



**The Ministry of Education of Azerbaijan
Republic**

**Exim banklar və Azərbaycanca tətbiqinin
perspektivləri**

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Abstract

In the Modern economic systems, Governments attempt to support entrepreneurs for directly effecting import and export levels of the country by using various organization and programs, especially EximBanks. The First part of the study attempt to find answers of the some questions, such as What is the importance of export and import levels on the countries' economy, What is historical and modern trend in the export and import. What is the significant role of the government support programs to the entrepreneurs, and What is Exim bank and its working process, Especially US Exim bank. The second part of study try to analyse Azerbaijan economy, its current situation and the characteristics of the government support systems to entrepreneurs. In this thesis, It is searched the level of need to creating Exim bank in Azerbaijan.

Table of Contents

Acknowledgements.....	2
Abstract.....	3
Introduction.....	5

Chapter 1: Theoretical study of Exim Banks

1.1. Trends and challenges in export and import trade.....	7
1.2. Theoretical fundamentals of Exim Banks.....	19
1.3. The US EximBank and working process.....	22

Chapter 2: The review of Azerbaijan economic system and the economic effects of creation of Exim Banks

2.1. The formation and evaluation of Azerbaijan economy.....	37
2.2. The characteristics of government support system to entrepreneurs in Azerbaijan.....	45
2.3. The Economic effects of creation Exim Banks in Azerbaijan.....	58
Conclusion and recommendations.....	61
List of Literature.....	63

Introduction

In fact, Import and Export levels are two of main macroeconomic indicators that they have undeniable influence on different sector and indicator of the countries' economies that is proved by the most of economist, That is why, States always try to control level of the indicators that they always try to make them balance or support the export to exceed the import of the country. In the economics, the best way for increasing export levels is to support entrepreneurs that are considered engines of economic growth and development of market economy. Over the World, States prepared different programs, policies and setting various organization for supporting entrepreneurs to improve potential product to export that there is one of them to be considered better way than other that is Eximbank. Exim Bank that is a state-owned bank and supports export support for small and medium-sized enterprises with low interest rates, these banks mainly help entrepreneurs who export goods to the country. In the world, there are different state Eximbank but one of them is bigger, more functional and effective than other that is the US Eximbank. This Eximbank support \$ 383 billion US enterprises during existence time that is the biggest amount in the Eximbank history.

As other country, Export is considered main indicator for economic growth that is why there are various governmental organisations for supporting entrepreneurs, especially in the non-oil sector because economic dependence to the oil sector is accepted the most important problem of the country because Azerbaijan economy depends on the oil prices that any biggest change (as in 2014) can get financial crisis in the Azerbaijan economy. That is why, Azerbaijan state tried to support the non-oil enterprises to expand export by AZPROMO and National Fund for Entrepreneurship Support (ANFES). However, after the decreasing oil price period and devaluation of the manat, it started to be though

about ineffectiveness of current supporting system that till this period ANFES and AZPROMO are accepted the best structure for expanding export but after this period it is defined that ANFES and AZPROMO are not good enough for Azerbaijan economy. So it force to think about alternative ways, especially Eximbanks because based on the world experience, Eximbanks have big positive impacts on the countries' economy.

Chapter 1: Theoretical study of Exim Banks

1.1. Trends and challenges in export and import trade

Countries trade on their own, with no capacity or resources to fulfill their own needs and wishes. By developing and exploiting local resources, countries can use a lot of revenue and use it for the resources they need. Although the long-distance trade is probably far from the domestication of ship animals and the invention of vessels, the clear evidence of long-distance trade is based on at least 9,000 years ago. Today, international trade is accepted as the most important part of the world economy and is responsible for the growth and prosperity of the modern industrial world. International trade is the exchange of goods and services between countries. Such trade leads to a world economy that is affected by supply or demand and by global events. Political change in Asia, having the cost of labor, which can increase production costs with an American sports shoe in Malaysia, and we offer the price to get used to it that we have to buy tennis version in local shopping center. On the other hand, a reduction in the cost of labor will lead us to pay less for our new shoes.

Exchanging all inclusive gives buyers and nations the chance to be presented to goods and services not accessible in their own particular nations. Relatively every sort of item can be found on the worldwide market: nourishment, garments, save parts, oil, adornments, wine, stocks, monetary forms, and water. Administrations are likewise exchanged: tourism, managing an account, counseling and transportation. An item that is sold to the worldwide market is an Export, and an item that is purchased from the worldwide market is an Import.

Products and services may be imported from abroad for various reasons. Import can be cheaper or better. They may be easier and more attractive than local production products. In many cases, there are no domestic alternatives and imports are important. It is also emphasized in Japan, which today is the world's fourth largest oil consumer, with no oil reserves, and has to import everything it needs.

The creation of merchandise and ventures in nations that need to exchange depends on two essential standards, first broke down by Adam Smith in the late eighteenth Century (in *The Wealth of Nations*, 1776), these being the division of work and specialization.

Division of labor- In the strictest sense, a division of labor means separating production into small, interrelated task into different assignments according to their compatibility to effectively perform tasks. When applied internationally, a business unit can provide only a small proportion of the finished products sold in the global markets where only countries produce a small commodity or service area. For instance, it is likely that a chocolate will contain a large number of contents from many countries, and each country only adds an additive to the final product.

‘Specialization’ is the second basic principle of trade. Given that each employee or each manufacturer has an expert role, they can effectively influence the overall manufacturing process and the finished product. Worldwide exchange enables well off nations to utilize their assets—regardless of whether Labor, Technology or Capital—all the more productively. Since nations are enriched with various Assets and Natural Resources (arrive, work, capital and innovation), a few nations may create a similar decent more effectively and along these lines offer it more inexpensively than different nations. On the off chance that a nation can't

proficiently deliver a thing, it can get the thing by exchanging with another nation that can. This is known as Specialization in International Trade.

Let's take a simple example about Efficiency of Trading Globally: Country A and Country B both create cotton sweaters and wine. Country A produces ten sweaters and six jugs of wine a year while Country B produces six sweaters and ten containers of wine a year. Both can create an aggregate of 16 units. Country A, be that as it may, takes three hours to deliver the ten sweaters and two hours to create the six jugs of wine (aggregate of five hours). Country B, then again, takes one hour to deliver ten sweaters and three hours to create six containers of wine (aggregate of four hours).

However, these two nations understand that they could deliver more by concentrating on those items with which they have a Comparative Advantage standpoint. Country A then starts to deliver just wine, and Country B creates just cotton sweaters. Every country would now be able to make a specific yield of 20 units for every year and exchange break even with extents of the two items. Thusly, every country now approaches 20 units of the two items.

We can see then that for the two nations, the Opportunity cost of creating the two items is more noteworthy than the cost of practicing. All the more particularly, for every country, the open door cost of delivering 16 units of the two sweaters and wine is 20 units of the two items (subsequent to exchanging). Specialization lessens their chance cost and along these lines amplifies their proficiency in obtaining the products they require. With the more noteworthy supply, the cost of every item would diminish, in this way giving preference to the end buyer also.

Note that, in the case above, Country B could deliver both wine and cotton more productively than Country A (less time). This is called 'an Absolute advantage' standpoint, and Country B may have it on account of a larger amount of

innovation. Notwithstanding, as indicated by the global exchange hypothesis, regardless of whether a country has a flat out preferred standpoint over another, it can even now advantage from specialization.

International Trade is considered to be composed of two main parts:

-Export

- Import

An export is a function of international trade in which goods produced in a country are sent to another country for future sales and commerce. There are several important reasons why entrepreneurs are interested in export because Exports have positive effects on their activities. These include the following:

- Growing sales

Exporting is a great way to increase your sales capacity. It can help to expand the sales potential you have gained, otherwise you are just trying to make money from the local market. In the case of Azerbaijan, the market is relatively small compared to the markets in Russia, Europe and Asia. While the local market can offer sufficient sales potential for small businesses, the local market for small and medium-sized holdings is only too small and the only way to expand sales is to enter foreign markets. There is a necessary point that entrepreneurs have to know that increased level of sales can affect their profitability and productivity by lowering unit costs of their productions increasing your company's size and length, which affects your competitive position compared to other similar organizations.

-Increasing profits

Obviously, there are not chance anyone to enter export market for making loss. Main purpose of companies is to make profit but bigger profits are always better for entrepreneurs. In many cases, exports can contribute to increased international

profit margins, as average orders from international customers are usually larger than local buyers that it can be easily observed, because importers normally order goods by goods not by small amounts. However, it doesn't mean that exporting goods always more profitable than selling in local market because sometimes there can be high level competition influence on products, but it can have more profit margins if it is a unique or high-quality goods or service.

