future needs in a way without compromising the ability of future generations. The involvement of governmental and non-governmental stakeholders, as well as the civil society, the private sector and the parliament are assumed
to take place during the progress by rising awareness, contributing with reports to implement the SDGs in all spheres of life (SVNR 2016, p.23).

Hence, the universal agenda of sustainable development has a holistic strategy and focuses on three pillars: Economic development, social inclusion and environmental sustainability. The SDGs will continue efforts to end poverty in all forms, ensure equality, and support social welfare and human well-being in a broader, inclusive and sustainable way while focusing at the same time on economic and environment challenges. To support the implementation of the SDGs while promoting accountability, the UN created a High-level Political Forum with a central platform for follow-up and review of the 2030 Agenda in which all member countries are committed to contribute with information and reports as for example annual progress reports

4.1 THE THREE PILLARS OF SDGS AND THE FUNCTION OF GOOD GOVERNANCE

The World Summit on Social Development has called the protection of human and environment as a global goal, in which everybody should engage. The concept of the new global agenda builds on the three pillars: Social inclusion, economic development and environmental sustainability which are linked with each other. If one pillar is weak, then it will affect the other two which can bring the whole system to topple over. This means that the success of any of the three pillars is depending on the success of the others. In addition, good governance at all levels is needed to achieve the SDGs and to stable the three pillars (Sachs 2012, p.2206).

21 Sustainable Development Knowledge Platform: https://sustainabledevelopment.un.org/hlpf (last access 02.03.2017)
• Social Inclusion: A country should be organized in a way in which social frictions can be solved in a peaceful and civil way to ensure social well-being which is determined by human happiness, life satisfaction, and freedom from suffering. It also includes social trust, honest government, inclusive work, mental health and the support of capabilities of all individuals without a discrimination of class, gender, ethnic origin, religion, or race. Social inclusion contains also the commitment to future economic and technological progress in a fair and equitable manner. The well-being of the citizens will be monitored with improved measurements and reporting of life satisfaction. Special attention will be given to the vulnerable individuals like the youth and elderly people, girls and women as well as to the last bottom of the society.

• Environment Acknowledgement: This dimension addresses economic strategies that increasingly build on sustainable best practice technologies, appropriate market incentives, and individual responsibility. This pillar focuses on a low-carbon energy system, a sustainable food system, sustainable urban areas and the stabilization of the world’s population. It states that natural resources should only be used in a way in which they can be regenerated.

• Economic Sustainability: Economic growth in the long run can only be achieved by inclusive and productive employment. All individuals should cover their basic needs and have access to safe and sustainable water and sanitation, adequate nutrition, primary health
care and education, and basic infrastructure (including electricity, roads and connectivity to
global information network and communication technology).

A diversified and inclusive economy in which the private sector increases the country’s
innovation and competitiveness is in terms of productive work and international trade
crucial and mandatory.

- Good Governance: To reach the three pillars above successfully, good governance at all
  stages (from local to global) is needed. The government needs to build efficient and
effective institutions to secure the rule of law, human rights, transparency of data and
information, participation and inclusion of the society while enabling sound economic
institutions to promote private business, public and civil-society sectors in a productive and
well balanced way. Government and stakeholders should work together to provide essential
public and private goods while protecting the interest of present and future generations.

4.2 MAIN DIFFERENCES BETWEEN MDGS AND SDGS

With a broader set of goals - which is a composition between seven targets referring to people with
disabilities, six goals addressing people in vulnerable circumstances, another seven universal targets and
the last two tackling discrimination - the new agenda considers the differences and complexity of the
global world and focuses on a holistic agenda that is better equipped for systemic patterns of
discrimination and disadvantage. While the MDG partnership between poorer and richer countries was
based on a contract in which the richer countries provided their solidarity and financial and non-financial
assistance to the poorer, the latter committed themselves to implement policies for sustainable
development by supporting for instance good governance, transparency, the legal framework or human
rights. The SDGs seek to tackle poverty in all countries and all levels to ensure that no one is left behind,
and are more comprehensive in scope by including next to social aspects, environmental and economic
dimension (Sachs 2012, p.2208). Therefore, the SDG agenda moved away from enhancing funding and
is focused on global partnerships that seems to be the better aid for all, especially in the long-run
(Dasandi, Hudson and Pegram 2015, p.65). Because the MDGs were mostly concentrated on aid and
social needs, governance and institutions were construed as the management of global cooperation
between donors and aid receiving countries. The new agenda points out the important role of governance
and institutions that is not only the function of harmonizing interests in pursuit of coordination but rather
essential parts that require a serious involvement with politics and legal instruments to support
responsibility, transparency, accountability, capacity and legitimacy to achieve progress sustainable
development at all stages (Dasandi, Hudson and Pegram 2015, p.72).

