



ECO Annual Economic Report

Economic Cooperation Organization



ECO
Annual Economic Report 2023

**Overall Economic Situation,
Industry and Diversification of the
Economy in the ECO Area**

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FOREWORD



It is a great pleasure to launch the "ECO Annual Economic Report 2023: Overall Economic Situation, Industry, and Diversification of the Economy in the ECO Area," the flagship publication of our Organization. This Report highlights the macro-economic performance of the ECO Member States, showcasing their considerable resilience in the post-crisis era.

In 2023, the world economy demonstrated stability, defying predictions from international organizations that it would come "dangerously close" to recession. Global crises and slowing economic growth could undermine prospects for achieving the SDGs, including the targets for poverty reduction. Although the total number of people living below the poverty line decreased in 2023, poverty levels in low-income countries remained higher than pre-pandemic levels.

Risks to socio-economic development include rising geopolitical tensions, tightening monetary policies, limited fiscal space and weakening global trade. These factors could slow global economic growth in the coming years. As a result of these conflicts, the trend toward reformatting the world economy, its fragmentation, or regionalization is becoming dominant.

ECO countries have played a crucial role in driving global economic growth. The Report highlights that the ECO region has the potential to become hub of economic activities due to its natural resource endowments in low cost energy, skilled young HR, strategic location with efficient connectivity networks with consumers market of half a billion people within the ECO region.

The ECO Vision 2025 reaffirms the Member States' commitment to the objectives of the ECO and outlines various targets. As 2025 approaches, the ECO Secretariat, in collaboration with Member States, is assessing the implementation of Vision 2025 and evaluating the attainment of its targets. Additionally, consultations have begun to set the strategic direction for the coming decade, aiming to develop "A New Strategic Document." Lessons learned from Vision 2025 will inform the formulation of an effective strategy for the upcoming period.

In conclusion, the "ECO Annual Economic Report 2023" highlights the resilience and potential of ECO Member States post-crisis. It emphasizes their role in global growth and the importance of transparent trade and international cooperation. As ECO Vision 2025 nears completion, efforts are focused on assessing achievements and planning a new strategic framework for the next decade.

I extend my heartfelt thanks and appreciation to the ECO Member States for their invaluable support and contributions to the development of this Report. Your commitment and collaboration have been essential in highlighting our collective progress and shaping the future direction of the ECO region.

Khusrav Noziri
Secretary General

ACKNOWLEDGMENTS

In preparing the present issue of the ECO Annual Economic Report, a participatory approach has been adhered to.

Thus, the present document is a collective effort of ECO Secretariat staff involved in the pertinent area and of the representatives of relevant authorities of the ECO Member States.

Special contributions to the Annual Economic Report have been received in the form of country reports from the Member States. To that impact, the Secretariat appreciates the deep rooted and thoughtful insights and expertise from all the ECO members.

Sectoral Directorates of ECO Secretariat have had their helpful say in providing inputs for reflecting “Main developments in ECO’s core activity areas”, Chapter II of the Report.

For technical matters and digitizing the contents of the publication, the Secretariat internal staff’s tireless efforts are being paid the genuine tribute of appreciation.

ACRONYMS AND ABBREVIATIONS

ECO- Economic Cooperation Organization
RPC- Regional Planning Council
WB - World Bank
UNCTAD -United Nations Conference for Trade and Development
UNFPA -United Nations Population Fund
IMF- International Monetary Fund
ILO -International Labour Organization
N.C.U. - National Currency Unit
Ave - average
a - annual
CB - Central Bank
NB - National Bank
BoP - Balance of Payments
ADB - Asian Development Bank
ASEAN - Association of South East Asian Nations
CAREC - Central Asian Regional Economic Cooperation Programme
ITI - Islamabad-Tehran-Istanbul
KTI - Kazakhstan-Turkmenistan-Iran
EX - exports
IM - imports
FDI - Foreign Direct Investment
COM - Council of Ministers

CHAPTER I:
ECONOMIC SITUATION IN THE WORLD
AND ECO AREA

1. Trade, Investment and Inflation in the World and ECO area in 2023

1. The global economic environment is changing at an accelerated pace. As of 2023, the recovery after Pandemic remained extremely modest, with markets facing downside risks due to uncertainties surrounding sovereign debt and later on, the geopolitical conflicts. In the short run, the global economy and financial system are expected to continue experiencing volatility and instability. It is imperative for countries to act in a coordinated manner while formulating their fiscal, monetary and trade policies to avoid a potential disaster akin to the Great Depression of the 1930s, when currency wars and competitive devaluations were prevalent.
2. However, the developing nations and emerging market economies, including ECO countries, have played a crucial role in driving global economic growth. While the ECO region was not immune to the adverse effects of the global economic crisis, it demonstrated considerable resilience in the post-crisis era. Continued macroeconomic stability and ongoing structural reforms are essential for the sustained development of the region. The region has the potential to become hub of economic activities due to its natural resource endowments in low cost energy, skilled and low waged young HR, strategic location with efficient connectivity networks with consumers market of half billion people within the ECO and billions accessible consumers in neighbouring markets like China, Eurasia, SAARC, ASEAN, GCC, EU etc. The renewed focus on ‘Regionalism’ in Supply Chains, which ultimately contribute to Global Values Chains, makes the region an attractive destination of investment with a suitable framework for protection and promotion of Investment.



3. The ECO region’s contribution in world trade has crossed US\$ 1trillion mark in 2022 for the first time and reached one Trillion and 139 billion. The contribution of the ECO region in world trade has been around 4.1 per cent in 2022, up from USD 935 billion in

2021.¹ In the year 2022, imports of the ECO region from the world were recorded at US\$ 613.8 billion while exports to the world were recorded at US\$ 524.5 billion. The ECO region has recorded a trade deficit of US \$ 89.3 billion in 2022, which shows that the region's exports are far below its true potential - a target set in the ECO Vision 2025 to increase exports from ECO region to the world. This share is quite low, when seen the context of region's share of 6.6 percent in the global population.

4. The intra-regional trade, i.e. trade among the ECO countries out of their world trade has been recorded at US\$ 96.5 billion in 2022. In 2022, the Region's Exports to world were recorded at US\$ 525 billion and Imports at US \$ 614 billion, resulting in a net trade deficit of US\$ 89 billion for the ECO in 2022 with the rest of the world. The inflow of Foreign Direct Investments (FDI) to the ECO countries is below its potential as we see a global trend of low FDI flows among developed world. The FDI inflows have shown 20% growth with figures of US\$ 25.7 billion in 2022 against 21.4 billion USD in 2021². During Pandemic the inflows were recorded at US\$ 18 billion USD in 2020.
5. The ECO Trade Agreement (ECOTA), the region's flagship preferential trading arrangement, aims to:
 - Expand intra-regional trade and increase ECO Contribution to global trade,
 - Achieve economies of scale,
 - Improve the competitive environment, and
 - Establish a Free Trade Area (FTA) in the region.



Virtual Technical Consultation Session on the Implementation of ECO Trade Agreement (ECOTA)

6. Efforts are underway to expedite the implementation/ expansion of membership of existing operational, ECO legal instruments in trade and investment, including:
 - Agreement on Promotion and Protection of Investment among ECO Member States, operationalized in 2022 by five and ratified by four member states, operational to be signed and ratified by all ten member states. ;

¹ <https://www.trademap.org/Index.aspx?nvpm>. The data for 2023 is not complete and for ECO region.

² <https://unctad.org/publication/world-investment-report-2023>

- Agreement on Simplification of Visa Procedures for Businessmen and Transit Drivers of ECO Member States signed by seven and ratified by five Member States and already operational.
- Agreement on Establishment and Operation of ECO Smuggling and Customs Offences Databank, signed and ratified by five Member States and in force being made operational by completing technical requirements.
- Articles of Agreement on Establishment of ECO Reinsurance Company, in force but being operationalized by addressing technical issues and
- Development of a comprehensive Trade Facilitation Strategy/ Trade Facilitation Agreement for the ECO region.



9th Meeting of the ECO Council of the Heads of Customs Administration held on July 2, 2023 in Baku (Hybrid mode)

7. Simultaneously, ECO is facilitating the accession of Member States to the World Trade Organization (WTO). To support this process, the ECO Secretariat has been conducting annual WTO seminars.

II. Transport and Communications in the world and ECO area in 2023

8. Transport is a key component in economic and social development of the nations. As almost all the studies carried out by the International Institutions and economists suggest, improvement of transport is not only a key component in poverty reduction but it also plays a crucial role in economic and social development.
9. Furthermore, efficient transport networks increase investments and production capacities in the countries which have positive impact on trade with other countries. Differences across countries in transport costs, including relative costs between different modes of transport, are a source of comparative advantage and affect the volume and composition of trade.



10. Transport is fundamental to supporting economic growth, creating jobs and connecting people to essential services such as healthcare or education. But in many developing countries, the benefits are not being realized in parallel with others. Almost one billion people still live more than 2km away from all-weather road networks, where lack of access is inextricably linked to poverty.
11. There is also an urgent need to reduce the climate impact of transport. Domestic and international transports already contribute 20% of global GHG (Green House Gas) emissions. As populations, economies, and the need for mobility grow, GHG emissions from transport could increase by as much as 60% by 2050 if left unchecked.



12. When it comes to transport, developing countries face a dual challenge: ensuring everyone has access to efficient, safe, and affordable mobility, and doing so with a much smaller climate footprint.
13. The international institutions such as UN, World Bank, IMF, UNCTAD etc. continue their efforts for improving transport networks, and development of capacities of institutions and human resources through allocating funds for construction of transport networks, technical assistance programs etc.
14. Regional institutions and organizations such as ECO, CAREC, ADB, UNESCAP, UNECE etc. continue to contribute to the development of transport in their respective regions through project finance, technical assistance, studies and policy meetings.
15. The ECO strategy for the transport and communications sector focuses on developing essential road and rail links and corridors to facilitate the movement of people and goods. As major part of the ECO region is land locked, cooperation in the transport sector is highly vital and constitutes one of the priorities of Economic Cooperation Organization.
16. The Transit Transport Framework Agreement, which has entered into force in 2006, and ratified by 8 out of 10 ECO member countries, constitutes the basis for cooperation in transport in the ECO Region. Within the framework of the agreement, the Transit Transport Coordination Council (TTCC) has been established to implement the Agreement and deal with the emerging issues. The council and its auxiliary committees meet regularly to discuss and find solutions to the challenges that are of common concern to the member countries. The main purpose of the council and its committees is to establish common or harmonized standards and procedures for transit transport with a view to facilitating movement of passengers and freights.



17. Under the ECO/IDB Joint Project for TTFA implementation, studies on regional road and rail connectivity were conducted with an IDB financial assistance grant. These studies led to the formulation of the ECO Railway and Road Network Development Plans, which provide a comprehensive roadmap for enhancing interconnectivity in the region through identified transit routes. These plans include around 40 railway and 47 road projects prioritized by the Member States that are parties to the TTFA.



18. As part of the joint project, investment plans have also been developed, detailing the available and necessary resources for realizing these projects.

Cooperation in road transport:

19. The road transport plays major role in connectivity of the countries and in particular for ECO region, therefore, enhancement of cooperation in this sector has always been a priority for the Organization. Road transport authorities in the framework of Road Committee of the TTCC and project wise Working Groups along with the ECO Secretariat are in charge of follow up and monitoring of the road transport cooperation. In line with the policies set by the decision makers, various projects and programs have so far been implemented including, but not limited to, the following ones:

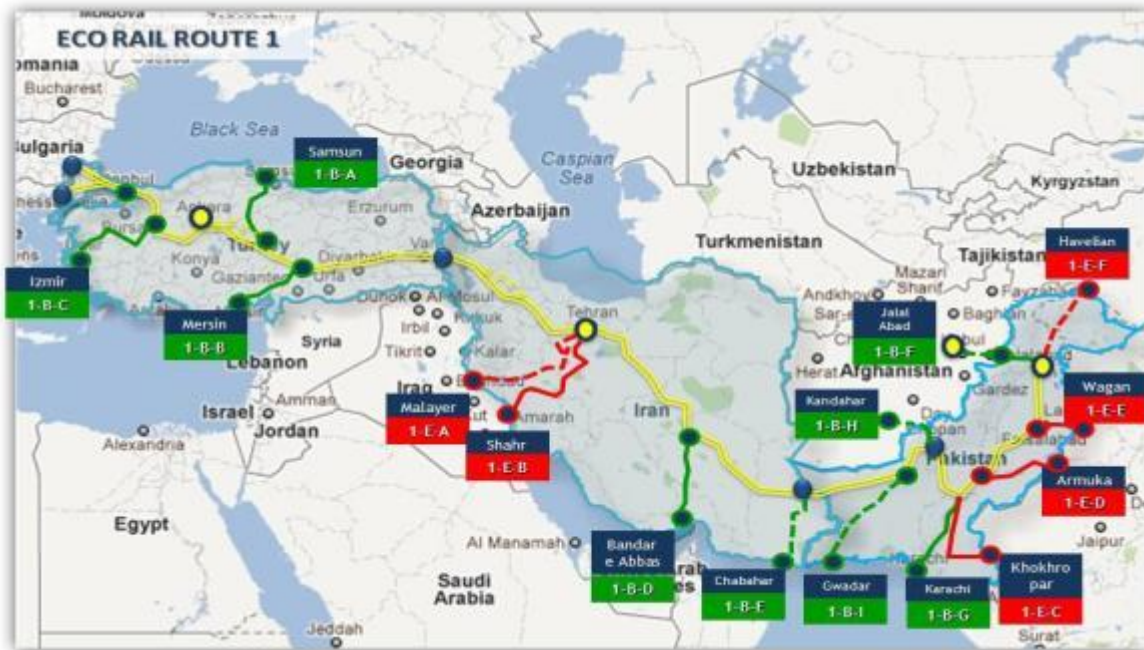
- 1- Coordination and standardization of road cooperation through assisting the Member States to join and adopt the relevant international legal instruments and regulations;
- 2- Preparation and publishing of ECO Road Maps;
- 3- Conducting various joint projects with UNESCAP, IsDB, UNECE, IRU;
- 4- Preparation of ECO Road Network Development Plan;
- 5- Conducting joint studies with IRU on studies on establishment of various road corridors including Islamabad- Tehran Istanbul (ITI), Kyrgyz Republic–Tajikistan–Afghanistan–Iran(KTAI);
- 6- Conduction ECO- Silk Road Truck Caravan in the territories of the Member States;
- 7- Conducting project on “Regular Monitoring of Trucks in the Region”;
- 8- Operationalization of ITI Road Corridor;

- 9- Implementing capacity building programs and workshops on road issues;
- 10- Organizing considerable number of meetings and events for policy making and coordination of activities;
- 11- Facilitation of Visa issuance;
- 12- Preparation of ECO Visa Pilot Scheme for Drivers;
- 13- Formulation of “Practical Guidelines on Cross Border Facilitation Measures under conditions of COVID-19”;
- 14- Conducting joint capacity building project (with UNECE and IsDB) for digitalization of transport documents (eCMR);
- 15- Establishment and promotion of relations with relevant international partners;
- 16- Establishment of Kyrgyz-Uzbekistan-Turkmenistan-Iran road Corridor;
- 17- Establishment of Tajikistan – Uzbekistan - Turkmenistan-Iran-Türkiye Road Corridor;

Cooperation in railway transport:



20. The railway sector has always been the primary focus of collaboration in the ECO and has gained momentum in recent years affected by the new orientation of the commercial transport towards inland and railway connectivity energized by the Belt and Road Initiative of China (BRI). The railway cooperation in the ECO is managed by the railway transport authorities in the framework of “Railway Committee of the TTCC” jointly with the “Meetings of the Heads of Railway Organizations” as well as project-wise Working Groups along with the ECO Secretariat.



21. Some of the activities and projects (in line with the policies set by the decision makers) that have so far been implemented are highlighted as the following:

- 1- Establishment of various Working Groups to follow up and monitor the progress of the railway corridors;
- 2- Development of infrastructure and operationalization of Istanbul-Almaty and Bandar-Abbas-Almaty Istanbul Railway Corridor;
- 3- Conducting study project on commercialization of Istanbul-Almaty and Bandar-Abbas-Almaty Istanbul Railway Corridor;



- 4- Completion of Islamabad- Tehran –Istanbul (ITI) railway corridor by construction of Kerman – Zahedan railway missing link;

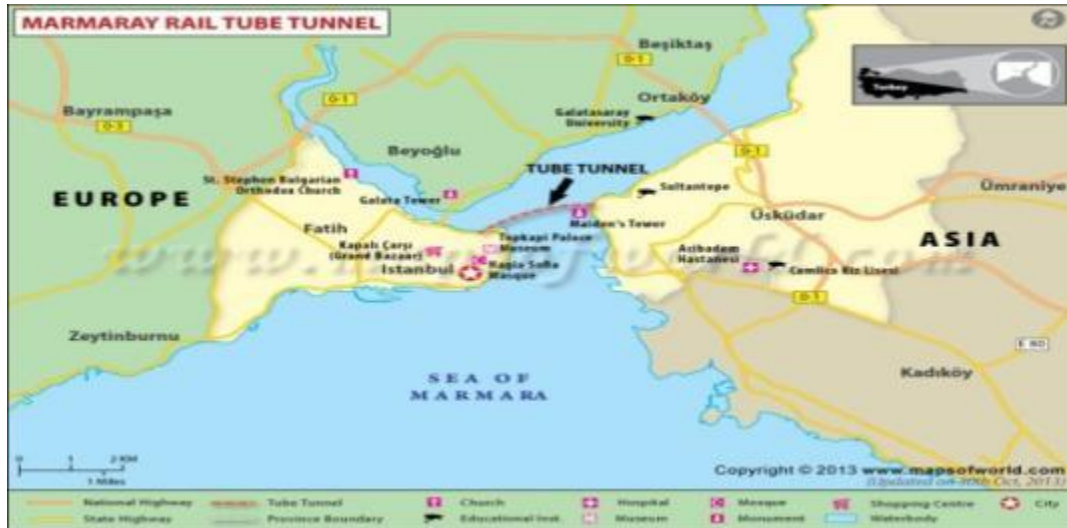
- 5- Operationalization of ITI railway corridor;



- 6- Construction and operationalization of Kazakhstan-Turkmenistan-Iran (KTI) railway corridor;
- 7- Conducting study project on commercialization of Kazakhstan-Turkmenistan-Iran (KTI) railway corridor;
- 8- Establishment of Corridor Management Mechanism of the KTI Corridor;
- 9- Completion of Qazvin- Rasht missing link in the North –South Corridor;
- 10- Implementation of GIS project in cooperation with IsDB and UNECE;



- 11- Construction of Khaaf- Herat railway in connection with implementation of railway project for the connection of China to Europe through Kyrgyz Republic, Tajikistan, Afghanistan and Iran (KTAI);
- 12- Construction of Marmaray Tunnel;



13. Implementation of Feasibility Study for Construction of Railway in Tajikistan in connection with implementation of railway project for the connection of China to Europe through Kyrgyz Republic, Tajikistan, Afghanistan and Iran (KTAI);
14. Coordination and standardization of railway cooperation through assisting the Member States to join and adopt the relevant international legal instruments and regulations;
15. Preparation and publishing of ECO Railway Maps;



16. Conducting various joint projects with UNESCAP, IsDB, UNECE, IRU and other organizations;
17. Preparation of ECO Railway Network Development Plan;
18. Conducting joint project with UNECE on “Implementation of Railway Unified Law along ECO corridors”;
19. Establishment of the “Coordination Committee on Almaty – Istanbul and Trans Caspian Corridors Within the Framework of the WP.5 (UNECE Working Party on Transport Trends and Economics)”;
20. Establishment and promotion of relations with relevant international partners namely IsDB, UNECE, UNESCAP, IRU, OTIF, OSJD, UIC and etc;
21. Organizing\conducting considerable number of meeting and events to follow up the project, programs and mandates.
22. Conducting the 15th Meeting of the Heads of ECO Railway authorities\ 9th Meeting of Railway Committee of TTCC;
23. Conducting 2 HLWG meetings on Almaty- Istanbul and Almaty – Bandar Abbas Corridors;
24. Conduction joint workshops with UNECE on safety of container handling (CTU Codes);
25. Preparation of 2 Concept Project Proposals on “Electronic Information Exchange among Railway and Customs” and “Digital Modelling for railway construction”.

Cooperation in transit and border crossing:

22. Border crossing facilitation and Customs formalities are integral and perhaps one of the most critical stages of transit and trade interactions all over the world and particularly in ECO Region. Therefore, border crossing facilitation is well attended in the framework of ECO’s regional transport cooperation and a technical Committee is also established within the framework of the Transit Transport Coordination Council (TTCC) to regulate the critical sector.

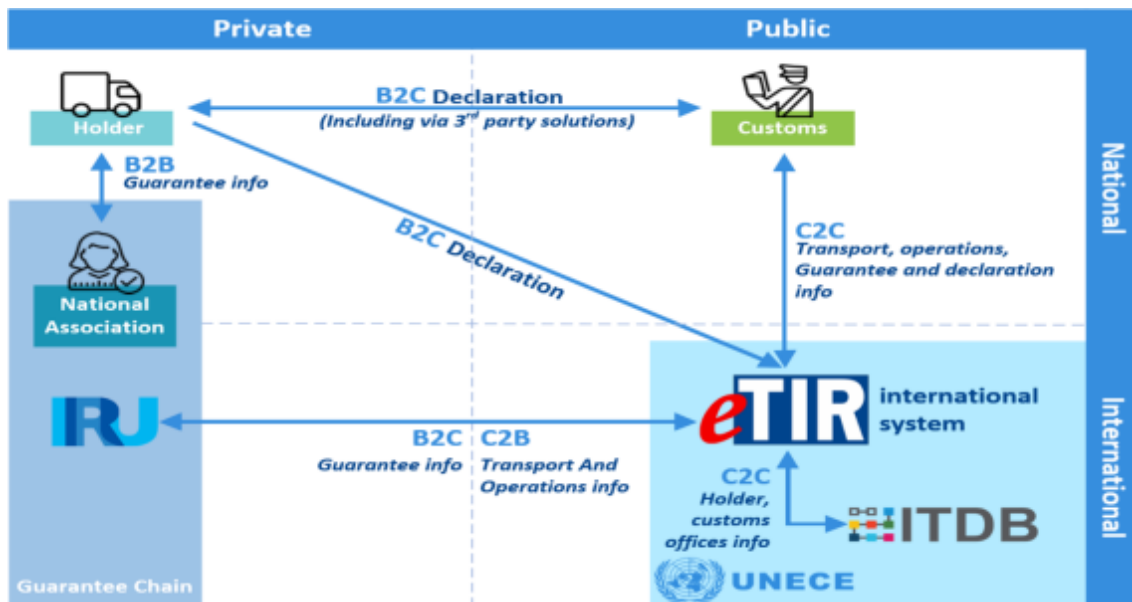


23. The Customs Committee jointly with the ECO Secretariat monitors implementation of the Customs related provisions of the TTFA and discusses and recommends solutions and decisions to the TTCC for taking necessary decisions and actions. In this connection of the Secretariat has successfully implemented the following projects and plans in fulfilling its mandates:

- 1- Simplification and harmonization of customs procedures and documents;
- 2- Enhancing the implementation of the Customs Convention on the International Transportation of Goods under cover of the TIR Carnets among the Contracting Parties to TTFA;
- 3- Operationalization of TIR Convention in the whole Region;



4- Conducting capacity building projects in joint collaboration with UNECE and IRU on implementation of eTIR and Digital TIR and TIR-EPD;



- 5- Conducting Joint Feasibility Study with IsDB on Customs related Provisions of the TTFA and modernization of border crossing points in the ECO Region and preparation of relevant 5 Year Plan of Action;
- 6- Follow up accession\implementation of the ECO Member States to the following International conventions on: (*Simplification and Harmonization of Customs Procedures (Revised Kyoto Convention, RKC) and Harmonization of Frontier Controls of Goods, 1982 ("Harmonization of Frontier")*);
- 7- Establishment of ECO-TIR Associations Consultative Group (ECO-TIRACG);
- 8- Conducting test runs operation under cover of TIR conventions along various ECO Road Corridors namely ITI and KTAI;
- 9- Follow up of reduction or removal of physical checks for TIR transports at BCPs;
- 10- Conducting multimodal transit (rail and road) under TIR Convention;



- 11- Operationalizing IRN-AZE-RUS and IRN-TKM-UZB-KGZ and TJK-UZB-TKM-IRN-TUR under TIR System;
- 12- Organizing the Meetings of Transit Trade (Customs) Committee of TTCC;
- 13- Joint project with UNECE and IsDB for promotion of eTIR and eCMR in the ECO region;
- 14- Active and effective contribution to the election of ECO Member States at the TIR Executive Board (TIR ExB);
- 15- Involvement with IRU on various international activities and test runs.

Cooperation in maritime transport:



24. Access of three ECO Member States to open seas and international waters on one hand and geographically land locked status s of the rest of the Region necessitated cooperation in the maritime sector. The ports of the Iran, Pakistan and Türkiye in Persian Gulf, Indian Ocean, Black Sea, and Mediterranean Sea coupled with their rail and road networks provide the rest of the region with considerable opportunities to further promote and enhance trade relations with the rest of the world as well as with each other. For this reason, the three Member States have invested heavily for development of their port capacities to facilitate the access of the Land Lucked countries to the rest of the world.



25. The Heads of Maritime Reference Organizations (HRMO) manage and monitor the cooperation in this sector in coordination with the Secretariat. Some of the cooperation in maritime are summarized as the following areas:
- 1- Cooperation in provision of maritime transport facilities to the ECO landlocked countries (LLCs) and utilization of sea port facilities/logistics services of the Member States;
 - 2- Establishment of ECO Shipping Line;
 - 3- Field visits to their sea\dry ports for onsite exploration of facilities and opportunities by the officials and interested private sector investors;
 - 4- Establishment of ECO Logistics Providers Associations (ECOLPAF);

- 5- Implementation of the project on: “Linking the existing regional sea ports in the ECO Region with ECO’s landlocked and transit countries’ dry ports (ECO Gate)”;
- 6- Establishment of ECO Consultative Maritime Officials Network;
- 7- Launch of a tourism cruise liner in the Caspian Sea;
- 8- Cooperation in procurement and operationalizing of Ro-Ro vessels;
- 9- Advisory services/training on requirements for equipment of Global Maritime Distress and safety System (GMDSS) and on requirements for navigational systems within the framework of SOLAS *;
- 10- Collaboration during the COVID-19 pandemic;
- 11- Establishment and promotion of relations with relevant international partners inter alia, IMO, IsDB, IRU, UNESCAP;



Cooperation in Civil Aviation:

26. Evidently the civil aviation plays a very crucial role in sustainable development of our societies and various activities have been on the agenda of ECO to enhance cooperation in this important sector including establishment of ECO Airline. With increasing attention to civil aviation, the 9th Ministerial Meeting on Transport on 1-3 May 2018 in Turkmenbashi (Turkmenistan), agreed to establish a Working Group on Civil Aviation.

27. Civil Aviation has revealed its critical importance for the ECO region, especially during the COVID-19 pandemic during which connections among regional countries were severed due to immediate travel bans. Irreparable revenue loss has hit Civil Aviation Industry at global as well as ECO regional levels. This has necessitated the mobilization of regionally concerted action to tackle scourges of disastrous pandemic.



28. The Working Group on Civil aviation is primarily mandated to enhance cooperation of the Member States particularly through:
- 1- Establishing Cooperation in the field of training and advanced training of the inspectors of the aviation authorities as well as specialists in the civil aviation industry;
 - 2- Certification of operators of aircraft and airfields (heliports) of civil aviation, licensing of aviation personnel and organization of air transportation;
 - 3- Establishment of ECO Air Hub in Gabala (rep. Azerbaijan) and Samarkand in Uzbekistan;
 - 4- Cooperation among private Airlines;
 - 5- Exchange of experience and experts;
 - 6- Establishment of flights among tourism destinations in the region;
 - 7- Establishment of “Regional Framework Agreement on Civil aviation”
 - 8- Establishing and enhancing relations with the relevant international organizations;

Cooperation in Communications and ICT:



Background of the regional ICT and telecommunications cooperation:

29. Regional Cooperation on ICT and telecommunications under the auspices of the ECO dates back to the earliest years of the establishment of this organization. Throughout the 1990's such cooperation was monitored and coordinated under the framework of the regular meetings of the heads of telecommunication authorities of the Member States, the last meeting of which was held in October 2002 in Almaty, Kazakhstan. The main issues and priorities in the mandate of the ECO Heads of Telecommunication Authorities were as follows:
- Trans-Asia-Europe Fiber Optical Cable System (TAEFOS);
 - Exchange of information on manufacturers of the products for telecommunication and postal companies and new technologies;
 - Initiation of joint research and design activities in the field of telecommunications
 - cooperation in postal field;
 - Exchange of the telephonic traffic among the Member States.
30. From 2003, the Heads of Telecommunication Authorities ceased to hold more sessions, reportedly due to rapid structural and institutional changes in the telecommunication sectors of the member states. However, cooperation on telecommunication sector was retained in the framework of a High Level Working Group Meeting on Trans-Asia-Europe Fiber Optical Cable System (TAEFOS). The reason for setting up the said Working Group were the existence of organizational, operational and technical constraints and limitations among the member states with regard to:
- Considerable breakdown in the international traffic on TAEFOS on East-West routes amounting to hundreds of hours;
 - The quality of the services provided to subscribers not meeting international requirements;
 - The days off not adjusted between the concerned parties;
 - Slow process of testing due to bureaucratic procedures between the member states;
 - Delays in the replies to enquiries from the Member States operating TAEFOS;
 - Language problem among the maintenance experts.
31. The abovementioned working group held four consecutive regular meetings throughout 2000-2004. It resulted in one of the ECO most successful and tangible projects. Thanks to collective work of the member states under the umbrella of this working group, reliable links among telecommunication systems of the ECO Member States with South-Asian and Europe were secured. The ECO Member States reported in the 17th RPC Meeting (Tehran, February 2007) that considerable decrease had occurred in interruptions in TAEFOS communications, resulting in improved quality of signals in the region.

32. In the said meeting the remaining work to complete the TAEFOS network was stated to be extending the fiber cable to the border of Nakhjavan and extending the network from Pakistan to neighbouring ECO Member States.
33. The regular annual meetings of the ECO High Level Working Group on TAEFOS not only coordinated and monitored the development of infrastructure and connectivity in the region, but played a key role in improving the contacts and communications between the responsible agencies of the member states and reducing the tariffs.
34. The outlines of the ECO Plan for the development of telecommunications and postal links in the ECO region was approved by the 7th Meeting of the ECO Council of Ministers held in Tehran on 28-29 April, 1997, in pursuing to the relevant provisions of the Treaty of Izmir, Para 11 of Quetta Plan of Action and Paras 10-11 of the Istanbul Declaration of the Long-Term Perspectives of ECO.
35. Main aims and objectives of the Plan were as follows:
 - (i) To ensure that necessary numbers of telephone/telefax channels exist between each of the ECO countries.
 - (ii) To explore the possibility of expanding satellite links between all ECO countries for telecommunications, television and radio broadcasts. The feasibility of an ECO satellite may also be explored.
 - (iii) To effect improvements in the Postal System so that mail from one ECO country is delivered to another ECO country within one week's time.
 - (iv) To explore the possibility of manufacturing different components of telecommunications in the member countries.
 - (v) To enhance cooperation between existing research centers in the Member States and to establish, if necessary, new regional research centers in the telecommunications industry.
 - (vi) To carry out joint activities in the field of training for postal and telecommunications sectors.
36. This broad plan was expected to be translated into detailed and time-bound projects, programmes and measures under the programme of Action for the ECO Decade of Transport and Communications (1998-2007). In spite of the fact that the transport projects identified in the said Programme of Action were effectively implemented, with significant positive impact on strengthening the rail and road network of the region, the part on Development of Telecommunications and postal links were not satisfactorily operationalized. As regards **postal cooperation**, during the last three years, the ECO Online Money Order system has been designed based on the model offered by the Republic of Turkey. The Standard Operating Procedures (SOP) for operating the system has also been finalized and approved by the member states. The SOP is open for signing by the member states and it is hoped that the 1st ICT Ministerial Meeting will take necessary measures to expedite the signing and launching procedures.

Latest developments in Communication and ICT Cooperation:



37. The three Meeting of the ECO Ministers of ICT in 2012 (Tehran) and in 2017 (Baku) and in 2023 in Tehran extensively reviewed the past activities and discussed decided over the potentials of the regional cooperation on communication and ICT and outlined new areas of collaborations. A High Level Working Group was also established to follow up the decisions and enhance the needed cooperation. Right now the following activities are on the agenda of the ECO and the secretariat is implementing the programs and projects to help enhance the regional ICT interactions:

- 1- Implementation of project on ECO Strategy 2025 Regional Strategy for Information Society;
- 2- Feasibility study on fiber optics network in the region;
- 3- Establishment of regional regulatory framework;
- 4- Cooperation on Cyber Security;
- 5- Cooperation on exchange of experience and capacity building;
- 6- Promotion of infrastructure development;
- 7- Promotion of postal cooperation;
- 8- Cooperation with ECO Postal College (in Pakistan);
- 9- Organizing relevant Working Group Meetings;
- 10- Establishing and enhancing relations with international organizations namely ITU;
- 11- Workshops and Webinars on Big Data, Artificial Intelligence, Cyber Security and so on.
- 12- Collaboration with international partners.