-Decreasing influence of seasonal fluctuations in sales

Seasonal fluctuations are accepted as one of the most important problem or risk of companies which produce seasonal goods, such as seasonal clothes. Seasonal changes in the Southern and Northern Hemisphere can let companies increase sales by export. For example: A firm produce winter clothes in Azerbaijan (In the Northern Hemisphere), during the winter season it sells productions in the local market. When its season end, normally its sales decrease because seasonal fluctuations influence on product. However, A firm can export it to the Southern countries such as South Africa. In this case, It is observed that Exporting can decrease seasonal loss of business.

-Lower level of unit expense

Export helps to use empty production facilities. Generally, more efficient use of existing facilities, machinery and personnel is ensured. Moreover, since you now produce more goods without rising your total expense to the same extent, this leads to a reduction in your unit costs, which is a more efficient general business. Lower unit costs can make the product more competitive both in the local market and in international markets and / or helps to the overall gainfulness of the company.

- Expanding the lifetime of the product

Each goods passes through a product life-cycle. From the beginning, innovation and sales dramatically increased, sales levels dropped, and adult products were called, and as a result sales began to decline, and the crop began to grow. Nowadays a falling product can have a life in the world and find a market where the product can be resold, which can be dramatically expanded the life of the product. On the other hand, even in the case of a very common product, other foreign markets may be close to the end of their life and decide to stop the product. Although the market is at a point where it makes these companies unprofitable for continuous product production, the market may still be large enough to offer a declining market. This more effectively affects the use of the existing infrastructure of the enterprise and other products. It expands sales, reduces costs per unit of output and creates higher profits.

- Reduction of risk and balancing growth

There is a risk of being associated with only domestic market. Exporting to foreign markets can help reduce the risk of volatility in the company's domestic business cycle. In many countries, the risk of a downward movement in one or more of countries will be replaced by the increase of others resulting in a balanced development portfolio.

Negative effect and risks of exporting on the entrepreneurs. These include the following:

-In the export market, demand for the product can be pre-dried before profit are occurred.

-Export Licenses and Documents. This trend requires some companies to have an export license to export their goods and be less competitive, even though there are fewer export licensing requirements. In most cases the documents required for export are more than domestic sales

-Risks of high level of competition with similar goods in the foreign market

- Expenditures for developing new promotional materials which may not improve reputation of goods

- Wait more for payouts and make it difficult to collect export revenue

- Probability of non-payment of exported goods by importers

-Market information learning more about foreign markets is more difficult and time consuming than obtaining information and analyzing internal markets.

-Short-term profit is subject to long-term profits.

- Political and cultural reasons may influence the demand level of the goods.

- The cost of replacing the product and / or packaging for export,may not be preferred by customers in the export market.

- Due to transportation shortage, it is possible that the product may not be exported to the market such as theft, theft, and other non-tariff barriers

Also,Exporting have various effects on the countries and their consumers. These include the following:

-Improving product quality.Because there are high level of competitions in the international market,so producers always try to improve quality of goods and services that it can increase quality level in the local market.

- Strengthening and stabilize exchange rate of national currency against foreign currencies because during the exporting process high amount of foreign currency are brought to the country that it increases foreign currency supply in the local market.

-Reducing unemployment rate in the country.High level of sales amounts and profitability motivate business subject to improve production amounts because of they have to rise the number of employees in their business that it decrease unemployment rate in the economy of country.

-Increasing inflation rate in the local market.Mostly, Entrepreneurs prefer to sale goods in the foreign markets instead of local markets because sometimes foreign markets are accepted as more profitable than local.Due to this,product supply decreases in local market that it increases price level of goods.

- A narrow type of products and services for the domestic and export markets indicates that one country can produce a higher volume, which in turn gives greater economic benefits.

Import is a product or service transferred from one country to another for sale.The word "import" comes from the word "port" because the goods are usually sent to boats in foreign countries.Importing has different positive effects on entrepreneurs and consumers. **These include the following:**

- 1.You can import the products requiring little to no effort from different nations and offer them with more benefit.
- 2.We can get a few materials (which can't be created by us) just in a few sections of the world. Through import, you can get those materials effortlessly.
- 3.You can get the best quality items.
- 4.Tax concession is additionally accessible for some predetermined merchandise.
- 5.Best approach to embrace the way of life of different nations.
- 6.We can convey best innovations to our nation through Import.
- 7.You may get the chances to go to different nations.
- 8.When you import fantastic items with low value, you can offer them with the high cost for more benefit. It expands your net revenue.
- 9.Imports make Employment openings.
- 10.Government backings the import to build up the Trade Relation.

Disadvantage (Challenges) of Import:

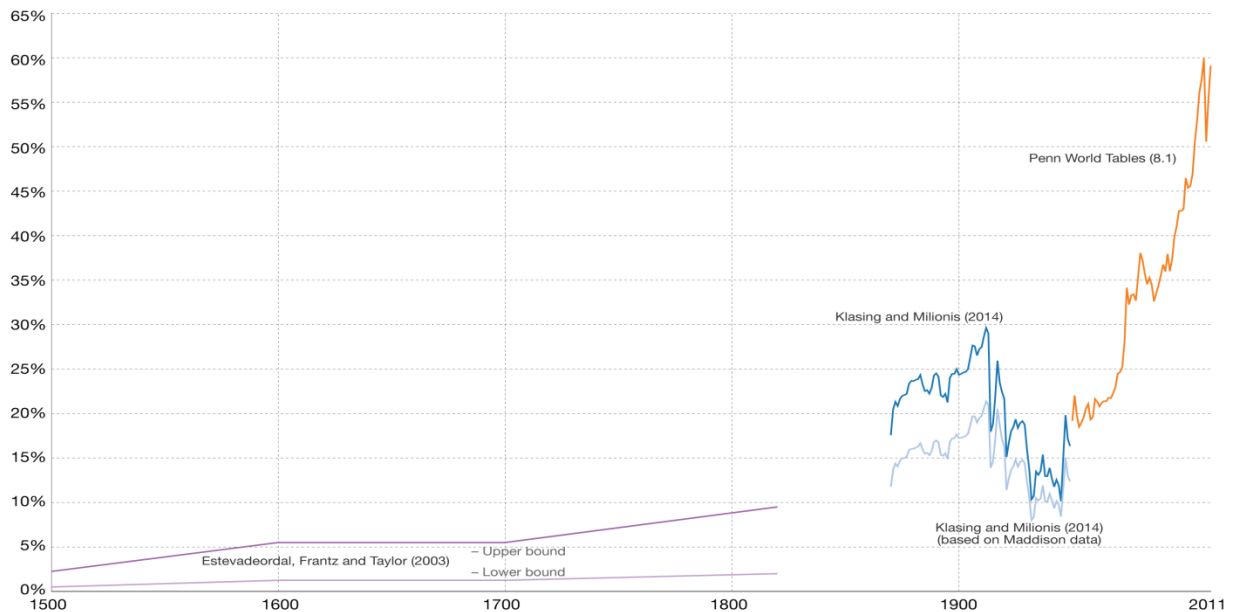
- 1.Unemployment will increment. On the off chance that everything will be transported in from different nations, the general population who live in country won't have any openings for work.
- 2.Local producers will lose their business orders.
- 3.Need to pay GST (Goods and Service Tax) on imported products.
- 4.We can't restore the harm and low quality merchandise effectively.
- 5.Reducing the salary of our country. Since we are putting all cash in different nations.
- 6.If you import the merchandise through a go between (a specialist), you have to pay for him.

7. Obtaining permit and records for import is troublesome.
8. Importing from abroad will annihilate the Domestic Industry.
9. Importing decreases the financial development of the country.
10. You may import the item without quality.
11. The exporter can't restore the foreign made things for any cost.
12. If you can't offer every foreign made thing, it might prompt overwhelming misfortune.

International trade in the long run

Globalization over 5 centuries (1500-2011)

Shown is the sum of world exports and imports as a share of world GDP (%)
The individual series are labeled with the source of the data



Data sources: Klasing and Milionis (2014), Estevadeordal, Frantz and Taylor (2003) and the Penn World Tables Version 8.1
The interactive data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic.

Licensed under CC-BY-SA by the author Max Roser.