Further, the MDGs were created through a top-down process by a small group of technical experts at
the headquarters of the UN, while the SDGs were created in a bottom-up process by an Open Working
Group that incorporated inputs from coalitions of interest groups, involving civil society and the private
sector. The process of the Open Working Group secured inclusivity all over the world due to face-to-
face consultation in over 100 different low- and middle-income countries (Waage and Yap 2015, p.xi).
Importantly, while the MDGs were just a set of moral and practical commitments and not legally defined,
the SDGs enhance the obligation of binding rules and apply effective enforcement mechanisms (Sachs
2012, p. 2210). As in the former agenda, the core part of the new agenda is the eradication of extreme
poverty and hunger. Different to the MDGs, the SDGs seeks to address the reason that causes poverty
and are much more coherent in creating a sustainable future.

4.3 WHY AZERBAIJAN NEEDS TO THINK SUSTAINABLE?

Azerbaijan’s economy has experienced a rapid oil-driven growth over the last decade but this progress
was accompanied with some grave failures. The lack of consideration in terms of environmental issues
or unproductive employment are just some of the problems observed during the last 15 years. Azerbaijan
did not pay enough attention to sustainable development and inclusive growth and ignored national and
international spillover-effects which are also discussed as partial and full spillover-effects. Azerbaijan
failed to calculate external effects, especially by the production of oil and gas. Moreover, it did not learn
from other countries’ failures (i.e. Dutch Disease affected nations) that can be observed in resource-rich

Spillover-effects:

Spillover-effects can be either positive or negative and can have an impact in a sector that is seemingly
unrelated to another sector in an economy (Husain et. al. 2015, 15ff.). Because of an economically
globalized world, countries are getting more and more interwoven and the dependence of one nation on
other nations is captured by multiple flows in its balance of payments (Balcilar et. al. 2013). Therefore,
spillover-effects are not only related to situations in which one firm (normally a large firm) can generate
a horizontal or vertical domino effect within a sector, but also to growth spillovers where the dynamics
of one local economy can influence regional and national growth economies due to trade linkages,
market relationships and capital flows (Capello 2009, p.2). Trade links generate demand-side and supply-side spillover-effects within and across countries.

Example for national spillover-effects: An example for positive spillover-effects within a country is when the government improves its education and health service, which would lead to more skilled and healthier citizens. Better skilled and healthier citizens are more productive and innovative and can increase the country’s growth and competitiveness. More competitiveness will lead to better technologies and greater innovations that can further increase the country’s production and exports, while lowering production costs and increasing the protection of environment. Negative spillover-effects within a country can, for example, occur if the prices for fish go up which would make the fish industry more attractive because of higher profits. Higher profits would attract more people to enter the business, which would lead to more competition and lower prices. If the price for fish is low, then a fisher needs to sell more which will cause an overfishing. In return, an overfishing would drive an exploitation of natural resources fish and would generate more poor fishers than before. This occurrence will produce other spillover-effects as for example an increase of unemployment, higher costs in social security or a lower diversity underwater life (i.e. case theorem).

Example for international spillover-effects: The best-known example for a global spillover-effect might be the exploitation of hydrocarbon which is similar to an overfishing. If competition in oil is low, the revenues for a barrel of oil will be high. Because of high revenues, more nations are trying to enter the market, which raises the competition in that sector. The more oil the world is producing, the lower the price of crude oil. The lower the price, the more each country needs to produce to reach the same level of revenues which will cause an exploitation of natural resources. Without inclusive and sustainable investments, the country would slowly end poorer than before by losing its natural resources.

External effects:

In economics, an external effect (refer also to spillover-effects) is a cost or benefit that is suffered or gained by a party because of an economic transaction. In a transaction, we distinguish between the first and the second party and a third party which can be any other individual, organization or property owner. Importantly here, the first two parties that are directly affected from the transaction will have an additional indirect effect on the third party.

The most common case regarding negative externality (also called external costs) is that the first two parties who are participating directly in a transaction are assumed to have positive externalities (also called external benefits). Those transactions are voluntary at no external costs while the third party who is indirectly affected suffers from those external effects and carries involuntarily the external costs. The
following figure shows the negative externality effect of oil production and illustrates that with no external cost producer of oil would produce more (Q market) to a lower price (P market). If a company would take the external cost like environment and social damages into account than it would realize less amount of oil (Q optimum) to a higher price (P optimum).