38. The ECO Region in its 4th decade of expansion has taken big steps towards integration and meeting the sustainable development goals in particular in the field of transport and connectivity. Fortunately, the regional and international connectivity has been relatively prioritized by the Member States and developed compared to other areas of cooperation and this focus has resulted in enhanced connectivity among Member States. However, our Region is still far from the aspirations of the people and the targets of a seamless connectivity that obviously is instrumental in development of all other economic and social sector of the societies. Lack of investment and financial resources is one of the main challenges for further speedy development of connectivity in the Region that need to be properly addressed by the Organization.



III. Agriculture and Industry in the world and ECO area in 2023

(i) Agriculture

39. Agricultural development is one of the most powerful tools to end extreme poverty, boost shared prosperity and feed a projected of 10 billion people by 2050 in the world. It plays a major role in economic growth and development and also is a substantial source of rural income and employment. The pandemic and its ensuing economic rebound, the war in Ukraine and the soaring prices of food and agricultural inputs, all played out differently across regions and populations, with differing impacts on hunger and food insecurity. Many countries were hit hard by higher food import bills, while others benefitted from the higher prices. Nowadays, assessment of the global and regional food security situation reflects a world that is on the verge to recover from the COVID-19 pandemic while the war erupted in Ukraine in early 2022, involved major producers of agricultural commodities in the world and sent shockwaves through commodity markets.
40. Food inflation remains high in the world, with dozens of countries experiencing double digit inflation. Domestic food price inflation remains high around the world. Almost all low and middle-income countries now face high food price inflation, alongside over 80% of high income countries.

41. The 2030 Agenda for Sustainable Development Goals is our blueprint to tackle the root causes of hunger and malnutrition, from conflict to climate shocks, to inequality and poverty. Economic Cooperation Organization is hence committed to the Sustainable Development Goal 2, Zero Hunger, the accomplishment of which will lead to greater food security, health and welfare. The majority of ECO members rely heavily on the agro-food sector for economic growth, trade and investment. Despite the existence of great potentials and opportunities available in the region and with some ECO countries that have sizeable agricultural sectors, not much progress has been made so far and currently the potential of the ECO region for exporting agricultural productions in the international markets is much below its potential. If ECO countries fully utilized their agricultural potential, it could significantly impact their position in international markets and enhance bilateral trade relations within the ECO region and with neighbouring countries.
42. The ECO Member States have a crucial role in addressing food security, leveraging their potential to secure food supplies domestically and improve the food situation beyond their borders. Recognizing this, ECO places great importance on enhancing cooperation in the agriculture sector. A key instrument for garnering contributions and commitments from Member States is the high-level political dialogue. To this end, ECO convened the "7th ECO Ministerial Meeting," preceded by the "6th High-Level Experts Meeting on Agriculture," hosted by the Republic of Uzbekistan in Tashkent on July 5-6, 2022. This meeting followed the COVID-19 pandemic and regional political escalations that severely impacted food security. Among other significant decisions, the Ministers expressed strong support for increased cooperation to mitigate these adverse effects, culminating in the Tashkent Declaration.
43. The ECO Regional Program for Food Security (ECO-RPFS) was developed with technical assistance from the Food and Agriculture Organization of the United Nations (FAO) to prioritize food security among Member States. In collaboration with the ECO Regional Coordination Centre for Food Security (ECO-RCCFS) and FAO, the ECO Secretariat updated the ECO-RPFS to address pandemic-related challenges. This comprehensive program was adopted by the Ministers during the 7th ECO Ministerial Meeting on Agriculture.
44. ECO-RCCFS, as the coordinating body for RPFS implementation, serves as a valuable platform for Member States to share knowledge and updates via its trilingual (English, Russian, and Turkish) website. To implement the updated ECO-RPFS, the project "Transformation of the ECO Regional Coordination Centre for Food Security (ECO-RCCFS) from a programme-based organization into a self-sustainable institution" was completed on June 30, 2023. This project aimed to enhance ECO-RCCFS's capacity to provide systematic and effective support to Member States, offering necessary advice, guidance and information for improving food security and nutrition policies.
45. Additionally, the 4th Steering Committee Meeting of ECO-RCCFS was held on October 6, 2022 in Istanbul to facilitate the implementation of the updated ECO-RPFS, aiming to improve and enhance the resilience of ECO Member States to future crises.



46. A crucial component of our agricultural development policy is strengthening seed supply in the ECO region. The status and development of national seed industries are directly linked to the overall progress of member countries. In all Member States, the availability, access and use of high-quality seeds and adapted crop varieties play a vital role in boosting agricultural production and productivity, ensuring food security and improving farmers' livelihoods. This is particularly critical as global food prices remain high and national food security remains a major governmental concern.
47. While various studies and activities in the seed sector have occurred at national and international levels, these need to be evaluated and integrated into a regional framework to clarify and facilitate the roles of stakeholders in the seed sector. The ECO Seed Association (ECOSA), in cooperation with the ECO Secretariat, has worked to increase agricultural trade commodities and improve the seed sector's infrastructure in the ECO region.
48. To enhance the quality of agricultural production and seed trade, the ECO Regional Seed Agreement was developed as an outcome of the ECO/FAO-SEC (FAO Sub-regional Office for Central Asia) Project. This agreement has been circulated among Member States for review and will be finalized shortly. To date, ECOSA and ECO have organized eight Seed Trade Congresses to improve seed trade in the region. The 8th Seed Trade Congress was held on March 20-21, 2024, in Taraz, Kazakhstan, with active participation from businessmen and stakeholders in the seed and agriculture sectors from the ECO region.
49. Another key pillar of the ECO's agricultural development policy is cooperation on animal trade and veterinary services. The 3rd ECO Heads of Veterinary Organizations Meeting was held, and the Work Plan for the priority activities of the ECO Veterinary Commission (ECO-VECO) was finalized. This Work Plan was discussed during the 1st and 2nd Technical Committee Meetings in 2022 and 2023, virtually hosted by the Republic of Azerbaijan and the Islamic Republic of Iran, respectively. Implementing this Work Plan will establish an animal disease surveillance network, promote animal and animal products trade within the ECO region, remove trade barriers, issue certifications and set up slaughtering and laboratory networks, as well as quarantine checkpoints at regional borders.



50. Given the current food security challenges in the region, the use of biotechnology in agriculture is inevitable. Biotechnology has led to significant advancements in the agricultural sector globally and regionally. In this context, the ECO Secretariat, in collaboration with the ECO Agricultural Biotechnology Network (ECO-ABN), held the 2nd Expert Group Meeting of the ECO Agricultural Biotechnology Network on October 24, 2023. The meeting discussed the crucial role and numerous benefits of biotechnology in agriculture, including enhanced crop production, improved quality, increased nutritional value, fresher produce, better taste, chemical tolerance and disease resistance.

(ii) Industry

51. Industry is one of the key sectors which can boost economic growth of the region through increasing productivity. It is one of the main drivers which bring nations to more prosperous and sustainable futures. ECO Member Countries are at varying degrees of industrialization. The extent of industrial and technological development particularly in the hi-tech arena is very limited thus requiring particular attention. Prevalence of natural and economic human resource is among the advantages that makes investment in industries, affordable and cost effective. However, different factors particularly lack of optimum knowledge of regional capacities, ambiguous regulations and fluctuating procedures are impeding factors.

52. Furthermore, absence of national strategic policies toward an effective regional cooperation, ambiguity in defining the targets and objectives, skewed financing and non-involvement of women, lack of proper connectivity, regional sub-quality infrastructure and insufficient capacity for high-tech and new technologies are among the deficiencies for a rapid and cohesive industrial cooperation among the Member Countries. Industrial paradigm of the ECO Region needs to be readjusted as far as possible to contribute to the

growth and productivity while meeting the SDG's through adoption of relevant 'standards and criteria' and 'establishment and enhancement of quality infrastructure' in the region.

53. Promoting regional trade is a fundamental objective of the ECO, highly prioritized by its Member States. However, sustainable trade hinges on fulfilling certain prerequisites. One crucial precondition is the development of a robust quality management infrastructure and the harmonization of standards through Standardization, Conformity Assessment, Accreditation and Metrology. These standards guarantee consistent quality for goods and services within specific industries, ensuring they meet comparable products or services' standards. This fosters uniformity in industry practices.
54. Standardization plays a crucial role in ensuring the safety, interoperability and compatibility of manufactured goods. Standardization, Accreditation, Conformity Assessment and Metrology are essential and interdependent components of trade. Without these elements, activating regional trade among Member States would be impractical. Therefore, the establishment of the ECO Regional Institute for Standardization, Conformity Assessment, Accreditation, and Metrology (ECO-RISCAM) is pivotal for enhancing the region's quality infrastructure through collaboration with relevant international organizations.
55. The 9th High-Level Working Group (HLWG) Meeting of ECO-RISCAM took place on November 21, 2023, and its First General Council Meeting is scheduled for the near future. Undoubtedly, RISCAM's activities can create a platform among member countries to achieve uniform standards of production and enhance intra-regional trade.
56. ECO Vision-2025 aims to achieve long-term high-level growth and knowledge-based production through increased research and development (R&D), entrepreneurship, private sector involvement and enhanced collaboration among Member States in high-tech fields like nanotechnology. Nanotechnologies hold promise in providing innovative solutions for people in developing countries who lack access to basic services such as safe water, reliable energy, healthcare, agriculture and education.
57. Nanotechnology has the potential to significantly improve and even revolutionize various technology and industry sectors, including information technology, homeland security, medicine, transportation, energy, food safety and environmental science. Its transformative impact on manufacturing will reshape labour, workplaces and infrastructure. The applications of nanotechnology are already delivering both expected and unexpected benefits to society.
58. In this context, the ECO Secretariat collaborates with the ECO Nanotechnology Network to leverage Member States' expertise and enhance systems in ECO countries lacking such knowledge. This initiative aims to revolutionize various industries across the ECO region through nanotechnology applications. The 2nd Steering Committee Meeting of the ECO Nanotechnology Network in 2023 focused on exploring new nanotechnology-based solutions to improve access to basic services in developing ECO countries, including safe water, reliable energy, healthcare, agricultural production and food safety.
59. Small and Medium Enterprises (SMEs) play a pivotal role in most economies, particularly in developing countries. SMEs constitute the majority of businesses globally and are crucial contributors to job creation and economic development. They represent

about 90% of businesses and more than 50% of employment worldwide. Formal SMEs contribute up to 40% of national income (GDP) in emerging economies, with even higher contributions when informal SMEs are included. Given projections that estimate the need for 600 million jobs by 2030 to accommodate the global workforce, SME development is a top priority for governments worldwide. In emerging markets, SMEs generate the majority of formal jobs, accounting for 7 out of 10 new job opportunities.

60. Consequently, SME development serves as a pivotal instrument in economic, social development and poverty reduction efforts. Through periodic Steering Committee Meetings on Entrepreneurship and SME Development, ECO facilitates harmonizing policies and fostering strong connections between relevant authorities and SMEs across Member States. Furthermore, ECO aims to enhance the management capacities of relevant government authorities through workshops and training programs. For instance, in 2022, the ECO Secretariat and the Small and Medium Enterprises Development Organization of Turkey co-hosted a virtual workshop on "Sharing Best Practices on SME Support and Evaluation Mechanisms." This workshop provided Member States with the opportunity to showcase their best practices and learn from others' implementation exposures.

IV. Energy and Environment

61. A number of large scale regional energy projects have been implemented in the ECO Region on bilateral and multilateral basis. At the same time, ECO Member States are engaged in achieving synergies under umbrella framework documents, namely ECO Vision 2025.

Energy

62. ECO Region avails one third of the global hydrocarbon resources and significant potential of renewable energy sources. Energy continues to be among the priority areas of cooperation within the ECO.

Indicators of production, import and export of energy resources in the ECO Member States for the period 2020-2022

#	Country	Crude oil (Mtoe)			Natural gas (bcm)			Coal (Mtce)		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
1.	Afghanistan									
	Produced	*	*	*	*	*	*	1.8	2.7	4.9
	Import	*	*	*	*	*	*	0.8	1.0	3.3
	Export	*	*	*	*	*	*	0.001	0.004	0.002
2.	Azerbaijan									

	Produced	36.2	36.5	32.7	26.4	32.6	35.0	-	-	-
	Import	-	-	-	-	-	-	-	-	-
	Export	29.8	29.6	26.6	13.8	19.1	22.6	-	-	-
3.	Iran									
	Produced	133.1	156.0	160.6	258.8	266.6	269.3	1.5	1.6	1.6
	Import	-	-	-	-	-	-	1.0	0.9	0.1
	Export	31.7	50.5	*	17.1	19.2	19.3	0.4	0.5	0.2
4.	Kazakhstan									
	Produced	87.3	87.5	84.2	31.3	27.3	27.0	63.3	65.5	99.3
	Import	-	-	-	13.1	2.4	2.2	1.2	1.4	-
	Export	70.5	67.8	64.3	20.8	10.1	7.8	18.2	18.7	37.3
5.	Kyrgyzstan									
	Produced	0.2	0.3	0.3	0.02	0.02	0.03	1.4	1.6	3.1
	Import	-	-	-	0.3	0.4	0.4	0.7	0.6	0.7
	Export	0.05	0.006	0.006	-	-	-	0.6	0.6	0.7
6.	Pakistan									
	Produced	4.3	4.2	*	28.3	29.5	29.5	4.8	5.0	7.6
	Import	9.2	9.2	*	11.2	12.7	10.8	17.8	18.8	21.8
	Export	0.3	0.3	*	-	-	-	-	-	-
7.	Tajikistan									
	Produced	0.02	0.02	0.02	0.001	0.001	0.001	1.3	1.3	1.3
	Import	0.01	0.003	0.01	0.2	0.2	0.4	0.03	0.06	0.06
	Export	-	-	-	-	-	-	0.003	0.02	0.02
8.	Turkiye									
	Produced	3.3	3.5	3.7	0.43	0.39	0.37	21.4	24.5	23.3
	Import	30.4	32.5	34.6	47.1	57.5	53.6	36.4	34.2	33.7
	Export	-	-	-	-	-	-	-	-	-
9.	Turkmenistan									
	Produced	10.3	10.1	9.6	80.2	81.2	82.7	-	-	-
	Import	-	-	-	-	-	-	-	-	-

	Export	1.0	0.8	0.4	58.4	59.4	59.6	-	-	-
10.	Uzbekistan									
	Produced	2.9	3.0	3.2	48.1	52.0	51.7	2.1	2.6	2.8
	Import	0.7	0.3	0.3	-	2.0	-	1.6	1.3	1.1
	Export	-	-	-	3.0	5.3	5.3	-	-	-
<p>Mtoe - Million Tonnes of Oil Equivalent</p> <p>bcm - Billion cubic meters</p> <p>Mtce - million tonnes of coal equivalent</p> <p>Data taken from open sources (websites of national statistical offices, International Energy Agency, World Data Atlas, etc.)</p> <p>* No data</p> <p>- No action</p>										

**Indicators of production, import and export of electricity
in the ECO countries for the period 2020-2022**

#	Country	Electricity(GWh)					
		Generation				Import	Export
		Total	Renewables	Other	Share of RES (%)		
	Afghanistan						
	2020	812	684	128	84	5153	-
	2021	834	702	132	84	5372	-
	2022	*	*	*	*	*	*
2.	Azerbaijan						
	2020	25839	1313	24526	6	136	1150
	2021	27887	1520	26367	6	151	1673
	2022	29225	1780	27445	6	137	2997
3.	Iran						
	2020	336238	17249	31898 9	5	2673	9469

	2021	344161	17289	32687 2	5	2673	9469
	2022	360693	17317	34337 6	5	2273	9469
4.	Kazakhstan						
	2020	110890	12187	98703	11	1568	2323
	2021	115078	12587	10249 1	11	2071	2638
	2022	118923	13041	10588 2	11	1904	2733
5.	Kyrgyzstan						
	2020	15404	13979	1425	91	352	301
	2021	15138	12957	2181	86	1682	547
	2022	13854	11902	1952	86	2814	463
6.	Pakistan						
	2020	141434	37871	10356 3	27	498	-
	2021	155818	38330	11748 8	25	498	-
	2022	168523	40973	12755 0	24	498	-
7.	Tajikistan						
	2020	20100	18114	1986	90	378	1870
	2021	20719	18657	2062	90	883	3307
	2022	20892	18662	2230	89	883	3052
8.	Turkiye						
	2020	306703	128344	17835 9	42	1889	2483
	2021	334723	118567	21615 6	35	2334	4186
	2022	326014	136515	18949 9	42	6414	3710
9.	Turkmenistan						

	2020	22534	3	22531	0.01	-	3201
	2021	22534	6	22528	0.02	-	3201
	2022	23072	10	23062	0.04	-	3201
10.	Uzbekistan						
	2020	66500	4999	61501	8	5207	2686
	2021	71363	4972	66391	7	6232	2644
	2022	74760	4980	69780	7	6232	2644
Gwh - Gigawatt hours							
Data taken from open sources (websites of national statistical offices, International Energy Agency, World Data Atlas etc.							
* No data							
- No action.							

63. ECO continued to take a follow up action of the relevant components of “ECO Vision 2025” and "ECO Strategy for Energy Cooperation 2030" along with its Action Plan. The success of their implementation heavily depends on the resolve of the Member States on how to leverage these key programmatic documents for the mutually beneficial cooperation.
64. Despite the vital role of hydrocarbons in economies of its Member States, ECO strives for building up the diverse and resilient energy architecture in the region via mainstreaming sustainable energy transition and energy-environment nexus in its overall energy agenda. This regional transformation predominantly targets on unlocking ECO Region’s tremendous opportunities in renewables and energy efficiency, and creating an enabling environment for sustainable energy markets and investments.
65. In pursuance of “ECO Vision 2025” and “ECO Strategy for Energy Cooperation 2030”, two pivotal projects are expected to pave the way for this transformation:: 1. The Project of establishment of the ECO Clean Energy Centre (CECECO); and 2. The Project of establishment of the ECO Regional Electricity Market (ECO-REM).
66. ECO continued to implement the preparatory phase of the CECECO Project jointly with UNIDO as its international partner. CECECO represents an explicit example of the ongoing transformation efforts and is considered as a promising future element of the Global Network of Regional Sustainable Energy Centres (GN-SEC) being implemented across the globe. In 2023, two key pending components were addressed in parallel for the earliest operationalization of the Centre: i) regulatory and ii) fund-raising. The Charter of CECECO was signed by the Republic of Azerbaijan and the Republic of Türkiye in the course of 2023. ECO Member States will avail huge opportunities offered by CECECO to conduct sustainable energy transition projects, which will benefit the whole ECO Region. Therefore, their active engagement in all phases of implementation of the CECECO Project is critical.

67. The establishment of ECO-REM is instrumental for a long-term energy connectivity and sustainability in the ECO Region. The ECO Secretariat continued its efforts over the past years to lay ground for launching the Feasibility Study of this project. In the end of 2023, UNESCAP expressed readiness to support the project. To this end, UNESCAP developed the Project “Energy connectivity for sustainable development”, which covers all 10 ECO Member States. The ultimate goal of UNESCAP’s project is to deliver a roadmap with a set of targeted, actionable recommendations for policy and regulatory reforms that would enable the establishment of multilateral, multi-directional power trading at sub-regional levels. The regular dialogue and proactive involvement among the Member States is imperative so that to shape the ways and means of the regional electricity market in line with their national and regional priorities.
68. ECO Secretariat continues its proactive cooperation policy and dialogue with its international partners, particularly the UNIDO, UNESCAP and others with a view to identify possible strategic partnership frameworks, to get their financial/technical support to ECO projects and activities, as well as to expand ECO outreach and visibility.
69. Global energy agenda is being considered in a consistent connection with climate change concerns. The Meetings on Environment endorsed a set of recommendations, and called the ECO Climate package in line with ongoing global climate negotiations. The events underscored the importance of the transition to the use of renewable energy sources, existing energy resources with clean technologies and environment friendly alternatives in order to address challenges posed by environmental pollution and climate change more effectively.

Minerals

70. Total value of mineral resources in the ECO Region is estimated to be worth \$500 billion. This value encompasses a diverse range of minerals including gold, silver, copper, iron ore, and rare earth elements.
71. The mining and extraction of mineral resources play a significant role in the GDP of countries within the ECO Region. On average, the mineral sector contributes approximately 5% to the GDP of the region.
72. The distribution of mineral resources varies among the 10 countries in the region. Some countries possess abundant deposits of various minerals, while others may have more limited resources.
73. Despite the richness of mineral resources in the ECO region, challenges such as environmental concerns, infrastructure deficiencies, regulatory complexities persist. However, there are also opportunities for further exploration, investment, and collaboration to leverage the full potential in the countries.
74. The annual economic report on mineral resources in the ECO Region underscores the importance for regional cooperation in the field of minerals. It emphasizes the necessity for sustainable development practices and responsible resource management to ensure long-term benefits for the countries within the region. Collaboration and strategic planning will be crucial in maximizing the economic potential of mineral resources while addressing challenges effectively.

Environment

a) Economic analysis and evaluation

75. The ECO Member States, although to different degrees, are prone to environmental challenges and extreme climate conditions. Such threats can bring not only environmental but also huge economic and social costs to the region as a whole. Addressing these challenges beyond domestic solutions requires trans-boundary responses.
76. When it comes to the environment, there is a dire need to look for ways beyond Gross Domestic Product (GDP) as the main measure of progress. Despite its frequent use, GDP is an inadequate measure of progress and well-being, which fails to account for environmental sustainability, health, happiness, and inequality. We need to find in line with other global efforts a sufficient and more inclusive measure of wealth and well-being, which captures the value of nature or the long-term sustainability of human activity and accounts for negative externalities, including environmental damage.
77. In such a context, the ECO's environmental profile and efforts for integrating the environment and sustainable development into all aspects of regional cooperation and development planning of ECO Member States are required to be increased over the coming years. The ECO Secretariat and Member States should strive to mainstream the environment, climate resilience, and sustainable development in their different areas of work and cooperation and stimulate policy debates for developing partnership frameworks to address the environmental challenges/concerns in the ECO Region.
78. The current state of the environment and any key environmental issues that are relevant to the economy in the ECO Region, such as climate change, pollution, resource depletion, or biodiversity loss should be taken into account. The fact that these environmental issues are impacting economic activities, industries, and overall economic growth in the region is alarming. Just as an example, extreme weather events due to climate change can disrupt supply chains, threaten food security, and increase costs for businesses.
79. To analyze the potential impact of environmental challenges on the economy, the latest information on government policies, regulations, or initiatives that are aimed at addressing environmental challenges and promoting sustainable development are required. We need to have reliable data and statistics on environmental indicators, such as air and water quality, greenhouse gas emissions, and natural resource consumption, to provide a comprehensive assessment of the environmental impact on the economy.
80. To deliver on the environment, beyond convening meetings and creating new bodies and platforms, strong political will and collective and concerted actions by all the ECO Member States are required. There is a dire need to deliver a whole-of-government approach rooted in a solid political will as well as a whole-of-society approach combined with adequate financing, and positive practices underpinned by knowledge and science which are missing at the current stage.
81. The businesses and industries should integrate environmental sustainability into their operations to see positive economic outcomes as a result. Our businesses, policymakers,

and other stakeholders in the region need to further work together to promote sustainable economic growth while protecting the environment for future generations.

82. Businesses can adopt sustainable practices by reducing their environmental footprint through energy efficiency, waste reduction, and responsible sourcing. They can also invest in green technologies and innovation to develop products and services that are environmentally friendly.
83. Policymakers can further consider introducing and implementing regulations and incentives to encourage businesses to operate sustainably, such as carbon pricing, pollution taxes, and renewable energy subsidies. They can also set targets for reducing greenhouse gas emissions and improving environmental performance.
84. Stakeholders, including non-governmental organizations, community groups, and consumers, can advocate for sustainable practices and hold businesses and policymakers accountable for their environmental impact. They can also collaborate with businesses and policymakers to develop solutions that benefit both the economy and the environment.
85. Collaboration between businesses, policymakers, and stakeholders is essential to drive systemic change towards sustainable economic growth. This can involve partnerships to develop sustainable supply chains, joint initiatives to address environmental challenges, and dialogue to build consensus on policy priorities.
86. Education and awareness-raising efforts can also play a key role in promoting sustainable economic growth. Businesses, policymakers, and stakeholders can engage in public outreach campaigns, training programs, and knowledge-sharing activities to foster a culture of sustainability and environmental stewardship.
87. By working together in a coordinated manner, businesses, policymakers, and other stakeholders can promote sustainable economic growth across the region while protecting the environment for future generations. This collaborative approach is essential to address complex environmental challenges and create a more sustainable and resilient economy.

b) Sectoral developments in ECO's core activity areas

88. During the last couple of years, the ECO Secretariat has progressed in preparing the ground and the intensification of its contacts in addressing the environment and climate change-related issues through expanding its outreach with the relevant UN agencies and conventions, namely UNEP, UNFCCC, UNCCD, CBD, and UNFF Secretariats.
89. The ECO Regional Planning Council (RPC) at its 34th meeting emphasized the importance of integrating and mainstreaming the environment into decision-making at every level including policies, strategies, plans, programs, and budgets.
90. On the initiative of the Republic of Uzbekistan, the High-Level Dialogue Platform (HLDP) on Environmental Cooperation in the ECO Region was set up by the Council of Ministers Meeting (Tashkent, January 2023). This Platform could make a fresh impetus

to promoting regional cooperation on the environment. It can make a positive complementary and advisory contribution to the decision-making bodies and existing sectoral platforms of ECO in the field of environment and other cross-cutting sectors. After all, the ECO needs to incorporate scientific findings into policymaking that will have long-term benefits for ECO countries from the environmental and energy sustainability perspective. The positive yet innovative practices underpinned by knowledge and science are needed. In such a context, this platform could be very instrumental.

91. Furthermore, the Minister of Ecology, Environmental Protection and Climate Change of the Republic of Uzbekistan at this meeting, proposed to convene the 6th Ministerial Meeting on Environment in Samarkand in 2024. Uzbekistan had earlier declared to organize the First Meeting of the High-Level Dialogue Platform on Environmental Cooperation within the framework of the Samarkand Climate Forum in 2024 to jointly develop the ‘Samarkand Declaration’ to combat sand and dust storms. Convening these two meetings by the Republic of Uzbekistan could generate regional momentum for environmental action, while it is long overdue in the ECO Region.
92. The revision process of the “Framework Plan of Action on Environment Cooperation and Global Warming for ECO Member States (2016-2020)” – which serves as a policy framework for the Organization’s all-inclusive cooperation in different fields/segments of the environment – has been almost concluded. Convening the 7th Working Group Meeting on Environment in the Secretariat and the ECO Informal Ministerial Meeting on Environment on the sidelines of the 2023 UN Climate Change Conference (COP 28 of UNFCCC) in Dubai paved the way, by releasing a Joint Statement as its outcome document, for the adoption of the new Cooperation Framework and its annexes on climate change and biodiversity, and consolidation and advancement of ECO’s environmental agenda in the light of the rapidly evolving global environmental and climate agenda.
93. The Regional Initiative on Resource Efficiency, Sustainability, and Circular Economy in the ECO Region (RESCUE), jointly initiated by the ECO Secretariat and the ECO Chairmanship of Azerbaijan in 2023 could also serve to boost regional actions in priority areas of collaboration suggested by some countries in the region. This initiative seeks to create a regional cooperation platform that will advocate for a just transition to a resource-efficient, circular and regenerative economy. It envisages a number of expected collaborative activities in a short and mid-term perspective. Overall, the circular economy model, which is a new sustainability paradigm increasingly gaining global prominence over the past decade as a facilitator of the long-term growth, seems promising for the ECO Region. The Informal Ministerial Meeting on Environment of the ECO Member States and “ECO Work Programme for 2024”, approved by the 34th Meeting of the Regional Planning Council (22-25 January 2024) welcomed the RESCUE Initiative. RESCUE could be launched as a collaborative initiative in strong cooperation with international partners, which share similar vision, membership and geographical coverage with ECO. The year of 2024 could be a milestone in approval of RESCUE and launching joint activities within this initiative.

V. Human Resources and Sustainable Development (HRSD)

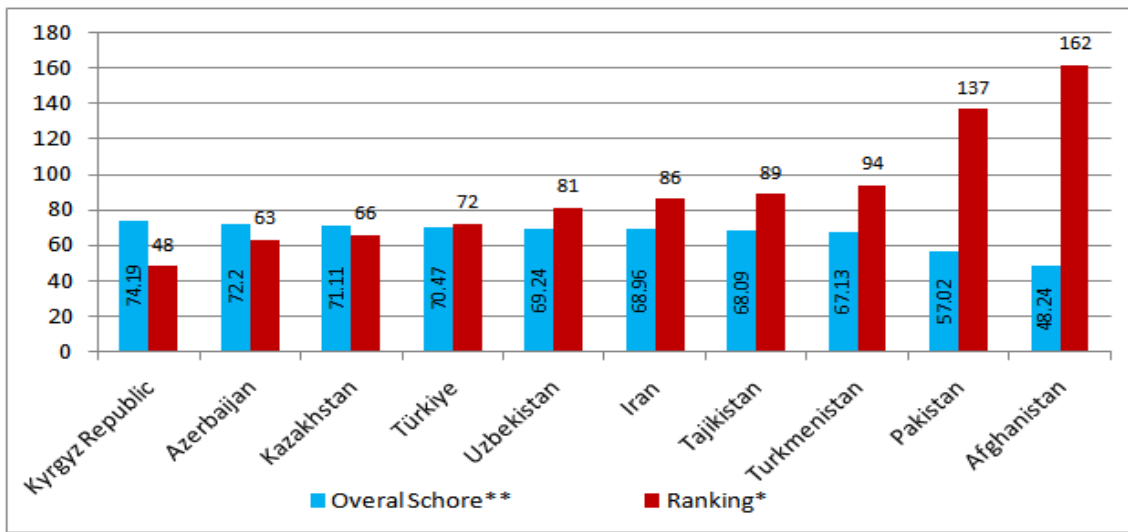
94. United Nations presents annual SDGs progress report based on main SDGs indicators every year. The table below demonstrates the recent progress in the main SDGs in ECO region.

SDGs/ECO Member States	Afghanistan	Azerbaijan	Iran, Islamic Rep.	Kazakhstan	Kyrgyz Republic	Pakistan	Tajikistan	Turkmenistan	Türkiye	Uzbekistan
SDG1: No Poverty	↓	↑	↗	↑	↗	↗	↗	→	↑	↗
SDG2: No Hunger	→	↗	→	→	→	→	↗	→	→	→
SDG3: Good Health and Well-Being	→	→	↗	↗	↗	→	↗	→	↗	↗
SDG4: Quality Education	→	→	↗	↓	↑	↓			↗	↗
SDG5: Gender Equality	→	→	→	→	→	→	↗	→	→	↗
SDG6: Clean Water and Sanitation	↗	↗	→	→	→	→	↗	↗	↗	↗
SDG7: Affordable and Clean Energy	→	↗	→	↗	↗	↗	→	↗	↗	→
SDG8: Decent Work and Economic Growth	↓	→	→	↗	→	→	→	→	↗	→
SDG9: Industry, Innovation &	→	↗	↗	→	↗	↗	→	↗	↑	↗
SDG10: Reduced Inequalities			↓	↓	↗				↗	
SDG11: Sustainable Cities and	↓	→	→	↗	↑	↓	→	→	↗	↓
SDG12: Responsible Consumption &	↗	→	→	→	→	→	→	→	→	→
SDG13: Climate Action	→	↗	→	↗	↑	→	↗	→	↓	→
SDG14: Life Below Water			↗			↗			↗	
SDG15: Life on Land	↗	→	↓	→	→	→	↗	→	→	→
SDG16: Peace, Justice and Strong	→	→	→	↗	→	↓		→	→	→
SDG17: Partnerships for the Goals	↗	↗	→	↗	↗	↗	→	→	→	↗
	Dashboard				↑	On track or maintaining achievement				
orange	Significant challenges				↗	Moderately Increasing				
red	Major challenges				→	Stagnating				
grey	Insufficient data				↓	Decreasing				

Source: <https://dashboards.sdgindex.org/>, UN SDG Transformation Centre, 2024

As seen in the table, even though most of the ECO countries have progressed well in some SDGs indicators, which is indicated as green in the table above, such as poverty reduction, and climate action, it seems that much more challenges (indicated red) still remains to achieve the SDGs for ECO countries including best performed ones.

Figure I: Overall SDGs Scores and Ranking of ECO Countries, 2024



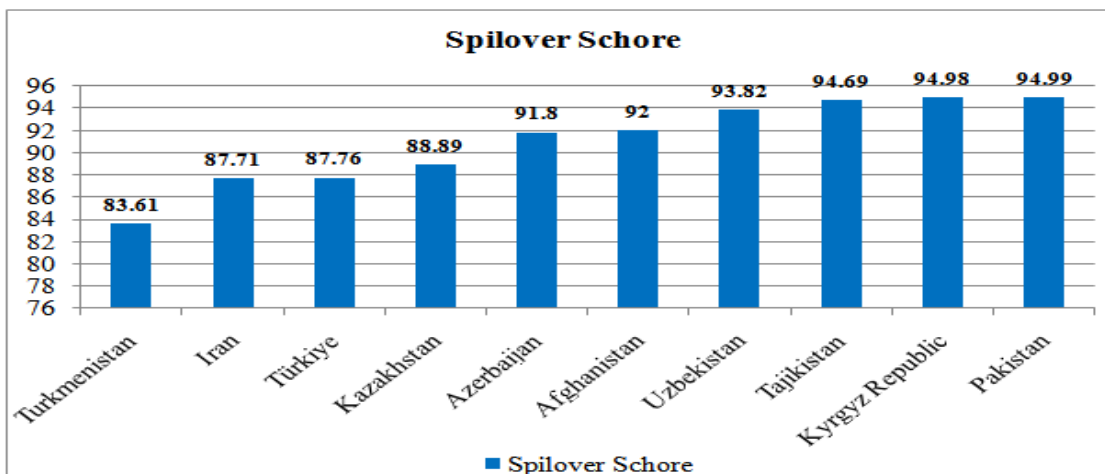
Source: UN, 2024

* The ranking shows the rank of the respective country among 167 countries.