The accompanying perception displays a gathering of accessible trade gauges, demonstrating the development of world exports and imports as an offer of world yield (you can read more about total yield measures in our entrance on GDP). As

should be obvious, until the point that 1800 there was a long stretch portrayed by constantly low international trade – all around the entirety of exports and imports never surpassed 10% 1800. This at that point changed through the span of the nineteenth century, when innovative advances set off a time of checked development in world trade – the alleged 'First Wave of Globalization'. Until 1913, overall trade developed by over 3% every year.

The principal wave of globalization arrived at an end with the start of the First World War, when the decrease of Liberalism and the ascent of Nationalism prompted a droop in international trade. In the diagram we see that there was a sizeable diminishment on international trade in the interwar period.

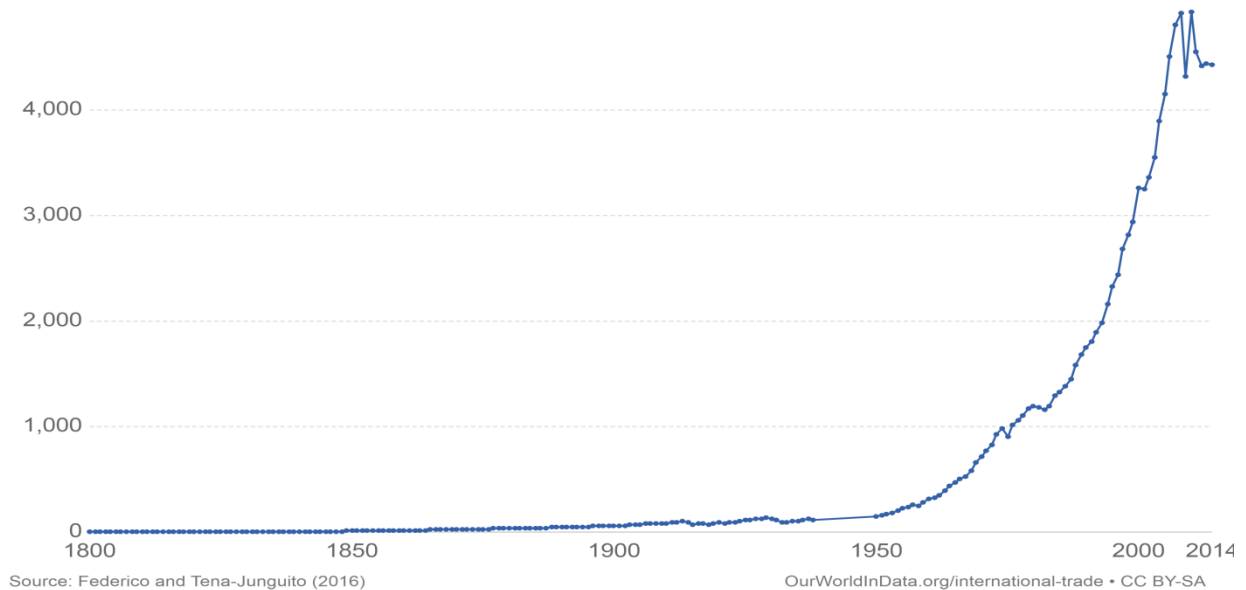
After the Second World War trade began developing once more. This new – and continuous – wave of globalization has seen international trade become speedier than any time in recent memory. Today the aggregate of exports and imports crosswise over countries is higher than the estimation of half of the worldwide creation.

The estimation of global exports has become continually increased the most recent two centuries

All through the most recent two centuries, the rate of development expanded always – trade became speedier and quicker. This comment can be best refreshing in the accompanying perception, introducing appraisals of world exports for the period 1800-2014. The information originates from” Federico and Tena-Junguito “and the vertical axis is in consistent costs

The value of global exports

Time series of value of world exports at constant prices, relative to 1913 (i.e. values correspond to world export volumes indexed at 1913=100)



As it can be seen, trade development generally took after an exponential way in the period 1800-2010. Truth be told, development in exports has been so huge in the most recent century that the interwar droop is nearly not noticeable when we utilize this scale.

The second half of the 20th century (The second wave of globalization) saw expanding trade over the world. Reductions in trading costs have contributed to the recent expansion of trade. The overall extension of trade after the Second World War was to a great extent conceivable in light of diminishments in exchange costs coming from mechanical advances, for example, the improvement of business common aeronautics, the change of efficiency in the trader marine, and the democratization of the phone as the principle method of correspondence. since the Second World War international trade began developing again, and in the most recent decades trade extension has been quicker than at any other time. Today, the

total of exports and imports crosswise over countries is higher than half of global generation. At the turn of the nineteenth century this figure was beneath 10%.

In the 21th century,International trade drammaticly expand more than other periods because development of techonology reduce trading and production cost that it supports global trade,also high level of social development decrease effects of countries board and force to creating uniuqe World economy.However,it had some negative influence on the countries that it expand dependence and effects of countries to each other that it can have negative results such as,2009 world economic crisis that it has started in the USA but influenced all over the world.In this period,States try to increse level of the support to their entrepreneurs more than other period for increasing export because it is accepted the best ways for increasing economic power of the countries.

1.2. Theoretical fundamentals of Exim Banks

Export and Import have big impact on countries' economies that their changes can have necessary results for countries and their people that is why controlling,monitoring and developing them are accepted as strategic job and purpose for governments,so Most of governments prefer to focus on preparing programs for improving montoring,developing,controlling system of import and export.Because of Governments always attempt to find different ways for supporting bussinesmens to increase the level of export and import.There are different cases that exporter or importers need helps to improve their bussines sizes that governmental organizasations always search to find ways to support them.

Mostly, Exporters want to be paid at the latest shipment of goods, whereas buyers need to defer installment until the point when they have sold the merchandise. To grow export sales, many governments offer a wide decision of financing programs. Such help builds the exporter's credit line required for corporate and local transactions, neutralizes financing as a factor, and makes a level playing field with rivals in different nations who likewise advantage from comparable financing programs. Projects are normally sorted as short-term (usually under two years), intermediate-term (usually two to five years), and long-term (usually more than five years) financing. Government financing could be as provider credit or buyer credit. Supplier credits are reached out to the buyer by the exporter; that is, the exporter organizes government financing. Such credit likewise incorporate an immediate augmentation of credit by the exporter, as well as the last's course of action of financing from other private sources. Buyer's credits are stretched out to the buyer by parties other than the exporter. Banks, government agencies, or other private gatherings (local or remote) could give buyer credits. Government financing for the most part incorporates the arrangement of insurance or certifications to exporters or loaning institutions, as well as the expansion of authority endowments, credit, interest to the exporter or overseas customer. Either of these financing plans might be joined in a solitary transaction. Some governments give an entire scope of administrations (guarantees, credit, insurance and so forth) while others give a few or these services, insofar as they are not promptly accessible in the market.

Basically, in 1906 first Eximbank was founded in Switzerland but as the first public institution to be established in England in 1919, and the most widely spread "EXIMBANK", these banks are now numbering up to 200 in 100 countries. Export Import Bank (Exim Banks) are government or semi government organizations that

guarantee the security and development of a nation's outside exchange. They give altered money related instruments to protect the interests of exporters against default/delinquency from the importers. Encouraging less demanding finances for outside exchange, exchange standards and conditions are a portion of the usefulness of an EXIM Bank.

What is the meaning of import export bank? Exim Banks are especially centered around the outside exchange and don't include in inside nation exchanges. They work nearly as per the concerned branches of the government, abroad coordinations organizations and traditions to guarantee the focal export approaches are being taken after and the interests of the general population in the exchange are shielded.

While remote exchange has due contributions from the exporter, coordinations accomplice, traditions on the exporter's side and a comparative rundown of stakeholders on the importer's side, it ends up basic to work in coordination with the organizations inside the nation, as well as with separate partners abroad. Example:Mr. E, who possesses a painstaking work fabricating unit in Country X has a buy arrange from Mr. I from Country Y. While the exchange itself is very like the customary exchange with supply in light of procurement arrange and concurred installment terms, it turns into significantly more hazardous when it occurs crosswise over nations.The dangers of custom dismissal, counterparty default (because of postponement, quality issues, dissent or deferral of installment and so on.) might bring about non-execution notwithstanding when both Mr. E and Mr. I are up to the check with their responsibilities. The Exim banks gives a system to abroad exchange wherein, at each progression of exchange, duty exchanges are unmistakably characterized to maintain a strategic distance from any vagueness that may bring about default.