ABBLDUNG 7: NEGATIVE EXTERNALITY OF PRODUCING OIL

Source: Own illustration according James M. Buchanan and Wm. Craig Stubblebine

The assumption is that firms or individuals that are participating voluntarily as producer and consumer of oil do not pay the external cost within a free market. Because of lower cost the firms can produce at a greater amount and lower prices to increase their profits, which has negative spillover-effects on the natural resource oil which will be exploited faster. The shifting of costs from private to social costs (private costs + external costs = social costs) will result in outcomes that are not environmentally and socially optimal, especially in the long run. When external costs arise without a payment than market failures and economic inefficiencies will occur which can reach due spillover-effects not only at local and national levels but also at international ones. The bottom line is that production and consumption should be balanced and the external costs should be calculated to make sure that only those who are participating within a transaction are also those who are paying the external costs.
**International spillover-effects and exogenous shocks:**

In general, external shocks occur unexpectedly and have a huge impact on a country’s GDP, which normally shrinks dramatically compared to the country’s expectations. Countries are vulnerable to external shocks that can be either outside the economic sphere, like a local natural catastrophic event, which can destroy a country’s agriculture and increase for example the global food prices, or it can be within the economic sphere by improving the country’s technology, which can cause a trade advantage, higher competition and lower prices on the global market (Galesi and Lombardi 2009).

The most typical and famous external shocks are increases in oil prices because of any catastrophe (war or natural disaster) or the decreases in oil prices due to new technologies (fracking method in the US). With the unexpected cut-back of revenues, the oil price shock will have spillover effects which lead to higher prices in energy products, higher production energy-related costs or a higher demand of wages because of higher inflation rates (Galesi and Lombardi 2009, p.9). Further spillover effects from an exogenous shock often causes a crisis of the banking system, loss of consumer confidence or decrease of FDI's. The catastrophe will be more obvious when international prices for the main exported good lead to a greater exploitation of natural resources, fiscal contraction and a slowdown or a collapse of the development progress within a country (Kireyev and Leonidov 2015, p.5).

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**4.4 CHALLENGES AZERBAIJAN FACES**

The greatest economic challenge Azerbaijan is facing, is the high dependence of only one sector (oil and gas) with over 90 percent of total exports and a job creation of only seven percent (UNDP Country Program Document 2016-220, p.3). Due to the decrease in the oil price (from US $112 in the mid-2014 to US $53 in the mid-2015 to US $0.37 in February 2017 which is the lowest since 90s22), SOFAZ’s revenues were also declining fast, which led to a slowdown in the rapid development progress which took off in 2008. The new economic situation led to dramatic changes in fiscal policy (i.e. the depreciation of the currency) and a crisis in the banking sector. By preserving the value of the Manat, Azerbaijan lost more than 50 percent of its central bank reserves, which remain now by 4327.00 USD million23. Due to the strong devaluation of the currency, Azerbaijan also struggles with a high inflation rate of 12.4 percent which is mainly caused by higher prices of imports24. Azerbaijan’s devaluation of

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23Trading Economics. Azerbaijani Foreign Exchange Reserves: http://www.tradingeconomics.com/azerbaijan/foreign-exchange-reserves (last access 17.02.2017)

the currency and the high inflation rate is a serious problem for the people and its economy with a significant loss of FDIs. With the beginning of 2017, the government has been under strong pressure and introduced a floating exchange rate. Now, Azerbaijan leaves the market to set its own exchange rate to facilitate adjustments without intervention.

Due to the financial and economic crisis, many Azeris were affected by payroll deduction or resignation, which raises concerns about new social vulnerabilities. Considering that some employees’ working schedule includes six days per week, the average wage in Azerbaijan is about 296.30 USD/Month (518.97 AZN). Figure 8 shows the dramatic change in average incomes, especially in mid-2014.

![Abbildung 8: Average Monthly Salary in USD](image)

The decrease in average income raises much more concerns if we take the high gap between rich and poor into account, which is discussed as income inequality. In real, Azerbaijan’s performance on shared prosperity is below other resource-rich countries in the region. The low level of prosperity among many

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people in Azerbaijan can be seen in the AzNS 2013 survey which found that over 75 percent of households had difficulties with their income. Less than three percent of the households had a bank account and around three quarters of households had to live with approximately just 50 Manat per week. (AzNS 2013, p.34).

With a high reliance on oil and gas, which constitutes about 50 percent of Azerbaijan’s GDP, the government missed the opportunity to diversify its economy and to support Medium and Small-Micro-Enterprises (MSMEs). Only 51 percent of MSMEs have access to finance, which remains one of the greatest obstacles next to the legal and regulatory constraints and the continuously changing taxation and bankruptcy legislation (WBG Report No. 95860-AZ 2015, p.12). Therefore, financial and private access and inclusion of firms and households still remain behind the average of upper middle income countries. The banking sector lacks modern financial service delivery and the credit infrastructure is still underdeveloped. Other huge challenges are the high level of corruption and weak institutions, which includes fiscal management, service delivery, rule of law and the access to data which are either not public or poor in quality. Azerbaijan, that is ranked 123 of 176 countries has made some improvements according the corruption perception index in 2016 but remains still highly corrupted.