**The overall score measures the total progress towards achieving all 17 SDGs. The score can be interpreted as a percentage of SDG achievement. A score of 100 indicates that all SDGs have been achieved.

The **Figure I** shows the overall SDGs scores of member states of Economic Cooperation Organization (ECO) based on the recent analyses in 2024. As seen in the graph, while the Kyrgyz Republic is the most successful country among the member countries of ECO in terms of achieving SDGs, there seems exist many challenges for all ECO Countries especially Pakistan and Afghanistan in the way to achieve SDGs by 2030.

Figure II: Spillover Scores of ECO Countries, 2024



UN also announces a data for countries spillover effects in terms of SDG indicators. In this data, countries are ranked by their spillover score. Each country's actions can have positive or negative effects on other countries' abilities to achieve the SDGs. The Spillover Index assesses such spillovers along three dimensions: environmental & social impacts embodied into trade, economy & finance, and security. A higher score means that a country causes more positive and fewer negative spillover effects (UN, 2024).

According to the recent spillover score rankings, one could state in general that ECO Countries have relatively higher score in this indicator.

95. ECO Vision 2025, announced in 2017, is the main document underscoring the core principles of sustainability, integration and conducive environment for the region and in the upcoming decade. The adoption of “ECO Vision 2025” sets out the long and mid-term regional objectives and expected outcomes in the human resources and sustainable development. In addition, the implementation framework of ECO Vision 2025 identifies the required action, timeframes, result areas and accountabilities (ECO, 2017).
96. In line with the ECO Vision 2025, the Organization has four main priorities under “human resources and sustainable development”. These are: sustainable development, disaster risk reduction, health and education respectively.

1. Sustainable Development

97. During year 2023, the HRSD Directorate remained part of number of important events and took several initiatives:
 - i. Opening Ceremony of Sustainable City, Arkadag, Turkmenistan (29 June 2023).
 - ii. The “2nd Baku Forum on Sustainable Development: Sustainable Finance and Investment” (15-16 November 2023, Baku).
 - iii. The “Seventh North and Central Asia Multi-Stakeholder Forum on the Implementation of the Sustainable Development Goals” in Almaty/ Virtually (1-2 November 2023) by UNESCAP.
 - iv. SDG Summit in New York (19-23 September 2023)
98. The HRSD Directorate has established a High Level Sustainable Development Working Group (HLSDWG)/ad-hoc Coordinating Group in order to prepare an Action Plan for enhancing Policy Coherence for Sustainable Development (PCSD) to assist the Member States in policy planning and capacity building of the relevant national institutions. Moreover, meetings were held with the representatives of relevant international institutions and UN Specialized Agencies including UNDP to exchange views on achieving UN SDGs in ECO region.



2. Disaster Risk Reduction

99. The following activities were implemented in 2023:

- The project on “Providing Landslide Hazard Zonation (LHZ) Map of ECO Member States” handed over to HRSD Directorate in 2023;
- Draft Statute of the ECO Regional Center for Risk Management of Natural Disasters (ECO-RCRM) was finalized in 26th COM Meeting in Tashkent;
- The "4th ECO Experts Group Meeting on Disaster Risk Reduction and Implementation of the ECO Regional Framework for DRR" took place in Iran from November 26-29, 2023. The meeting assessed the current implementation status of ECORFDRR, focusing on priority areas to enhance partnership frameworks and key actions for increased regional and global engagement in disaster risk reduction. A comprehensive report of the meeting's outcomes was distributed to all Member States;
- Regional Center for Risk Management of Natural Disaster (RCRM) has proposed to hold the training course/workshop with title “Natural Disaster Early Warning and Loss Estimation System” in Mashhad.

100. The Secretariat also took part in the following non-ECO events:

- “First Crisis Management Event for the Powerful Iran” (Tehran, February 14, 2023);
- “13th Governing Board Meeting organized by the Regional Centre on Urban Water Management (RCUWM) under the auspices of UNESCO (Tehran, February 23, 2023);
- “International Sand and Dust Storm Conference” (Tehran, 9-10 September 2023). The Final Declaration of the conference appreciates ECORFDRR;

- “ASEAN Interregional Dialogue on Disaster Resilience” (Singapore, 21-24 August 2023)
- “Preparatory Meeting for “Asia-Pacific Ministerial Conference on Disaster Risk Reduction in October 2024 in Manila” (20 September 2023, Virtually).

3. Health

101. In 2023 the following events organized:

- The Virtual High Level Working Group Meeting on Health chaired by Republic of Azerbaijan was held on 17 May 2023. The meeting revised the action plan on health and the draft declaration of 5th Ministerial Meeting on Health;
- The 5th Ministerial Meeting on Health was held on May 24, 2023 on the sidelines of the 76th Meeting of World Health Assembly in Geneva under the Chairmanship of the Republic of Azerbaijan. Member States adopted the revised “ECO Action Plan on Health”. The effective implementation of the Action Plan through active participation of Member States is the next step in ensuring health cooperation especially on non-communicable diseases as well as universal health coverage system;
- The Secretariat circulated the revised “ECO Action Plan on Health” adopted by 5th Ministerial Meeting on Health to the Member States;
- Secretariat approached relevant international institutions including WHO and IsDB to improve mutual collaboration and for their supports in preparing and implementing regional project proposals in health.

102. The Secretariat attended following national and international non-ECO events during the period:

- 26th G5 High Level Experts Meeting on Health Cooperation (6-10 May 2023)
- Bilateral meeting with WHO country representative for Islamic Republic of Iran (13 March 2023)

4. Education

103. ECO Vision 2025 calls for “Regional mechanisms/frameworks to support education, training, vocational needs and other capacity enhancement”. It also calls for regional networks on higher education, regional exchange and scholarship programmes/mechanisms; and also training/vocational programmes in the ECO region, to be developed with international institutions.

104. The Secretariat organized the Second ECO Forum on Higher Education in ECO Region” with the collaboration of ECO- EI in December 2023.

105. Actively collaborating with UNDRR, ESCAP, WHO, IFRC, UNDP, UNESCO, IOM and UNICEF to identify potential strategic partnership frameworks, secure financial and technical support for ECO projects and enhance the organization's visibility and outreach.

VI. Tourism in ECO Region

106. The ECO Vision 2025 recognizes the vast potential of the tourism sector as a catalyst for economic and social advancement and designates it as a top-priority area for regional collaboration. The strategic objective is to establish a peaceful, eco-friendly destination with diverse offerings and high-quality services within the region. To effectively promote and develop tourism sector of the ECO region and strengthen ties among Member States, it is imperative to prioritize the proposals put forth by Member States during the 16th Summit of Heads of State and Government of ECO Member States in Tashkent on November 9, 2023, and the 27th Meeting of the Council of Foreign Ministers (COM) in Shusha, Azerbaijan on October 10, 2023, as well as ECO Ministerial Meetings on Tourism held in 2022 virtually in October 2023 in Ardabil, Iran.
107. In 2022, the ECO region welcomed over 70 million tourists. Türkiye led with 50.45 million visitors, followed by Uzbekistan with 5.23 million, Kazakhstan with 4.73 million and Iran with 4.11 million visitors. While international tourist numbers continued to increase in 2023, collaboration between public and private stakeholders at both national and regional levels remains essential for further enhancing regional travel.
108. There are various challenges that need to be addressed to achieve the objectives set for the tourism sector in ECO Vision 2025. These challenges include regional infrastructure and policy weaknesses, limitations in transport connectivity, deficiencies in marketing and branding, barriers in tourism facilitation and the need for enhanced cooperation between public and private tourism authorities, as well as local communities within the region. Furthermore, the impact of the COVID-19 pandemic has severely affected the tourism sector and derailed many developmental plans.
109. Despite ongoing challenges, the ECO has successfully implemented numerous projects and initiatives in the tourism sector. The "ECO Tourism Capitals" initiative, in particular, has garnered significant attention among Member States and beyond. Currently, six cities (Dushanbe, Sari, Ardabil, Shahrisabz, Erzurum, and Shusha) from various Member States have been designated as ECO Tourism Capitals. While inauguration these cities as ECO Tourism Capitals, annual celebratory events are organized aimed at bringing together tourism stakeholders, promoting destinations, supporting business growth and fostering partnerships. Alongside these designated cities, the ECO Secretariat has received nominations from three Member States (Lahore, Pakistan; Mary, Turkmenistan and Karakol, Kyrgyz Republic) for the title of ECO Tourism Capital for 2027. Consequently, a crucial item on our agenda will be the decision-making process regarding the selection of the 2027 ECO Tourism Capital.
110. Another pivotal initiative in the tourism sector is the ECO Tour Operators' Network, which brings together private sector stakeholders, particularly tour operators, from across the ECO region. Established in 2022, the primary objective of this network is to enhance collaboration among tour operators within the region and to develop joint tour packages under the ECO brand. This initiative aims to bolster the participation and contribution of the private sector in ECO's tourism activities. The Network currently includes more than

350 major tour operators from Azerbaijan, Iran, Kazakhstan, Pakistan, Tajikistan, Türkiye, Turkmenistan and Uzbekistan, actively engaging in regular meetings and operational activities of the Network.

111. The ECO region boasts a diverse array of unexplored destinations that cater to various tourism segments such as culture, nature, health and wellness, MICE and gastronomy. Diversifying products, services, and markets within the tourism sector is crucial to decrease reliance on a single activity or market. Leveraging partnerships under the ECO framework to develop enhanced tourism experiences across different segments can greatly increase demand for the region.

112. Aligned with ECO objectives in tourism, the 1st Meeting of Tourism Specialized Educational Institutions of ECO Member States was convened in Baku in December 2023, in close collaboration with the State Tourism Agency of Azerbaijan. This meeting culminated in a decision to establish the ECO Tourism Educational Network, involving academicians and researchers from multiple educational institutions. This initiative aims to foster tourism research and enhance the training of human resources essential for the tourism sector across the region.



113. To enhance Member States' engagement in tourism-related matters, several task forces and working groups have been established. Notably, the ECO Tourism and Transport Task Force have been created to facilitate collaboration between these closely interconnected sectors and generate ideas for mutually beneficial activities.

114. The ECO Working Group on Tourism Standardization has also been set up and a draft document on the establishment and implementation of sustainable tourism criteria for Tourism Accommodation Facilities in the ECO region has been prepared. This Working

Group in close contact with the Global Sustainable Tourism Council (GSTC) explored possibilities for cooperation on standardization for sustainable tourism.

115. Substantial strides have been made in visa facilitation for regional citizens (Vision Expected Outcome iii). In 2022, Kazakhstan and Iran reciprocally waived visa requirements for their respective citizens. In 2023, Iran unilaterally eliminated visa requirements for citizens from several Central Asian countries.
116. Significant progress has been made in developing a specialized tourism website. This platform will facilitate the creation of an ECO Ecotourism Database, an Ecotourism Catalogue for the ECO region, ECO Tourism Destinations Databanks and the ECO Regional Action Plan for Sustainable Tourism Development. It aims to enhance the online visibility of tourism products from Member States.
117. Overall, advancements in the tourism sector signify significant steps towards the targets outlined in ECO Vision 2025. The establishment process of an ECO Advisory Committee on Tourism, proposed by the Chairman of the 16th Summit, has commenced to serve as a platform for deliberating and prioritizing tourism strategies for the region in the upcoming years.

VI. Economic Research and Statistics

118. One of the ECO projects in the field of Economic Research and Statistics is transformation of the ECO Economic Journal (EEJ) into an internationally recognized, widely disseminated and reputable publication. EEJ can become a leading think-tank in the region that has the capacity to contribute publications and research materials related to the economies, trade and investment potential of ECO Member States.
119. Leading strategic research institutions and experts of the Member States could cooperate with EEJ to publish their materials and articles as well as to carry out joint research projects.
120. Another important project is the "Establishment of ECO Research Center (ERC) in Baku". The main objective of the Center is to help ECO and its membership to build their regional cooperation on the solid research-based foundations with a view to ensuring concrete outcomes.
121. The ECO Economic Journal (EEJ) may be constitutive part of the ECO Research Center (ERC), since both of them are located in Baku.

CHAPTER II:

ECONOMIC SITUATION, INDUSTRY AND DIVERSIFICATION OF ECONOMY IN THE ECO MEMBER STATES IN 2023

122. In this part of the Report, the emphasis is made on highlighting industry and policy of economic diversification in the ECO Member States pursuant to the aspirations and priorities of the participating countries expressed at the 15th and 16th Summits that took place in 2021 and 2023 respectively, as well as in line with the goals and objectives outlined in the ECO Vision 2025.
123. During the 15th and 16th Summits of Heads of State and Government, and the 27th Meeting of Ministers of Foreign Affairs of ECO countries, there was extensive discussion on intra-regional trade, industrial development, and economic diversification. Therefore, while highlighting overall developments in the ECO region, the Report aims to engage relevant state agencies and members of the expert community in discussions to identify areas where cooperation and interaction among member states in industry and economic diversification can be constructive and fruitful. Country reports on overall economic situation are as below:

I. AZERBAIJAN

Azerbaijan

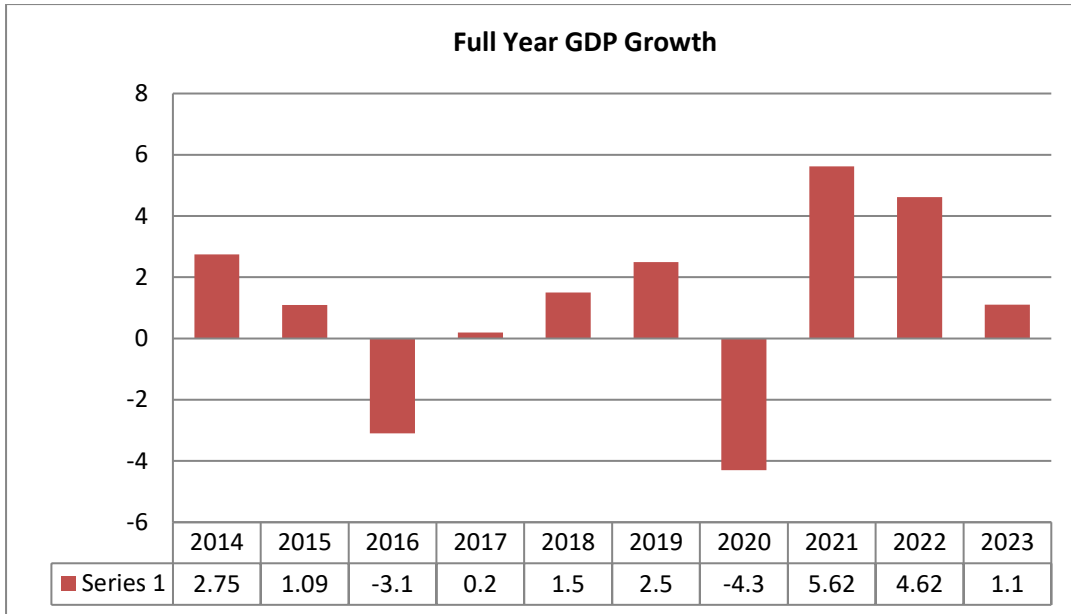
Population 10127.1 million (2023)

GDP nominal 72,3 billion USD (123 billion AZN)

Inflation 8.8%

Currency exchange rate AZN1.70/1USD

124. Despite the negative trends in the global economy and the volatility of energy prices observed in 2023, the Azerbaijani economy demonstrated stable rates of development. The country managed to uphold macroeconomic stability and stimulate economic growth, particularly within the non-oil and gas sector. This achievement is also reflected in the reduced inflation rate and the surplus in the balance of payments. Currently, Azerbaijan boasts strategic foreign exchange reserves totaling 68.3 billion US dollars, equivalent to 97 percent of the GDP. These reserves surpass the country's direct foreign debt, which is 10 percent of the GDP, by a factor of 10.
125. Thus, Azerbaijan's economy demonstrated a 1.1 percent increase in 2023, with the gross domestic product reaching 72,3 billion USD (123 billion manats). This marks a 1.1 percent growth compared to the corresponding period of the previous year.



126. In 2023, Azerbaijan carried out trade operations with foreign countries in the amount of \$51,2 billion. In addition, Azerbaijan increased its strategic foreign exchange reserves by 17% - to 68.3 billion USD. At the same time, public external debt decreased to 6.4 billion USD, or less than 9% of GDP.

127. In the long term, to ensure stability of macroeconomic indicators, the government is considering, among its priority measures, the possibility of restructuring the public sector. This will increase the impact of large state-owned companies. To this end, the State Property Service has been instructed to prepare proposals by the end of 2024 on measures to attract private investment in leading state-owned companies and enterprises.

128. The purpose of these measures is to carry out institutional reforms at state-owned enterprises, continuation of restructuring and rehabilitation measures in state-owned companies, attracting private investment by reducing the state share; expanding the participation of Azerbaijani citizens in the management of state-owned enterprises, application of corporate governance, and development of the securities market.

129. Official estimates project a positive macroeconomic outlook for 2024, anticipating real growth in the country's economy, a manageable inflation level and a surplus in the balance of payments. The budget for 2024 sets the price of oil at 60 US dollars. The government expects that the non-oil revenues of the state budget will exceed 75% of current expenses in 2024. Thus, the predicted average annual rate of economic growth is 2.9%, as well as 4.8% for the non-oil sector.

130. GDP per capita in 2023 amounted to 7, 126.200 USD.

Non-oil economy.

131. The Azerbaijani government expects to increase the share of the non-oil sector in the GDP structure in the coming years. Non-oil exports from Azerbaijan at the end of 2023 amounted to 3.3 billion USD, which is 9.8% more than in 2022. The goal is to double this indicator by 2026 due to an increase in the number of export-oriented enterprises.

132. According to the Azerbaijan State Statistical Committee, the added value in the oil and gas sector decreased by 1.7 percent, while it increased by 3.7 percent in the non-oil and gas sector. Various sectors contributed to the GDP, with 40.5 percent from industry, 10 percent from trade; vehicle repair, 6.2 percent from transport and warehousing, 6.2 percent from construction, 5.5 percent from agriculture, forestry and fishing, 2.2 percent from tourist accommodation and public catering, 1.7 percent from information and communication fields, and 18.6 percent from other fields. Net taxes on products and imports constituted 9.2% of the GDP.

Fixed capital investments

133. According to the State Statistics Committee of Azerbaijan, investments in fixed capital amounted to 20.296 billion manat or 11.9 billion USD in 2023, which is 9.8 percent more than the figure of 2022. The volume of investments in the oil and gas sector increased by 10.9 percent and in non-oil sectors by 9.3 percent.

Transport

134. The value added created in Azerbaijan's transportation and warehousing sector amounted to 4.4 billion USD (7.6 billion manat) in 2023. The added value decreased in real terms by 9.9 percent in 2023 compared to the figure for 2022.

Consumer market

135. The value of goods and services sold to meet the needs of consumers in Azerbaijan in January-November in 2023 increased by 5.6% compared to January-November 2022, amounting to 37,2 billion USD (AZN 63.2 billion manat). The value of goods and services sold by economic entities of non-state sector increased by 5.4% compared to January-November 2022 and made 35,8 billion USD (AZN 60.8 billion.), of which 47.9% was formed due to the activity of individual entrepreneurs. During the reporting period, the consumer spent on average 333 USD (AZN 566.1) per month, or 43,6 USD (AZN 74.1) more in nominal terms compared to the same period of 2022.

Retail

136. According to the State Statistics Committee of Azerbaijan, in 2023, the nation's retail trade turnover experienced a significant 3.7% increase in real terms compared to the previous year, showcasing a resilient economic performance. The breakdown indicates a 2.5% rise for food, beverages, and tobacco products, coupled with a robust 5.2% growth for non-food products.

137. In 2023, consumers spent a total of 34 billion USD (59 billion manat) on retail purchases, highlighting a balanced distribution between food-related items worth 19,4 billion USD (33 billion manat) and non-food products totalling 15,3 billion USD (26 billion manat).

138. Notably, 51.6% of consumer spending went to food, reflecting a steady demand for essential items. Beverages and tobacco products claimed 4.4%, while textiles, clothing, and shoes secured a significant share of 14.3%. The data also revealed a diverse spending pattern, with gasoline and diesel, electrical goods and furniture, pharmaceutical and

medical products, computers, telecommunications equipment, printed products and other non-food items contributing to the retail landscape.

139. Non-governmental sector plays a main role in driving retail growth, as business entities within this sector accounted for 99.7% of the total retail turnover. Comparing retail trade turnover across different entities, enterprises saw a 3.1% increase, individual entrepreneurs 3.6%, and markets and fairs a notable 4.3% rise.

Services and Catering

140. In 2023, the turnover of public catering in Azerbaijan increased in real terms by 15.2% compared to 2022, according to the State Statistics Committee.

141. In 2023, the value of paid services provided to the population in Azerbaijan increased by 14% compared to 2022.

Salary

142. According to official data from the Ministry of Labour and Social Protection, the average salary in Azerbaijan in 2023 is **856.2 manat per month**, which corresponds to 505 dollars. Compared to the same period last year, the country has seen a 5.5% increase in income.

Inflation and income of population

143. The average annual inflation rate slowed to 8.8% in 2023 from 13.9% in 2022, with prices rising 9.6% for food, 8.4% for non-food goods and 8.2% for services.

144. The nominal income of Azerbaijan's population in 2023 increased by 12.85 percent or 8.9 billion manat or \$5.2 billion compared to 2022 and reached 78.05 billion manat or \$4.6 billion. Per capita income grew by 12.2 percent or 835.9 manat (\$491.7) during the mentioned period.

145. In 2023 Azerbaijan's strategic currency reserves increased by 17% to \$68.5 billion. 29.1 percent increase in foreign exchange reserves.

146. The minimum wage has been revised in Azerbaijan, with effect from 01 January 2023. The minimum wage has increased from AZN 300 to AZN 345 per month.

Trade

147. In 2023 the volume of external trade of the Republic of Azerbaijan equalled to \$51,2 billion: total exports were \$33,9 billion, total imports comprised \$17, 3 billion.

148. Overall commodity exports from Azerbaijan decreased by 11.1% compared to 2022. Merchandise exports decreased by \$ 4.24 billion (the value of merchandise exports from Azerbaijan amounted to \$38 billion in 2022). Merchandise imports to Azerbaijan increased by 18.8% compared to 2022. Goods imports grew up by \$ 2.74 billion in 2023 (the value of merchandise imports to Azerbaijan was equal to \$14.5 billion in 2022).

Employment

149. The State Statistics Committee officially announced that as of the beginning of 2024, the total number of employed individuals reached 1,741.8 thousand, with 899.1 thousand in the public sector and 842.7 thousand in the private sector.

Energy

150. The energy sector maintains its pivotal role in the Azerbaijani economy. In 2023, Azerbaijan has built upon the achievements it has already realized in this field since the early years of the country's independence. In December 2023, Serbia joined the countries purchasing natural gas from Azerbaijan after the Serbia-Bulgaria Gas Interconnector was launched in the Serbian city of Niš. The launch of this interconnector played a critical role in the expansion of the geography of Azerbaijan's gas exports in Europe. Currently Azerbaijan exports natural gas to nine countries.

151. According to the Ministry of Energy, Azerbaijan produced 48.3 bcm of natural gas in 2023 (+37% compared to 2022), with 12.9 bcm extracted from the Azeri-Chirag-Gunashli (ACG) field, 26.2 bcm from the Shah Deniz field and 0.8 bcm from the Absheron field. The state-owned company SOCAR produced 8.4 bcm of gas during the year (8.1 bcm in 2022). Gas exports amounted to 23.8 bcm in 2023 (+5%), with 11.8 bcm sold to Europe, 9.5 bcm to Türkiye and 2.5 bcm to Georgia.

152. Azerbaijan produced 30.2 Mt of crude oil (including condensate) in 2023 (-7%). The Azeri-Chirag-Gunashli field accounted for 17.8 Mt while Shah Deniz accounted for 4.3 Mt (condensate) and Absheron for 0.3 Mt. SOCAR's oil output amounted to 7.8 Mt (including condensate). Oil exports amounted to 25.2 Mt in 2023 (-5%).

153. The Azerbaijani government is confident that the amount of natural gas exports will steadily grow in the upcoming years and reach the target of 20 billion cubic meters (bcm) per year by 2027.

154. In 2023, Azerbaijan advanced in the development of the renewable energy sector, recognized as a key avenue for economic diversification in the country. Presently, Azerbaijan's renewable energy potential surpasses its installed capacity by a factor of four. By the close of 2023, the country has achieved an installed electricity production capacity of 7.5 GW, yet its economically viable renewable energy potential is notably higher, reaching approximately 27 GW.

155. The significant strides achieved by Azerbaijan in the field of renewable energy played an important role in the country's successful bid to host the 29th Conference of Parties (COP29) to the UN Framework Convention on Climate Change.

INDUSTRY IN THE REPUBLIC OF AZERBAIJAN

156. In 2023 industrial products at 66,6 billion manat were produced by industrial enterprises and individual entrepreneurs operating in this field.

157. The product output in the oil-gas sector decreased by 2,0 percent, while in the non-oil and gas sector it increased by 8,0 percent.

- 158.67,4 percent of industrial products were produced in the mining sector, 27,1 percent in the manufacturing sector, 4,6 percent in the production, distribution and supply of electricity, gas and steam, and 0,9 percent in the sector of water supply, waste management and remediation activities.
159. Marketable oil production in the mining sector decreased by 7,6 percent, while marketable gas production increased by 4,2 percent.
160. Production of machine and equipment increased by 77,7 percent, wood manufacturing and production of wood products in the manufacturing sector by 65,6 percent, automobile, trailers and semi-trailers by 48,1 percent, construction materials 31,8 percent, finished metal products by 30,1 percent, production of beverage by 23,0 percent, rubber and plastic products by 18,5 percent, production of electrical equipment by 16,2 percent, tobacco products by 12,8 percent, paper and cardboard by 12,3 percent, production of furniture by 10,5 percent, production of food products by 9,2 percent, textile industry products by 8,8 percent, production of oil products by 7,3 percent, chemical industrial products by 6,9 percent, polygraphy products by 6,1 percent, while production of leather and leather products and shoes decreased by 2,0 percent, other vehicles by 4,1 percent, pharmaceutical products by 9,1 percent, production of computer, electronic and optical products by 11,9 percent, production of other industrial products by 12,2 percent, production of clothes by 15,2 percent, installation and maintenance activities of machine and equipment by 16,1 percent, metallurgical industrial products by 18,9 percent.
161. Production volume in the sector of electricity, gas and steam production, distribution and supply increased by 0,6 percent, while in the sector of water supply, waste management and remediation activities it increased by 15,5 percent.

DIVERSIFICATION OF ECONOMY

162. Long-term and systematic efforts have been undertaken to promote sustainable and competitive development within the country's economy. Through consistent economic reforms and diversification policies, substantial strides have been made in advancing the non-oil sector. As part of ongoing initiatives, a primary strategic objective has been identified: to reduce economic dependency on oil and foster a competitive national economy grounded in entrepreneurial development and enhanced business and investment environments. To achieve this objective, comprehensive measures have been consistently implemented by the government. These measures include strengthening state-enterprise relations, enhancing business and investment climates, refining governmental regulations by adopting administrative protocols to eliminate illicit interventions and artificial barriers to business operations, establishing state support and incentive frameworks for entrepreneurs, expanding competitiveness and export capabilities and providing electronic government services adhering to the highest global standards. Since 2004, through state programs targeting socio-economic development across regions and other targeted initiatives, significant strides have been made in addressing critical issues in industrial production, notably improving infrastructure support for the sector.
163. In recent years, alongside infrastructure projects, public investments have been channelled into various production initiatives, including the expansion of oil and gas

production, oil refining and petrochemical sectors, the establishment of facilities and equipment for alternative energy sources, aluminium processing, shipbuilding and defence industry enterprises. Concurrently, a conducive investment environment has been cultivated for businesses in the country, enabling private sector projects to secure financing on preferential terms, with state participation provided where necessary.

164. Over the past 20 years, the intensification of work on the transportation of gas resources and the start of production work on new blocks have served to further enrich the energy policy of our republic, and additional components have been included in the strategy for the export of hydrocarbon resources. Azerbaijan, which has rich gas reserves, has expanded its policy of diversifying the transportation of energy resources and increased the volume of fuel exports to many European countries.

II. ISLAMIC REPUBLIC OF IRAN

Islamic Republic of Iran

Population 87,6 million

GDP nominal 366,4 billion USD

Inflation 42.5%

Average currency exchange rate 1 IRR – 0.00002368 USD

165. Iran has moved up 10 steps in the world's economic growth ranking among 191 countries, according to the latest statistics released by the International Monetary Fund (IMF).

166. The IMF data showed that Iran's economic growth reached 5.4% in 2023 while the international agency had predicted a three percent growth for the country in the previous year.

167. The United Nations Department of Economic and Social Affairs in its latest report on the global economy dubbed "World Economic Situation and Prospects 2024" has said the Iranian economy grew by three percent in 2023, registering the second-biggest economic growth in West Asia after Bahrain.

168. The UN report has put the growth of Iran's gross domestic product (GDP) in 2023 at 3.0 percent, higher than 99 countries all around the world.

169. The United Nations statistics show that the average economic growth of 12 countries in West Asia in 2023 was less than 1.0 percent. In other words, Iran's economy has grown three times the regional average in 2023.

170. The UN report also put Iran's inflation rate at 42.1 percent in 2023 and predicted that the figure will fall to 28.6 percent in 2024 with a significant decrease compared to the previous year.

Non-oil economy

171. Iran's foreign non-oil trade has shown significant imbalances in 2023, with major trading partners reducing their imports of Iranian goods, according to a variety of economic data.

172. According to Iran's Customs statistics, the country's non-oil exports have declined by 10.7 percent year-on-year, reaching \$40.47 billion during the first ten months of 2023, which began on March 21, 2023. In contrast, imports have increased by 12 percent to \$54.4 billion, resulting in a non-oil trade imbalance of about \$14 billion.
173. With Iranian oil exports sanctioned by the United States since 2018, and far less than their 2017 level, non-oil products play a larger role in securing much-needed foreign currency revenues for the country.
174. China, the UAE, Iraq, Turkey and India are Iran's primary trade partners. Except for the UAE, which primarily re-exports Iranian goods, the remaining four partners have significantly reduced their imports of Iranian goods in 2023. China, for example, decreased its imports of Iranian non-oil products by 28 percent to \$4.58 billion, while its exports to Iran increased by 8.6 percent to over \$10 billion, according to China's Customs statistics.
175. Turkey's Statistics Center also reported a 33 percent decline in imports from Iran, largely due to a reduction in natural gas imports. Turkey has drastically reduced its Iranian gas imports since July 2023, with average daily imports declining by 67 percent year-on-year to 10 million cubic meters.
176. India's official statistics also show a 7 percent decline in imports from Iran, while Iraq and the UAE have not published any statistics. However, according to Iran's Customs data, exports to Iraq decreased by 14 percent to \$7.7 billion, while exports to the UAE increased by 8 percent to \$5.2 billion.
177. Iran's Custom statistics reveal that the country exported \$29.9 billion worth of crude oil, gas condensate, and mazut during the first ten months of the current Iranian fiscal year. Despite efforts to bypass US sanctions, including offering heavy discounts to Chinese refineries, Iran's oil revenues fell short, with an estimated \$6 billion wasted.
178. Additionally, Iran's service exports amounted to \$780 million during this period, significantly lower than previous years, where it reached around \$4 billion annually. Iran typically experiences a negative balance in its trade services, amounting to approximately \$7 billion.
179. In total, Iran's non-oil and service trade balance appeared to be positive at \$10 billion during the mentioned period. However, the country also faces significant capital flight, with the Central Bank reporting a negative net capital account of \$15 billion for the previous Iranian year, indicating a substantial outflow of foreign currencies from the country.

Fixed capital investments

180. In September 2023, Iran's Gross Fixed Capital Formation was reported at 221.942 billion USD, marking an increase from 154.311 billion USD in June 2023.

Transport

181. Iran is one of the countries with a special status in trade and transit relations due to its strategic location and special geography, as the country is the passage of several important international corridors.

182. Given its geographical location, Iran can play a significant role in regional goods transit and benefit greatly from this status.

183. Focusing on upstream documents, particularly the country's development plans and the government's decision to enhance transit, prioritizing infrastructure development, reducing transit time and costs, and offering more advantages over competitors due to shorter routes for customers, can facilitate the growth of transit and help the country achieve the desired growth in this sector.