1.3. The US EximBank and working process

The US is the biggest economy in the world that as other country, export and import processes are necessary for its economy, especially export. Before starting to searching about the US Eximbank, it has to be defined that what is the importance of export in the US economy. Trade has had an necessary influence in American economic advance since colonial time. For quite a bit of its history, the United States took after the case of real European exchanging countries in embracing protectionist measures such as levies, in spite of the dispute of driving market analysts, for example, Adam Smith and David Ricardo that free trade was more qualified to advancing flourishing. After World War Two however, the United States turned into a main defender of facilitated commerce and effectively supported the expulsion of artificial boundaries to the flow of products and ventures crosswise over universal limits. The General Agreement on Tariffs and Trade grasped by generally industrialized nations in 1948, and the World Trade Organization superseded it in 1995, have step by step changed the worldwide exchanging framework to a point where there are currently less obstructions to the free play of market powers than ever previously. Once the Cold War finished in the mid 1990s, trade advancement added to an overall procedure of economic mix called "globalization." The exchanging conduct of most countries now nearly reflects the law of similar advantage propounded by Ricardo in the nineteenth Century, which directs that nations ought to have practical experience in the products furthermore, administrations they can deliver most efficiently, while acquiring products for which they do not have an aggressive edge from abroad. As the expulsion of obstructions to trade has made such conduct progressively doable, U.S. imports and exports have risen quickly. For example, U.S. exports have

expanded from \$500 billion of every 1990 to well finished \$2 trillion today, an expansion of approximately 125% in after-inflation terms. Market analysts see exports as a motor of development for the U.S. economy, managing more than 10 million residential employments while empowering advancement and efficiency. A considerable lot of the country's greatest modern organizations, for example, General Electric what's more, United Technologies create a sizable offer of their deals abroad, and to the degree these incomes reflect export action, they are real supporters of local development. Roughly 33% of the development found in the recuperation from the current economic retreat is traceable to exports of U.S. products and ventures. Boeing, the country's biggest exporter, creates around 80% of its deals abroad while guiding around 80% of its buys to residential organizations - chiefly little and medium-measure organizations. Without such sizable abroad deals, it would be difficult for the U.S. to proceed with its substantial buy of remote wares and made merchandise. Shutting the trade hole will end up less demanding as advancement of new residential vitality sources, for example, shale oil and wind control diminish the requirement for vitality imports. Generally 50% of the expansion in the trade deficit to remarkable levels in the most recent decade came about because of rising imports of outside oil. Since tide is retreating. Be that as it may, the other segment of the trade deficit - produced products - isn't so effectively fixed. The cost of assembling is higher in the U.S. than in numerous different countries, due principally to charges and directions. Moreover, a few key exchanging accomplices such as China have grasped uncalled for exchanging practices, for example, prejudicial taxes and cash control that raise the obstacles U.S. makers look in attempting to offer abroad.

In 2010, President Obama propelled an activity to twofold U.S. exports and make two million new occupations by giving expanded help to exporters and lessening

boundaries to trade. The organization has moved to streamline export directions and rebuff the out of line exchanging practices of different countries, while expanding the help to exporters gave by the government. One aspect of these endeavors is raising the roof on credit that the ExportImport Bank may stretch out to U.S. exporters and their abroad clients. Dissimilar to the vast majority of alternate measures accessible to Washington for advancing exports, expanded Ex-Im financing movement does not cost the Treasury cash since it is self-supporting. While Ex-Im is just piece of the answer for fixing America's trade unevenness, it assumes a curiously large part in innovation areas with the most potential for developing foreign markets.

The US Import-Export Bank (EXIM) is the US official lender. EXIM is a free, self-directed Executing Department with a mission to support US merchandise by promoting the payment of commodities and businesses in the United States. At the point when private area moneylenders can't or unwilling to give financing, EXIM fills in the hole for American organizations by outfitting them with the financing devices important to go after worldwide deals. In doing as such, the Bank makes everything fair for U.S. merchandise and ventures going up against outside rivalry in abroad markets, with the goal that American organizations can make all the more great paying American employments. Since it is supported by the full confidence and credit of the United States, EXIM expect credit and nation chances that the private part can't or unwilling to acknowledge. The Bank's sanction requires that all exchanges it approves show a sensible confirmation of reimbursement; the Bank reliably keeps up a low default rate, and nearly screens credit and different dangers in its portfolio.

Established in 1934, the Export-Import Bank was composed by Franklin D. Roosevelt under the name Export-Import Bank of Washington. The expressed

objective was "to help in financing and to encourage fares and imports and the trading of products between the United States and different Nations or the organizations or nationals thereof. The Export-Import Bank of Washington is built up to help U.S. organizations amid the Great Depression. In spite of the fact that the objective was to loan to the Soviet Union, such advances never emerged."The Bank's first exchange was a \$3.8 million credit to Cuba in 1935 for the buy of U.S. silver ingots. The First and Second Export– Import Banks were joined in 1936 when Congress exchanged the commitments of the Second Export– Import Bank to the first.Congress proceeded with the bank as an administration organization, utilizing a progression of laws in the vicinity of 1935 and 1943 to make it subordinate to different government offices. The Export-Import Bank turned into an autonomous organization in 1945. The Bank's name was changed to "Fare Import Bank of the United States" in 1968The Trade and Development Enhancement Act(1983) guides EXIM Bank to build up a Tied Aid Credit Program with the Agency for International Development. The Act likewise guides the Bank to help fares of U.S. benefits on an indistinguishable terms from those for U.S. items.The Exim Bank of the US is the official fare credit office (ECA) of the United States elected government.Operating as a completely possessed government corporation,the Bank "helps with financing and encouraging U.S. fares of merchandise and services".Under its contract, the Bank does not contend with private area loan specialists, yet rather gives financing to exchanges that would some way or another not happen in light of the fact that business moneylenders are either incapable or unwilling to acknowledge the political or business risks natural in the arrangement.

Ex-Im is the official export credit organization of the United States government
What does it do and Why?

Like comparative offices in handfuls of different nations, its part is to encourage exports (and occupation creation) by giving different sorts of financing. As indicated by the Peterson Institute for International Economics, 80-90% of organizations occupied with exporting from the United States require financing - credit - of some deal with to convey exchanges with clients in different nations. The immense prevalence of this financing is given by private-area moneylenders, or then again by tapping the financial assets of organizations occupied with exporting. For example, exporters may expand credit to providers or to clients to make an exchange possible. Since Ex-Im is disallowed by its contract from contending with private-division moneylenders, it centers around exchanges where no market wellsprings of credit are accessible. Lately, Ex-Im has created working surpluses from its expenses that are come back to the U.S. Treasury; in fiscal 2013, the "profit" to the government from Ex-Im programs was a billion dollars.

Ex-Im tasks are liable to various prerequisites specified in its contract and reauthorization enactment passed at regular intervals. Notwithstanding forbidding rivalry with private loan specialists and commanding that clients of administrations be sensibly creditworthy, these prerequisites set an utmost of what amount amassed credit introduction the bank may have in any given year (\$140 billion is the most extreme in fiscal 2014), the amount U.S. content exports must need to fit the bill for Ex-Im financing, and the amount of the bank's credit must be reached out to private ventures. All in all, the different legitimate limitations on Ex-Im exercises result in its financing as it were being utilized to encourage 2% of U.S. exports. Be that as it may, the greater part of those exports would not happen without Ex-Im projects, and they are concentrated in a modest bunch of ventures,

for example, aviation, media communications, vitality and mining where the most costly capital gear is made. Ex-Im endeavors are additionally progressively centered around the export of specialized benefits in which America is a worldwide pioneer. The organizations that tap Ex-Im programs ordinarily pay higher-than-normal wages, and depend vigorously on the contributions of private companies for the produce of their exports. For example, Boeing - the greatest client of Ex-Im credit programs - has 17,000 providers, a significant number of them little organizations.

How Exim bank decrease risks of exporting process?

Exporting products and enterprises to different nations isn't care for leading business inside the United States. The U.S. is an astoundingly stable country with entrenched organizations, lawful benchmarks and business hones. The currency is sound and the financial framework is straightforward. There is little debasement and government at all levels is responsible for its activities. Subsequently, when organizations experience issues because of the conduct of clients, creditors or providers, they have numerous roads for looking for change. A modest bunch of different countries offer comparatively suitable settings for the lead of business, yet most nations can just seek to the reasonableness and consistency of the U.S. system.