FIGURE 9: CORRUPTION PERCEPTION INDEX 2016
Due to the lack of proper institutions, Azerbaijan suffers, among others, on informal settlements, mainly in the Greater Baku area and informal work especially in rural areas. Only about 30 percent of Azerbaijan’s employees have a formal contract (WBG AZ SCD 2015, p.32). The high degree of informality produces a higher rate of shadow economy and has a negative effect on the precise estimation of country’s GDP. Azerbaijan also faces a huge shortage in skills and around 60 percent of innovative firms are struggling to find adequate workers. Employers complain about the educational system which does not equip students with the right skills that are needed for the labor market and with knowledge that is up-to-date. Workers often lack not only on cognitive and technical skills but also on social and behavior skills. According to the Employer STEP Survey 2013 from the World Bank, 30 to 40 percent of firms in Azerbaijan addressed a lack, among others, of English skills, leadership, problem solving and critical and creative thinking (Rutkowski 2015, p.3ff).

Gender issues in social and work environment are less severe compared to other Muslim countries and the situation has improved. Anyway, women remain still underrepresented in the labor market and in high working positions, and the gender wage gap increases as employees stay longer in the company. Job opportunities, access to markets and private business are influenced by social networks.

Since the high level of exploitation of fuel and other anthropogenic factors, as for example the high pesticide and fertilizer application to boost the country’s agriculture in the Soviet time, Azerbaijan suffers from environmental issues like water, air- and soil pollution. Only 49 percent of the land is suitable and can be used for agriculture (Ahouissoussi et. al. 2013, p.32). Because of the environmental pollution and lack of investment in infrastructure of water and sanitation, Azerbaijan struggles with service delivery of both. Especially the provision of clean piped water is dysfunctional or completely missing. About 10 percent of the households do not have water in their dwelling (AzNS 2013, p.34). The climate change in the Southern part of the Caucasus region, which leads to higher temperature, a melting of the glaciers or a water shortages during the low water season and flash floods in the high-water season, is also a great environmental challenge (Ahouissoussi et.al., 2013).

Azerbaijan’s healthcare spending is the lowest in Europe and Central Asia (ECA) and the quality of health services remains poor because of low standards, which leads to reduced demand for healthcare, mostly in rural areas. While the healthcare system is mainly focused on secondary healthcare in direction of treatments, the primary healthcare, which addresses preventions, is only of minor importance. As international studies illustrate, preventing a disease is much more effective than treating it, especially regarding the life expectancy. Hence, Azerbaijan has not made much progress in raising the life expectancy of its citizens and remains, with a life expectancy for women of 67.6 and for men of 73.9, below the average of middle income countries according to the United Nations Population Division data for 2013. A key challenge in the healthcare sector will be the access to high-quality healthcare services provided for all and a rise in control over the quality of medicines and an improvement in health insurance.
One of the greatest challenges is the Nagorno-Karabakh conflict, which remains without further solutions. The integration of refugees and IDPs is still necessary to improve their living conditions with better opportunities in the labor market and access to service delivery such as education and healthcare, which will need great investment and effort. Concerns raises also regarding demographic changes, since Azerbaijan has one of the highest skewed sex ratios at births with 115 boys to 100 girls (WBG Report No. 95860-AZ 2015, p.13).

4.5 OPPORTUNITIES FOR AZERBAIJAN

The government should focus on projects with a high return, not only in the short but also in the long-run. Providing new jobs and supporting regional business to engage in international trade will have a great and sustainable pay-off effect. To succeed in this, the government needs to develop its economy and bring the private business to the center-stage by diversifying the private sector and building up Azerbaijan’s infrastructure and institutions. The government has identified the greatest potential in agriculture, tourism and information technology. Azerbaijan’s location in the northern end of the subtropical zone has, with nine out of 11 existing climate zones, a comparative advantage in agriculture and tourism with a great opportunity of creating new jobs, particularly in rural areas27. Focusing on and investing in the sector of agriculture, which employs about 38 percent of Azerbaijan’s workforce with a poor contribution to the GDP with around 5.8 percent in 2011, will be a huge step to ensure productive work (WBG AZ SCD 2015, p.42; Ahouissoussi et. al. 2013, p.31).

Supporting private business and entrepreneurship will increase competition, which will lead to more innovation and the use of new technologies. This, in return, will have a positive effect on the supply of goods due to lower production costs and environmentally friendly ways of working. The private sector, which can translate profits into sustained economic growth, social inclusion and environmental protection by integrating the SDGs into national budget play a very important role to finance those transactions in the long term. Financial and asset-management institutions can support such goals by incorporating Environmental, Social and Governance (ESG) performance criteria in core business models28. With the use of oil revenues and an effective strategic fiscal management system, the government can finance important projects and reduce capital spending by fiscal consolidation. Next to the legal framework for Public-private Partnership (PPP), which needs to be developed, friendly

27 World Bank (01.06.2012). The Republic of Azerbaijan: Climate Change and Agriculture Country Note: https://openknowledge.worldbank.org/handle/10986/21832 (last access 22.01.2017)

business environments with well-regulated markets and access to finance and a correction of the tax and legal system are needed to coordinate the business sector and gain fairer distribution of burdens.