184. According to the official reports published by Iran's transport Ministry, Iran has had considerable performance in advancing its transport projects in the road, rail, aviation and maritime modes, while there are still 10 more projects:

The Road Projects in 2023:

- Road transit had 44 percent increase from 7.8 million tons to 11.2 million tons (during ten months compared to the same period in the last year);
- Construction and operation of the Astarachay automobile border bridge at Iran, Azerbaijan border with the length of 89 m and €5.8 million credit;
- Construction and operation of the 136 km-long main road stretching from Pataveh to Dehdasht in Kohgiluyeh and Boyer-Ahmad Province;
- Construction and operation of Shiraz-Isfahan Freeway till Izadkhast with the length of 212 km;
- Construction and operation of one-lane of the second section of Tehran-Shomal Freeway with the length of 22 km.

The Railway Projects in 2023:

- 4 percent growth in rail transit from 1,216 to 1,264 thousand tons (in ten months compared to the same period in the last year);
- Construction and operation of the 151 km-long Hamedan-Sanandaj Railway;
- Construction and operation of the 44 km-long Bostanabad-Khavarani Railway as part of 'Mianeh-Bostanabad-Tabriz' Railroad;
- Construction and operation of Tehran-Parand Metro project for about 18 km
- Construction and operation of the second rail track of the Ahvaz-Andimeshk Railway with a length of 70 km

The Aviation Projects in 2023:

- Launching the second phase of development of Imam Khomeini International Airport City (IKAC) to increase passenger capacity to 25 million;
- Operation of the new passenger terminal of Kish International Airport with the total area of 25 hectares, and the substructure of the terminal building of 49,000 square meters;

The Maritime Projects in 2023

- Reviving Gorgan Bay through dredging of Ashuradeh Canal

185. In 2023, 14.3 million tons of goods were transited via roads in Iran, while the figure stood at 9.3 million a year earlier.
186. The transit of non-oil goods increased to 9.4 million tons in 2023, representing a 38% growth compared to 2022.
187. The transit of oil products reached 5.035 million tons, a 112% increase compared to 2022.
188. The continuous trend of recent transit records via the country and the increasing interest of governments, traders and those active in transport sectors from neighboring, regional and extra-regional countries in the transit and logistics situation of the Islamic Republic of Iran indicate the fruitfulness of the transformational approach of the 13th government to the strategic issue of transit, with emphasis on the development of all-round economic relations with neighbors.
189. The “Iran Way” initiative made by the current Iranian government lets the neighboring countries use Iran as a route or a solution that facilitates their access to international waters. Iran Way initiative is the gateway to Iran's land of transit opportunities.
190. In 2023, the transit played a major role in programs such as those related to China's Belt and Road Initiative, Shanghai Cooperation Organization, Economic Cooperation Organization (ECO) and Eurasian Economic Union (EAEU) and is one of the main priorities of the Transport Ministry in developing transport relations with regional and extra-regional target countries.
191. The policy of paying attention to neighbors and developing political and economic relations with neighboring countries in the current government, increasing attention to road and rail routes in the world, and the efforts and cooperation of transportation and trade-related organizations in establishing or activating corridors through the country have led to significant growth in transit of goods through Iran.

Inflation

192. The Statistical Center of Iran (SCI) has put the average inflation rate in the twelve-month period ended on January 20, 2024 which marks the end of the 10th Iranian calendar month Dey, at 42.5 percent, noting that it fell by 1.1 percent from the previous year's same period.
193. The center put the country's point-to-point inflation rate at 35.8 percent in the 10th Iranian calendar month, which means families have paid an average of 35.8 percent more for purchasing the same package of commodities and services in that month, compared to the same month in the preceding year.
194. The point-to-point inflation rate declined 2.7 percent in the mentioned month from the previous month.
195. In mid-July, the International Monetary Fund (IMF) in an economic outlook report said inflation in Iran which was reported to be 49 percent in 2022 is expected to fall to 42 percent in 2023 and then to 30 percent in 2024.

Trade

196. Trade between Iran and the Economic Cooperation Organization's member states reached 29.47 million tons worth \$19.73 billion in the fiscal year 2022-23, registering a 4.51% fall in terms of weight, but a 17.55% rise in value compared with the previous year's corresponding period, latest data released by the Islamic Republic of Iran Customs Administration show.
197. Turkey was Iran's main trade partner among the countries under review with 18.16 million tons (down 6.68%) worth \$13.55 billion (up 19.07%). It was followed by Pakistan with 4.28 million tons (up 32%) worth \$2.32 billion (up 48.18%) and Afghanistan with 3.4 million tons (down 18.02%) worth \$1.66 billion (down 10.59%).
198. Iran's exports to ECO members reached 24.77 million tons worth \$12.42 billion in the fiscal 2022-23, registering a 6.23% decline in terms of weight, but a 14.5% year-on-year increase in terms of value.
199. Petroleum products, dairy products, foodstuff, fresh and dried fruits, juices and citrus fruits, carpets, saffron, fish, caviar, ornamental aquatic products, various stones, construction equipment, clothing, industrial equipment, bags and shoes, medicine, and health supplies, as well as plastic products, were Iran's main exported items to ECO members last year, while basic goods, industrial machinery, raw materials for production, and medical supplies and medicine, were the top imported goods from ECO member states.
200. The Turkish Statistical Institute (TURKSTAT) put the volume of the trade exchanges between Iran and Turkey in 2023 at about \$5.5 billion.
201. According to the TURKSTAT's latest report, the two countries exchanged \$5.490 billion worth of trade in 2023, showing a 14% decline compared to the same period last year. Iran and Turkey's trade exchanges in 2022 exceeded \$6.420 billion.
202. Turkey exported \$3.310 billion worth of non-oil products to Iran from January to December 2023, registering an 8% growth compared to a year earlier.
203. Turkey imported over \$2.180 billion worth of goods from Iran in 2023, showing a 35% slump compared to a year before.
204. According to the Iranian Customs Administration (IRICA), Iran's weighted trade (total export and import) in 2023 (from March 20, 2023 to March 20, 2024) with 15 neighbouring countries exceeded 95.9 million tons, reflecting a decrease of 2.45% compared to the previous year.
205. During this period, Iran exported \$28.288 billion worth of goods to its neighbouring countries and imported \$32.485 billion, indicating a decrease of 9.51% and an increase of 13.17%, respectively. Iran's exports to Iraq, Turkey, Azerbaijan, Turkmenistan, Armenia, Kuwait, Qatar, and Saudi Arabia decreased, while exports to the United Arab Emirates, Pakistan, Afghanistan, Oman, Russia, Kazakhstan, and Bahrain increased.

206.Imports from Pakistan, Kazakhstan, Kuwait, and Bahrain decreased, whereas imports from the United Arab Emirates, Turkey, Russia, Oman, Iraq, Qatar, Azerbaijan, Armenia, Afghanistan, Turkmenistan and Bahrain increased.

207.An analysis of Iran's trade statistics with neighbouring countries reveals an increase in trade with the United Arab Emirates, Pakistan, Russia, Oman and Afghanistan, while trade with Turkey, Iraq, Azerbaijan, Turkmenistan, Armenia, Kazakhstan, Kuwait, Bahrain and Saudi Arabia declined over the past year.

208.Regarding the top five neighbouring countries in terms of trade value more than \$54 billion of Iran's trade was conducted with the United Arab Emirates, Turkey, Iraq, Pakistan and Russia.

Table No. 1 - Iran's exports to ECO Countries in 2022 and 2023

Country	Export 2022		Export 2023		Percentage change	
	Weight (Thousand Tons)	Price (Million Dollars)	Weight (Thousand Tons)	Price (Million Dollars)	Price	Weight
Azerbaijan	761	502				
Uzbekistan	417	295				
Afghanistan	3414	1647				
Pakistan	3551	1496				
Tajikistan	238	173				
Turkmenistan	1290	465				
Türkiye	15047	7629				
Kyrgyzstan	58	71				
Kazakhstan	479	198				
Total Exports to ECO Countries	25257	12476				
Total exports	124252	54193				

Source: Expert calculations based on Customs Statistics of Islamic Republic of Iran

Table No. 2 Iran's imports from ECO countries in 2022 and 2023

Country	Import 2022		Import 2023		Percentage change	
	Weight (Thousand Tons)	Price (Million Dollars)	Weight (Thousand Tons)	Price (Million Dollars)	Weight	Price
Azerbaijan	20	35				
Uzbekistan	35	73				

Afghanistan	24	29				
Pakistan	751	1006				
Tajikistan	28	80				
Turkmenistan	40	28				
Türkiye	3549	6137				
Kyrgyzstan	7	8				
Kazakhstan	293	133				
Total Imports from ECO Countries	4746	7530				

Source: Import calculations based on Customs Statistics of Islamic Republic of Iran

INDUSTRIAL SECTOR OF I.R. IRAN

209. Iran is a country with a rich history, and today, the industrial sector is key driver of its economy. Including oil and gas, petrochemicals, steel, textile, and automotive manufacturing, industrial sector represents about 45% of the country's GDP. With a large, well-educated workforce and a favourable business climate, the country is well-positioned for growth and development in a range of industries.

210. In recent years, the government of Iran has made significant investments in the industrial sector, with a focus on modernizing and upgrading its infrastructure and technology. This has created opportunities for local and foreign businesses to establish themselves in the market and benefit from the country's favourable business environment.

211. The country has a diverse range of industries, including petrochemicals, pharmaceuticals, automotive and construction materials. The Iranian government has taken steps to support the development of these industries, providing incentives and subsidies to encourage growth.

212. Iran's central location, connecting Europe, Asia and Africa, makes it a hub for trade and commerce, with easy access to international markets. This, combined with its abundant natural resources, provides a strong foundation for the growth and development of the industrial sector.

213. In addition to its favourable business climate, the government of Iran is committed to sustainable and responsible industrial practices, ensuring that environmental impacts are minimized. The country has implemented regulations and standards to promote safe working conditions and protect the environment, and is taking steps to increase its use of renewable energy sources.

214. The industrial sector in Iran is a vital component of the country's economy, providing employment opportunities and driving growth. With a well-educated workforce, favourable business environment and commitment to sustainable practices, the sector is poised for continued success in the years ahead.

215. The industry sector is the 2nd largest contributor to the country's gross domestic product (GDP). In the past Iranian calendar year (year ending March 2022), the industry sector accounted for 20.5% of the country's GDP. Further, according to the latest data released by the Statistical Center of Iran, 18% of the total employment in Iran belongs to the industry sector. The Iranian economy rigorously seeks to improve its manufacturing capacity with its relatively high level of human capital, know-how and access to natural resources.
216. According to IMIDRO, the value of Iran's export of minerals and mineral industries in the last year registered a nine percent increase compared to a year earlier. \$7.3 billion worth of mining and mineral products were imported into Iran from March 2023 to March 2024, showing a 35 percent rise compared to a year earlier.
217. Iran is one of the top 10 mineral-rich countries globally, with 15,000 mining areas. It possesses the world's sixth-largest zinc reserves, seventh-largest copper reserves, ninth-largest iron ore reserves and fifth-largest gypsum and barite reserves. Additionally, Iran holds significant coal reserves and a substantial portion of the world's lead and zinc reserves. Other minerals such as chromate and manganese are also found in various regions of Iran.
218. The total proven reserves of Iran's mines are estimated at about 60 billion tons, which is expected to reach more than 100 billion tons with the implementation of the Industry, Mining and Trade Ministry's exploration programs over 500,000 square kilometres of new mineral zones.
219. The latest statistics of the World Travel and Tourism Council showed that the share of the tourism industry in the total economy of Iran increased to 4.7 percent in 2023, slightly up from the previous year. In the same way, the value of this industry in Iran increased to 740,000 billion toman during the last year.
220. Tourism-related jobs in 2023 grew by 10.3 percent compared to the previous year. The number of people working in this industry was 1.6 million. The share of the tourism industry in Iran's total employment in 2023 reached 6.6%.
221. The WTTC has predicted that Iran's tourism industry will grow by 12.1% in 2024 and the value of this industry will reach 830,000 billion toman.
222. Statistics show that in addition to the boom in foreign tourism in Iran, the domestic tourism industry also grew well in 2023.
223. Foreign tourists spent 70,000 billion toman in Iran in 2023, which was an increase of 83.6% compared to the previous year. Iran's domestic tourists spent as much as 493 thousand billion toman, about 18.7% growth compared to 2022, according to the WTTC data.

DIVERSIFICATION OF ECONOMY

224. Recognizing the vulnerability of its economy to fluctuations in oil prices and the impact of sanctions on the energy sector, Iran strategically diversified into non-oil industries. The country has invested in sectors such as: agriculture, manufacturing, and technology to create alternative revenue streams.

225. Iran's energy-rich economy boasts a significant manufacturing sector and sizeable consumer market. Large state-owned companies hold dominant positions in key industries, accounting for around 60% of Iran's GDP. The energy sector remains dominant, with 30 to 45% of the country's budget dependent on oil revenue.
226. Economic diversification is a key for Iran to generate economic growth in line with its 2025 economic plan. The Iranian Government has announced major infrastructure spend, supported by oil sector diversification and investments in heavy industry and mining.
227. Iran actively seeks to attract foreign investments to boost its economy. The main objective is to create a favorable investment climate by streamlining regulations, providing incentives and ensuring investor protection. This influx of foreign capital fosters job creation, technology transfer and overall economic growth. To encourage foreign investments, Iran also offers a range of incentives, including tax breaks, investment subsidies and customs exemptions. These incentives are designed to enhance the return on investment and attract a diverse range of investors from different sectors.
228. Moreover, Iran has designated Special Economic Zones strategically located across the country, offering unique advantages to foreign investors. These zones provide preferential treatment in terms of taxation, customs and regulatory procedures, fostering an attractive investment destination. Iran also actively promotes Public-Private Partnerships (PPPs) to engage both public and private sectors in major projects. Collaborations with foreign investors in infrastructure, healthcare, energy and other key sectors are encouraged to leverage expertise and investment capabilities.
229. A well-developed infrastructure is vital for economic growth. Iran prioritizes infrastructure projects, including transportation, energy and telecommunications. This also includes enhancing transportation networks, promoting digitalization and fostering innovation across various sectors. Modern and efficient infrastructure facilitates trade, attracts investments and enhances the overall business environment. Investments in infrastructure and technology are pivotal for Iran's plan.
230. The transportation infrastructure plan aims to improve connectivity both within the country and with the international community, facilitating efficient movement of goods and people. Investments are directed towards modernizing and expanding the energy sector, including oil and gas facilities, renewable energy projects and a reliable power grid to meet growing energy demands. Enhancements in broadband connectivity, digital services and e-government initiatives are central to this aspect of improving the telecommunications and information technology infrastructure.
231. I.R. of Iran encourages entrepreneurship and innovation to drive economic growth. Iran focuses on creating an enabling environment for startups to thrive. This includes incubators, accelerators, and co-working spaces that provide budding entrepreneurs with the necessary resources, mentorship, and networking opportunities to turn their ideas into successful ventures.
232. Iran has abundant renewable energy resources, including solar and wind power. Investing in renewable energy can not only promote sustainability but also create a new sector for economic development and export potential.

233.Iran, with its rich heritage and potential for economic prosperity, faces a range of economic challenges. Overcoming these hurdles requires strategic planning, international cooperation, diversification of the economy, and effective policies to ensure sustainable and inclusive growth for the nation.

234.Iran's 20-year vision was launched to tackle these challenges, since it represents a strategic roadmap for a prosperous and sustainable future. While addressing challenges like geopolitical tensions and environmental sustainability, and diversifying its economy, advancing technology, and strengthening international ties, Iran is poised to achieve long-term economic growth and improve the well-being of its citizens.

III. KAZAKHSTAN

Kazakhstan

Population 19,6 million, a 1.08% increase from 2022.

GDP nominal 259,3 billion USD

Inflation 9.8%

Currency exchange rate Tenge 456.31/1USD

235.In 2023, the economy of Kazakhstan demonstrated steady growth, supported by the stable development of key industries and the introduction of new technologies. The country continues to adapt to changing global economic conditions, including fluctuations in commodity prices and global economic challenges.

236.According to the latest forecasts by international financial institutions and think tanks, the Kazakhstan economy is expected to experience moderate GDP growth in coming years, indicating continued stabilization after a period of global economic turmoil. An important role in achieving these indicators is played by economic diversification aimed at reducing dependence on hydrocarbon exports and developing the domestic consumer market, investment in infrastructure and innovation.

237.The Government of Kazakhstan continues to implement strategic programs aimed at improving the investment climate, supporting small and medium-sized businesses, as well as developing human capital. These measures are designed to ensure long-term economic growth and improve the living standards of the population.

238.Kazakhstan's GDP expanded by 5.1% in 2023, up from 3.2% in the previous year. The services sector (+5.7% vs 2.5% in 2022) was the main driver of the expansion, with notable growth recorded for wholesale and retail trade; repair of motor vehicles and motorcycles (+11.3%); transportation and storage (+7.1%); information & communication (+7.1%) and accommodation and food service activities (+6.5%). Additionally, the goods-producing activity advanced faster (3.9% vs 3.5%), mainly driven by construction (+13.3%), mining & quarrying (+4.6%) and manufacturing (+4.1%). Conversely, agricultural activity was a drag, shrinking by 7.7%.

239.GDP per capita of the Republic of Kazakhstan in 2023 amounted to \$13.3 thousand (in nominal terms), an increase of 13.7% compared to 2022 or by \$1.8 thousand. The dynamics of changes in the indicator for the last three years are positive (on average 11% y/y). Economic growth is supported by population growth (from 19.5 million people in 2021 to 19,6 million people in 2023). Favorable commodity prices in 2023, increased oil

production, record government spending to support economic growth, significant funding from the National Fund and a stable Tenge exchange rate countered negative economic trends and ensured GDP growth. However, despite these positive indicators, unemployment in Kazakhstan dropped to a minimum of 4.7% by the end of the second and third quarters of 2023. This low unemployment rate may initially suggest increased labor utilization.

240. The government, the National Bank of Kazakhstan and local executive authorities are undertaking measures to control inflation. As a result, it has more than halved over the past year, reaching 9.8%. The objective for 2024 is to maintain inflation within the 6-8% range.

241. On the way to sustainable development, the Kazakh government focuses on diversifying the economy, fostering entrepreneurship, attracting investments and improving citizen well-being. By 2029, it is expected to double gross domestic product (GDP).

Non-Oil Economy

242. In 2023, exports of inorganic chemical products, including uranium, aluminum oxides, inert gas, chromium oxides, phosphoric acids and carbides totaled \$4.3 billion.

243. Kazakhstan exported ferrous metals worth \$4.1 billion, comprising ferroalloys, hot-rolled steel, cold-rolled steel, clad steel, semi-finished steel and steel rods.

244. The export value of copper and copper products reached \$3.2 billion, with copper cathodes contributing 98.9%.

245. Kazakhstan-supplied equipment and mechanical devices are estimated at \$1.8 billion, involving fuel rods, bearings, road and construction equipment and pipeline fittings.

246. Exports of mineral fuels totaled \$1.6 billion, primarily petroleum products and natural gas.

247. Kazakhstan exported electrical machinery and equipment worth \$1.2 billion, while the export value of precious metals stood at \$1.1 billion.

248. QazTrade also informed the reasons for the decline in exports of some Kazakh goods in 2023, identifying a decrease in export prices as the leading cause.

249. Export prices for unrefined oil have declined 31% in Euros or 28% in tenge since October 2022.

250. Despite a 2% increase in flour supplies in physical volume, export prices experienced a decrease.

251.The same scenario applies to sulfur exports, where the physical volume saw a 13% growth. In 2023, the average price witnessed a threefold decrease compared to the prices in 2022.

252.Meanwhile, the domestic market for liquefied gas faced a deficit, affecting gas export reduction.

253.Raw aluminum exports to the European Union decreased by 30% due to lower production volumes attributed to high energy prices.

254.Reduced imports from Indonesia, Japan, Russia, and the United States significantly reduced ferroalloys exports.

255.Supplies of petroleum products to the Netherlands and Türkiye declined by 37.1% as they started sourcing goods from nearby countries or using import substitution.

256.Falling world prices and reduced imports by Türkiye and Russia contributed to the decline in raw zinc exports.

Fixed capital investments

257.The volume of investments in fixed capital increased by 13.7% to \$39.5 billion, while in the first 9 months of 2023, \$19.7 billion of foreign direct investment was attracted.

Transport

258.In 2023, the growth rate of the "Transportation and Storage" sector reached 106.9% YoY, marking a 2.3 percentage point contraction since the beginning of 2022. Notably, the sector's growth slowed by 3.2 percentage points from the end of 2022.

259.Key indicators:

- total freight transported in Kazakhstan amounted to 980.7 million tons, an increase of 4.4% compared to the previous year;
- the freight turnover across all modes of transport reached 501.3 billion ton-kilometers, showcasing a 3.1% YoY increase;
- passenger turnover reached 72.8 billion passenger-kilometers, growing by 10.3%;
- a total of 1579.9 million passengers were transported, indicating an 8.3% increase.

Retail

The volume of retail trade in the Republic of Kazakhstan exceeded 19 trillion Tenge in 2023.

260.Two thirds of retail volumes were accounted for by non-food products. The volume of domestic retail trade in the Republic of Kazakhstan in January–December 2023 reached 19.2 trillion Tenge - 22% more in monetary terms than in January–December 2022. The real growth in the physical volume of retail trade amounted to 7.7%. Directly in December 2023, retail volume reached 2.4 trillion Tenge.

261. The share of retail trade in the total volume of domestic trade over the year increased from 31.1% to 31.5%.

262. Two-thirds of the retail trade volume was accounted for by non-food products: 12.9 trillion Tenge, real growth compared to January–December 2022 was 14%.

263. Food products accounted for 6.3 trillion Tenge - 12.2% more in monetary terms than a year earlier, while in real terms there was a decline of 3.4%.

Services and Catering

264. In Kazakhstan, prices for food products over the year increased by 8.5%, non-food products by 9.1%, paid services - by 12.4%.

265. Among food products, rice saw the highest price increase over the year, rising by 34.3%.

Then:

- mineral and drinking water (18.4%);
- canned milk (16.9%);
- alcoholic beverages and tobacco products (15.6%);
- kefir and eggs (13.4%);
- bakery and flour products (12.3%);
- confectionery products (10.7%).

Salary

266. In the fourth quarter of 2023, the average monthly salary in the Republic of Kazakhstan increased by 16.2% compared to the corresponding quarter of 2022 and amounted to 393,605 Tenge. The median wage in the Republic of Kazakhstan, as estimated for the fourth quarter of 2023, was 259,463 Tenge.

Inflation and income of population

267. The average annual inflation rate slowed to 9.8% in 2023. Price increases slowed across all major subcomponents except for services. Food prices, which make up 40% of the consumer basket, decreased to 8.5% in 2023.

268. Unlike other inflation components, services inflation persisted, which is likely due to the dominant role that wages play in determining the costs.

269. Real wages grew by 5.3% year-over-year in Q4 2023, with particularly strong increases observed in the services sector during the last quarter.

Trade

270. Foreign trade turnover increased by 2.2% and amounted to \$126 billion, the positive trade balance exceeded \$16 billion.

Employment

271.9 million people were employed in various sectors of the Kazakhstan economy. Of these, 6.9 million were employees (76.4% of the total) and 2.1 million were self-employed (23.6% of the total).

Energy

272. Kazakhstan increased its crude oil and gas condensate production by 7% in 2023 to 89.9 million metric tons (1.8 million barrels per day), slightly below a planned 90.5 million ton.

273. The country's oil production has been beset by weather-related disruptions to exports via the Black Sea and maintenance at its key oilfields.

274. Crude oil output excluding gas condensate, a type of light oil, rose by 3% on a monthly basis in December 2023 to 1.57 million bpd, above the 1.55 million bpd quota set by a deal between countries at the OPEC+ group of leading global oil producers.

275. About 80% of Kazakh oil exports are piped through the Caspian Pipeline Consortium's Black Sea terminal, with additional volumes going through another Russian pipeline. Much smaller quantities are shipped to China.

276. In 2023, the industry finally managed to break a series of years in which gas production declined. Perhaps the reason for this was the active discussion of the topic of fuel shortages in the domestic market.

277. Thus, according to the results of 2023, about 58.838 million m³ of natural gas were extracted from the subsoil. As calculated by the Office of National Statistics, production increased by 10.5% year on year. During the year, the fields produced 34.548 million m³ of associated petroleum gas.

278. Most likely, positive dynamics were achieved due to the launch of a number of new fields. In particular, the QazaqGaz Company managed to receive the first gas from the Anabay section, which was put into operation in November 2023. The subsoil user expected that by the end of the year it would produce 6.5 million tons of blue fuel.

279. The coal industry of Kazakhstan in 2023 did not show as significant results as the oil and gas industry. However, no serious drop in production has been observed either. According to the report of the Bureau of National Statistics, 107.758 million tons of hard coal and 4.983 million tons of brown coal were extracted from the country's deposits over the year. Production of the first decreased by only 0.03%, but of the second by 12%.

280. Among the total production volumes, coking coal accounted for 6.820 million tons (-10.6% year-on-year) and energy coal accounted for 17.068 million tons (-4.2% year-on-year). The republic's processing plants produced about 3.612 million tons of coal concentrate over the year, 11.6% less than in 2022.

281. Mining companies have yet to report their results for the year. Among large subsoil users, growth in indicators is expected from the Bogatyr Coal enterprise, which at the

end of 2022 introduced a cyclic-flow complex for the extraction and transportation of minerals at the Bogatyr coal mine.

282. Gold mining continues to show positive dynamics for the second year in a row. At the end of the reporting period, about 41.433 million tons of gold ore were extracted from the deposits of the republic. As calculated by the Bureau of National Statistics, this is 13% more than a year earlier.

283. In 2023, manufacturers received 132,763 kg of unprocessed and semi-processed precious metal (+2.3% year-on-year). Gold refining remained at last year's level - 72,993 kg. The production of gold concentrates, in turn, showed a significant reduction of 28.5%. In total, the factories received 328 thousand tons of this product.

INDUSTRIAL SECTOR OF KAZAKHSTAN

284. The key goal of the industrial policy, enacted in 2021, which aims to shift away from reliance on raw materials and toward greater emphasis on domestic processing.

285. According to the Bureau of National Statistics, industrial production in Kazakhstan witnessed a 4.3% increase in 2023.

286. Kazakhstan's manufacturing sector showed positive dynamics in 2023, with production value reaching 21.6 trillion tenge (\$48.7 billion).

287. The growth was driven by a 38% increase in the woodworking sector, 25.4% – in mechanical engineering, 12.2% – in the light industry and 6.1% – in the construction industry.

288. The law's goal in industrial policy is to strengthen Kazakhstan's industrial capacity, enhance its competitiveness and reduce import dependence.

289. Recently, following an analysis of the achieved outcomes and identified challenges, the country adopted an updated concept for the development of the manufacturing industry for the following six years. This strategic document entails measures to boost industrialization, improve the investment climate and create conditions for attracting domestic and foreign investment in key sectors.

290. The comprehensive plan for developing the rare and rare earth metals industry for 2024-2028, envisages a 40% increase in investment and production volume.

291. The mechanical engineering sector experienced a 24.9% growth in the first quarter of 2024, and the automotive industry is taking ongoing measures to shift towards more complex vehicle assembly processes.

292. Automakers are committed to escalating the proportion of complete knockdown to 50% of total production by 2027.

293. 170 investment projects launched in 2023, generating over 12,000 jobs.

294. From 2025 to 2027, 621 investment projects are planned, resulting in 4.86 trillion Tenge (\$10.9 billion) in investment and the creation of over 61,500 jobs.

295. From January to December 2023, a total of 2,435 enterprises contributed to the production of industrial goods valued at ₸46,401.7 billion (over \$102.5 billion).

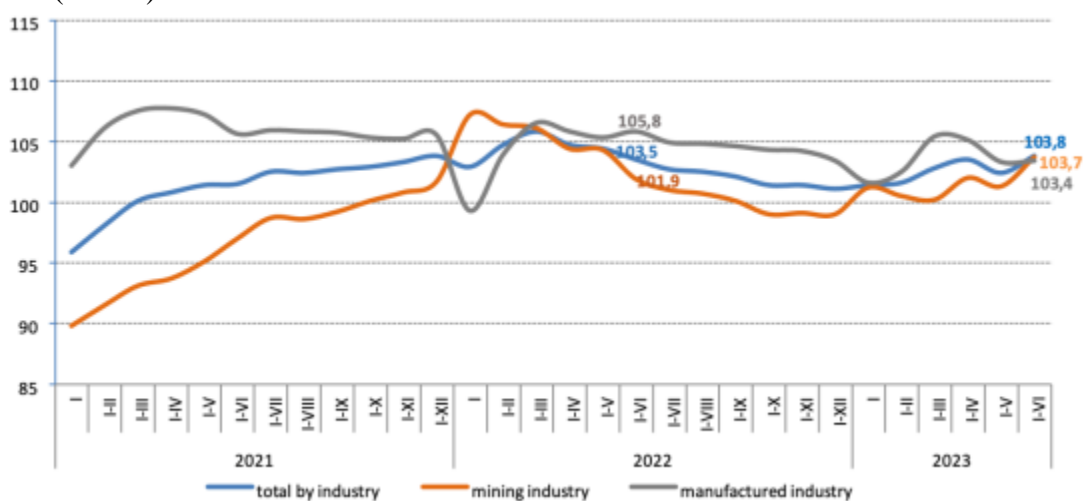
296. The breakdown of production growth by industries includes:

- Mining and quarrying: 4.6%;
- Manufacturing industry: 4.1%;
- Supply of electricity, gas, steam, hot water, and conditioned air: 1.8%.

297. Water supply; waste collection, treatment and disposal, pollution elimination activities: 1.9%.

298. The growth in mining and quarrying was attributed to an increase in the production of crude oil (by 6.8%), natural gas (by 10.8%), non-ferrous metal ores (by 1%), and other minerals (by 12.7%).

299. Within the manufacturing industry, notable growth was observed in the production of food products (1.5%), tobacco products (3.7%), light industry (12.2%), rubber and plastic products (5%), other non-metallic mineral products (6.1%), finished metal products (except machinery and equipment) by 3.3%, and machinery manufacturing (25.4%).



Diversification of economy

300. The economy of Kazakhstan in 2023 is characterized by a number of trends that determine the direction of its development and strategic priorities for the near future. The country continues to demonstrate robust economic growth, supported by structural reforms, investment in innovation and increased international cooperation.

301. One of the key trends is the diversification of the economy, aimed at reducing dependence on the export of raw materials and the development of high-tech and manufacturing industries. The government's efforts in this direction are already leading to the emergence of new production capacities and an increase in the share of industrial products in the structure of GDP.

302. The development of the digital economy and technological innovation also remains the focus of the state. Programs for the digitalization of public services support for start-ups and development of the IT sector helped create new jobs and improve the quality of life of the population.
303. Environmental sustainability and the green economy are becoming increasingly relevant areas. Initiatives to develop renewable energy sources, improve energy efficiency and reduce greenhouse gas emissions reflect Kazakhstan's commitment to sustainable development and compliance with international environmental standards.
304. Social policy and human capital development remain priorities to ensure long-term economic growth. Investments in education, healthcare and social protection are aimed at developing qualified personnel and improving the well-being of citizens.
305. International economic cooperation continues to expand through Kazakhstan's participation in global and regional economic projects, trade agreements and integration associations. This cooperation opens up new markets for Kazakh goods and services, helping attract foreign investment and exchange experience in the field of economic reforms.
306. To analyze and forecast economic trends in Kazakhstan, data from national statistics, research from international organizations and expert assessments are used. Specialized analytical platforms such as KazDATA provide important information for understanding current changes and planning the future development of the country's economy.

IV. THE KYRGYZ REPUBLIC

The Kyrgyz Republic

Population 7,2 mln

GDP 37 bln USD

GDP per capita 1 969 USD

Inflation 10.8%

Currency exchange rate Som 89.0853 /1USD

307. GDP per capita is a key indicator reflecting the material standard of living in a country. An increase in this indicator shows an improvement in the economic well-being of citizens, including their access to material goods, services and opportunities.
308. In recent years, a lot of work has been done in the Kyrgyz Republic aimed at accelerated socio-economic development. Economic growth over the past three years averaged 6.9% (2021-105.5%, 2022-109.0%, 2023-106.2%), which indicates the stability of the economy and its gradual adaptation to the post-COVID and the current geopolitical situation, which is due to the successful implementation of a set of measures to stimulate economic sectors, effective resource management and fiscal reforms.
309. Growth remained strong in 2023 with robust gains in almost all sectors but a slowdown in gold production. Inflation subsided with smaller increases in food prices but remained elevated. The current account deteriorated with a surge in imports and large unrecorded re-exports. Growth is projected to moderate in 2024 and 2025 with smaller gains in

construction and services. Inflation should decline under continued tight monetary policy. Inflation can be tackled with more effective monetary policy.

310. Growth moderated to 6.2% from 9.0% in 2022, a figure revised up from the previously released 6.3% mainly because the National Statistics Committee recalculated the share of net indirect taxes in GDP.
311. On the supply side, growth in industry slowed from 11.9% in 2022 to 2.7% as metal production, especially gold, fell by 12.8% and expansion in manufacturing plunged from 16.4% in 2022 to 2.0% with lower output of fabricated metals, machinery and equipment, and despite faster growth in textiles and garments.
312. Growth in services remained robust because of gains in accommodation and food services but slowed somewhat, from 6.8% in 2022 to 6.2%, with slower expansion in transport, storage, information, and communications. Poor rainfall slashed growth in agriculture from 7.3% in 2022 to 0.6% as cereal production fell by 14.6%.
313. Construction growth accelerated from 9.1% in 2022 to 10.3% on higher investment in mining, manufacturing, energy, transport, trade and housing.
314. Gross reserves increased, with a higher share of assets in gold.
315. The central bank sold \$655.7 million in 2023, mainly to smooth excess volatility in the Kyrgyz som as the Russian ruble weakened by about 25% against the dollar. This held som depreciation against the dollar to about 4.0% in 2023. Despite currency interventions, ongoing purchases of domestically mined gold and the conversion of nonmonetary gold on the central bank's balance sheet to foreign exchange enabled gross reserves to rise by about \$0.5 billion in 2023 to \$3.2 billion at the start of 2024, cover for about 3 months of projected imports.