This presents a test for American organizations as the world economy turns out to be progressively integrated. With seventy five percent of worldwide obtaining power situated outside U.S. outskirts, organizations need to work together abroad in the event that they are to continue developing and accomplish economies of scale important to efficiency, however that regularly implies working in conditions where political improvements, legitimate securities, currency esteems and even

power supplies are eccentric. A portion of these issues can be relieved by building up seaward auxiliaries populated for the most part by remote nationals, however that arrangement isn't accessible to U.S. exporters. Boeing, for instance, prefers to gather every one of its planes in the U.S. despite the fact that 80% of them are sold abroad.

The Export-Import Bank was set up to alleviate the extraordinary dangers related with offering abroad from the U.S. It does this chiefly by expecting a portion of that hazard through its advance, assurance and insurance programs. Other significant exchanging countries have built up their own particular export credit organizations, perceiving that private-area loan specialists frequently will be not able or unwilling to give export financing on terms that make exchanges plausible. Market wellsprings of financing are particularly difficult to find when planned buyers are in creating nations, when the scale or span of credit necessities is awesome, or when economic downturns have prompted a fixing of credit. That clarifies why Ex-Im financing is thought generally among the developing countries of Africa, Asia and Latin America, and regularly includes exports of exorbitant capital gear, for example, trains and carriers. It likewise clarifies why Ex-Im movement surged amid the current worldwide retreat. Similarly as little and medium-measure organizations have more prominent difficulty in securing credit amid subsidences, so do rising countries. Private banks evaluate rising nations and organizations to display abnormal amounts of hazard, and hence either decay to give financing or force terms that make exchanges bothersome to the potential beneficiary. Inside U.S. fringes the government can address this issue by expanding liquidity through fiscal and money related strategy, yet few creating countries have the financial assets or flexibility of the Federal Reserve. Ex-Im in this way exists to decrease the threats related with offering U.S. merchandise and

ventures abroad with the goal that employments can be made in the U.S. In the expressions of the Government Accountability Office, "Ex-Im's part is to expect the credit and nation hazards that the private division can't or unwilling to acknowledge." without Ex-Im programs, a great many independent ventures in the U.S. would be not able export, and vast organizations like Boeing and Caterpillar would need to redirect cash from territories like research and venture to give financing to abroad clients (they as of now give broad assets to financing deals). Numerous creating nations would be not able purchase U.S. capital merchandise, and would likely swing to state-claimed or influenced elements in different countries as their wellspring of supply.

These services are focused on solutions of business problems of importer and exporter. For understanding importance of the Exim bank in the US economy, It has to be defined What the Exim Bank of the US do or service?

1. EXIM gives U.S. organizations with answers for protect against external purchaser nonpayment and thusly bolster the export of more American-made merchandise and enterprises. One item specifically that enables organizations to ensure themselves against remote purchaser delinquency is Export Credit Insurance. What is Export Credit Insurance?

Export Credit Insurance is a protection approach that covers your business' remote records receivable against business and political dangers. It guarantees U.S. exporters that their business' main concern will be ensured ought to their remote customer neglect to pay. On the off risk that a remote purchaser defaults because of an unexpected liquidation or outside political issue (e.g., war), an insurance agency or the U.S. government will repay your business for a bit of its misfortune. EXIM and its committed dealers offer strategies that cover a whole fare portfolio, a modest bunch of remote purchasers, or only one single purchaser. Moreover, most

approaches accompany the additional advantage of just paying a premium upon shipment.

Export Credit Insurance Service of Exim bank can save businesses that protect their records receivable guarantee that, should an outside purchaser not pay, they will be repaid 85-95% of their receipt sum. Also, with Export Credit Insurance, your business can certainly venture into new markets without dread of outside purchaser default. Then, with your records receivable safeguarded, your business can use extra advantages of Export Credit Insurance, including conceivably offering more adaptable credit terms or getting to hidden working capital from your moneylender. With working capital and guaranteed outside receivables, your business can get to a more predictable income, enabling you to center around what makes a difference most: creating quality products and ventures and seeking after new deals.

2.Loan Guarantee. EXIM Bank's moneylender credit ensures enable you to secure aggressive financing for exporters' global purchasers. It ensure term financing- - for the most part up to 10 years- - to creditworthy global purchasers in both the private and open segment, and back exporter's neighborhood costs up to 30%. With our certification, global purchasers get aggressive term financing- - that may beforehand have been inaccessible from loan specialists.

Long and Medium term warranty cover:

- Risk moderation for an exchange with a specific purchaser.
- Financing for universal purchasers of U.S. capital products and related administrations.
- More secure section to developing markets.
- Longer reimbursement terms.
- Adaptable loan specialist financing alternatives, supported by our assurance, for

purchasers of U.S. capital products and related administrations for long haul extends and in addition medium-term.

-Scope for 100% of business and political risks.

-No restrictions on exchange measure

3. The EXIM Bank Foreign Currency Guarantee policy (FCG) was established to meet the competitive threat of other currencies. It is designed to help these buyers control certain risks associated with export credits by allowing an obligor to repay funds in the same currency as its revenue stream. Cover for transactions denominated in foreign currencies is also available under EXIM Bank's Export Credit Insurance. The policies governing cover under the insurance program are the same as for the guarantee product and are affected by endorsement to an insurance policy. To date, EXIM Bank has announced a willingness to issue guarantees in a number of hard and soft currencies. Please contact us for a list of the currencies we support at this time. EXIM Bank is willing to consider any currency, even if it not on our current list of supported currencies. As the name proposes, the FCG just mulls over the issuance of certifications or protection by EXIM Bank. EXIM Bank does not issue coordinate credits in outside monetary standards. Under this and other EXIM Bank ensures, a business bank stretches out an export credit to a purchaser of US merchandise and additionally administrations and EXIM Bank reaches out to a business bank a 100% assurance of all key and customary premium. As such, EXIM Bank takes the full political and business risk of a credit. All loan specialists are qualified to utilize the program, gave that they go into a standard Master Guarantee Agreement with EXIM Bank.

4. Finance Lease Guarantee. EXIM underpins focused medium-term financing organized as fund leases notwithstanding financing organized as portion advances. Support of lease financing is important since some remote purchasers of U.S.

capital products favor lease financing as an other option to customary portion advances. EXIM will ensure lease financing of U.S. merchandise and enterprises to creditworthy worldwide tenants, both private and open division, when financing is generally not accessible or appropriate loan fees are not monetarily practical.

Advantages of Finance Lease Guarantee:

- Empowers universal tenants to get back leases from lessors
- Adaptable financing alternatives and reimbursement terms
- Exchange survey to \$10 million
- Scope is the lesser of 85% of the agreement esteem or the real U.S. content sum

5.Direct Loan. EXIM's immediate advances enable you to secure focused financing for your global purchasers. We give settled rate financing - up to 12 years as a rule and up to 18 years for sustainable power source ventures - to creditworthy worldwide purchasers in both the private and open part, and back your nearby expenses up to 30%. With our immediate credit, global purchasers get aggressive term financing that may already have been inaccessible. This scope is accessible for medium-term and long haul exchanges. The aggregate level of EXIM support will be the lesser of 85% of the estimation of every single qualified great and administrations in the U.S. supply contract or 100% of the U.S. content in every qualified great and administrations in the U.S. supply contract.

Direct loans provide for business:

- Financing for global purchasers of U.S. products and ventures.
- No restrictions on exchange measure.
- Settled rate financing with loan cost set at the Commercial Interest ReferenceRate.
- Scope for 100% of business and political risks.
- Financing of up to 30% of neighborhood costs notwithstanding the U.S. exports.

-Financing of auxiliary administrations and charges (legitimate, money related, bank, and so on.)

6.Export Credit Insurance. The Business Multi-Buyer Credit Insurance is an approach that secures an exporter's records receivable and has critical advantages. The security of an arrangement outfits organizations with the certainty important to enter new markets and outline a way ahead with edges they can rely upon. With this security close by, organizations can build their worldwide aggressiveness by offering "open record" credit terms expected to win deals. In addition, EXIM bolster enables exporters to defeat income impediments by acquiring against their safeguarded receivables. Use independent venture Multi-Buyer Credit Insurance to:

- Stretch out credit terms to remote clients.
- Safeguard against delinquency by global purchasers.
- Cover both business and political (e.g., war or the inconvertibility of money)risks.
- Organize financing through a loan specialist by utilizing protected receivables as extra security.