Improving the country’s institutions is also necessary to reach the SDGs successfully and sustainably. The government should build further on the success of the Azerbaijani Service and Assessment Network (ASAN), which was implemented to reduce contact points by delivering public service without the risk of corruption or the establishment of the Civil Service Commission (CSC), which received the UN Public Service Award for Improving the Delivery of Public Services in 2015. To extend the fight against corruption and to support more transparency, Azerbaijan also needs to carry on with its participation in international projects like the Extractive Industries Transparency Initiative (EITI) or the Open Government Partnership (OGP). Developing Azerbaijan’s institutions with already established agencies like the ‘Commission on Combating Corruption’ (CCC), the Anti-Corruption Department of the Prosecutor General’s office or the Ministry for International Affairs is of great importance. Cooperation with the EU, which supports Azerbaijan in capacity development and institution building, will be also crucial for the country in the coming years. The EU will continue with Actions Plans (now with Single Strategic Framework for EU support to Azerbaijan for the period 2014-2017) to integrate Azerbaijan into the EU market.

The government should provide the public with more openness of information and useable statistical data that will improve bureaucratic capacity, the effectiveness of policy intervention, private business and increase FDIs. As is well known, the attraction of FDIs is important for countries, especially for developing ones. Solving bureaucracy and corruption problems, would increase FDIs (ISSN 1946-052X 2015, p. 139).

Investments in highways and railways will lower transportation costs of products and will increase trade due to faster and cheaper market access within and across the country. Hence, the productivity of local and international trade would rise and the peoples’ opportunities, especially in rural areas would increase due to the provision of new jobs, more and better access to markets and government services like healthcare and education.

Due to the important role of Azerbaijan in the East-West and North-South transport corridor, the country can rebalance the domination of non-tradable goods through trade links as well as efficient and accountable border management and customs services. The best way to share oil revenues with future generations is the investment in human capital by offering good public services, especially in healthcare and education. In terms of healthcare, the government should increase the access and quality of healthcare and improve everything that has an effect of the day-to-day life like water, sanitation and environment pollution. The government needs to provide adequate supply of piped water and sanitation

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service for all, with a great catching-up process in rural areas. With regard to education, the government should close the skill gap between rural and urban areas and support higher education. To achieve growth in productivity, Azerbaijan also needs to close the gap between skills needed in the economy and skills held by graduates and it needs to improve the quality of the education system. Equalizing income groups, gender enrollment and job opportunities regardless of social connection will have a positive effect on inclusion and sustainable productivity in the labor market.

Moreover, an accumulation of human capital leads also to more innovation and competition and would make Azerbaijan more attractive for FDIs.

Azerbaijan has, due to many different climate zones, not only advantageous opportunities in agriculture but also in gaining alternative and renewable energy sources with wind, sun, biomass, hydrological and thermal power sources. Azerbaijan has huge potential in the development of renewable energy that would be sustainable, reliable and affordable while securing future economic growth. Therefore, increasing the green sector and broaden alternative resources will make Azerbaijan free from oil and gas and protect the country’s environment.

4.6 IMPLEMENTATION OF THE SDGS IN AZERBAIJAN

To implement the SDGs, the Azerbaijani President Ilham Aliyev has signed several decrees of projects and reforms that target adopting global goals referring to country’s circumstances. By doing so, the government identified with the support if international institutions its country specific goals. Great attention was valid to the collaboration with The World Bank, that created together with Azerbaijan’s government the ‘Country’s Partnership Framework’ (CPF). The CPF is a combination of the World Bank twin goals (eliminating extreme poverty and boosting shared prosperity) and Azerbaijan’s strategic national plan, represented in the paper ‘Azerbaijan 2020: Vision for the future’. The CPF, based on a Systematic Country Diagnostic (SCD) identifies the most important challenges and binding constraints as well as the country’s opportunities to progress inclusive and sustainable growth by following the Bank’s twin goals while paying special attention to the bottom 40 percent of income distribution (WBG Report No. 95860-AZ 2015).