Fixed capital investments

316. In the construction complex, the volume of capital investments continues to increase. At the end of January-December 2023, the volume of investments in fixed assets from all sources of financing amounted to 168.5 billion soms and increased by 18.8% (an increase of 4.0% in 2022).
317. The increase in investment in fixed assets compared to 2022 was achieved due to an increase in internal sources of financing by 34.6%, while the volume of external sources, on the contrary, decreased by 26.3%.
318. The total share of internal investment funds amounted to 83.9% (positive contribution to the growth of capital investments amounted to 25.58 percentage points) and external - 16.1% (negative contribution - (6.83) percentage points) of the total volume of disbursed capital investments.
319. An increase in investment in fixed capital was noted in most types of activities, with the exception of the construction of agricultural, forestry and fish farming facilities, where a decrease of 32.6% was noted, transport activities and cargo storage - by 26.3%, information and communications - by 30.4%, as well as real estate transactions - by 22.3%.

320. The main volume of investments (83% of their total volume) is aimed at the construction of mining facilities, manufacturing facilities, provision (supply) of electricity, gas, steam and air conditioning, wholesale and retail trade, transport activities and cargo storage, education and also housing construction.

321. Fixed capital investment rose by 34.6%, mainly from higher domestic spending on energy, water, and education facilities, while foreign investment declined by 26.3%.

Transport

322. The volume of transport services and cargo storage for 2023 amounted to 80.5 billion soms and increased by 7.3%. 51.0 million tons of various cargoes were transported by all types of transport, an increase of 15.3% compared to 2022, and the republic's carriers transported 574.7 million passengers, or 9.1% more than in 2022.

Retail

323. The largest share in the structure of economic sectors that provide services is occupied by wholesale and retail trade - 35.0%, transport services - 8.0% and financial intermediation and insurance services - 9.9%.

324. Volume of gross output of wholesale and retail trade; repair of cars and motorcycles at the end of 2023 amounted to 351.7 billion soms, with a growth rate of 115.5%. The increase in the turnover of wholesale and retail trade, car and motorcycle repairs compared to 2022 is mainly due to an increase in the volume of wholesale trade by 23.0% and retail trade by 10.9%.

Services and Catering

325. In the Kyrgyz Republic, the service sector still occupies a dominant share in the structure of GDP (more than 50%). The real growth rate in this sector over the past three years has averaged 6.6% (2021: 6.9%, 2022: 6.8% and 2023: 6.2%). This indicates sustainable economic activity in the service sector after a sharp decline of 7.9% in 2020 due to COVID-19 and demonstrates high recovery growth rates.

326. In addition, key segments in this industry include educational and medical services, hotels and restaurants, information and communications, real estate transactions, scientific and technical activities, arts, entertainment and recreation, private household activities with hired workers, and the production of various goods and services for own consumption. The functioning of these segments forms a diverse range of services that contribute to the country's economic development and improve the quality of life for its population.

327. For January-December 2023, according to preliminary data from the NSC, the volume of gross output of the service sector amounted to 1005.0 billion soms and increased by 7.3% compared to 2022. The contribution to the formation of the level of economic growth from the service sector is the largest and is estimated at 3.14 percentage points.

328. The largest share in the structure of economic sectors that provide services is occupied by wholesale and retail trade - 35.0%, transport services - 8.0% and financial intermediation and insurance services - 9.9%.

329. In addition, key segments in this industry are other types of services such as educational and medical services, activities of hotels and restaurants, information and communications, real estate transactions, scientific and technical activities, art, entertainment and recreation, activities of private households with hired workers; production by private households of various goods and services for their own consumption, etc., the functioning of which forms a variety of services, contributing to the economic development of the country and improving the quality of life of the population.

330. The development of these areas is supported by an increase in household incomes, the expansion of small and medium-sized businesses, the development of tourism, and the integration of digital technologies. The population's cash income has increased by more than 40% over the past two years. At the same time, the average monthly nominal wage in January-December 2023 increased by 20.3% compared to 2022, the average pension increased by 18.1%, and the monthly social benefit increased by 2 times.

331. A significant easing of restrictions compared to previous years is helping to restore the volume of import operations, so in 2022 the volume of imports increased 1.7 times, over the 12 months of 2023, imports of goods increased by 26.0%. All these factors, in turn, support domestic demand, the volume of turnover of wholesale and retail trade, transport activities and cargo storage, etc. increased accordingly.

332. The volume of services provided by hotels and restaurants at the end of the year amounted to 43.3 billion soms with a growth rate of 123.0%. In the reporting year, almost all resort, recreational and tourist facilities operated in full mode. With the opening of the tourist season, the number of airline flights, etc., increased.

Salary

333. The average monthly nominal wage of an employee (excluding small enterprises) from January to December 2023 was 33,258 soms, an increase of 20.3% compared to 2022. Adjusted for the consumer price index, the real wage increased by 8.6%.

334. In January-December 2023, the most significant increase was observed in the field of public administration and defense; compulsory social security - by 42.5%, administrative and support activities - by 37.3%.

Inflation and income of population

335. Average annual inflation slowed from 13.9% in 2022 to 10.8% in 2023. This decline was primarily due to lower global food prices, seasonal factors reducing food inflation, and tight monetary policy.

336. The central bank kept its policy rate at 13.0% throughout the year despite slowing inflation. Food inflation similarly fell by half, from 16.2% to 8.4%, but prices rose from 11.1% to 13.3% for other goods and from 9.8% to 10.0% for services, the latter largely reflecting tariff hikes on electricity, other utilities and transportation.

337. The consumer price index, indicating the inflation rate, was 107.3% from January to December 2023 compared to December of the previous year. In 2022, the same figure was 114.7%.
338. Prices for non-food products increased by 12.2%, alcoholic beverages and tobacco products - by 11.3%, food products and non-alcoholic drinks - by 3.4%, tariffs for services provided to the population - by 9.1%.
339. Over the past year, prices increased the most for rice - by 39.9%, fresh fruits - by 23.0%, confectionery - by 9.0%, fish - by 8.3%, pasta and other grain products - by 7.3%, baked goods - by 7.3%, soft drinks - by 5.9%, dairy products - by 5.6%, bread - by 5.2%, cheeses - by 4.9%, meat - by 1.4% and flour - by 1.3%.
340. A significant increase in prices was observed for cold water - by 39.3%, electricity - by 23.1%, motor transport - by 17.4%, materials for clothing - by 16.3%, footwear - by 14.6%, pharmaceuticals products - by 13.1%, clothing - by 12.3%, materials for the maintenance and repair of residential premises - by 11.0%, hot water - by 10.2%, coal - by 9.5%, household items, household appliances - by 9.5%, newspapers and periodicals - by 9.4% and fuels and lubricants - by 5.1%.
341. Along with this, prices for lumber (by 7.6%), office supplies (by 2.8%), firewood (by 2.2%) and sheet glass (by 1.9%) decreased.
342. Since the beginning of 2023, service tariffs in the republic have increased by 9.1% overall compared to December 2022. Significant increases were recorded in various sectors: veterinary services (100%), outpatient services (23.7%), cultural event organization (18.3%), hairdressing services (16.0%), sanatorium-resort services (14.9%), tailoring services (13.1%), catering services (12.9%), hotel services (12.8%), maintenance and repair of personal vehicles (11.6%), current maintenance and repair of residential premises (10.7%), communication services (6.6%), shoe repair (5.9%), road passenger transport (2.8%), and railway passenger transport (2.2%).
343. In 2023, compared to December of the previous year, consumer prices and tariffs increased across all regions of the republic. The Naryn region experienced the highest overall price increase at 12.7%, driven by significant rises in prices for alcoholic beverages and tobacco products (19.4%), non-food products (25.3%), and tariffs for services (21.0%) in Osh. The Talas region saw the largest increase in prices for food products and non-alcoholic drinks, which rose by 9.5%.
344. The general government fiscal balance moved from a deficit equal to 1.0% of GDP in 2022 to a 1.0% surplus in 2023 as revenue grew faster than expenditure. Improved tax administration and an expanded tax base boosted revenue from 29.5% of GDP in 2022 to 31.9% in 2023, with gains in both tax and nontax revenue. Gains in tax revenue reflected a 34.2% rise in value-added tax collections on unusually strong imports. Nontax revenue benefited from a more than doubling of revenue from state-owned assets, including dividends from the Kumtor mine and a profit distribution from the central bank.
345. Government spending increased slightly from 30.5% of GDP in 2022 to 30.9% on a higher wage bill and social benefits. With strong nominal GDP growth, public debt declined from 46.9% of GDP at the end of 2022 to 45.5% a year later, with domestic

debt rising from 9.2% of GDP to 11.8% and external debt falling from 37.6% of GDP to 33.7%.

346. Banks remained liquid and well-capitalized, with a capital adequacy ratio of 24.8% and a liquidity ratio of 77.4% at the start of 2024. Nonperforming loans dropped from 12.8% in 2022 to 9.2% at the end of 2023.

347. Credit grew by 26.3% in 2023, with consumer lending up by 68.8% and mortgage lending by 23.2%. Deposits expanded by 27.3%. The current account d

Trade

348. The total volume of foreign trade turnover for January-December 2023 amounted to 15,660.9 million US dollars and increased by 29.9% compared to 2022, while exports of goods increased by 46.8% and imports of goods by 26.0%. In the structure of trade turnover, the share of exports accounted for 21.1%, imports – 78.9%.

349. The increase in exports of goods was mainly due to an increase in supplies of gold by USD 972.8 million, the share of which in the exports of the Kyrgyz Republic amounted to 34.6%, as well as an increase in supplies of plastics and products made from them - by 1.6 times, ore and concentrates of precious metals - 1.5 times, coal - 1.7 times, frozen fish - 1.5 times, cotton fibre - by 5.5%, bread and bakery products - by 2.4%.

350. At the same time, export supplies of processed stone for monuments and construction decreased by 2.3 times, polished glass by 2.0 times, dried legumes by 34.4%, clothing and clothing accessories by 1.9 times. , cement - by 27.3%, aluminum waste and scrap - by 33.4%, fruits and nuts - by 17.6%, ferrous metals - 14.8%.

351. The volume of import receipts increased due to an increase in the supply of wheat flour (1.9 times), rice (48.2%), fruits and nuts (1.5 times), coal (2.3 times), water, including mineral and carbonated drinks with sugar (by 14.2%), as well as ceramic products (by 10.9%).

352. Also, there was a decrease in the volume of imports of shoes (2.9 times), clothing and clothing accessories (2.4 times), sugar (2.2 times), vegetable oils (30.7%), vegetables and root crops (by 13.2%), products made of ferrous metals (by 13.8%), paper, cardboard and paper products (by 15.8%), plastics and products made from them (by 15.5%), as well as tea (by 6.8%).

353. The largest share of the republic's mutual trade during this period fell on Russia (67.3%) and Kazakhstan (30.3%).

354. The volume of foreign trade with third countries in January-December 2023 amounted to 11.3 billion US dollars and increased by 1.5 times compared to 2022.

Exchange rate

355. At the moment, the situation on the foreign exchange market remains relatively stable. From the beginning of 2023 to December 31, the official exchange rate of the US dollar against the som increased by 3.97%, from 85.6800 to 89.0853 som per one US dollar.

356. Thus, from January 1 to December 31, 2023, the National Bank conducted fourteen interventions, selling a total of 655.72 million US dollars to stabilize sharp fluctuations in the exchange rate. During the same period, the National Bank carried out additional foreign exchange interventions, selling another 270.45 million US dollars for the same purpose.

Employment

357. During the reporting period, consistent efforts were made to implement practical measures aimed at facilitating the employment of unemployed citizens.

358. According to official statistics, as of January 1, 2023, the economically active population was 2,712.7 thousand people, with 2,581.1 thousand of them being employed.

359. The total number of unemployed was 131.6 thousand people. (decrease by 7.7%). The overall unemployment rate was 4.9% (a decrease of 0.4 percentage points).

360. As of January 1, 2024, the number of unemployed people registered with employment services was 91.6 thousand people, of which 67.6 thousand people had official unemployed status. (decrease by 9.5%).

361. The official unemployment rate in the republic was 2.5% of the economically active population. At the same time, a high level of official unemployment is observed in Batken (14.1 thousand people or 7.5%) and Jalal-Abad (17.2 thousand people - 3.6%) regions. Low unemployment rates are observed in Bishkek (5.3 thousand people - 1.0%) and Chui region (3.6 thousand people - 1.0%).

Energy

362. In 2023, for the first time, the authorities of Kyrgyzstan systematically approached the issue of resolving energy security issues. An important achievement was also the resolution of energy security issues, including the construction of more than 10 small hydroelectric power plants and an agreement with Rosatom on the implementation of projects in this area.

363. Kyrgyzstan plans to improve the security of energy supply through the construction of large wind and solar power plants. Rosatom plans to introduce new small nuclear power plants in Kyrgyzstan, similar to the construction in Kazakhstan.

364. The gas transportation system of Kyrgyzstan is developing systematically and stably, with more than 10 facilities connected to gas in the Chui region. Agreements with Russia will allow billions of cubic meters of gas to be transferred from the Russian Federation to Central Asia, part of which will go to Kyrgyzstan. It is planned to upgrade the gas pipeline from the Almaty region to Kyrgyzstan for hundreds of millions of dollars, as well as the construction of a new station to generate electricity from gas, which will increase the country's energy security.

365. In providing electricity, gas, steam and air-conditioned air (share in total industrial production 10.3%) production volume in January-December 2023 amounted to 49.7

billion soms and increased by 8.4% due to an increase in the volume of services for the distribution and sale of electricity by 7.3%, as well as provision (supply) of steam and conditioned air - by 35.8%.

366. Electricity generation in 2023 amounted to 13,825.6 million kWh (compared to 13,856.3 million kWh in 2022), which is 30.7 million kWh less, or 99.8% compared to the level of 2022, the decrease is due to the onset of a period of low water.

INDUSTRIAL SECTOR OF THE KYRGYZ REPUBLIC

367. For January-December 2023 industrial enterprises produced gross output worth 482.8 billion soms, production volume increased by 2.7% (2022 – growth by 11.4%).

368. The moderate growth rate in the industrial sector is due to reduction in production volumes of basic metals at the field Kumtor from April 2023 due to the development of a zone with lower content gold in ore according to the development plan, respectively, reducing coefficient of metal extraction from ore (specific gravity of a given production in the total industry is more than 25%).

369. At the same time, the volume of industry excluding gold increased by 16.4%. Positive contribution to the formation of GDP from industrial production is estimated at 0.47 percent point, including enterprises for the development of the Kumtor deposit.

370. The share of industry in the structure of GDP production was 16.0%.

371. In 2023, growth in the physical volume of industrial products provided by all regions, with the exception of Issyk-Kul (79.6%): Batken - 120.8%, Jalal-Abad - 108.8%, Naryn - 104.3%, Osh - 117.1%, Talas - 105.8%, Chui - 121.9%, as well as cities Bishkek – 121.5% and Osh – 107.7%. The decline in production volumes in the Issyk-Kul region by 20.4% is due to a reduction in production by Kumtor deposit by 21.8%, whose share in the total volume industry of the region occupies over 90%.

372. In manufacturing, with the highest share in the total volume of industrial production (77.1%), the volume of production for January-December 2023 amounted to 372.3 billion soms and the physical volume index by 2022 amounted to 102%. Volume growth production of industrial products is ensured by increasing production volumes of rubber, plastic products and building materials by 1.7 times, pharmaceutical products - by 34.9%, in textile production, production of clothing and footwear, leather and leather products - by 19.2%, wood and paper products, printing activities - by 19.6%, chemical products - by 11.8%, refined petroleum products - by 8.9%, food products (including drinks) and tobacco products - by 5.7%, computers, electronic and optical equipment – by 1.6 times, vehicles – by 6.1%.

373. At the same time, in this industry, production volumes of basic metals were reduced by 12.8% due to a planned reduction in production volumes at the Kumtor deposit, mainly due to the development of a zone with a lower gold content in the ore.

374. Currently, a number of activities are being carried out to extract gold ores in an economically viable manner, including a gradual transition from open-pit ore mining to the launch of an underground mining project. At the same time, the ZIF has been

changed technological scheme for leaching flotation concentrate, which made it possible to increase the amount of gold recovered and reduce the consumption of reagents. In addition, the volume of base metal production decreased by Taldy-Bulak Levoberezhny field (Altynken LLC) by 24.6%.

375. In 2023, the gold mining branches of Kyrgyzaltyn OJSC increased production volumes by 1.5 times compared to 2022, and at the Jerooy deposit the growth amounted to 106.8%, exceeding the stated production plan.

376. In mining (share in total industrial production 11.6%), the volume of production in January-December 2023 amounted to 56.1 billion soms, and the physical volume index by 2022 amounted to 103.1%. The increase in mining volumes was due to an increase in coal production by 13.2%, crude oil and natural gas by 2.5%, and metal ores by 1.2%.

Diversification of economy

377. The Kyrgyz Republic has made great strides towards achieving the Sustainable Development Goals, with significant improvements in primary and secondary education and a notable reduction in poverty and stunting. However, the country remains highly dependent on food imports and remittances, and faces increasing risks from national and regional instability and climate-related shocks.

378. The Kyrgyz Republic National Development Strategy defines the strategic benchmarks for the long-term development of the country, taking into account future challenges. It formulates a vision for the future of the country, setting out basic principles and strategies to achieve development goals in all spheres of life. In addition, it identifies priority medium-term steps to launch the country's strategic vision.

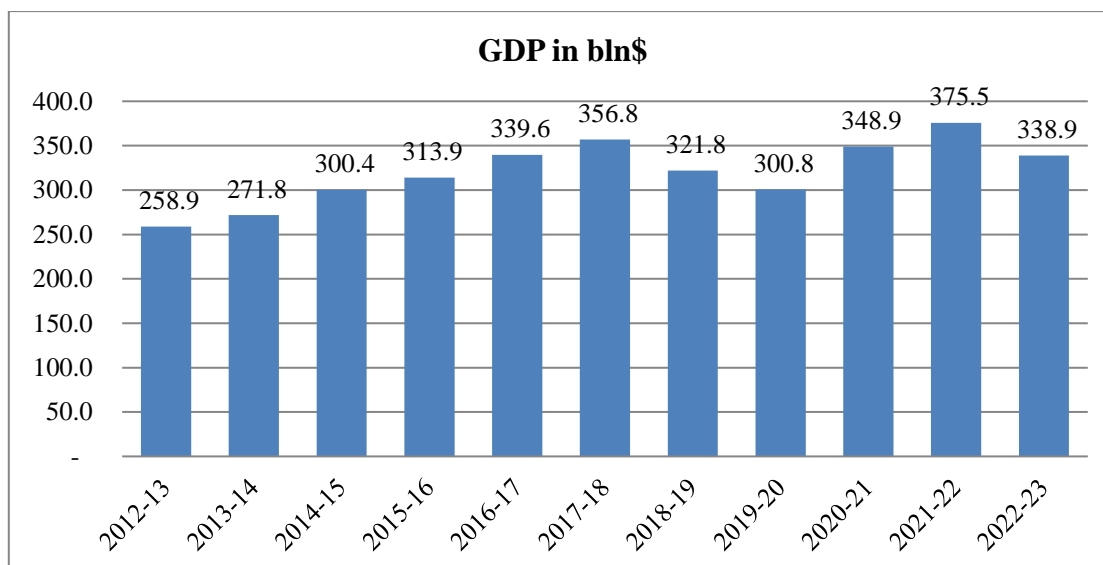
V. ISLAMIC REPUBLIC OF PAKISTAN

Pakistan	2023	
population	241.5 mln	
GDP nominal	338.9 bln\$	1.5 trln\$ PPP
GDP per capita	1553\$ nominal	6670\$ PPP
GDP growth	-0.17%	
CPI inflation	29.18%	

379. The economy of Pakistan is among the three largest economies of the ECO region. The Gross Domestic Product (GDP) in Pakistan was worth 338.93 billion US dollars in 2023, according to official data from the Pakistan Bureau of Statistics. The GDP value of Pakistan represents 0.26 percent of the world economy. Growth of Pakistan's GDP in 2023 was -0.17%.

380. Pakistan's economy is the 23rd-largest worldwide in terms of GDP based on purchasing power parity (PPP). According to first ever Digital Population and Housing Census 2023,

the country has a population of 241.5million people (5th-largest worldwide). As of the financial year 2023 (FY23), the nominal GDP of Pakistan stands at US\$338.93 billion with a nominal GDP per capita of US\$1,553 (177th worldwide); its GDP based on PPP stands at \$1.512 trillion with a GDP per capita of \$6,662.



381.Structure of GDP: In 2023, agriculture contributed approximately 23.17 percent to the GDP of Pakistan, around 18.41 percent came from the industry, and over half of the economy's contribution to GDP came from the services sector.

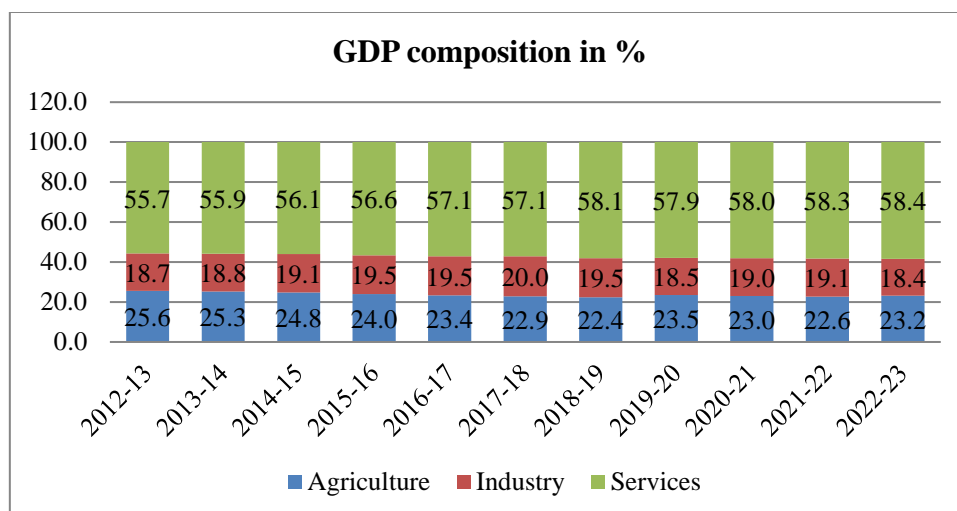
382.Agriculture contributes around 23.17 percent of gross domestic product (GDP) and accounts for 37.4% of employed labour force in 2021 and is the largest source of foreign exchange earnings. The most important crops are wheat, sugarcane, cotton and rice, which together account for more than 55.3% of the value of total crop output. Pakistan's largest food crop is wheat. In 2023, Pakistan produced 28,175,540 tonnes of wheat, almost equal to all of Africa (27.1 million tonnes) and more than all of South America (25.9 million tonnes), according to the FAOSTAT.^[82] In the previous market year of 2022/23, Pakistan exported a record 3.7 million tonnes of rice as compared to around 4.9 MMT during the corresponding period last year.

383.Pakistan is a net food exporter, except in occasional years when its harvest is adversely affected by droughts. Pakistan exports rice, cotton, fish, fruits (especially oranges and mangoes), and vegetables and imports vegetable oil, wheat, pulses and consumer foods. The economic importance of agriculture has declined since independence, when its share of GDP was around 53%.

384.Industry accounts for approximately 18.41% of GDP. In FY2023 industry recorded a growth of -3.76% as compared to the growth of 6.95% in FY2022. Government policies aim to diversify the country's industrial base and bolster export industries. Large Scale Manufacturing is the fastest-growing sector in Pakistani economy. Major industries include textiles, fertiliser, cement, oil refineries, dairy products, food processing, beverages, construction materials, clothing, paper products and shrimp.

385. In Pakistan SMEs have a significant contribution in the total GDP of Pakistan, the share in the annual GDP is 40% likewise SMEs generating significant employment opportunities for skilled workers and entrepreneurs. Small and medium scale firms represent nearly 90% of all the enterprises in Pakistan and employ 80% of the non-agricultural labor force. These figures indicate the potential and further growth in this sector.

386. Services accounts for about 58.42% of GDP. Transport, storage, communications, finance, and insurance account for 25.90% of this sector, and wholesale and retail trade about 31.1%.



387. During FY23 Pakistan facing a decline in the economic indicators due to economic crisis. Pakistan total foreign investment during FY23 has been 600.7 million US\$ which was previously 1857 Million US\$ in FY22 showing a negative growth of 67.66. Foreign direct investment decline during FY23. A negative growth 15.96 in foreign direct investment during FY23 has been observed. Liquid Foreign Reserves decline from 15449.80 Million US Dollar to 9160 million US\$ a decline of 40.71%. Remittances is one of the avenues of the country in stabilizing the economic situation. During FY23 country received total 27332.8 million US\$ remittances a decline of 12.62% growth with the previous year. Though there is improvement in the current account balance in FY23 from -17481 million US\$ to -3275 million US\$ due to decline in impots during FY23.

Related	FY22	FY23	Unit	References
Current Account	-17481	-3275	US\$ Million	June23
Current Account to GDP	-4.67	-0.7	Percent of GDP	June23
External dept	130319.53	124295.53	US\$ Million	June23
Terms of Trade	64.92	73.97	Points	June23
Remittances	31279	27333	US\$ Million	June23

Capital flows				June23
Foreign Direct Investment	1935.90	1455.80	US\$ Million	June23

388. **External trade:** In 2023, Pakistan's total external trade amounted to \$78.6 billion. Imports for the year totaled \$50.127 billion, marking a 29.18% decrease from 2022. Pakistan's exports in 2023 reached \$28.465 billion, showing a significant increase from \$12.158 billion in 2002. Pakistan's Top Exports in 2023: Knitwear, Readymade garments, Bedwear, Rice, Cotton cloth, etc. Pakistan's Top Imports in 2023: petroleum oils and oils from bituminous minerals; petroleum gases and other gaseous hydrocarbons; palm oil and its fractions; electrical apparatus, machinery, etc.

Pakistan's Balance on trade in goods and services										
Q3	Q4	CY22	Q1	Q2	Q3	Q4	CY23	Q1	Q2	Q3
CY22	CY22		CY23	CY23	CY23	CY23		CY	CY	CY
								24	24	24
-9470	-7765	-43117	-5754	-5455	-6013	-6296	-23517			

389. Pakistan's bilateral trade with ECO countries in 2023 (volume of trade with ECO countries \$3.48 billion and its share in external trade is 4.42%)

Million US\$

ECO COUNTRY	EXPORT TO	IMPORT FROM	TOTAL
Afghanistan	970.97	693.06	1,664.03
Azerbaijan	5.56	1.30	6.86
Kazakhstan	108.65	1.08	109.74
Krygzystan	10.73	0.25	10.98
Iran	0.09	945.78	945.88
Tajikistan	32.59	0.20	32.79
Turkey	348.98	253.02	602.00
Turkmenistan	1.71	3.13	4.84
Uzbekistan	73.12	30.78	103.90

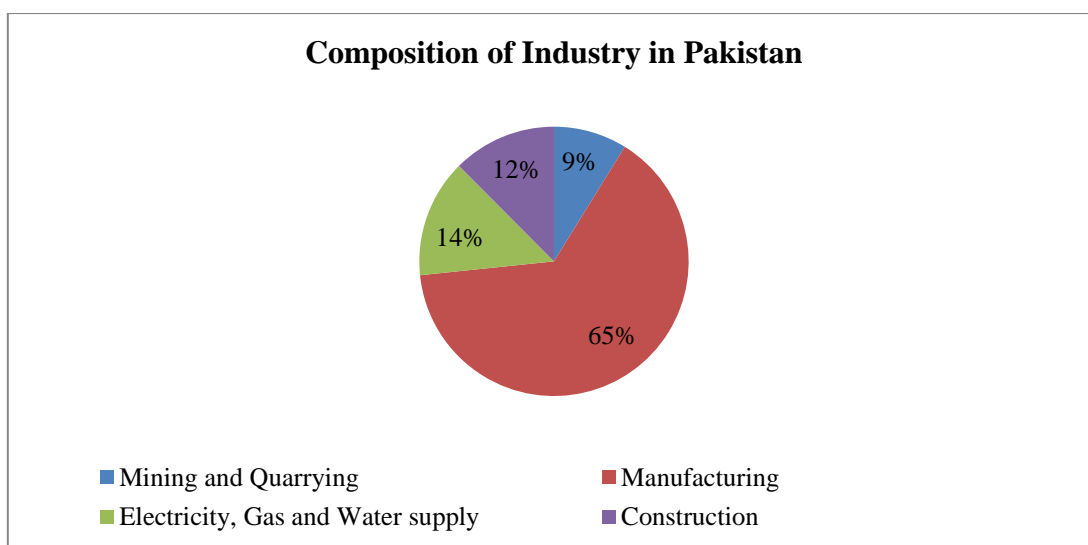
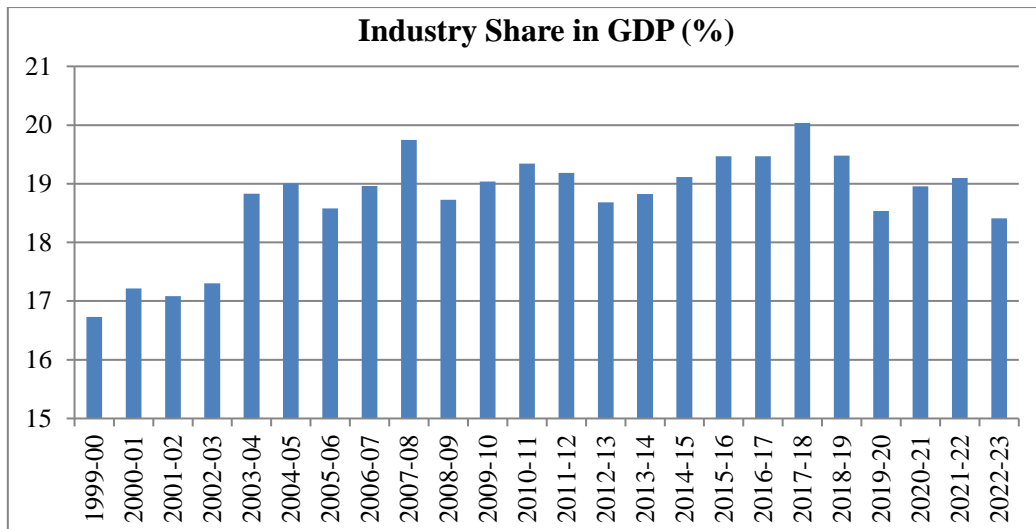
390. **Inflation:** The Consumer Price Index (CPI) Inflation for the period July-June FY 2022-23 was recorded at 29.18% against 12.15% during the same period last year. The other

inflation indicators like the SPI was recorded at 33.00% against 17.10% Last year. WPI was recorded at 32.80% in July-June FY 2022-23 Compared to 24.91% Last year.