Advantages of this kind of insurance:

- Risk lessening: protect against calamitous misfortunes from purchaser default. It conceals to 95% of offers solicitations.
- Expanded aggressiveness: open the capacity to offer purchasers the credit important to venture into new markets and lift deals with existing clients.
- Enhanced liquidity: quicken income by getting against remote receivables.
- Credit administration skill: facilitate the weight of credit risk administration by utilizing EXIM's universal ability.

7.Express Insurance. By ensuring exporters' records receivable, Express Insurance is an item that gives critical advantages little issue. Highlighting free credit

investigates remote purchasers and a streamlined application, Express Insurance enables exporters to conquer obstructions in the method for expanding worldwide piece of the pie. The assurance of an approach furnishes exporters with the certainty expected to graph a way ahead with edges they can rely upon.

Organizations can build their worldwide intensity by offering credit terms expected to win deals. In addition, Express Insurance engages exporters to defeat income challenges by obtaining against their safeguarded receivables.

Use Express Insurance to:

- Guarantee against default by globalclients.
- Cover both business and political (e.g., war or the inconvertibility of cash) risks.
- Get credit investigates outside purchasers (up to ten) the exporter chooses to safeguard (these are complimentary however they stay with EXIM).
- Orchestrate financing through a moneylender by utilizing protected receivables as extra guarantee.

Benefits of this insurance:

- Credit administration ability: facilitate the weight of credit risk administration by utilizing EXIM's worldwide aptitude.
- Risk decrease: protect against disastrous misfortunes from purchaser default.
- Expanded aggressiveness: open the capacity to offer purchasers the credit important to venture into new markets and lift deals with existing clients.
- Enhanced liquidity: quicken income by getting against remote receivables.

The Ex-Im Bank's Credit and Insurance Authorizations

Program	Number of Authorizations			Amount Authorized		
	2009	2010	2011	2009	2010	2011
Total Financing						
Loans	16	15	18	\$3,033	\$4,261	\$6,323
Loan Guarantees	619	719	784	\$11,475	\$13,106	\$19,400
Medium- and Long-Term	146	162	178	\$9,943	\$10,927	\$16,172
Working Capital	473	557	606	\$1,531	\$2,179	\$3,228
Insurance	2,256	2,798	2,949	\$11,474	\$7,101	\$7,004
Total Authorizations	2,891	3,532	3,751	\$21,021	\$24,468	\$32,727

Benefits of Exim Bank to US Economy:

The Export-Import Bank has a long history of advancing financial development and advance. Amid its initial days, it gave financing to the Pan-American Highway, after war recreation in Europe, and the new province of Israel. All the more as of late, it has helped exporters and their clients to adapt to the consequence of the 9-11 assaults and the most profound monetary downturn since the Great Depression. In any case, the genuine measure of Ex-Im's esteem - the factor that has driven Congress to reauthorize its activity two dozen times since it was set up in 1934 - is the bank's progressing part in making occupations inside U.S. outskirts. Employment creation is the reason Ex-Im was set up in the clench hand place, and remains its essential mission today. Many government offices have a part in advancing occupation creation. What makes Ex-Im distinctive is that it utilizes no citizen cash while accomplishing amazing outcomes. The bank has subsidized its activities through expenses forced on clients since 2008, sending \$3 billion in surpluses to the U.S. Treasury, yet has figured out how to support a normal of well more than 200,000 local occupations every year. These are employments that most

likely would not exist generally since they include exports for which private-area financing was not accessible, and they ordinarily pay preferred wages and benefits over occupations concentrated on local markets. For example, Boeing - a major client of Ex-Im financing that offers 70-80% of its U.S.-manufactured planes foreign drives the aviation segment in specialist pay.

Ex-Im has a "multiplier impact" for work creation at organizations occupied with the worldwide economy, in light of the fact that during the time spent financing an organization's exports, it makes the entire venture more focused. The full effect of this impact is difficult to gauge since such huge numbers of employments are managed in a roundabout way, yet its scale is proposed by the measure of credit the bank stretches out to organizations and their clients consistently. For example, in December of 2013, the bank's board endorsed a \$695 million credit for the export of U.S.- made mining and rail hardware to Australia; a \$641million advance certification for the export of U.S.- made oil refiing gear to Turkey; and a \$45 million advance assurance for the export of U.S.- made turbines to Israel. More than 6,000 employments were straightforwardly attached to these exchanges, however there were without a doubt extra aberrant occupations made conceivable by the subsequent economies of scale and different effiencies.

Chapter 2: The review of Azerbaijan economic system and the economic effects of creation of Exim Banks

2.1. The formation and evaluation of Azerbaijan economy

Overview of Azerbaijan Economy

Azerbaijan has been known as the "republic of oil" amid the Soviet time frame because of its colossal fuel holds. In 70-80s, creation of oil has continuously fallen in the nation regarding its weariness in the surface layers. After picking up of autonomy, oil factor again began to assume the compelling part in the economic improvement of Azerbaijan (History of Azerbaijan 2008). In 1994, the administration of Azerbaijan closed an agreement, called 'Contract of Century' with oil organizations of the world's created nations. This awesome task enabled Azerbaijan to grow its financial potential in the next years. The expansion of financial chances of the nation and also the accompanying development of outside investment in Azerbaijani economy gave a driving force to the fast advancement of national economy since the 2000s.

The fast economic advancement is fundamentally ascribed to the misuse of hydrocarbon assets (through creation offering assentions to outside oil organizations and remote direct investment). Considerable changes expected to help a market-based economy have been instrumental in encouraging development. In any case, the dependence on oil assets puts the nation in danger of unpredictability and raises worries about long haul supportability and macroeconomic strength. The slow development rates in 2011 and 2012

demonstrated the nation's helplessness to depending on oil creation. The close to zero development in 2011 was the most minimal since 1995's GDP compression and was because of a huge decrease in oil generation. Given the long time in which it takes to set up an expanded, present day economy, Azerbaijan needs to gain more prominent ground in the non-oil divisions. Azerbaijan has experienced noteworthy economic change and improvement since the nation's autonomy in 1991. Azerbaijan's broadened economy fallen with the separation of the Soviet Union, and by 1995 the total national output (GDP) was just 37% of what it had been in 1989. In any case, in spite of a neediness rate of 49% as of late as 2001, Azerbaijan has immediately changed itself into an upper center wage nation with a gross national wage (GNI) per capita (Atlas strategy) of \$7,350 (2013),GDP for each capita of \$7,912.5(2013), and a neediness rate of just 5% of every 2013.It has likewise turned into a "high human improvement" nation since 2010 under the Human Development Index.



GDP per Capita



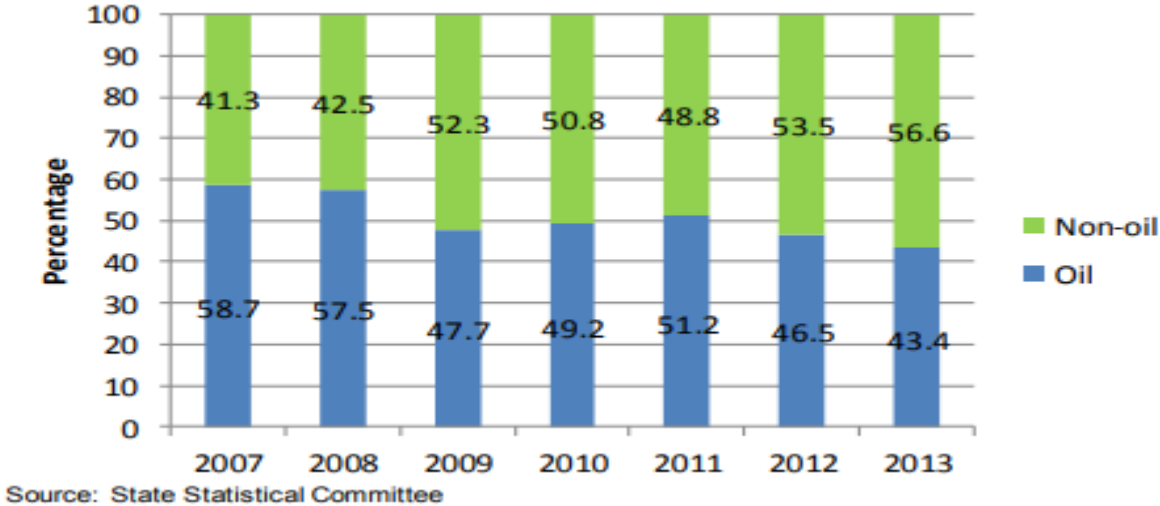
After the devaluation, Manat exchange rate lose value against the dollar so after 2014 GDP and GDP per capita dramatically decrease in dollar, but in manat GDP didn't decrease as this amount. It has different result that main of them is oil dependence of Azerbaijan that For understanding, we have to analyze structure of GDP and total export.