Other international institutions like UNICEF, which addresses the empowering and enabling of women and young people while focusing on topics such as sport, child marriages, social inclusion, protection and meaningful participation, and youth consultations or the UNEPA, which collaborates closely with the UNDP to give hand to the governance to work on the ‘State Program on Demography and Population Development’ for 2016-2025 are also relevant to implement the SDGs in Azerbaijan.
A crucial institution for the SDG agenda is the ‘United Nation Development Program’ (UNDP) in Azerbaijan that has 50 years of international experience within 170 countries and was created to campaign for a prosperous, healthy, inclusive, and sustainable world. The UNDP in Azerbaijan found its office in 1992, after the country’s independence and was initially focused on the Nargorno Karabakh conflict. Now, the UNDP activities include a broader range of activities and address sustainable socio-economic development, which is based on the new United Nations Azerbaijan Partnership Framework (UNAPF), aligned with the UNDP Strategic Plan as well as with the national development strategy, Vision 2020. The UNDP implements the SDGs to country specific conditions and aims to support the country in effective governance and sustainable development as well as in gender equality and post-conflict rehabilitation and disaster-risk reduction. Hence, with the help of the UNDP, the government works out national priorities in accordance with the SDG agenda to improve peoples’ lives in an inclusive way by providing access to necessary skills and resources, supporting opportunities for decent work in the non-oil sector, engaging on climate change, enhancing the diversification of energy markets and improving the management of protected areas and ecosystems. With the National Strategy, the UNDP has also developed the ‘National Strategy for the Protection and Sustainable Use of Bio-diversity in Azerbaijan for 2017-2020’ and raises the government’s activities regarding efficient use of genetic resources, the protection and conservation of bio-diversity, the improvement of environmental sustainability or the establishment of special protected areas.

Regarding environmental issues, the UNDP supports Azerbaijan to fulfill its obligation under the UN Framework Convention on Climate Change (UNFCCC), which is an international agreement to reduce greenhouse gas concentrations in the atmosphere, an important step to achieve the SGDs. The project will be funded by the Global Environment Facility (GEF) with a total budget of $852,000. Next to the UNDP, the establishment of the newly Council, the ‘National Coordination for Sustainable Development’ (NCCSD) in October 2016, is one of the major institutions that is part of the SGD agenda. The NCCSD was created to focus on the definition of national priorities to integrate the SDGs in a cross-cutting manner by ensuring the compliance of state programs and strategies. The NCCSD is chaired by the First Deputy Prime Minister Ali Ahmadov and supported by a Secretariat in the Ministry of Economy (Chief of the Secretariat Huseyn Huseynov). The NCCSD can involve different organizations, institutions and specialists to adopt the new global goals. The United Nations in Azerbaijan will support


the NCCSD in Azerbaijan to implement and achieve the SDGs with consideration of the country’s circumstances and needs. For monitoring the progress, the Council also works out annual reports.

5. TECHNICAL REVIEW OF SGDS IN AZERBAIJAN

Apart from the implementation of new institutions and national plans, Azerbaijan started the SDG agenda in 2016 as the ‘Year of Multiculturalism’ and hosted the 7th Global Forum of the UN Alliance of Civilization to promote peace and inclusive societies for sustainable development while addressing the armed Nagorno-Karabakh conflict with Armenia. The country hosted large summits and conferences as for example the trilateral summit of Azerbaijan, Iran and Russia to discuss regional issues, cooperation and challenges (assignment of the Baku Declaration) that took place on August the 8th; the fifth Baku International Humanitarian Forum and large sports events. Azerbaijan participated also in the 8th Environment for Europe Ministerial Conference 2016 and organized the workshop ‘Green Growth Measurement in Azerbaijan’ EaP Green within the project ‘Greening Economies in the Eastern Neighbourhood’ in the same year on May 19th, supported by the OECD.

Azerbaijan also hosted the ‘2016 Special Program for the Economies of Central Asia’ (SPECAN) and the 11th session of the Governing Council, which was held in Ganja (Azerbaijan) in November 2016. The participants adopted the Ganja Declaration on ‘Enhanced Implementation of Sustainable Development Goals through Cooperation at the Governing Council of the UN. The Ganja Declaration aims to enhance cooperation for the Economies of Central Asia’s sub-regions to strengthen collaboration and policy coherence to achieve the SGDs. Hence, the SPECA serves as an intergovernmental platform to support policy coordination and coherence between the participating countries to benefit from regional cooperation and trade-links as well to the share information and statistical data while enhancing resilience to natural disasters (E/SCAP/73/27 2017).

Because of the economic challenges, Azerbaijan created, in line with the global goals and targets, ‘The Strategic Road Maps for National Economy and Main Economic Sectors’, which consist of 10 books and 1,500 pages. The Strategic Road Maps have been created by a large working group involving around

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34 The Central Asia-Caucasus Analyst. The ‘North-South’ transport corridor finally kicks off (27.09.2017): https://www.cacianalyst.org/publications/analytical-articles/item/13395-the-%e2%80%9cnorth-south%e2%80%9d-transport-corridor-finally-kicks-off.html (last access 01.03.2017)