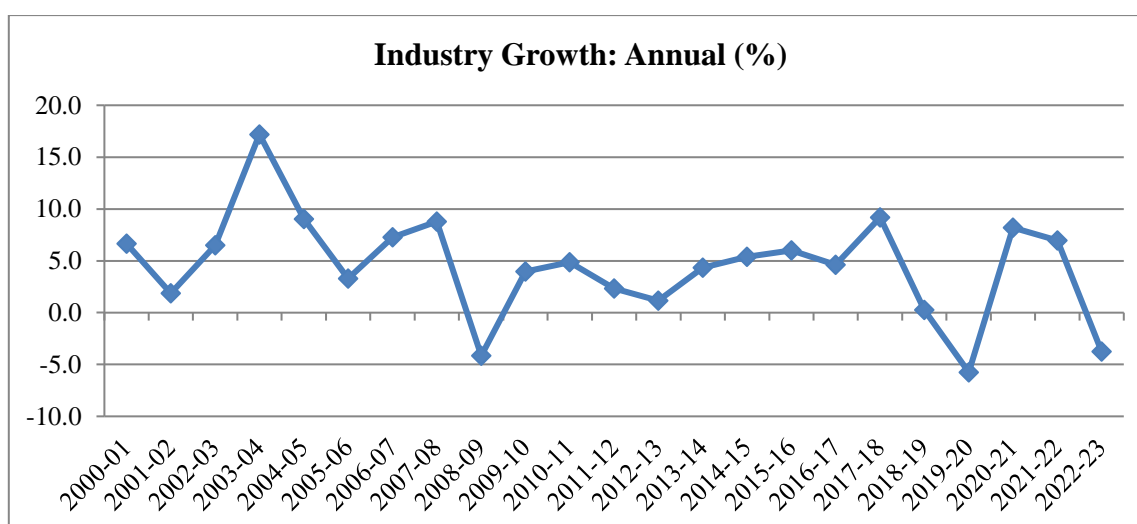
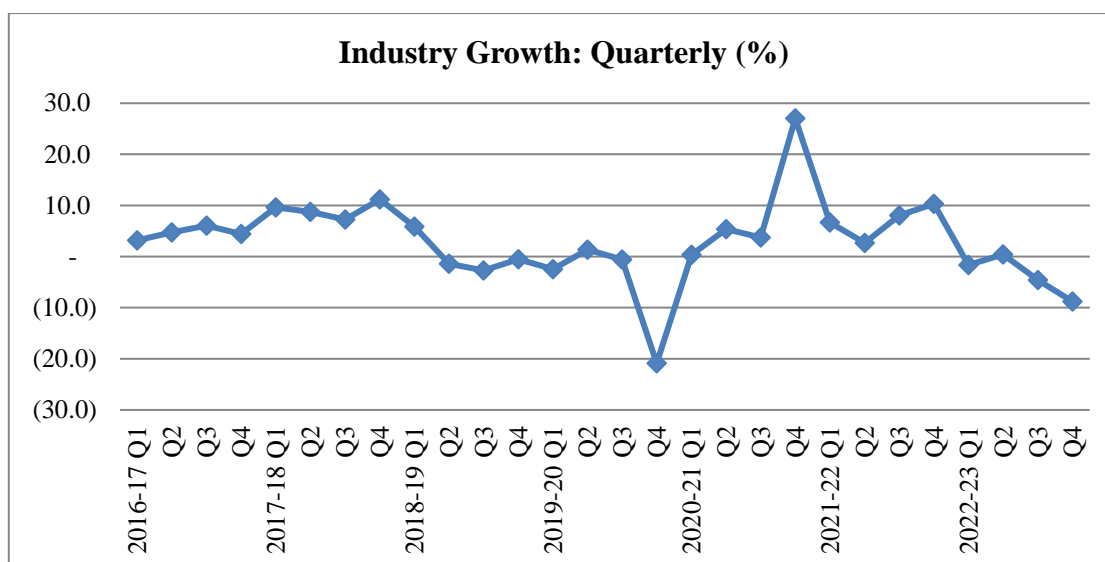
391. Population, Labour Force and Employment: According to 2023 census results estimated population of Pakistan is around 241.5 million. Pakistan is the 5th most populous country in the world. Pakistan stands among the top 10 countries in the world with large labour force. According to the Labour Force Survey 2020-21, total labour force is 71.76 million out of which 67.25 million are employed and 4.51 million are unemployed with unemployment rate 6.3%.
392. Education: Overall Assessment: The overall education situation based on the key indicators, such as enrolment, number of institution and teacher have been shown a significant improvement. The total number of enrolment during 2020-21 was recorded at 53.1 million as compared to 53 million during 2019-20, which shows an increase of 1.7 percent. The enrolment is estimated to increase to 55.4 million during 2020-21. The number of institutes (both public and private) reached to 257.6 thousand during 2020-21 as compared to 271.3 thousand during 2019-20. For following year i.e. 2021-22, the number of institutions are estimated to the tune of 279.4 thousand. There were 1.82 million teachers recorded during 2021-22 as compared to 1.8 million during the last year according to Pakistan Economic Survey 2022-23.

INDUSTRY IN PAKISTAN

393. Industrialization contributes to economic growth by enhancing productive capacity, promoting innovation, job creation and optimal resource use. The industrial activities have a strong backward linkage with agriculture sector whose significant part of output e.g. wheat, rice, cotton, sugarcane are consumed as intermediate inputs in the industrial sector. The industrial products in turn play an important role in the determination of quantity as well as quality of products in the services sector. Hence, industrial activities, being user as well provider of a wide-variety of inputs, becomes critical for the direction and pace of overall economic activities in a country. Due to rapidly changing technological advancements in the 21st Century Information Technology era, attaining and maintaining growth momentum in the industrial activities has become an enormous challenge for developing countries like Pakistan.
394. Contribution of industry in national economy remained around 18.4% in 2023. It provides employment to around 17.1 million people i.e. 25.4% of employed workforce. In terms of value added contributions, industry is comprised of mining and quarrying (9%), manufacturing (65%), electricity, gas & water supply (14%) and construction (12%) activities.



395. Industry Performance. The industrial sector posted a negative growth of 3.76 percent in FY 2023. The main driver of this negative growth rate is the manufacturing sector, which has a share of 65.0 percent in the industry, with growth of -5.29 percent. The mining & quarrying and construction industries also posted negative growth of 3.41 percent and 9.16 percent during FY 2023 respectively. Trends in quarterly as well as annual growth rates of industries are presented in below figures and table:



Industry Growth (Base=2015-16)(%)

Sector/Industry	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 (R)
Industrial Activities (1 to 4)	9.18	0.25	-5.75	8.20	6.95	-3.76
1. Mining and Quarrying	7.26	0.54	-7.17	1.72	-6.58	-3.41
2. Manufacturing (i+ii+iii)	7.08	4.52	-7.80	10.52	10.86	-5.29
i) Large Scale	6.92	3.53	-11.23	11.50	11.90	-9.87
ii) Small Scale	8.82	9.01	1.37	8.98	8.90	9.14
iii) Slaughtering	5.76	5.89	5.90	6.11	6.29	6.41
3 Electricity, Gas and Water supply	7.95	5.55	3.53	9.01	3.80	9.84
4. Construction	19.55	-18.14	-3.08	2.39	1.85	-9.16

R: Revised, Source: Pakistan Bureau of Statistics

396. Mining and quarrying. The mining and quarrying sector contributes around 1.6 percent of Pakistan's GDP and employs around 200,000 people directly. The sector includes activities related to the extraction of natural resources such as minerals, coal and precious stones from the earth. It also includes the production of fuels such as coal and petroleum, which are used for energy production. Additionally, the sector includes quarrying activities, which involve the extraction of construction materials such as sand, gravel and limestone used in various construction projects. The sector provides essential raw materials to various industries, including cement, construction, and steel. However, the sector faces challenges such as out dated mining practices, lack of investment, and inadequate government policies and regulations. The sector posted a negative growth of 3.4 percent during FY2023 against the contraction of 6.6 percent last during FY 2022.

397. Pakistan possesses abundant reserves of various minerals including coal, copper, gold, chromite, mineral salt, and bauxite among others, owing to its distinctive geological features. However, the development of the mining sector in Pakistan has been hindered by inadequate infrastructure, lacking technology and insufficient financial resources.

398. During July-June FY2023, production of major minerals such as Coal, Dolomite, Barytes, Lime Stone, Rock Salt and Ocher witnessed the growth of 17.6, 42.2, 53.6, 10.6, 12.4 and 15.4 percent, respectively. Further details of the extraction of principal minerals are given in the below table:

Table: Extraction of Principal Minerals							
Minerals	Unit of Quantity	2019-20	2020-21	2021-22	July-June		%Change FY23/ FY22
					2021-22	2022-23	
Coal	000 M.T	8,428	9,229	9,677	7,365	8,661	17.60
Natural Gas	000 M.CU.Mtr	37.29	36.22	37.03	28.2	25.58	-9.29
Crude Oil	M.Barrels	28.09	27.56	28.09	21.70	19.48	-10.23
Chromite	000 M.T	121	140	195	127	111	-12.60
Magnesite	000 M.T	16	15	6	6	3	-50.00
Dolomite	000 M.T	302	388	487	325	462	42.15
Gypsum	000 M.T	2,150	2,527	2,325	1,232	1,170	-5.03
Lime Stone	000 M.T	65,810	76,632	58,362	39,581	43,793	10.64
Rock Salt	000 M.T	3,369	3,366	2,716	2,037	2,289	12.37
Sulphur	000 M.T	20	19	16	12	9	-25.00
Barytes	000 M.T	55	52	128	84	129	53.57
Iron Ore	000 M.T	574	806	717	620	300	-51.61
Soap Stone	000 M.T	150	289	301	259	147	-43.24
Marble	000 M.T	5,797	7,917	6,626	4,781	4,401	-7.95
Ocher	000 M.T	132	107	91	65	75	15.38

Source: Pakistan Bureau of Statistics (PBS)

399. Manufacturing is one of the key segments of the economy in Pakistan. Currently, it contributes about 12% to GDP. Manufacturing comprises establishments engaged in the physical or chemical transformation of materials, substances or components into new products or Manufacturing is the processing of raw materials or parts into finished goods through the use of tools, human labour, machinery and chemical processing. Materials

used in manufacturing are products of agriculture, forestry, fishing, mining & quarrying as well as products of other manufacturing activities.

400. In Pakistan's GDP manufacturing is captured in three different components i.e. i) Large Scale Manufacturing (LSM), ii) Small Scale Manufacturing and iii) Slaughtering. LSM is comprised of businesses with ten or more employees and accounts for 78.4 percent of the Quantum Index of Manufacturing (QIM), which measures LSM performance. The QIM is derived from the Census of Manufacturing Industries conducted in 2015-16.

Performance of Large-Scale Manufacturing

401. Like the global economies around the world, Pakistan's economy also suffered from the Russia-Ukraine conflict began in February 2022. Pakistan being among the frontier economies suffered the most, because with weak global demand, the country faced a triple whammy of higher inflation, currency depreciation and widened current account deficit in the start of FY2023. Complicating matters further, the flash flood further exacerbated the existing challenges and resulted in supply disruptions and significant losses of crucial crops resulting into significant decline in raw material for LSM e.g. decrease in production of cotton, sugarcane etc. Thus, the LSM weighed down by various domestic and external factors leading to slowdown in its performance in FY2023 posting a negative growth of 10.29%.

402. Group-wise Analysis of LSM. Group-wise growth of LSM during July-June FY2023 is given in Table 3.1.

Table 3.1: Group wise growth of LSM				
S#	Groups	Weights	% Change (Jul-June)	
			2021-22	2022-23
1	Food	10.69	8.25	(7.05)
2	Beverages	3.84	0.86	(6.60)
3	Tobacco	2.07	15.85	(28.36)
4	Textile	18.16	2.80	(18.68)
5	Wearing Apparel	6.08	49.43	27.16
6	Leather Products	1.23	0.94	1.54
7	Wood Products	0.18	115.38	(59.78)
8	Paper & Board	1.63	18.67	(8.64)
9	Coke & Petroleum Products	6.66	0.67	(13.39)
10	Chemicals	6.48	8.67	(6.95)
	Chemicals Products	2.55	18.61	(3.97)
	Fertilizers	3.93	2.73	(9.00)
11	Pharmaceuticals	5.15	13.64	(28.85)
12	Rubber Products	0.24	(15.84)	(3.82)
13	Non-Metallic Mineral Products	5.01	1.04	(12.10)
14	Iron & Steel Products	3.45	16.32	(5.12)
15	Fabricated Metal	0.42	(3.75)	(16.07)
16	Computer, electronics and Optical products	0.03	3.55	(30.34)
17	Electrical Equipment	2.05	(0.09)	(15.42)
18	Machinery and Equipment	0.39	15.42	(45.26)
19	Automobiles	3.10	47.38	(50.01)

20	Other transport Equipment	0.69	(11.20)	(40.82)
21	Furniture	0.51	180.15	35.51
22	Other Manufacturing (Football)	0.32	43.20	28.99

Source: Pakistan Bureau of Statistics

403. Small Scale Manufacturing Industries covers establishments & households' units that are engaged in manufacturing activities having less than ten employees. Its contribution in national GDP during FY 2023 was 2.16%. The majority of the units are not registered and are part of the informal sector and most of them are difficult to estimate. In Pakistan, contribution of small-scale units is estimated through special surveys conducted during change of base of national accounts. The most recent survey called "Small and Household Manufacturing Industries Survey" (SHMI) was conducted by Pakistan Bureau of Statistics in 2015. On the basis of survey results, the small-scale industry's value added contribution is estimated through a fixed growth rate. The small-scale manufacturing posted a growth of 9.14% during FY 2023.

404. Slaughtering contribution in GDP was 1.29% during FY 2023. In Pakistan, slaughtering activity is categorized into three different components i.e. i) activities conducted at large scale to supply commodities to traders for the domestic market or exporters, ii) small scale activity carried out by butchers belonging to the informal sector of the economy, and iii) services rendered by slaughterhouses to butchers who use these facilities against paying a fee. Slaughtering is estimated by using the information on number of slaughtered animals. The growth rate of slaughtering during FY 2023 was 6.41%.

405. Electricity, Gas and Water supply industry includes i) electricity generation and distribution, ii) gas distribution, and iii) water supply. Its share in GDP during FY 2023 was 2.61% and posted a growth of 9.84%. In Pakistan, electricity generation, transmission and distribution activities are conducted separately. The production of electricity under this heading is confined to Water and Power Development Authority (WAPDA), provincial power development companies, public generation companies often abbreviated as "GENCOs" and independent power producers (IPPS). The production of electricity by other producers like shopkeepers, restaurants etc. and by private households are not included. There are four major sources of electricity generation i.e. i) hydel, ii) thermal, iii) nuclear, and iv) renewable (mainly solar and wind-based power generation). A summary of installed capacity and generation of electricity by sources is presented below:

Installed Capacity and Generation of Electricity (July-June FY2023)

Source	Installed Capacity		Generation	
	MW	Share (%)	GWh	Share (%)
Hydel	10,592	25.8	36,254	24.6
Thermal	24,095	58.8	80,990	54.9
Nuclear	3,530	8.6	24,056	16.3
Renewable	2,783	6.8	6,237	4.2
Total	41,000		147,537	

406. The construction industry accounts for 2.3% of the total GDP in Pakistan and provide employment to 6.4 million i.e. 9.5% of employed labour force. It includes new work, repair, additions and alterations, the erection of prefabricated buildings or structures on

the site, and also a construction of temporary nature. Further, the section includes the complete construction of buildings, the complete construction of Civil engineering works as well as the specialized construction activities, if carried out as a part of the construction process. Viewed from its products, the construction activity covers land improvement and construction of all types of buildings, roads, bridges, railway lines, utility lines (telecommunication lines, power lines, pipelines) waterways, dams as well as repairs and maintenance of such infrastructure. In Pakistan, construction industry is estimated through construction related expenditures incurred by private and public sector enterprises as well as by general government. During FY 2023, the industry posted a negative growth of 9.16%.

Diversification of economy

407. The Pakistan Vision 2025 “One Vision One Nation” lays down a foundation for the country to transform into one of the top ten economies in the world by 2047. The country envisions to become an upper middle-income country with balanced development. Furthermore, both the Pakistan Vision 2025 and the Strategic Trade Policy Framework (STPF) 2020-2025 identify foreign direct investment (FDI) as one of the key elements to support the development of Pakistan’s economy, especially in facing a more challenging international environment due to health, food, energy and geo-political crises. Pakistan has largely managed to put the challenge of the pandemic behind it, where according to World Bank data, private consumption and investment have recovered to pre-pandemic levels.
408. Pakistan's economy in 2023 stands at a crossroads, navigating a complex web of challenges, promising opportunities and the soaring expectations of its citizens. As the year unfolds, the economic landscape of the country reflects both the aspirations for growth and the hurdles that must be overcome to realize its potential.
409. **Export Diversification:** Pakistan boasts a rich array of exportable goods, ranging from textiles to agricultural products. By focusing on value-added goods and expanding market access, the country can reduce trade deficits and boost economic growth.
410. **Technology and Digital Economy:** The burgeoning technology sector presents a unique opportunity. From software development to e-commerce, embracing digital transformation can foster innovation and create employment opportunities.
411. **Renewable Energy:** Investing in renewable energy sources not only addresses energy shortages but also aligns with global sustainability goals. It reduces reliance on costly imported fuels and positions Pakistan as a champion of environmentally friendly solutions.

VI. TAJIKISTAN

Tajikistan

Population 10,1 mln (0,13 % growth)

GDP 43 bln. USD

Inflation 3,8%

Currency exchange rate Somoni 10.87/1USD

412. In the midst of global inflation, Tajikistan experienced remarkable economic growth and achieved a record low inflation rate in 2023. The country's economic activity flourished, thanks to the influx of remittances and the expansion of both services and industrial production. Real GDP expanded by 8,3 percent in 2023. The volume of gross domestic product (GDP) of Tajikistan in 2023 reached 130.8 billion Somoni.

413. The development of the republic's economy is due to an increase in the actual volume of industrial production by 12%, agriculture by 9%, capital investment by 22.5%, trade turnover by 13.4%, paid services by 14.1%, passenger transportation by 9.8%.

414. Inflation in 2023 slowed to 3.8% from 4.2% in 2022. Food products rose in price by 3.4%, non-food products - by 6.6%, services - by 1.2%.

415. In general, stable macroeconomic indicators were ensured in Tajikistan, despite the difficult geopolitical situation in the world and the increasing consequences of climate change.

Fixed capital investments

416. The volume of foreign investment in the economy of Tajikistan at the end of 2023 increased by 4.4% compared to last year, amounting to \$2.7 billion.

417. In 2023, \$2.7 billion of foreign investment was attracted to the republic; the increase in investment compared to 2022 amounted to \$113.6 million. In 2023, 200 trade and investment documents worth \$4.2 billion were signed.

418. Russia's investments in the republic amounted to \$99.3 mln in 2023, with Moscow becoming the third-biggest investor in Tajikistan's economy after Kazakhstan and China whose investments reached \$220.4 mln and \$130.1 mln, respectively. Among other major investors in the republic last year were Luxemburg (\$77.4 mln), Italy (\$65.5 mln), the US (\$36.4 mln), the UK (\$29 mln).

419. Foreign investments are focused on the main areas of the country's economy, those being the mining industry, processing industry, banking, construction, agriculture, wholesale and retail trade, transport, logistics and communication, hotels and restaurants, real estate transactions.

Transport

420. Tajikistan is a landlocked country in Central Asia. Transport plays an essential role for ensuring connectivity and facilitating movement of goods and people within the country and along borders shared with its neighbors in the region.

421. The National Development Strategy of the Republic of Tajikistan for the period up to 2030 aims to foster an independent, prosperous, and stable environment for the country's growth.

422. One of the four strategic development objectives is to change the country from a transport dead end to a transit hub, following the National Development Plan 2000–2015,

by improving transport infrastructure, developing transit corridors, and enhancing the interregional and intra-regional connectivity through multimodal development.

423. Specifically relating to the transport sector, the strategy mentions the need to (i) develop local airports to provide affordable air transport to all regions, (ii) connect all regions by paved roads that are accessible year-round, and (iii) develop logistics centers throughout the country. Freight turnover is expected to double from 6.3 billion ton-kilometers (km) in 2015 to 12.3 billion ton-km in 2030. Passenger transport is also expected to double from 10.6 billion passenger-km to 20.6 billion passenger-km in the same period.

424. At the end of 2023, the contribution of the transport industry to the structure of Tajikistan's GDP amounted to 10 billion 986.5 million Somoni, reaching 8.4%, which is 0.2% more than in 2022.

425. According to the Statistics Agency under the President of the Republic of Tajikistan, in 2023, 120.5 million tons of cargo were delivered to their destinations by all types of transport, of which 114.1 million tons were transported by road (94.7%) and 6.5 million tons by rail (5.3%). Passenger transportation amounted to 899.3 million passengers.

426. Compared to 2022, the volume of cargo transportation increased by 16.6%, cargo turnover - by 17.5%, passenger traffic - by 9.8%, passenger turnover - by 17.3%.

427. These indicators allowed, according to statistical data, to increase the share of transport in Tajikistan's GDP (130.8 billion Somoni) to 10 billion 986.5 million Somoni or 8.4%, which is 0.2% more than in 2022.

428. It is worth noting that, according to the Inland Transport Committee of the UN Economic Commission for Europe, the share of transport in global GDP is 6%, in developed countries - 4-7%, in developing countries - 6-15%.

429. In 2023, the share of domestic carriers in the cargo transportation market decreased by 8.6% compared to 2022 and amounted to 57.3%.

430. One of the main reasons for the decline in these indicators is the lack of number of waybills and international waybills (CMR). In this regard, the Minister of Transport ordered the Department of Analysis and Forecasting and the audit sector of the ministry to study the procedure and current status of the distribution, issuance and use of these documents and submit a corresponding report.

Consumer price index

431. Consumer Price Index remained unchanged at 103 Index points in 2023.

Retail

432. Retail sales reach a market of 10 million residents, 70 percent of which are youth. Franchising and distribution offer some opportunities in a relatively small market to introduce U.S. products and brands.

433. Franchising is attractive for businesses engaged in: sales of business support services (business consulting – audit and accounting services, technical consulting); education

services (tutoring, foreign language courses); leisure and entertainment; fast food; medical and cosmetic services; retail sales; and other personal services (laundry, footwear and clothing repair, delivery services etc.)

Salary

434. In 2023, the average salary remained \$184.

Inflation and income of population

435. Inflation decelerated to 3.8% in 2023 from 4.2% in 2022. Food products rose in price 3.4%, non-food products grew 6.6%, and services increased 1.2%.

436. Average annual inflation fell to its lowest rate in 10 years. The inflation rate slowed from 4.2% in 2022 to 3.8% in 2023, below the central bank's 4%–8% target range.

437. Food price inflation fell from 5.2% in 2022 to 3.4% with significant price cuts for vegetables, vegetable oil, eggs, and flour thanks to a surge in domestic production capacity.

438. Inflation for other goods accelerated from 3.8% in 2022 to 6.6%, with double-digit increases for gasoline and liquefied natural gas, while inflation for services slowed from 2.0% in 2022 to 1.2%.

Trade

439. Tajikistan recorded a trade deficit of US\$ 334.30 million in March 2023. Balance of Trade in Tajikistan averaged -128.94 USD Million from 2000 until 2023, reaching an all-time high of US\$ 162.30 million in February of 2021 and a record low of US\$ -477.00 million in May of 2014.

440. The fiscal deficit widened but remained below the government's medium-term target of 2.5% of GDP. The overall fiscal deficit increased from 1.4% of GDP in 2022 to an estimated 2.1% in 2023. Revenue rose significantly from 27.8% of GDP in 2022 to an estimated 29.5%, reflecting improved tax administration and the delayed effect of tax code changes, despite a further cut in the value-added tax (VAT) rate in 2023 to 14% and the exemption of imported e-vehicles from VAT and excise taxes.

441. Notwithstanding adherence to budget discipline, total expenditure increased from 29.2% of GDP in 2022 to 31.6%, reflecting outlay increases of 36.5% for culture and sport, 27.5% for utility services, and 25.2% for health. Public and publicly guaranteed debt fell from 34.2% of GDP at the end of 2022 to 30.2% a year later as nominal GDP grew faster than nominal debt (Figure 2.6.4).

442. Domestic debt decreased by 6.5% from \$424.6 million at the end of 2022 to \$396.8 million a year later, or from 5.7% of GDP to 3.3%, reflecting debt service payments and the settlement of nonperforming the private sector, up from 18.9% in 2022, as reserve requirements remained unchanged.

443. The Somoni depreciated by 7.4% against the US dollar despite central bank interventions, but it appreciated by 15.5% against the Russian ruble.

444. The current account reverted after several years of surpluses to a small deficit estimated at 1.0% of GDP as the merchandise trade deficit widened. Supported by strong domestic output growth and consumption, imports growth by 13.8% or \$713 million, while exports growth by 14.3% or \$406 million to \$2.45 billion.
445. The export growth reflected a doubling of growth in exports of gold and other precious metals, along with increases for textiles and clothing at 6.6%, electricity at 3.9%, and other products. These increases offset a 19% drop in machinery exports, which reflected slower growth in manufacturing outside of textiles.
446. Following an unusual spike in 2022 from heavy Russian demand for migrant labor, remittances decreased to their early-2021 level, estimated at 35.0% of GDP in 2023, down from 49.2% in 2022.
447. Gross international reserves decreased from \$3.8 billion in 2022 to \$2.9 billion in the third quarter of 2023, or cover for 6.6 months of imports (Figure 2.6.7), reflecting the sale of gold reserves and central bank currency interventions.

Employment

448. According to the Ministry of Labour, Migration and Employment, 652,014 people left Tajikistan in 2023 to work abroad, which is 16% less than in 2022, when 775,578 people left to explore working opportunities outside the country.
449. In 2023, 554,804 men (15% less than a year earlier) and 97,210 women (20% less than in 2022) travelled to find employment abroad.
450. Of the total number of immigrants traveling abroad, 627,028 people are from the Russian Federation, 18,418 from Kazakhstan and 6,568 from other states. The number of labour migrants returned during this period stood at 590,710, which is 7% more than in 2022.
451. The number of officially registered unemployed at the end of December 2023 amounted to 48.3 thousand people, less by 9.7% compared to the same period in 2022. Of the total number of officially registered unemployed, 22.4 thousand, or 46.3%, are women. The officially registered unemployment rate is 1.8%.
452. According to the Statistics Agency under the President of the Republic, the legal entities and individuals in 2023 created 230,747 new, additional and restored jobs, including 79,143 (34.2%) permanent jobs, 43,112 (18, 7%) temporary jobs and 102,588 (44.4%) seasonal jobs. Also during this period, 1,495 (0.6%) additional jobs were created and 4,409 (1.9%) jobs were restored.
453. During the period, newest jobs were created in the real sector of the economy, totalling 155,284 jobs (67.3%), while the service sector added 75,463 jobs (32.7%).

Energy

454. Hydropower is the main source of energy in Tajikistan, followed by imported oil, gas and coal. However, Tajikistan's energy sector is prone to supply shocks, due to seasonal shortages. Energy policy focuses on providing uninterrupted energy access to all users

while improving regional co-operation and energy sector efficiency, but significant domestic and foreign investment will be necessary for continued energy sector development.

455. Tajikistan is a source of more than 70% of water resources of Central Asia. Currently, 98% of electricity in Tajikistan is generated by hydropower plants.
456. The country ranks sixth in the world in terms of «green energy» and would be upgraded to the fourth position upon completion of the Roghun HPP.
457. Tajikistan is also among the countries with almost zero contribution to greenhouse gas emissions.
458. The President of the Republic of Tajikistan, Leader of the Nation, His Excellency Emomali Rahmon is a leader on promoting the global water and climate change issues.
459. On December 14, 2022 the UN General Assembly with the initiative of Tajikistan declared 2025 as «International Year of Glaciers' Preservation» and March 21 as the «World Day of Glaciers». This is the 5th global initiative of Tajikistan implemented on a global scale, enabling the international community to undertake joint actions on sustainable use of water resources and mitigating climate change.

INDUSTRIAL SECTOR OF TAJIKISTAN

460. In 2023, a total of 729 new industrial enterprises were put into operation in Tajikistan.
461. A new industrial facilities and workshops launched in Tajikistan in 2023 resulted in the creation of over 4,800 new job opportunities. Industrial production in the country increased by 12 percent in 2023, compared to 2022.
462. Additionally, for ensuring sustainable development in the energy sector and meeting set goals, Tajikistan successfully implemented 11 state investment projects, totaling 15.8 billion Somoni (\$1.444 billion) in 2023.
463. As a result of the government's measures in the reporting year, electricity production in Tajikistan increased by 461 million kWh compared to 2022.
464. Tajikistan is now implementing a rapid industrialization strategy for 2022-2026. In January 2022, President Rahmon named this period the 'Years of Industrial Development,' with ambitious intentions to raise industrial output by 2.5 times in five years. The target for 2026 is 95 billion Somoni (\$9.3 billion), up from 38.8 billion Somoni (\$3.7 billion) in 2021.
465. In January 2024, industrial enterprises together with private entrepreneurs produced products worth 3 billion 631.3 million Somoni, which is 6.0 percent more than in January 2023 (in comparative prices).
466. The main factor in the pace of development of the industrial sector occurred mainly due to an increase in production volumes in the mining industry – 16.4 percent, manufacturing industry – 7.0 percent, water supply, treatment, waste processing and

secondary products – 8.2 percent.

Diversification of economy

467. Diversification for the economy of Tajikistan is important to reduce economic vulnerability, raise GDP, and secure competitive advantages within product niches, subject to developing newer capabilities and the easing of structural bottlenecks. Enhancing product sophistication and differentiation, as well as effectively tapping export potential, will assist country to embark on more sustainable growth and development paths.
468. Tajikistan's foreign economic policy is aimed at increasing the competitiveness of domestic products, diversifying and increasing the volume of non-resource exports, which is reflected in many program documents and sectoral plans.
469. To achieve these goals, the Government, on the basis of the National Strategy, adopts targeted medium-term programs to promote exports and import substitution in Tajikistan.
470. The State Program for the period 2021-2025 is aimed at developing exports in the industrial and agricultural sectors.
471. Export diversification is focused on cotton and aluminum. Cotton remains an important component of exports. It should be emphasized that the export direction of «Bio Cotton» and cotton certified by BCI is developing in Tajikistan.
472. As for horticulture and related products, the data show that the export of vegetables and fruits has been on an upward trend in recent years. The main export markets for these products remain the EAEU market and China, which is rapidly becoming an important export market for Tajik fruits.
473. One of the most important comparative advantages of Tajikistan is hydropower, the export of which is dynamically developing. The country has the potential to generate hydropower far in excess of domestic needs, which can be exported to neighboring countries.
474. Tajikistan has rich reserves of various minerals such as ferrous, non-ferrous, precious, rare metals, semi-precious and decorative stones, coal, etc. More than 600 mines and 800 deposits have been discovered and studied, in which there are more than 60 types of mineral and non-mineral raw materials.
475. Tajikistan is one of the richest countries in the world in terms of water resources. 60% of Central Asia's water resources are located in Tajikistan. According to experts, fresh water resources in the lakes are about 20 km³. The glaciers cover 7000 km and provide a significant storage capacity containing 550 km³ of fresh water.
476. Tajikistan has a comparative advantage in the export of labor resources. The share of the young working-age population of RT is 65 %.
477. The importance of tourism in the socio-economic development of Tajikistan has been increasing in recent years.

478.Private sector activity has expanded, the number of hotels and other service infrastructure has increased. All these measures have a positive impact on the rural development, especially in the direction of the main tourist routes.

479.The government has developed and implemented a long-term policy aimed at fostering a green economy.

480.A key milestone was the approval in September 2022 of the Green Economy Development Strategy, 2023–2027 (GEDS), which counts among its 11 priority areas energy efficiency, waste management systems, construction and architecture, the industrial complex, and ecotourism. The government is committed to expanding renewable energy capacity to 10,000 megawatts and achieving by 2037 universal green electricity generation and net-zero emissions. The government submitted in 2021 its updated nationally determined contribution to the Paris Agreement on Climate Change, reiterating its strong commitment to emission reduction, climate adaptation, conservation, and biodiversity.

VII.REPUBLIC OF TÜRKIYE

Türkiye

Population 85.8 mln

GDP current USD trillion 1,024

GDP per capita 11,938.8 USD

Inflation avg. 53,9%

Currency exchange rate average 23.813 TRY – 1 USD

481.Türkiye is the 17th largest economy in the world, according to IMF, with a GDP of \$1.024 trillion as of 2023. It is a member of the ECO, OECD and the G20 and an increasingly important donor of official development assistance (ODA).

482.For Türkiye to preserve and further its progress, it must navigate through significant challenges that encompass economic resilience, poverty and inclusion, and sustainability.

483.Key among these is revitalizing economic growth in a post-COVID era marked by a challenging macroeconomic climate and a downward trend in productivity observed since the mid-2010s.

484.Türkiye is addressing the effects of the earthquakes that hit the country on February 6, 2023. With magnitudes of 7.8 and 7.5, the earthquakes were followed by thousands of aftershocks and another 6.7 magnitude earthquake on February 20.

485.According to official statistics, they caused more than 50,000 casualties, injured 107,000 people, damaged or destroyed 1.9 million housing units, and displaced 3.3 million people, of whom two million needed shelter. An assessment by the Government of

Türkiye with support from the international organizations estimated the recovery and reconstruction needs associated with the earthquakes at around \$81.5 billion.

486. Following the May 2023 elections, the newly appointed economic team has launched a comprehensive policy set to address past macroeconomic imbalances, especially high inflation. Since then, Türkiye has been moving to normalizing its macroeconomic strategies.

487. The country experienced a robust economic expansion of 4.5% in 2023.

488. In line with the general framework of the 12th Development Plan (2024-2028), the program aims to strengthen macroeconomic and financial stability, promote high value-added production, achieve growth through productivity and export growth with a focus on green and digital transformation and a permanent improvement in the current account balance, reduce inflation to single digits in the medium term, improve the business and investment environment, and establish a policy ground based on maintaining fiscal discipline while effectively combating disasters.