With plentiful common assets in the hydrocarbon part, Azerbaijan is profoundly subject to mineral items – which represent around 34% of GDP, 52% of monetary income and 88% of merchandise exports. Subsequently, the economy is extremely helpless against outside stuns. The sharp drop in worldwide oil costs in 2014-2015 and checked cash deteriorations in contender nations as to outside exchange have been such stuns that have hit hard economic development, budget incomes, the adjust of installments, the manat (AZN, the nearby money), remote trade (FX) saves and, as of late, the managing an account area.

The droop in oil costs joined with lost intensity for Azerbaijan prompted descending weights on the AZN which was for some time pegged to the USD. In

attempting to guard the peg, FX stores of the Central Bank of Azerbaijan (CBA) tumbled from a pinnacle of USD16.7bn in May 2014 to a low of only USD5.3bn in April 2016. In the end, the CBA debased the AZN by - 34% in February 2015 and by - 48% in December when it additionally moved to a skimming administration Capital controls were presented in mid 2016. Following every one of these moves, the AZN tumbled to a low of 1:1.92 against the USD toward the beginning of February 2017 preceding marginally recuperating to 1:1.70 at end-May. In any case, we anticipate that it will debilitate again to around 1:2.00 by end-2017 because of the current managing an account emergency and lower than broadly expected growth. The sharp AZN deterioration in the course of recent years has driven up swelling to a normal 12.4% of every 2016 and 12.5% in mid 2017 and we anticipate that it will stay in twofold digits until end-2017, in any event.

Oil and Non-oil shares of GDP in Azerbaijan



For 2010, roughly 80% of all budget income got from the oil business through the State Oil Fund of the Republic of Azerbaijan (SOFAZ) and charges on the oil area. In 2013 SOFAZ alone represented 58% of the state budget incomes.

Notwithstanding driving enterprises in the non-oil economy are in a roundabout way funded by the oil segment, for example, development and transport. Much of the private segment is dependent on government contracts from people in general investments. The development segment, specifically, has been a noteworthy recipient of open investments.

World Bank doing business ranking report 207

<p>OVERALL RANKING</p> <p>65 / 190</p>	<p>STARTING A BUSINESS</p> <p>5 / 190</p>	<p>REGISTERING PROPERTY</p> <p>22 / 190</p>
<p>PAYING TAXES</p> <p>40 / 190</p>	<p>PROTECTING INVESTORS</p> <p>32 / 190</p>	<p>ENFORCING CONTRACTS</p> <p>44 / 190</p>

The fast improvement of Azerbaijani economy is described with two interconnected bothersome quirks. The principal highlight is the significant reliance of administrative budget and exercises from oil-related organizations and the important incomes. The second factor is the excessively powerless assembling yield of the Azerbaijan – the fringe (non-capital) territories where economic exercises are construct for the most part in light of cultivating organizations, local exchange of nearby criticalness (in view of the interest for every day items and some customer products) and moderately less administration yield. Little piece of these fringe districts has been creating recreational businesses, but really this movement did not bring so far immense economic profits for them. The issue of enormous distinction between the Absheron territory (where the capital city Baku zone is arranged) and different districts as far as level of economic advancement

and especially mechanical yield is self-evident, and discovers its appearance on official measurable information. The excessively incredible potential and the part of Baku in Azerbaijani economy shows itself in the way that this city shares more than 90% of the national mechanical yield and impressive piece of outside investments for quite a while and indeed, about portion of the number of inhabitants in the nation because of its abundance.

Conversely with Absheron-found Baku, fringe districts are not rich in oil saves and don't take profit altogether from their fuel industry. Additionally, the vast majority of outside organizations are proceeding to build up their organizations and putting exercises in the capital city.

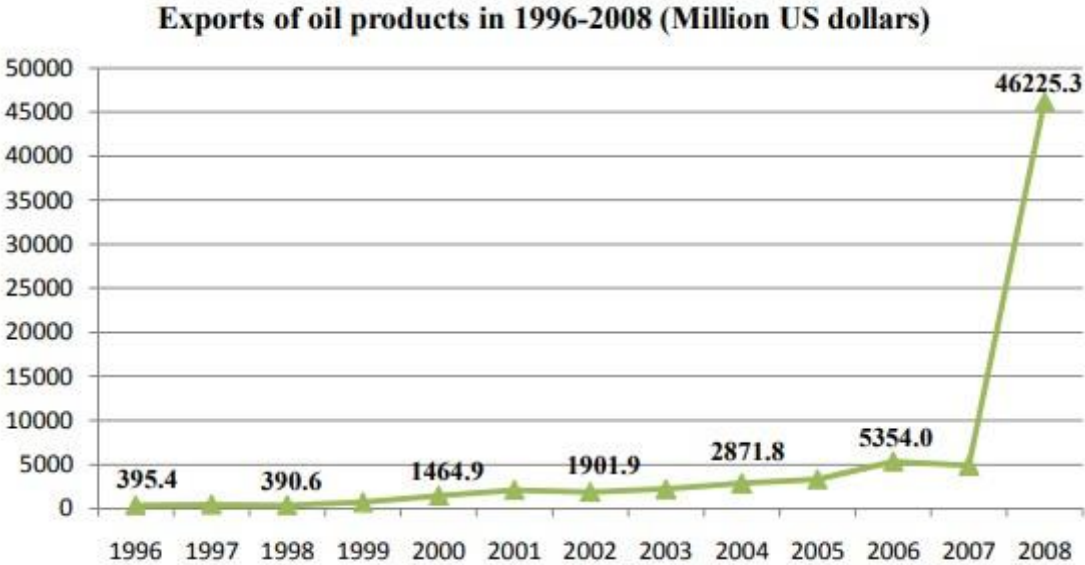
Industry of Azerbaijan comprises chiefly of oil and gas generation. A large portion of the mechanical items (94.4%) tumble to the offer of mining and preparing enterprises, including the oil, concoction and sustenance ventures, and furthermore metallurgy, building hardware and generation of electrical gear. In such manner, enhancing structure of assembling industry and creating of different regions of non-oil area (exchange and administrations, construction, communication advances, transport and farming) would permit lessen the reliance from oil industry, and escape unfortunate economic stuns in the following future.

STRUCTURE OF FOREIGN TRADE OF AZERBAIJAN

Azerbaijan is the 80th biggest export economy on the planet. In 2016, Azerbaijan export \$27B and imported \$23B, bringing about a positive exchange adjust of \$4.05B. In 2016 Azerbaijan imported \$23B, making it the 95th biggest merchant on the planet. Amid the most recent five years the imports of Azerbaijan have expanded at an annualized rate of 48.9B%, from \$13.1B in 2011 to \$23B in 2016.

The latest imports are driven by Unspecified which speak to 2.13% of the aggregate imports of Azerbaijan, trailed by Valves, which represent 2.05%.

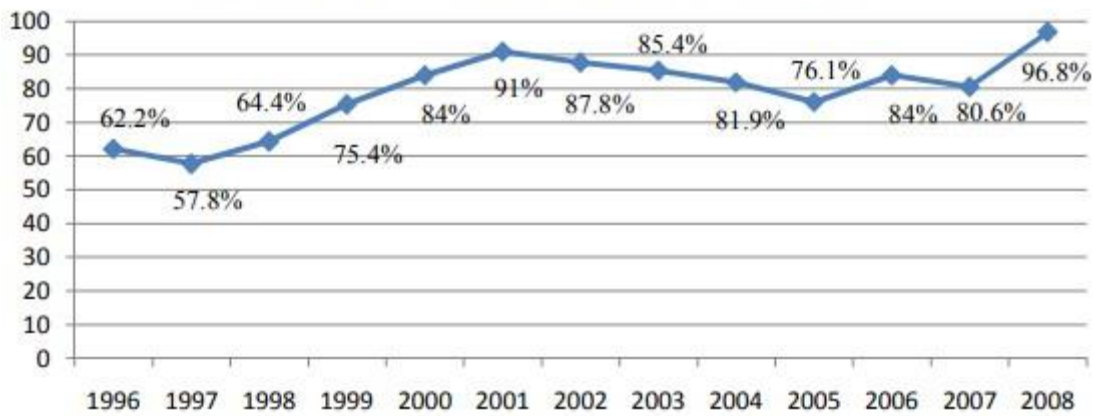
Reaching for this amounts, Azerbaijan economy has passed long way that the most important element for the country to reach this amount is oil and oil product that it had big influence on the Azerbaijan economy