35 EaP Green, Green growth measurement in Azerbaijan (2016): http://www.green-economies-eap.org/media/eapgreen/Summary_Record_GGI%20workshop_Azerbaijan_clean.pdf (last access 01.03.2017)
400 local and foreign experts, including McKinsey & Company, government agencies, research centers and independent experts that analyzed the country’s current situation in a systematic and comprehensive way. This map will develop the country’s economy, with a short, medium and long term period from 2017 to 2020, up to 2025 and beyond. The main aim of the strategic roadmap is therefore the provision of systematic approaches to economic reforms with the insurance of a sustainable and competitive economic growth while responding to local and global challenges. Azerbaijan’s strategic road maps will support economic diversification and development of the country’s private business sector and will increase social inclusiveness and therefore social welfare. The strategic road maps cover, next to prospects of the national economy, 11 major sectors: Oil and gas industry, agriculture, SME, heavy industry and engineering, tourism, logistic and trade, housing markets, education, financial service, telecommunication and information technologies, and public utilities like electric, gas and water.

In 2016, Azerbaijan participated with another 21 countries on the first round of the Voluntary National Reviews (VNRs) and shared experiences by addressing its successes, challenges and lessons learned during the implementation process of the SDG agenda and the SDGs. The VNRs that are created by the UN High-level Political Forum for Sustainable Development (HLPF) under the auspices of the UN Economic and Social Council have the important assignment to oversee the follow-up and review process at the global level. For the year 2017, Azerbaijan has not only volunteered to report on national efforts to implement the SDGs but will also present those reports, together with Benin and Nigeria.

In the same year on the 22th April, Azerbaijan signed the Paris Agreement that was adopted in December 2015 at the 21th session of the Conference of the Parties to the UN Framework on ‘Climate Change’. The implementation of the Paris Agreement is essential for the achievement of the SDGs that address the global challenges on climate change. Crucial agreements between all participating countries are for instance: Reducing greenhouse gas emission and climate warming. The agreement underlines the importance of the ecosystem, bio-diversity and land use. It also supports sustainable management of land and includes topics like conserving and restoring of forests and agriculture issues.

Due to the framework of the joint project on ‘Economic Empowerment for Entrepreneurship and Employment’, the government of Azerbaijan opened a Women Resource Centre and a SYSLAB Employment Center in Masalli region in October 2016. The main focus is the empowerment of women.

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36 Center for Analysis of Economic Reforms and Communication. The strategic road map has been approved (02.12.2016): [http://ereforms.org/news/the_strategic_road_map_has_been_approved](http://ereforms.org/news/the_strategic_road_map_has_been_approved) (access 20.02.2017)
as well as active participation among the youth for inclusive and sustainable development, particularly in rural areas.

On February 2017, the Ministry of Agriculture of Azerbaijan and the UNDP agreed on a joined project in the area for agro-biodiversity within a five-year period. This project has been launched to support the agriculture sector in food security, organic farming and the support to farmers in accessing new markets. The initiative resulted from ‘the Open Governmental Initiative National Action Plan for 2016-2018’ and contributes towards the implementation of the EITI Standards but does not seem to be enough because of the lack of the progress in civil society engagement. Azerbaijan, which was compliant with the EITI Rules since 2009, was for the first time negatively tested in 2015 and is now the first country that had to undergo a validation against the EITI Standard. In March 2017, Azerbaijan announced its withdrawing from the EITI.

6. CONCLUSION

While the MDGs were primarily focused on social well-being by including poverty, hunger, disease, unmet schooling, gender equality, and environmental degradation, the SDGs are more holistic, sustainable and inclusive by taking additionally social, economic and environmental aspects into account. Developing countries have made remarkable progress to reach the MDGs but created a new inadequacy, in which social development (mainly received by aid) became the focus of donor thinking, without being active in improving the county’s situation with proper institutions and structural changes. Close examination of many countries shows that focusing only on social aspects is not sufficient and cannot help to maintain the goals in the long run. A more comprehensive approach is needed. The new global goals that builds on the former ones tries to learn from the last failures and present an improved, comprehensive and ambitious agenda for a sustainable world. The SDGs addresses, among others, hunger and poverty, discrimination between gender, decent work, education and healthcare, human and environment well-being by leaving no one behind. With an extended set of goals and targets, the SDG framework covers nearly every field of economic, social and environment


39 EITI Azerbaijan withdraw from the EITI (10.03.2017): https://eiti.org/news/azerbaijan-withdraws-from-eiti (last access 02.03.2017)
issues to address global challenges. Nevertheless, the global goals changed the way of thinking and provided, first with the MDGs and subsequently with the SDGs, an easily understandable common set of global goals that offer a guideline to keep track towards a healthy, peaceful, just and sustainable world.

With the introduction of the implementation of the global goals, Azerbaijan not only got a directive to improve the country’s situation but also international financial support that helped for instance to build up infrastructure, including different kinds of networks and mechanisms as for example the production, distribution, and delivery of goods or services in primary health and education.