	2021	2022	2023	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.4	5.5	4.5	3.0	3.6	4.3
Private Consumption	15.4	18.9	12.8	2.3	3.1	4.2
Government Consumption	3.0	4.2	5.2	2.5	2.1	1.7
Gross Fixed Capital Formation	7.2	1.3	8.9	2.9	2.9	3.1
Exports	25.1	9.9	-2.7	4.5	5.2	5.9
Imports	1.7	8.6	11.7	3.7	4.2	5.6
Real GDP Growth, at constant factor prices	12.7	6.2	4.5	3.0	3.6	4.3
Agriculture	-3.0	1.3	-0.2	1.4	1.5	1.5
Industry	13.0	-0.6	3.7	4.6	4.8	5.0
Services	13.2	10.1	4.7	2.5	3.3	4.2
Inflation (CPI), avg.	19.6	72.3	53.9	57.8	28.9	16.4
Current Account balance (% of GDP)	-0.9	-5.4	-4.2	-2.8	-2.4	-2.5
Net Foreign Direct Investment (% of GDP)	0.8	1.0	0.7	0.9	1.1	1.4
Fiscal Balance (% of GDP)	-2.6	-0.8	-5.4	-5.4	-3.7	-2.4

Debt (% of GDP)	40.4	30.8	29.7	29.9	30.5	31.2
Primary Balance (% of GDP)	0.0	1.4	-2.5	-0.8	0.6	0.7
Upper middle-income poverty rate (USD 6.85 in 2017 PPP)	7.6	7.0	6.6	6.4	6.1	5.7
Total GHG emissions (KTCO ₂ e) (growth)	9.7	-5.2	1.8	2.3	3.0	3.5

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
GDP at Current Prices	Million US\$	71	80	90	1,11
		7,1	7,9	5,8	8,59
		41	24	14	3
GDP at Constant Prices	Million US\$	25	22	12	
		6,3	3,8	8,0	94,4
		11	90	46	18
GNP at Current Prices	Million US\$	70	79	89	
		8,0	7,3	6,9	NA
		50	38	15	
Growth Rate of GDP at Constant Prices	%	1.9%	11.4%	5.5%	4.5%
GDP per Capita	US\$			10,	
		8,6	9,6	65	13,1
		00	01	9	10
GNP per Capita	US\$			10,	
		8,4	9,4	55	NA
		91	76	4	
Share of Agriculture in GDP	%	6.7%	5.5%	6.5%	6.2%
Share of Industry in GDP	%	28.0%	31.1%	31.3%	28.3%
Share of Services in GDP	%	54.2%	52.8%	51.7%	54.0%
Private Final Consumption Expenditure	Million US\$	15	13	89,	
		2,8	8,2	06	70,8
		40	27	7	51
Government Final Consumption Expenditure	Million US\$	36,	29,	16,	
		79	71	78	12,4
		6	6	5	60
Total Domestic Saving	Million US\$	19	24	27	
		3,7	7,5	2,0	
		26	21	19	

1. 2023 figures are provisional that calculated from sum of four quarters.

2. When the Annual GDP publication is released, figures of 2023 will be revised.
3. NA: Not available. Data for 2023 will be published on October 2024.

Money

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Currency in Circulation	Thousand TRY	173,725,378	219,606,482	311,975,446	407,974,575
Money Supply: M1	Thousand TRY	1,219,207,540	2,111,942,760	3,116,244,497	4,763,762,101
Money Supply: M2	Thousand TRY	3,326,512,024	5,108,132,702	8,209,273,693	13,665,141,252
Money Supply: M2Y	Thousand TRY				
Reserve Money	Thousand TRY	382,288,531	620,479,457	1,045,521,861	2,261,648,522

Interest Rates

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Official exchange rate: End of year	US\$/National Currency Unit of a Member State	7.34	12.98	18.70	29.40
Official exchange rate: Annual average (1)	US\$/National Currency Unit of a Member State	7.01	8.89	16.56	23.74

Foreign direct investments

489.FDI stock reached USD 262.2 billion over the 2003-2023 period. It was USD 14.6 billion in the 1984-2022 periods.

490.In January 2023, FDI inflows realized as USD 756 million. In January 2024, FDI inflows realized as USD 910 million.

491.Direct Investment from Türkiye to abroad reached USD 66.2 billion from 2003 to 2023 on a cumulative basis.

International Finance

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
5.1. Portfolio Investment	Million US\$	9,556	-751	13672	-8342
5.2. Short -Term Borrowing	Million US\$				
5.3. Medium and Long Term Borrowing	Million US\$				
5.4. Revenue from Privatization	Million US\$				
5.5. Domestic Investment	Million US\$				
5.6. Foreign Direct Investment	Million US\$	-4,430	-6444	-8731	-4662

(*) A negative balance represents a net inflow and a positive balance represents a net outflow.

Services

492. Türkiye's services exports amounted to USD 99.9 billion in 2023. Türkiye's services imports was realized as USD 47.9 billion in 2023. Thus, balance of services recorded a surplus of USD 52 billion in 2023.

Salary

493. As of early 2023, the gross monthly minimum wage in Turkey was announced to be 8,506.80 TRY (Turkish Lira), following a significant increase to combat inflation and improve living standards for lower-income workers. This change marked an important shift from previous years, when the minimum wage was considerably lower.

Prices

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Consumer Price Index (CPI) (2003=100)	Index	504.8	686.95	1128.45	1859.38
Domestic Producer Price Index (2003=100)*					
	Index	500.1692	719.5325	1643.9	2464.8
Annual Change of CPI	%	14.60	36.08	64.27	64.77
Annual Change of DPPI*					
	%	12.2	43.86	128.47	49.92926

Inflation

494.The Turkish authorities are grappling with the challenging responsibility of promoting economic growth in the face of numerous obstacles. High inflation and interest rates are hampering private consumption, and the call for fiscal discipline presents challenges for public spending and investment.

495.Inflation decreased from 57.7% in January 2023 to 38.2% in June 2023. Still, it escalated to 68.5% by March 2024, driven by factors including the lira's depreciation, significant minimum wage hikes, tax adjustments, and strong demand. Despite easing credit market restrictions, the high inflation and moderately strong capital levels have restrained bank loan growth. The banking sector, while facing maturity mismatches, has shown improvements in its foreign exchange position and capitalization, with non-performing loans decreasing and the ratio improving significantly.

496.The overall fiscal balance deteriorated to below -5% of GDP in 2023 (from -0.8 in 2022) due to rising expenditures and earthquake-related investment needs, and the primary balance was close to -3% of GDP (from +1.4 in 2022). However, the fiscal deficit is relatively low excluding earthquake-related expenditures. Public debt remains moderate at around 30% of GDP in 2023.

Trade

497.In 2023, exports rose 0.6% to \$255.78 billion and imports shrank 0.5% to \$361.77 billion, the Turkish Statistical Institute data showed.

498.In December, exports grew 0.4% and imports slowed 11.0% from the previous year, with the deficit amounting to \$6.04 billion, it said.

499.In 2023, Türkiye exported 29.5 billion U.S. dollars' worth of vehicles and vehicle parts (excluding railway or tramway rolling-stock), making this the main commodity the country exported worldwide in that year.

The share of high tech in manufacturing industries products was up

Balance of Payments

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Current Accounts Balance	Million US\$	-31085	-6433	-45799	-44961
a. Trade Balance	Million US\$	-37874	-29321	-89600	-86889
b. Services	Million US\$	15182	32620	52949	52575
b.1. Travel Income	Million US\$	14228	27915	45437	49500
b.2. Travel Expenditure	Million US\$	1115	1968	4836	7906
c. Income	Million	-8594	-10682	-8779	-11219

	US\$				
d. Current Transfers	Million US\$	201	950	-369	572
Capital and Financial Account	Million US\$	-39241	-5463	-22971	-54498
a. Capital Transfers	Million US\$	-36	-64	-35	-205
b. Direct Investment	Million US\$	-4430	-6444	-8731	-4662
c. Portfolio Investment	Million US\$	9556	-751	13672	-8342
Other Investments	Million US\$	-12469	-21534	-40188	-39262
Errors and omissions	Million US\$	-8084	1098	22898	-9127
Reserve Assets	Million US\$	-31862	23330	12311	-2027

Foreign Trade

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Total Exports: f.o.b.	Million US \$	169637.8	225214.5	254169.7	255420.5
Share of Exports in GDP	%	23.65473	27.87569	28.05981	22.8341
Exports of Food and Live Animals	Million US \$	17,461	20,957	24,084	25,638
Exports of Beverages and Tobacco	Million US \$	1,235	1,216	1,372	1,437
Exports of Crude materials, inedible, except fuels	Million US \$	4,641	6,661	7,348	7,177
Exports of Mineral Fuels, Lubricants, and Related Materials	Million US \$	4,568	8,310	16,410	16,388
Exports of Animal and Vegetable Oils, Fats and Waxes	Million US \$	1,288	1,875	3,286	2,814
Exports of Chemicals and Related Products, not specified	Million US \$	12,527	16,107	20,386	20,663
Exports of Manufactured Goods Classified Chiefly by Matr.	Million US \$	43,248	63,703	67,350	57,264
Exports of Machinery and Transport Equipment	Million US \$	49,825	60,562	65,018	75,597
Exports of Miscellaneous Manufactured Articles	Million US \$	29,847	39,457	43,132	43,680
Exports of Commodities and	Million	4,998	6,366	5,783	4,762

Transactions, not specified in the SITC	US \$				
Exports to Each ECO Countries (excluding oil & gas)	Million US \$	8,684	11,267	12,535	14,265
a. Afghanistan	Million US \$	208	259	270	256
b. Azerbaijan	Million US \$	2,085	2,343	2,504	2,797
c. Iran	Million US \$	2,253	2,771	3,067	3,224
d. Kazakhstan	Million US \$	986	1,288	1,606	2,957
e. Kyrgyzstan	Million US \$	418	749	903	1,201
f. Pakistan	Million US \$	620	773	819	551
g. Tajikistan	Million US \$	174	258	389	406
h. Turkey	Million US \$				
i. Uzbekistan	Million US \$	1,154	1,842	1,878	1,871
Total Exports to ECO Countries	Million US \$	8,684	11,267	12,535	14,265
Total Imports: c.i.f.	Million US \$	219,517	271,426	363,711	361,764
Share of Imports in GDP	%	31	34	40	32
Imports of Food and Live Animals	Million US \$	9,917	11,378	14,039	15,813
Imports of Beverages and Tobacco	Million US \$	923	1,008	1,419	1,723
Imports of Crude materials, inedible, except fuels	Million US \$	15,571	24,456	25,859	19,614
Imports of Mineral Fuels, Lubricants, and Related Materials	Million US \$	10,897	17,410	96,548	69,113
Imports of Animal and Vegetable Oils, Fats and Waxes	Million US \$	1,593	2,441	4,013	3,148

Imports of Chemicals and Related Products, not specified	Million US \$	30,849	44,425	49,109	43,873
Imports of Manufactured Goods Classified Chiefly by Matrl	Million US \$	32,128	47,772	58,219	52,764
Imports of Machinery and Transport Equipment	Million US \$	62,686	70,865	78,191	105,591
Imports of Miscellaneous Manufactured Articles	Million US \$	10,992	12,124	15,147	20,108
Imports of Commodities and Transactions, not specified in the SITC.	Million US \$	43,962	39,547	21,167	30,017
Imports from Each ECO Countries	Million US \$	4,610	8,312	11,109	10,874
a. Afghanistan	Million US \$	27	33	32	31
b. Azerbaijan	Million US \$	411	751	836	1,440
c. Iran	Million US \$	1,193	2,824	3,354	2,181
d. Kazakhstan	Million US \$	1,181	1,595	3,515	3,501
e. Kyrgyzstan	Million US \$	91	86	120	274
f. Pakistan	Million US \$	269	315	432	456
g. Tajikistan	Million US \$	149	196	171	123
h. Turkmenistan	Million US \$	319	711	967	1,660
i. Uzbekistan	Million US \$	970	1,800	1,683	1,209
Total Imports from ECO Countries	Million US \$	4,610	8,312	11,109	10,874

NOTE: 2023 year foreign trade data are provisional. (general trade system)(SITC Rev 4)

Unemployment

500. Türkiye's unemployment rate was at a 10-year low in 2023, down to 9.4% from 10.4% in 2022, official figures showed on Monday. According to the Turkish Statistical Institute (TurkStat) data, the number of unemployed people dropped by 318,000 to 3.26 million year-on-year in 2023.

501. The rate was 12.6% for women and 7.7% for men in 2023. The number of employed persons was at 31.6 million, up by 880,000 in 2023 versus 2022.

502. The employment rate was at 48.3% with a 0.8 percentage point increase in 2023 compared to the previous year.

503. The labor force was 34.9 million and the labor force participation rate was at 53.3% in 2023.

504. The youth unemployment rate – in the 15-24 age group – was 17.4% with a 2 percentage point decrease compared to the previous year.

<i>Explanatory notes</i>	Unit	2020	2021*	2022	2023
Non-institutional Civilian Population	Thousand	62 579	63 704	64 679	65 425
Labor Force	Thousand	30 873	32 716	34 334	34 896
a. Male	Thousand	21 105	22 156	22 862	23 052
b. Female	Thousand	9 768	10 560	11 473	11 844
Share of Female in Labor Force	%	31.6	32.3	33.4	33.9
Population not in Labor Force	Thousand	31 706	30 989	30 345	30 528
Labor Force Participation Rate	%	49.3	51.4	53.1	53.3
Total Employment	Thousand	26 812	28 797	30 752	31 632
a. Employment in Services	Thousand	15 060	15 928	17 378	18 230
b. Employment in Industry and Construction	Thousand	7 035	7 921	8 509	8 708
c. Employment in Agriculture	Thousand	4 716	4 948	4 866	4 695
Share of Services in Total Employment	%	56.2	55.3	56.5	57.6
Share of Industry and construction in Total Employment	%	26.2	27.5	27.7	27.5
Share of Agriculture in Total Employment	%	17.6	17.2	15.8	14.8
Underemployed (Time-related underemployment)	Thousand	1 251	1 591	1 427	2 099
Unemployed	Thousand	4 061	3 919	3 582	3 264
Unemployment Rate	%	13.2	12.0	10.4	9.4

Source: TURKSTAT, Labour Force Statistics

Energy

505. In 2023, the production volume of natural gas in Türkiye totaled 807.3 million cubic meters, which marked the highest volume of production throughout the observed period.

506. In 2023, the volume of crude oil imported into Turkey reached nearly 31.4 million tons.

507. Additionally, the import volume of diesel amounted to approximately 12.5 million tons in the same year.

508. In 2023, the highest volume of electricity was generated from coal in Türkiye, amounting to nearly 75,800 gigawatt hours.

509. Natural gas and hydropower followed closely, generating volumes of roughly 68,600 and 63,900 terawatt hours of electricity in the country.

510. In 2023, the total volume of petroleum products produced in Türkiye amounted to approximately 36.5 million metric tons, 16.45 million metric tons of which were diesel products. Additionally, the production volume of gasoline hit roughly five million metric tons that year.

Population

<i>Explanatory notes</i>	Unit	2019	2020	2021	2022	2023
1.1. Mid-Year Population: Total	Thousand	82,579	83,385	84,147.3	84,980	85,326
1.1.a. Male	Thousand	41,431	41,819	42,172	42,566	42,719
1.1.b. Female	Thousand	41,149	41,566	41,975	42,414	42,607
1.2. Annual Growth Rate of Population	%	1.44	0.98	0.91	0.99	0.41
1.3. Surface Area	Thousand km ²	770	770	770	770	770
1.4. Population Density	Persons per km ²	107.3	108.3	109.3	110.4	110.8
1.5. International Migration Rate	%					
1.9. Population Aged less than 15	Thousand	19,198	19,140	19,022	18,856	18,523
1.10. Population Aged 65 and over	Thousand	7,369	7,752	8,099	8,348	8,587
1.11. Median Age	Year	32.2	32.6	32.9	33.3	34.0
1.12. Dependency Ratio: Total	%	47.4	47.6	47.6	47.1	46.6
1.12.a. Dependency Ratio: Youth	%	34.3	33.9	33.4	32.6	31.8
1.12.b. Dependency Ratio: Elderly	%	13.2	13.7	14.2	14.4	14.8
1.17. Expectation of Life at Birth: Both	Year	78.3	77.7	77.5	-	-
1.17.a. Male	Year	75.6	75.0	74.8	-	-
1.17.b. Female	Year	81.1	80.5	80.3	-	-
1.22.3 Literacy rate within each sex	%					
1.22.3.a. Male	%					
1.22.3.b. Female	%					

1.22.4. Female percentage represented at senior government level, parliament and business	%					
1.22.5 Percent of all one parent households, including the percentage of one-female parent families	%	6.3	6.3	6.8		

****Since the data on employment in the Household Labour Force Survey covers the 15+ age group, there is no data for the 10+ age group. Therefore, the employment rate is the ratio of those employed in the 15+ age group to the population in the 15+ age group.**

Employment rate is the ratio of employed population to all people aged 15 and over.

Unemployment rate is the ratio of the unemployed population to the active population (employed and unemployed)

Employment rate and Unemployment rate are estimated of Labor Force Survey

INDUSTRIAL SECTOR OF TÜRKIYE

511. Like other markets around the world, Türkiye is facing the impacts of the global economic slowdown, on top of its own economic challenges in recent years. Nonetheless, its manufacturing sector has remained strong and contributed significantly to the country's economic growth. The sector has also successfully bounced back from the devastating 6 February earthquakes, further demonstrating its resilience.
512. Türkiye's manufacturing sector has the capacity to manufacture a vast range of products and is highly integrated in global value chains. International businesses are collaborating with Turkish companies, contracting local manufacturers and establishing their own factories. Multinationals are using Türkiye to implement new technologies in production processes. Türkiye is becoming an attractive manufacturing hub for businesses looking to diversify from traditional manufacturing locations, such as China.
513. Manufacturing has long been a cornerstone of Türkiye's economy. A top 20 market for manufacturing output since the 1970s, Türkiye jumped to twelfth place in recent years.
514. Türkiye's geographical location has made it a popular transportation hub between Europe, Africa, the Middle East and Asia. As a hub for sea and air shipping with its own domestic logistics network, goods can be transported by sea, air, road or rail to most destinations quickly, making it a perfect location for inclusion in global supply chain architecture.
515. Türkiye is a significant and well-established global manufacturer and supplier of a wide range of products including textiles, automotives and machinery (more on each below). The technology, textile, and industrial machinery manufacturing subsectors, in particular, provide potential opportunities for the companies of foreign countries.
516. Türkiye has topped the list of countries with a strong environment for manufacturing in recent years, with a pro-business environment, and supportive tax policies and infrastructure. Türkiye has established 325 "organised industrial zones", manufacturing

hubs that offer suitable infrastructure, waste disposal systems and logistics incentives to encourage manufacturing.

517. Türkiye also has 93 "technoparks", where ICT companies, start-ups and incubators are concentrated and can make use of government subsidies. Varying degrees of tax breaks, financial, technical and labour support (depending on the location of investment and focus sector) add additional incentives for foreign companies.

518. Despite Türkiye's current economic challenges, including high inflation and significant devaluation of the Turkish Lira, the manufacturing sector has performed well and contributed to GDP growth.

519. Following the earthquakes centered in the southeast – an area the size of the North Island, which had accounted for eleven percent of industrial production – manufacturing capacity immediately dropped. Production fell 8.2 percent in February and a steep drop in exports was observed in March and April. However, rapid recovery following the earthquake saw Türkiye's manufacturing sector show significant signs of recovery in May, including increased output, new orders and an increase in exports.

520. Over a third of Türkiye's exports in the manufacturing sector are tech products, including high-tech products (three percent).

521. Türkiye's Industry and Technology Strategy 2023 aimed at improving high tech, including through government investment of USD 1-1.5 billion in digital transformation of industry. A key objective is to increase high tech manufacturing and exports.

522. Like in other markets, Türkiye's manufacturers are working toward carbon emissions reduction, driven by local and international rules.

Textiles and apparel

523. Manufacturing of textiles and apparel is a key component of Türkiye's manufacturing sector, contributing to 16 percent of Türkiye's exports. Many global textile companies either have manufacturing facilities in Türkiye or work with local companies to manufacture textiles. Türkiye produces nearly four percent of clothing globally and is the sixth largest global supplier.

524. The textile and apparel sector has quickly adapted to growing environmental standards and norms by investing in improving transparency, sustainability and traceability, and implementing international sustainability standards such as OEKO-TEX and GOTS.

Automotive industry

525. Türkiye is the fourth and thirteenth largest automotive producer in Europe and the world, respectively. Global brands have invested over USD16 billion in the Turkish automotive industry since 2000. According to Türkiye's investment office, 30 of the top 50 global vehicle brands have production facilities in Türkiye, including Toyota, Renault, Fiat Chrysler, Honda, Mercedes, Ford and Hyundai.

526. Türkiye is also a hub for research and development in the automotive sector, driven by the presence of large international companies and government incentives for investment

in R&D (including tax breaks and financial support). Ford, the biggest automotive manufacturer in Türkiye, has its third largest R&D center in Türkiye.

527. The production of Türkiye's own electric "national vehicle", TOGG, has resulted in significant clusters of battery manufacturing for electric cars, which are supported by the governments technopark incentives.

<i>Explanatory notes</i>	Unit	2020	2021	2022	2023
Length of Asphalted Roads	Thousand Kilo meter s	149 610	151 567	152 889	155 099
Number of Registered Motor Vehicles	Unit	24 144 857	25 249 119	26 482 847	28 740 492
Number of Road Traffic Accidents	Number	150 275	187 963	197 261	235 071
Suburban	Number	36 412	40 230	34 594	39 750
Within Urban	Number	113 863	147 733	162 667	195 321
Number of Commercial Vehicles	Unit	5 504 204	5 695 196	5 892 372	6 160 405
Number of Passenger Cars	Unit	13 099 041	13 706 065	14 269 352	15 221 134
Length of Railways (*)	Kilometer	10 378	10 546	10 651	11 417
Net Ton Kilometers Carried by Railways	Million Ton- Kilo meter s	15 428	14 433	16 551	13 108
Gross Tonnage of Commercial Ships (**)	Thousand Tons	5 819	5 799	6 199	6 521
Airline Passengers Carried	Number	81 616 140	128 155 762	181 789 339	213 693 163
Total Number of Internet Users (aged 6 and more)	Number	82 364 590	88 164 739	90 649 859	93 315 607
Number of Mobile Phone	Per 1000 peopl e	982	1 019	1 059	1 080

(*) Source: Railway network include the length of main line. (Ministry of Transport and Infrastructure, Directorate General for Regulation of Transport Services, General Directorate of State Railways, State Railways Transportation Inc.)

(**) Source: Vessels of 150 gross tonne and above. (Ministry of Transport and Infrastructure, General Directorate of Maritime)

Machinery

528. Machinery is Türkiye's fourth largest export industry, making up ten percent of Turkish exports, worth USD19 billion; a key driver behind Türkiye's manufacturing ecosystem.

529. There are over 17,000 local and international companies operating in machinery manufacturing; some of the prominent international companies include Daikin, Hoover

and Mitsubishi. The large number of engineers, low labour costs, reliable energy supply and logistical advantages due to geographic location have driven this investment.

Diversification of economy

530. In recent years, Türkiye has become an important player in the global economy, possessing a unique blend of Eastern and Western cultures. With its strategic location connecting Europe and Asia, a young and dynamic workforce, and a diversified economic structure, Türkiye has positioned itself as an attractive investment destination.
531. Over the past decade, Türkiye's economy has experienced significant growth, with an average annual GDP growth rate of about 5%. This growth can be attributed to sound government policies, structural reforms and the attraction of foreign direct investment (FDI). In recent years, Türkiye has taken measures to reduce inflation, improve fiscal discipline and strengthen the monetary policy framework, resulting in increased economic stability.
532. One of Türkiye's strengths is its diversified economy, which is resilient to external shocks. The country has a well-balanced mix of sectors, including manufacturing, agriculture, services and tourism.
533. Manufacturing, especially in the automobile, textile and electronics sectors, has been the driving force behind Türkiye's economic success. In addition, the agricultural sector makes a significant contribution to the country's exports: Türkiye is one of the world's largest producers of hazelnuts, cherries and apricots.
534. Situated at the crossroads of Europe, Asia and the Middle East, Türkiye enjoys a strategic advantage in terms of trade and transport. Thanks to its central position, it has become an important center for international business, connecting markets across continents. The country's developed transport infrastructure, including modern airports, seaports and railways, facilitates the movement of goods and services, making it an attractive destination for multinational companies.
535. Türkiye's economy has undergone significant changes, positioning itself as a rising power on the world stage. Thanks to its strategic location, diversified economy and young workforce, the country has enormous potential for investors and businesses. By effectively addressing issues such as inflation and political uncertainty, and seizing opportunities for further growth, Turkey can strengthen its position as a dynamic and resilient economy on the global stage.
536. Over the past 20 years, with the rapid rise of digital technology, e-commerce has emerged as an essential tool through which people do their shopping. Furthermore, the outbreak of the Covid-19 pandemic, which disrupted traditional trade channels and changed customer preferences and habits radically, added impetus to the growth of e-commerce.
537. There is a growing consensus that e-commerce is an indispensable part of trade and the future of retail. Interest in e-commerce has been increasing in recent years. This situation makes measuring cross-border e-commerce essential, and implementing effective policies will depend on the reliable compilation of cross-border e-commerce data.

538.E-commerce, which has been steadily growing both in the world and in Türkiye in recent years, has reached record levels with the emergence of the Covid-19 pandemic.

539.Forecasts indicate that by 2026, online sales will make up close to a quarter of total global retail sales. Asia leads the world ranking of the e-commerce market, recording \$1.8 trillion in revenues.

540.The e-commerce market size in Türkiye has increased significantly, especially after 2018.

VIII. TURKMENISTAN

Turkmenistan

Population 7,1 mln

GDP 97 bln. USD

Inflation 5,0%

Currency exchange rate Manat 3.50/1USD

541. Growth rose slightly in 2023, led by gas exports and public investment. As was reported, due to comprehensive measures taken in the past year, stable GDP growth was maintained, which amounted to 6.3 percent. This figure increased by 4.3 percent in the industrial complex, 2 percent in construction, 8.4 percent in the transport and communications sector, 12.8 percent in trade, 4.4 percent in agriculture, and 5.1 percent in the service sector. Export reached \$11.4 billion.

542. Overall production output increased by 7.8 percent in 2023 compared to 2022. Positive production indicators have been achieved in economic sectors.

543. As of January 1, 2024, the execution of the revenues of the main financial plan amounted to 109.4 percent, and the expenditures were fulfilled 99.8 percent.

544.In 2023 the revenues of local budgets were executed at the level of 104.1 percent, and the expenditures were fulfilled 99.9 percent.

545.Services expanded by nearly 9.0%, with increases of 8.4% in transportation (including international air and rail services) and communication, 12.8% in trade and catering, and 5.1% in other services.

546.In 2024 the Government plans to increase foreign trade to \$20.7 billion, to develop small and medium businesses, to increase the share of the private sector in GDP not including the fuel and energy complex to 71.4%, as well as to boost household incomes through a 10% increase in wages, pensions, state benefits and student scholarships, and to improve social and living standards.

Fixed capital investments

547. The amount of investments aimed at developing the national economy in 2023 increased by 7.5 percent compared to 2022, which in relation to GDP amounted to

18.3 percent. Of the total sum of disbursed capital investments, 49.1 percent were allocated for industrial facilities, and 50.9 percent for social buildings.

548. Gross investment in various production facilities and social infrastructure under the President’s program for socioeconomic development in 2022–2028 increased by 7.5%, reaching 18.3% of GDP. This was reported to include new health centers, schools, cultural centers, and residential complexes, as well as continuing phases of the new administrative “smart city” Arkadag, a large construction project. Of total investments, 50.9% was allocated for social infrastructure and the rest for industrial infrastructure.

Transport

549. Turkmenistan is located in Central Asia, the region at the crossroads of East-West and North-South trade routes. As a part of the so-called Middle Corridor, Turkmenistan offers a secure, reliable, and alternate transport and transit corridor for international trade. Infrastructure investments are a high Government priority and have strategic importance for the country. Warehouses, distribution centers, cold-chain storage, and other supply-chain facilities will be essential to fully handle the Middle Corridor’s transportation capacity.

550. Especially in the last two decades, Turkmenistan has upgraded its infrastructure network, building roads, railways, and commissioning brand new and the most capable seaport and airport in the region. Ongoing global shifts in trade routes naturally encourage international logistics companies to establish business activities in Turkmenistan. Western logistics companies have a historic chance to grab business opportunities with the highest markup. Turkmenistan and regional countries are working to facilitate trade flows from the Middle Corridor, companies that establish businesses and will most benefit from this investment.

551. Positive indicators were provided in the transport and communications sector, which is confirmed by an increase in cargo and passenger transportation by 3.8 and 16.1 percent, respectively. The scope of communication services increased by 11.5 percent.

552. According to the Transport and Communications Agency under the Cabinet of Ministers the works and services growth rate in the complex totaled 121%.

553. Last year, the freight traffic growth rate by road, rail, air, sea and river transport reached 103.5%, while this year totaled 105.7 percent in passenger transportation.

554. The services growth rate in the indicated period was;

- “Türkmen demiryollary” Agency - 106.4%;
- “Türkmen awtoulaglary” Agency – 118%;
- “Türkmen howaýollary” Agency – 192.2%;
- “Türkmen deňiz derýaýollary” Agency – 106.1%; and
- “Türkmen aragatnaşyk” Agency - 111.5%.

Retail

555. The volume of retail trade last year increased by 10.9 percent compared with 2022.

Salary

556. Wages for large and medium-sized enterprises in the country were raised by 9.9 percent from 2022. During the period under review, wages, pensions, state benefits and student scholarships were funded on time and in full.

Inflation and income of population

557. Preliminary estimates show average annual inflation falling from 11.2% in 2022 to 5.9% in 2023 as a result of moderating global commodity prices, tighter credit policy, and continued price and foreign exchange controls.

558. The Central Bank of Turkmenistan maintained its fixed exchange rate regime, which rations foreign currency sales and international money transfers. Most bank lending went to state-owned enterprises in the government's priority sectors, with some credit provided to private firms engaged in import substitution or export promotion.

559. In 2023 the salaries of employees of organizations financed from the budget, self-supporting enterprises and public associations, pensions and state benefits, scholarships for students and trainees were increased by another 10%.

Trade

560. According to the Ministry of Trade and Foreign Economic Relations, the growth amounted to 101.8 percent in trade turnover and 102.9 percent in production compared to 2022.

561. In 2023, the output of enterprises of the Ministry of Textile Industry amounted to 107.2 percent for fabrics, 104.2 percent for sewing and knitwear, and 100 percent for leather products.

562. Over the past year, the State Commodities and Raw Materials Exchange conducted 300 trades, at which 30 thousand 630 contracts were registered.

563. The growth rate of work carried out by the Chamber of Commerce and Industry during the reporting period amounted to 104.7 percent. 28 exhibitions and 87 conferences were held.

564. As for the Union of Industrialists and Entrepreneurs, the agricultural and food production growth in 2023 reached 111.7 percent, and this value for industrial goods was 106.7 percent.

565. At a time when developed markets are over-saturated, the emerging Turkmenistan market has a tremendous investment potential with numerous untapped industries that are critical for the stability of the global economy and supply chains.
566. Located at the crossroads of major global supply-chain markets, Turkmenistan provides the shortest and cheapest trade routes between China and Europe.
567. These industries in Turkmenistan benefit from largely untapped business potential: oil & gas, renewables, supply-chain infrastructures, logistics solutions, petrochemicals, and agricultural processing.
568. In 2023, Turkmenistan adopted a new Law on Public Private Partnership (PPP) which grants many privileges to private businesses and further secures their commercial interests. Moreover, an updated version of the Law on Enterprises further eases the process of incorporating and running a private company in Turkmenistan.
569. Activities for establishing several new free economic zones are underway and expected to be finalized in the near future; this will further boost business and commercial activities within the country.
570. Turkmenistan has the potential to become a regional hub of major international companies that are planning to extend their business activities in Central Asia by being the cheapest destination in terms of business operating expenses.
571. Furthermore, stability matters when it comes to business activities. By being the most stable and peaceful country in the region, Turkmenistan significantly reduces security-related risks for companies and individuals.
572. Turkmenistan offers all scarce resources for the stable operation of businesses without disruptions. At a time when major international companies are searching for stable places for manufacturing, Turkmenistan is a place that has the potential to become the next manufacturing powerhouse of the regional economy.

Employment

573. In 2023, Turkmenistan exceeded its job creation target by nearly threefold, generating 7,607 new jobs compared to the planned 2,688.
574. In 2023, the unemployment rate in Turkmenistan remained nearly unchanged at around 4.1 percent. Still, 2023 marked the third consecutive decline of the unemployment rate.

Energy

575. In 2023, the oil refineries of the State Concern “Türkmennebit” fulfilled the plans for oil refining 100.6% and for the production of gasoline 102%, diesel fuel 102.2%, petroleum bitumen 199%, lubricating oils 105.8%, and liquefied gas 115.7%.
576. The plans for the production of natural and associated gas and for the export of gas were fulfilled 106.9% and 112.6%, respectively.

577. Oil and gas sector is one of the key sectors of the national economy. Currently, Turkmenistan makes a contribution on industrial development of the Galkynyş gas field, attraction foreign companies to the exploration and development of the Caspian Sea shelf and the construction of the Turkmenistan-Afghanistan-Pakistan-India gas pipeline.
578. In 2023, gas production in Turkmenistan exceeded 80 billion cubic meters. In 2022, the country produced 82.7 billion cubic meters.
579. Gas export in 2023 was about 40 billion cubic meters. China remained the main export destination; more than 30 billion cubic meters was exported to China. Supplies were also carried out to Uzbekistan, Russia and Azerbaijan.
580. Oil production in Turkmenistan in 2023 was more than 8 million tons.
581. Renewable energy has huge potential in Turkmenistan. The country enjoys 235-240 sunny days (65%) per year. The country's solar and wind energy technical potentials are 655,000 Megawatts (MW) and 10,000 MW respectively (UNDP).
582. As the global transition to renewable energy steps up, world markets can benefit from the country's potential. Turkmenistan's first hybrid (solar and wind) renewable project's construction is underway and is expected to deliver its first output in the near future.

INDUSTRIAL SECTOR OF TURKMENISTAN

583. The policy of industrial and innovative development of Turkmenistan is based on industrial diversification and structural transformations in the economy as a whole. From a natural resource and agricultural region, our country is rapidly transforming into an industrial power.
584. This is evidenced by changes in the structure of GDP in recent years. The basis of the domestic industry is the fuel and energy complex and, although its share remains high, at the same time, as a result of the structural modernization of the economy, it is gradually decreasing.
585. Turkmenistan is one of the largest energy powers and our country has a clearly defined goal - to increase and diversify as much as possible the directions for delivering its energy resources to world markets. In this regard, along with increasing gas exports to existing destinations, primarily to China other countries, new routes are being actively developed - to Afghanistan, Pakistan, India via the TAPI gas pipeline, as well as to Europe.
586. The processing sector of the fuel and energy complex is also developing dynamically. As a result of the modernization of the Turkmenbashi complex of oil refineries, the ongoing technological reconstruction of the Seydi oil refinery and the construction of a number of innovative hydrocarbon processing facilities in the Balkan and Lebap velayats, the domestic petrochemical industry is rising to a qualitatively new level. Currently, this industry produces more than 40 types of products, aimed primarily at the foreign market.
587. At the end of 2023, the industrial sector experienced steady growth. In particular, the production of natural gas amounted to 80,618.7 million cubic meters, and of oil

to 8 million 316.7 thousand tons. Compared to 2022, the production increased as for petroleum bitumen by 30.1 percent, liquefied gas by 1.1 percent, kerosene by 0.6 percent, sheet glass by 15.6 percent, cement by 0.8 percent, raw silk by 17.1 percent, clothing and knitwear by 8.9 percent, sausage products by 7.7 percent, dairy products by 1.7 percent, canned fruits and vegetables by 5.5 percent, and butter by 6.8 percent.

588. An increase in output in the agro-industrial complex was, as compared to 2022, 9.4 percent for vegetables, 4 percent for watermelons and melons, 1.1 percent for berries and fruits, 5.5 percent for potatoes, and 0.8 percent for meat.
589. Industry expanded by 4.3%, with gas production rising by 3.0% to 80.6 billion cubic meters. Expansion in industry also benefited from higher output of crude oil, oil products, chemicals, and electricity, along with gains in construction and manufacturing. This included increases in food processing, building materials, and textiles produced mostly under import substitution programs.
590. Agriculture grew by 4.4% as targets for cotton and wheat production were achieved, and from expansion in horticulture production for domestic and foreign markets.
591. The electric power industry also demonstrates rapid development dynamics. The potential of the electric power industry, including export, is very high. New gas turbine power plants are being built, as well as power transmission lines, and existing facilities are being reconstructed. In order to increase the export of electricity, infrastructure for its transportation to the borders with Afghanistan and Iran is being created, the necessary amount of work is being carried out to supply electricity to Kazakhstan and Kyrgyzstan, and the possibilities of exporting it to Pakistan and other countries are also being studied.
592. An example of a successful structural policy is the creation of modern building materials, light, chemical and food industry, mechanical engineering and metalworking. Being a major producer of cotton, Turkmenistan is actively expanding its processing.
593. The textile industry includes more than 30 new large and medium-sized textile complexes, cotton spinning and weaving plants, combined with dozens of clothing factories, which allows for a full production cycle - from processing cotton fiber to producing finished products. The production of cotton and silk fabrics, yarn, sewing, knitwear, and hosiery is characterized by high rates. The shoe and leather industries are developing.
594. The basis of the chemical industry is the production of mineral fertilizers, iodine, sulfuric acid, Garabogaz products, pharmaceuticals, rubber and plastic products, including plastic and fiberglass pipes, and detergents. Many of the listed positions show high growth rates. The volume of chemical products produced has increased.
595. The construction boom that swept Turkmenistan has become a powerful incentive for the development of the construction materials industry. In almost all regions of the country, new enterprises in the industry are being built and existing enterprises are being reconstructed - cement and brick factories, large-panel house-building plants, aerated concrete and metallurgical plants and other facilities.
596. Over the 12 months of 2023 in Turkmenistan, the planned indicators were exceeded by the Ministry of Construction and Architecture (112.5%), the Ministry of Industry and

Construction Production (110%), and the Ministry of Energy (113.3%).

597. Over the same period of time, the Ministry of Energy fulfilled the plan for production of products and work performed by 113.3%. The growth rate of electricity production was 101.9%.

598. The State Concern “Turkmenhimiya” produced products and performed work worth 2 billion 300 million manats. The State Agency for Managing the Construction of Highways fulfilled the plan by 101.1%, the hyakimlik of the city of Ashgabat - by 119.8%.

599. In 2023, dozens of buildings and structures for industrial and social purposes were put into operation. Among them are the 1st phase of the city of Arkadag, a new complex of buildings of the Academy of Civil Service under the President of Turkmenistan, the building of the Research Institute of Earthquake Resistant Construction, ten 9-story houses in the Parahat-7 residential area and eleven 4-story houses in the Buzmeyin etrap, modern villages in the gengeshliks of Ovadandep and Kopetdag of the Geoktepe etrap. In total, 22 secondary schools and 16 kindergartens have been built throughout the country.

600. The output of food industry enterprises is growing from year to year. The profit of Turkmen entrepreneurs from the export of agricultural products in 2023 amounted to \$135 million. This figure exceeds the previous year's indicator by more than 10 percent.

601. The success of the private sector is especially noticeable in the food industry. They make a significant contribution to ensuring food abundance, saturating the domestic market with an assortment of quality products that are quite competitive with imported ones. Manufacturers of domestic products are also beginning to confidently develop the foreign market, increasing the country's export potential. All basic industries of Turkmenistan demonstrate high development dynamics.

Diversification of economy

602. Over the three decades of independence, Turkmenistan has successfully transformed a highly specialized part of the national economic complex of a large country into a self-sufficient national economic model, dynamically developing in accordance with global trends.

603. Today, Turkmenistan is among the top hundred countries in terms of GDP per capita - a characteristic that determines the level of economic development of the country, ahead of most of its regional neighbours in the IMF and World Bank ratings.

604. As a result of stable economic growth, successfully maintained since the beginning of independence, in 2012 the World Bank assigned Turkmenistan the status of an upper middle income country - Upper Middle Income Country Status.

605. From the first steps of independence, thanks to the high share of savings, Turkmenistan pursued an active investment policy in order to reduce dependence on raw materials in order to move from a resource economy to an industrial-resource, diversified economy. Not only individual ultra-modern enterprises were created, equipped with equipment and

technologies from the world's leading manufacturers, but also entire industries. A textile industry using local raw materials was created almost anew. Enterprises such as the Turkmenbashi Textile Complex in Ashgabat are the largest in the Central Asian region.

606. Over the past decades, the country has taken the first steps in creating such new industries for the national economy as metallurgy, mining, oil and gas chemicals, shipbuilding, and the electronics industry. In 2009, the country's first metallurgical plant, focused on the production of rolled construction products, began operating in Ovadan-Depe, and in 2017, Turkmenistan launched the Garlyk Mining and Processing Plant, the first plant for the production of potash fertilizers. Large projects have been implemented for oil and gas processing, among which special mention should be made of the country's first GTL plant, which is unique in many respects and launched in the summer of 2019. For the first time in the world, natural gas is "distilled" into liquid fuel on an industrial scale. One of the youngest sectors of the economy of Turkmenistan is the electronics industry, the products of which are represented by domestic computers, smart TVs, smartphones, monoblocks, routers, split air conditioners, and various types of LED lamps.
607. Future plans include further expansion of the popular line of electronic products, targeting not only the domestic but also the foreign market. Over the years of independence, Turkmen entrepreneurs began to dominate the country's construction market, trade, agro-industrial complex, service sector, etc. Today, the country has numerous private livestock breeding complexes, enterprises producing textiles, household and computer equipment, building materials, and polymer products. In accordance with the requirements of the time, domestic entrepreneurs are also creating small production facilities for processing used plastic, paper, polyethylene, rubber, wood and producing various products from them.
608. Turkmenistan is known to have huge hydrocarbon reserves. Nevertheless, the republic is actively implementing a policy of diversification in the economy. In other words, various industries are developing with a concomitant increase in production indicators. The agro-industrial complex of Turkmenistan is one of the important areas, ensuring the implementation of the import substitution policy with the growth of export parameters. At the end of 2023, the country's imports of the following products decreased: meat and meat, sausages, poultry meat, dairy products, rice, pasta and vegetables.
609. Turkmenistan also pays attention to the development of the energy sector. The country has commissioned gas turbine power plants, as well as substation complexes, reconstructed thousands of kilometers of existing power lines, and purchased modern special equipment.
610. Electricity production volumes are increasing, the quality of power supply is becoming higher, and supplies abroad are increasing. By 2023, about 15 gas turbine power plants were built.
611. In the context of diversification of the Turkmen economy, a special place belongs to the modernization of economic relations within the country and the course towards import substitution. Of the 1,900 large facilities under construction with a total value of more than 48 billion US dollars, 1,790 facilities are being built directly by Turkmen enterprises.

612. The main criterion in the construction sector of Turkmenistan was the use of the best achievements of scientific and technological progress. Based on these principles, a joint project of Japanese and Korean companies is being implemented in the village of Kiyanyly to build a gas chemical complex for processing natural gas and producing polyethylene and polypropylene. The total cost of construction is 3.4 billion US dollars.
613. Foreign investors have noticed the achievements of Turkmenistan in the construction sector. Currently, over 800 enterprises with foreign participation, over 1 thousand branches and representative offices of companies from over 70 countries are already registered and operating in the country.
614. An important area of economic diversification is the agricultural industry. The share of agriculture in Turkmenistan's GDP is about 10%, constantly increasing. Agricultural production is the main supplier of raw materials for the light and textile industries, the food industry, and the production of animal feed, a multiplier effect factor for the development of other economic clusters.
615. Turkmenistan has largely ensured its food independence and can now produce agricultural products for export. The country's efforts to solve food problems were recognized with a special FAO award.
616. The diversification and modernization of the national economy in Turkmenistan is taking place in the wake of the best achievements of the information revolution and the large-scale introduction of IT technologies.
617. The development of its own information and telecommunications infrastructure is seen as the most important factor in economic recovery, the growth of business and intellectual activity of society, the integration of Turkmenistan into the global intellectual space, and the strengthening of the country's international authority.
618. A special place is occupied by raising the level of human capital by raising the entire system of education, science and culture to a new qualitative level.
619. Diversification of the economy of Turkmenistan and the creation of objective prerequisites for the independent socio-economic development of the country became possible thanks to the policy of neutrality, its principles of good neighborliness and mutually beneficial cooperation with foreign partners.

Population of Turkmenistan

620. Turkmenistan 2023 population is 7 057 841 people.

- Mary velayat is home to 22.9% of the total population of the country.
- In Dashoguz velayat - 22%
- In Lebap velayat - 20.5%
- In the city of Ashgabat - 14.6%
- In Akhal velayat - 12.5%
- In the Balkan velayat - 7.5%.

621. About 50% of the population are men, more than 50% are women, 47.1% are residents of cities, 52.9% live in villages.

622. According to the census, housing construction is being carried out at a high pace in all settlements of Turkmenistan. The number of residential buildings is 1005671, which is 12.4% higher compared to the 2012 census, residential buildings are 1344,268, which is 13.6% more, their total area is 165167523 sq m, which is 24.5% more.

623. In 2023, population aged 15-64 years for Turkmenistan was 63.7 %. Population aged 15-64 years of Turkmenistan increased from 52.3 % in 1974 to 63.7 % in 2023 growing at an average annual rate of 0.40%.

IX. UZBEKISTAN

Uzbekistan

Population 36,8 mln (1,55 % growth)

GDP nominal 90,8 mln USD

Inflation 8,77%

Currency exchange rate Sum 12.35/1USD

624. In 2023, the economy of Uzbekistan grew by 6% - to \$90.8 billion. GDP per capita amounted to \$2,468. This figure increased by \$213, or 9.4%.

625. GDP growth was observed in agriculture, forestry, fisheries - 4.1, industry - 6.0, construction - 6.4, trade - 10.2, transportation, storage, information and communication services - 12.3, other service sectors - 4.5 percent.

626. The share of the agriculture, forestry and fisheries sector in the economy was 24.3 percent, industry - 26.1, construction - 6.2, service sector - 43.4. The contribution of the service sector to GDP growth is 2.6 percent, industrial sectors - 1.5, agriculture, forestry, fisheries - 1.0, construction - 0.4.

627. In 2023, the largest contribution to the formation of GDP in the republic was made by the city of Tashkent - 17.1 percent. Then come the Tashkent and Navoi regions with indicators of 10.1 and 7.7 percent, respectively.

628. The volume of gross domestic product per capita in 2023 amounted to 29.3 million soums at current prices and increased by 3.8 percent compared to 2022.

629. In general, in 2023, despite internal and external challenges, the economy of Uzbekistan demonstrated stability and high growth rates. Last year, we managed to return to double-digit dynamics in investment activity, slow down price growth, and production increased in all sectors of the economy.

630. It is expected that in 2024 the economy of Uzbekistan will continue its positive dynamics. According to the forecast, the GDP growth rate will be 5.6-5.8%.

MAIN MACROECONOMIC INDICATORS OF UZBEKISTAN FOR JANUARY-DECEMBER 2023

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ЭКОНОМИЧЕСКОЕ
ОБОЗРЕНИЕ



Fixed capital investments

631. In 2023, investment activity increased sharply - growth amounted to 22.1% compared to 0.2% in 2022. The increase was achieved due to an increase in non-centralized investments by 26%. In particular, foreign direct investment and loans increased by 58.9% (FDI almost doubled), investments through loans from commercial banks and borrowed funds increased by 17.9%, and through household funds - 8.9%. However, there is a decrease in the investment of enterprises' own funds by 2.7%.
632. Centralized investments in 2023 decreased by 0.7%. In particular, the decrease in investment from the budget amounted to 11.4%. At the same time, the volume of foreign investments and loans attracted under government guarantees increased by 30%.
633. At the end of the year, the share of centralized investments in the total volume of investments in fixed capital continued to decline - from 15.7% in 2022 to 12.7%. The share of non-centralized investments accordingly increased from 84.3% to 87.3%.
634. From January to December 2023, 352.1 trillion soums of investments in fixed assets were disbursed in Uzbekistan, with an increase of 122.1 percent compared to 2022.
635. Due to foreign direct investment and loans, power plants are being built in the Syrdarya, Surkhandarya and Bukhara regions, the Tebinbulak iron ore deposit is being developed in Karakalpakstan, production and metallurgical complexes are being built, and a project is being implemented at the Yoshlik-1 mine in the Tashkent region. All this plays an important role in the further development of the country's economy.

636.If we look at the geography of foreign investments, 25.6 percent of all investments disbursed last year, or 48.1 trillion soums of them, came from China. The second country was Russia (13.4 percent), the third was Turkey (6.4 percent).

637.Among the regions of Uzbekistan, the top three in terms of the volume of disbursed investments in fixed assets were occupied by Tashkent (67.9 trillion soums), Tashkent region (44.4 trillion soums) and Bukhara region (31.3 trillion soums).

Transport

638.The volume of services provided in the transport sector increased by 8%. At the end of the year, the growth rate of passenger turnover slowed to 4.2%, whereas in 2022 it was 6.9%. At the same time, the dynamics of cargo turnover accelerated to 1.8% (0.9% in 2022).

Consumer price index

639.In Uzbekistan, a slowdown in price growth was observed during the year. At the end of the year, the consumer price index amounted to 8.77% (for comparison in 2022 - 12.25%). In Uzbekistan, prices for food products increased over the year by 9.7%, for non-food products - 7.7%, services - 8.7%.

Retail

640.The volume of market services in 2023 grew by 13.7%, while in 2022 it was 16.3%. Growth is observed in all sectors. The highest growth rates were demonstrated by communication and information services - an increase of 24.6%, education - 22.8%, financial services - 20.6%, real estate services - 13.3%, accommodation and food - 12.6%, healthcare - 11.6%, trade - 10.2%. Retail turnover increased by 9.1%.

Services and Catering

641.According to preliminary data, the volume of market services provided in January - December 2023 amounted to 470.3 trillion soums - an increase of 13.7 percent compared to 2022. This was positively impacted by an increase in financial services by 20.6 percent, trade by 10.2 percent, communication and information services by 24.6 percent, and educational services by 22.8 percent.

642.Decisive in increasing the volume of financial services were measures to ensure the stability of the banking system, expansion of lending to promising investment projects, and reforms to liberalize foreign exchange policy.

643.The volume of transport services reached 108.5 trillion soums, an increase of 108 percent was noted. This is mainly due to services provided by rail, transit from Russia and Tajikistan, transportation of goods to Tajikistan and Afghanistan, transportation of imported products from Russia, Kazakhstan and Kyrgyzstan.

644.Positive growth rates in the field of communications and information can be explained by connecting to broadband Internet, providing channels for rent to fixed and mobile telecom operators, providers, increasing the volume of local and international telephony services, cellular communications, IP telephony, IPTV and video communications.

645. In January - December 2023, the volume of trade services reached 110.7 trillion soums, the growth rate was 110.2 percent. These results were achieved due to the increase in wholesale and retail trade in cars and motorcycles, in particular the growth of their repair services by 29.4 percent.

646. Educational services added 122.8 percent. The key to success was the opening of new branches and faculties of foreign universities in the country, as well as additional admission quotas on a paid contract basis.

647. In 2023, the number of foreign citizens who visited Uzbekistan for tourism purposes exceeded 6.6 million, 26.6 percent more than in 2022.

Online tourism is being popularized. New types of services such as car sharing, valet parking, catering, agrotourism, hotels and family guest houses, traditional medicine, and hotels for pets (sitting) are rapidly developing. All this will create jobs and develop entrepreneurship.

Salary

648. Uzbekistan experienced remarkable economic progress in 2023, marked by a substantial increase in average salaries across the nation. By the end of 2023, the average salary increased by 17.2% , reaching UZS \$368.

Inflation and income of population

649. Inflation in Uzbekistan for 2023 amounted to 8.77 % , according to a report published on December 31 by the Statistics Agency. This is the lowest official inflation rate since August 2016. According to the agency, in December, prices in the consumer sector increased by an average of 1.2% .

650. In 2023 food prices increased by 9.7% , non-food products by 7.7% , and services by 8.7% .

651. Among food products over the year, prices for meat increased by 9.1% , fish and seafood – by 7.7% , milk and dairy products, as well as eggs – by 11.2% , fruits and nuts – by 37.1% , sugar, confectionery and desserts – by 9% , soft drinks – by 5.9% . Fats and oils fell in price by 9.7% , and vegetables – by 1.4% .

652. As for certain types of products, compared to December 2022, rice and cut rice increased in price by 38.7% , raw, fresh milk – by 13.3% , eggs – by 11.7% , sugar – by 11.0% , beef – by 9.3% , lamb – by 9.3% . Wheat flour fell in price by 1.1% , and sunflower oil – by 17.8% .

653. The most expensive fruits and vegetables in 2023 were pomegranates (+203.3%) , lemons (+128.9%) , tomatoes (+40.2%) , bananas (+12.7%) , tangerines (+10. 9%) , cucumbers (+6.7%) and cabbage (+6.7%) .

654. Eggplants (-44.3%) , bell peppers (-43.2%) , onions (-40.7%) , carrots (-15.5%) and potatoes (-14.7%) fell significantly in price over the year.

655. In 2023, educational services increased by 2.5%, prices for clothing and footwear – by 6.2%, housing, water, electricity, gas and other fuels – by 6.4%, prices in healthcare – by 9.7%, in the field of recreation, sports and culture – by 10.1%, in the transport sector – by 15.1%, restaurant and hotel services – by 19.6%; It is noted that prices for information and communication services fell by 0.2%.
656. In particular, cold water and sewerage services increased in price by 65%, fees for waste removal – by 12.9%, fees for electricity – by 2.2%, fees for hot water supply – by 1.1%.
657. Average prices for drugs increased by 10.6%, dental services by 13.5%, medical laboratory services by 6.8% and diagnostic imaging services by 11.9%.
658. According to the Statistics Agency, in 2023, gasoline prices increased by 19.1%, propane – by 29.4%, and methane – by 22.4%.
659. The cost of taxi services increased by 13.2%, rail transport – by 32.4%, air transport – by 20.7%.
660. Over the past 12 months, tuition fees in public kindergartens decreased by 2.8%, in private kindergartens – by 3.3%, in non-state higher educational institutions the cost of contracts increased by 1%, and the cost of tutoring services increased by 10.3%. Hair salon services have increased in price by 17%.
661. The Statistics Agency monitors prices for 170 types of food products, 250 types of non-food products, 90 types of paid services to determine the inflation rate. The price sheet is published from the 10th to the 20th of each month.
662. The influence and share of each product in the aggregate growth rate is determined taking into account changes in prices for the product and its weight in the structure of consumer spending.
663. Accordingly, the foods that had the greatest impact on annual inflation of 8.8% were rice, beef, grapes, pomegranates and methane. Onions, sunflower oil, cottonseed oil, potatoes and carrots are among the products that have the greatest reducing effect on inflation.
664. The total income of the Uzbek population at the end of 2023 amounted to UZS728.8 trillion (\$58.9 bn). This reflects a nominal growth of 15% and a real growth of 4.6%. The average per capita nominal total income was notably higher in Tashkent, Navoi region, Bukhara region, Tashkent region, and Khorezm region.
665. The highest rates of real growth in per capita total income were observed in Tashkent city (7.6%), Navoi region (5.7%), and Syrdarya and Andijan regions (both 4.4%). Jizzakh region also showed a healthy growth rate of 4.3%.
666. The increase in total income of the population is largely attributed to significant changes in income from self-employment, which accounts for 34.3%, income of employees at 29.7%, and income from transfers at 26.7%.

Trade

667. Foreign trade continued to grow at double-digit rates. Thus, in 2023, foreign trade turnover increased by 23.9% and amounted to \$62.6 billion. Exports increased by 23.8% to \$24.4 billion, imports by 24% to \$38.1 billion.
668. The increase in exports is due to an almost double increase in supplies abroad of gold, machinery and transport equipment by 34%, services by 16%, food products by 9%, and finished goods by 8%.
669. At the same time, Uzbekistan in 2023 increased imports of machinery and transport equipment by 54%, fuel and energy goods by 47%, finished products by 12%, chemical products by 11%.
670. Uzbekistan has set itself the goal of joining the ranks of developed countries in the near future. For this we need new export markets. In order to support domestic exporting enterprises, stimulate the production of competitive products, optimize imports and ensure foreign trade balance, the country has created a comprehensive system of benefits and preferences. Despite changes in the situation on world markets, over the past five years foreign trade turnover has increased 1.5 times.
671. Clearance procedures for the delivery of goods for export have been significantly simplified and reduced in cost. Mechanisms for accounting (registration) of export agreements are being introduced on the “single window” principle, in which certification, sanitary and epidemiological control and other customs clearance procedures are carried out simultaneously.
672. Specialized structures have been created to help small businesses standardize and certify products and bring them to foreign markets. Thanks to this, in 2023 the republic’s foreign trade turnover reached \$62.6 billion, with an increase of 23.9 percent compared to 2022. Exports amounted to \$24.4 billion, imports - \$38.2 billion.
673. Uzbekistan has established trade relations with 198 countries. Their significant share falls on China (21.9%), Russia (15.8%), Kazakhstan (7%), Turkey (5%), and the Republic of Korea (3.7%).
674. Over the past five years, trade with Turkmenistan has intensified by 2 times, with Tajikistan by 1.6 times, with Kazakhstan by 1.3 times, and with Kyrgyzstan by 1.2 times.
675. Last year, our main partners in the export of goods and services were Russia (13.5%), China (10.1%), Kazakhstan (5.6%), Turkey (5.1%), Afghanistan (3.5%) and Kyrgyzstan (2.6%).
676. The share of goods in exports amounted to 78.8%. The main part of them falls on industrial goods (16.6%), food products (7.3%), chemicals (5.4%), equipment and transport (5.3%).
677. The textile industry became the leading export industry with its share of 12.5 percent. At the end of 2023, products worth \$3.1 billion were sold abroad.
678. Exports of fruits and vegetables amounting to 1.8 million tons worth \$1.2 billion were carried out, which is 3.3 percent more than in 2022.

679. The largest share of goods purchased abroad was machinery and equipment (39.2 percent), which is associated with an improvement in the investment environment and the scale of modernization of production.

680. Despite this, such growth rates in the economy are still insufficient to achieve the planned goals. Uzbekistan has high opportunities and potential. There is a solid foundation for new results. Continued search and joint action are required.

Employment

681. Unemployment rate in Uzbekistan decreased by 2.1 percent in 2023, Trend reports. The Institute of Labor Market Research under the Ministry of Employment and Poverty Reduction conducted a broad social survey in 208 cities and districts of the country, estimating the unemployment rate in Uzbekistan.

682. In December 2023, the Labor Market Research Institute, under the Ministry, conducted a comprehensive social survey across 208 cities and districts of Uzbekistan. The survey, based on recommendations from the International Labor Organization, encompassed 1,000 self-governing bodies, 10,000 households, and 53,300 citizens.

683. Statistics reveal a positive trajectory in labor resources, with the number of individuals in the workforce reaching 19.7mn as of January 1, 2024. This marks an increase of 207,400 people, equivalent to a growth rate of 1.1%, compared to the same period in 2023.

684. The data also indicates a decline in the poverty rate, dropping from 14.1% to 11% based on the 2023 census. The Ministry attributes this decrease in poverty to efforts aimed at enhancing population employment levels and addressing unemployment challenges.

Energy

685. At the end of 2023, gas production in Uzbekistan decreased by almost 5 billion cubic meters. The output of oil and gas condensate also fell. At the same time, coal production increased by 15.5% - to 6.2 million tons. The production of electricity, gasoline and diesel also increased.

686. Gas production in Uzbekistan in 2023 fell to 46.7 billion cubic meters, a decrease of 9.6%, or 4.97 billion cubic meters, compared to the same period of the previous year, follows from the report of the Statistics Agency on industrial production.

687. The average monthly gas production amounted to 3.89 billion cubic meters, while in 2022 an average of 4.3 billion cubic meters of gas was produced per month.

The lack of domestic production was covered by gas imports from Turkmenistan and Russia, which turns Uzbekistan into a net importer of gas.

688. Electricity production over the year increased by 4.3%, or 3.19 billion kWh, compared to the same period last year - from 73.7 billion to 76.9 billion kWh. In December, 7.27 billion kWh were generated - the maximum since May. For comparison: in December 2022, 1.7 times less energy was produced (4.3 billion).

689. Coal production exceeded the previous year's figure by 15.5%, the volume increased to 6.19 million tons. At the same time, 456.7 thousand tons of coal were produced in

December, which is the minimum since March (307.1 thousand), but less than the volume for December 2022 (543 thousand tons). In July-November, output did not fall below 600 tons.

690. Oil production fell from 787.8 thousand to 770.1 thousand tons (-2.3%, or 17.7 thousand tons). Production declined for the fifth month in a row - from 64.7 thousand tons in July to 60.8 thousand in December, which is the minimum figure over the past two years. For comparison: in December 2022, oil production was 66.6 thousand tons.

691. In 2023, 1.33 million tons of motor gasoline was produced, which is 6% more, or 75.4 thousand tons, compared to 2022. In December, 117.6 thousand tons of fuel was produced, which is 15.7% less than the previous year.

692. Diesel fuel production increased by 26.6%, or by 212.4 thousand tons to 1.01 million tons.

693. Thermal energy production fell by 8.1% - from 26.5 to 24.4 million Gcal, gas condensate - by 6.9% or from 1.29 to 1.2 million tons.

694. Despite the problems in the energy sector, according to the Statistics Agency, it was possible to achieve an increase in industrial production by 6%.

INDUSTRIAL SECTOR OF UZBEKISTAN

695. Industry is the driver of the economy. The country is mobilizing forces and opportunities for the development of this area. Increasing the share of industry in GDP is under constant attention. The processes of transformation of leading industries continue.

696. Preliminary results showed that in 2023, more than 69.4 thousand industrial enterprises operating in the country produced products worth 655.8 trillion soums. The highest share in this direction (84.4 percent) was in the manufacturing industry.

697. In the total volume of industrial production, the share of mining and quarrying was 8.4 percent, electricity supply, gas, steam and air conditioning - 6.7 percent, water supply, sewerage, waste collection and disposal - 0.5 percent.

698. According to the analysis, the main factor in the growth rate is due to the fact that manufacturing output increased by 6.7 percent, electricity, gas, steam, air conditioning - by 9.7 percent.

699. The volume of food products output increased by 6.2 percent compared to 2022, the volume of textile products - by 6.4 percent. In 2023, more than 14.1 thousand new industrial enterprises were created, which had a positive effect on the growth of indicators.

700. The growth in the industrial sector is estimated at 6% - 655.8 trillion soums. In the total volume of industrial production, the share of manufacturing industry was 84.4%, mining and quarrying - 8.4%, electricity supply, gas, steam and air conditioning - 6.7%, water supply, sewerage, waste collection and disposal - 0.5%.

701. The volume of agriculture, forestry and fisheries increased by 4.1% - to 426.3 trillion soums. Analysis by category of farms shows that 63.1% of the total volume of agricultural production comes from dehqan and subsidiary farms, 29.8% from private farms, and 7.1% from agricultural organizations.
702. The construction sector grew by 6.4% (to 149.86 trillion soums), services - by 6.8% (470.3 trillion soums).
703. Agriculture grew by 4.1% (in 2022 - 3.6%). Growth in forestry also accelerated to 2.7% (1.7%) and fisheries - 7.4% (6.4%).
704. The growth rate of industrial production accelerated, reaching 6% (5.3% in 2022). By sector: the mining industry grew by 1% (in 2022 - 1.9%), manufacturing - 6.7% (5.4%), the electricity supply sector for gas, steam and air conditioning - 9.7% (13.5%), water supply, sewerage, waste collection and disposal - 1% (in 2022, a decline of 5.3%).
705. Meanwhile, growth in consumer goods production slowed to 7.3% in 2023 (20.7% in 2022).
706. At the end of the year, the construction sector grew by 6.4%, which is almost the same as last year - 6.6%.
707. President of Uzbekistan sets the task of raising reforms to a new level with an eye to the future. The Strategy for the Development of Agriculture of the Republic of Uzbekistan for 2020-2030 has been adopted. According to the document, the sector is expected to become the main point of economic growth. The creation of thousands of jobs on this basis will pave the way for a further increase in incomes of the population. Deep structural changes in this direction are already showing practical results.
708. Due to systemic measures to support the agricultural sector and expand economic interest, which were carried out by the state, at the end of 2023, the total income of agriculture, forestry and fish farming amounted to 426.3 trillion soums, an increase of 4.1 percent compared to 2022.
709. More favorable conditions are being created for farmers, dehqans and household plots. Particular attention is paid to increasing the knowledge of landowners on the procurement of export-oriented products, protecting their legal rights and interests. Therefore, 63.1 percent of the total volume of agricultural products comes from dehqan and household plots, and 29.8 percent from farms.
710. The introduction of the cluster system serves as an important factor for a sharp reduction in state intervention in the sphere, for the complete eradication of cases such as dependence on the plan and forced labor.
711. The basis for success was the introduction of an incentive system for high yields of cereal crops. In particular, in 2023, 8.4 million tons of grain and cereal crops (105.5 percent) were grown throughout the republic.
712. Most agricultural products are grown by dehqan farms and on private plots. In particular, 69.9 percent of all potatoes, 59.9 percent of vegetables, 51.4 percent of fruits came from them. 78.3 percent of grains and legumes were harvested by farms.

713. The state provides systematic assistance in the development of livestock and fish farming. In 2023, the volume of meat production in live weight in the republic amounted to 2.8 million tons (103.9 percent compared to the previous year), milk - 12 million tons (102.9 percent), eggs - about 8.5 billion pieces (104.4 percent), fish - 198.9 thousand tons (107.3 percent).

Diversification of economy

714. In September 2023, the Development Strategy of Uzbekistan until 2030 (“Uzbekistan-2030”) was approved. This document sets out the country's main development goals and key reforms in various sectors that should be implemented by the end of the current decade.

This is the third document of this kind adopted by the government since 2017. The previous two strategies covered the periods from 2017 to 2021 and from 2022 to 2026.

715. The Uzbekistan-2030 strategy reflects the country's aspirations, including plans to halve the poverty rate among the population (to 7%), join the ranks of upper-middle-income countries through sustainable economic development, and create education, health and social protection systems that meet international standards, as well as improve the ecological environment.

716. The new strategy sets out around 100 priority actions the government will take to make progress in five key areas. These include creating decent conditions for citizens to realize their potential, ensuring the well-being of the population through sustainable economic growth, saving water resources, protecting the environment, and creating a public administration system focused on serving the people.

717. The implementation of the strategy has been declared a priority task for all government bodies. Uzbekistan is implementing ambitious market-oriented economic reforms. The authorities unified the exchange rate and liberalized the foreign exchange market starting in September 2017, began price and trade liberalization, and made significant cuts to tax rates for both firms and individuals from January 2019. The country's opening to the world included elimination of entry visas to promote tourism and business and a renewed commitment to join the World Trade Organization (WTO).

718. The government has expanded social safety net coverage and substantially improved the availability of economic statistics. Uzbekistan's progress has been impressive and as a late reformer it can also benefit from the lessons learned by other transition economies.

Population of Uzbekistan

The Uzbekistan population reached 36.8 million people in Dec 2023, compared with the previously reported figure of 36.0 million people in Dec 2022.