7. RECOMMENDATIONS

Despite the success in reaching the MDGs, since mod-2014, Azerbaijan suffers from the oil shock on the international oil and gas market that led to an economic crisis. The global spillover-effects and external costs, especially in the energy sector have been neglected over the last decades. The impact of changing the supply in energy in one country due to an increase of energy efficiency in another country had a multiplier effect across countries and led to economic crisis in oil dependent nations.

The current experience once again shows the importance of having a diversified economy that is also inclusive, sustainable and productive in the long-run. In order to increase the resilience of the economy and make the implementation of SDG possible, Azerbaijan urgently needs to build up proper institutions that would adjust the conditions in the spheres of human rights and needs to international standards.

To do so, open, correct, timely and sufficient data are needed to build effective, accountable and transparent institutions. The governance of Azerbaijan should secure accurate annual information and data to support managers, policy makers and public to make the best optional decisions. To keep track towards the SDGs, Azerbaijan should set intermediate objectives and milestones with clear dates. By creating transparency and ensuring human rights, which is necessary to reach the SDGs, Azerbaijan could also solve the high level of corruption, enhance public trust in government and open the doors for a fair business environment that is crucial for productive growth and trade. Azerbaijan is also recommended to make progress on civil society engagement and return to the EITI. With legal stabilization, the government would also attract international foreign investments and with this also brain gain and tourists.

Regarding productive growth, Azerbaijan should, alongside the diversification of the economy, focus on efficient working methods by reducing production costs and simplifying tasks by using better technologies and automation, which is significant for sustainable growth and can lead to comparative
advantage and more international trade. To strengthen the inclusiveness of the youth in rural areas, Azerbaijan should support effective and efficient rural education, that teaches practical and technical skills appropriate to the rural context. With better opportunities for the youth in rural areas, the agriculture sector, which is the greatest non-oil sector in Azerbaijan, can develop faster due to the access to technologies, entrepreneurial skills and social marketing.

To implement the SDGs, the government needs to include citizens and to collaborate with stakeholders, private sector, NGO’s and academia from all sectors and all levels. Since inclusiveness and the reduction of inequality are important to the SDGs, the government of Azerbaijan needs to take steps in these directions. Thus, although greater wealth is good in the sense that it increases country’s economic power, unequal distribution of resources can hamper inclusive growth in long-run, making it impossible to achieve the SDGs. To prevent this problem, more distributive social and economic policies should be implemented, alongside with new taxation regime (i.e. progressive taxation) that would contribute to reducing inequality. As of now, Azerbaijan operates a flat-rate tax in which everyone pays the same rate regardless of income.

Since human capital is a prerequisite for long-term development, Azerbaijan needs to keep its intellectual people in the country by offering them better opportunities. In this regard, those with high potential must be provided with proper infrastructure (such as high-tech parks, science parks etc.). Another way in which this can be achieved is making sure that there is the same level of payment for the same performance for both local and international employees. As Azerbaijan can learn from other countries failures it can also learn from their successes, especially regarding education and health. The small size of the country can be a great advantage because of better calculation and faster restructuring measure of new rules or other changes.

Because the world is getting increasingly interwoven, a more global approaches to pressing issues is needed. All countries are affecting each other more than ever, which makes a common agenda essential to solve the issues of the world. Access to information, knowledge and technologies are necessary conditions for growth and should be shared to secure the developing progress. The governance of Azerbaijan takes an important part to achieve the SDGs, backed by political power and authority that allows it to influence the directions of sustainable development in a way that can support several positive spillover-effects through the country to achieve the SDGs successfully.

The critic of the global goals, which discusses the manipulation of data and states the impossibility of reaching those goals in such a short period cannot be denied but this is something the world should work on. Reaching the goals may be long shot for now, but raising awareness of problems we have in our world that everybody can understand, giving directions of solving issues commonly while mobilizing all human beings to take part in this project is an important step but not enough to secure prosperity and peace within and across countries. As the last 15 years have shown, it is also necessary to set time-bound
targets and commit the governance as well as stakeholders and citizens to implement the SGDs while giving correct and updated information and reporting the development progress. Therefore, proved and open data as well as better education are the most important instruments to reach the global goals successfully.

In this regard, the most urgent undertakings the government of Azerbaijan should make are creating stable and efficient institutions to international standards while opening and improving statistical data and information, solving the disparity problem in the country by diversifying the economy with productive work, providing and improving public and social service delivery as for instance in education, health and welfare, tackling gender discrimination and focusing on climate change. Furthermore, a great challenge will be to solve the occupation problem in Azerbaijan without triggering a war. Because of the high interest of the neighboring countries, Azerbaijan should address that topic to international organizations and elaborate a better solution together with them. It is necessary for Azerbaijanis and Armenians to approach each other and find a compromise in the absence of more bloodshed.


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