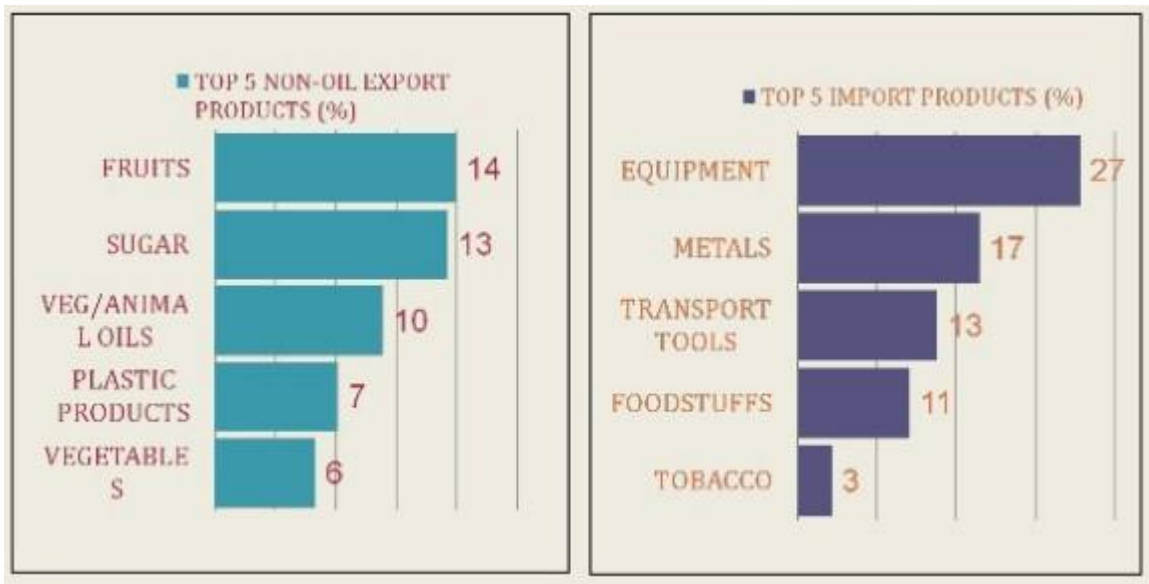
It can be seen from Figure that the offer of oil items in all out exports was 62.2 percent in 1996. However in 2000, this figure was at that point 84 percent. In 2001, the offer of oil and oil items in Azerbaijan's aggregate exports expanded and achieved a record level of 91 percent. Just in 2002, the offer of these items in

absolute exports diminished by 3.2 percent and was 87.8 percent.

Share of oil products in total exports in 1996-2008



Despite the way that the physical measure of oil and oil items expanded during 2003- 2007, the offer of oil items moderately diminished to 80.6 percent in 2007. This improvement could be evaluated as a positive inclination in Azerbaijan's product structure of exports. Be that as it may, in 2008 because of increment in oil generation the offer of oil in all out exports expanded to 96.8 percent.



The way that Azerbaijan's exports primarily comprise of fuel-vitality items and that this inclination is developing, it could prompt a serious emergency or even a loss

of motion circumstance of the national economy if the worldwide market guess encounters sensational changes. As far as imports, it ought to be noticed that the item structure of import activities isn't at a coveted level. During the 1991-2008 period, utilization goods, such as sustenance items, tobacco, mixed refreshments, light industry merchandise and other such items involve a huge offer in absolute imports. Notwithstanding the presence of a satisfactory limit and favorable circumstances for creation of such merchandise inside the nation, the huge offer of these items in complete imports confines the improvement of local generation area that could substitute imports.

2.2. The characteristics of government support system to entrepreneurs in Azerbaijan

In the times of independence, the oil business assumed incredible part in the economic advancement of the Republic of Azerbaijan. The state budget has been extended fundamentally to the detriment of incomes increased because of quick advancement of oil part. The improvement of oil industry has made extraordinary potential for non-oil division and economic advancement in the country's regions that government accepted state programs and created organisations (such as **National Fund for Entrepreneurship Support** and **Azerbaijan Export and Investment Promotion Foundation**) for supporting region's economy and entrepreneurs to increase non-oil product exporting. It was defined after decreasing oil prices that Supporting non-oil sector in regions and entrepreneurs is so important for economic stability of the country. Before the talking about

organisation and their functions, It has to be defined that problems of the non-oil sector.

Current Situation and Problems in Regions' Non-Oil Sector

Non-oil division of Azerbaijan has been quickly developing lately. However, as it is specified before, the expansion of part of non-capital districts in this procedure appears a dire and significant issue. The offer of non-oil ventures in complete optional division has not changed extensively in late years. Reaching of alluring outcomes depends significantly on the inspiration of exercises of neighborhood organizations through financial help, and the arrangement of good economic condition and security, disposal of bureaucratic obstructions and development of outside investment in the non-capital locales.

Results of the non-oil area must be of export significance. It is prominent here that in exchange relations of Azerbaijan, non-oil part is spoken to basically with results of non-oil assembling and horticulture. Because of some factors, non-oil division isn't exceedingly contingent upon outside request contrasted with oil industry. Real development in this segment is influenced predominantly from investment, change of residential request, and furthermore basic and institutional change that happen in the nation.

However, non-oil segment of Azerbaijan still bases on the non-mechanical organizations, for example, administrations, crediting action, development, correspondence and agribusiness, while the dispatching of assembling endeavors with substantial modern yield is ordinary mostly for Baku. In fringe locales, remote investment is still lower in spite of the publicizing movement as of late and the use of some assessment rebates in the start of the 2000s. In this way,

provincial advancement in Azerbaijan yet extensively relies upon administrative help. The issue keeps on being pressing for the improvement of mining and handling businesses that might be recouped in view of rich mineral assets and half-completed items. Today, numerous remote organizations occupied with metallurgy are mostly of medium and moderately less sizes, which utilize scrap metals instead of crude material. This inclination may impede the formation of joint organizations occupied with the extraction of mineral assets in the areas of Azerbaijan. In this event, the persuasive part of legislative help appears to be fundamental.

History of "National Fund for Entrepreneurship Support".(NFES)

In 1991, after the Republic of Azerbaijan proclaimed its independence, the transition to new economic relations, the establishment and development of the private sector as a continuation of the independence of the country, and therefore the necessity of establishing national financial institutions that could provide favorable financial support to it, October 12, 1992, the " NFES " affirmed the principal budgetary establishment to give particular credits to entrepreneurship, including little and medium-sized organizations, to the detriment of the state spending plan and take the vital measures was given to the Cabinet of Ministers of the Republic of Azerbaijan. Following the approval of the Regulation on the Distribution and Use of Funds as stipulated in the "Investment Fund for Small Entrepreneurship" by the Decree of the Cabinet of Ministers of the Republic of Azerbaijan of September 29, 1997, as a result of the amendments made to the Rules for placement of funds of the NFES, loans were provided at the expense of funds allocated by the Ministry of Finance of the Republic of Azerbaijan with the relevant decisions of the Cabinet of Ministers of the Republic of Azerbaijan based on the proposals of the State Antimonopoly Policy and Entrepreneurship Committ

In any case, as the principal system of the NFES is to give the full utilization of the funds distributed from the state spending plan, the arrangement of particular advances to entrepreneurs, and additionally the accomplishment of quantitative and subjective pointers required for the productive utilize and reimbursement of credits , 13.2 million manat dispensed for the issuance of special advances from the state spending plan, were utilized just 1.1 million manats, or 8 percent in 2001. The subsequent circumstance made the need to roll out generous improvements in the Statute of the NFES and the guidelines of its utilization.

In order to eliminate the problems arising in the use of preferential loans at the expense of the state budget, to arrange the exercises of the NFES with the needs of the Azerbaijani economy and the phases of the arrangement of the stages, to reinforce the state support to entrepreneurship and to extend the exercises of the previous President Heydar Aliyev in 2002 With the endorsement of the "Directions on the NFES of the Republic of Azerbaijan" and the "Guidelines of Using the NFES " by the Decree No. 779 dated August 27, 2009, NFES and the system of special financing of investment undertakings of entrepreneurial subjects reproduction of this money related foundation has been a defining moment in the advancement.

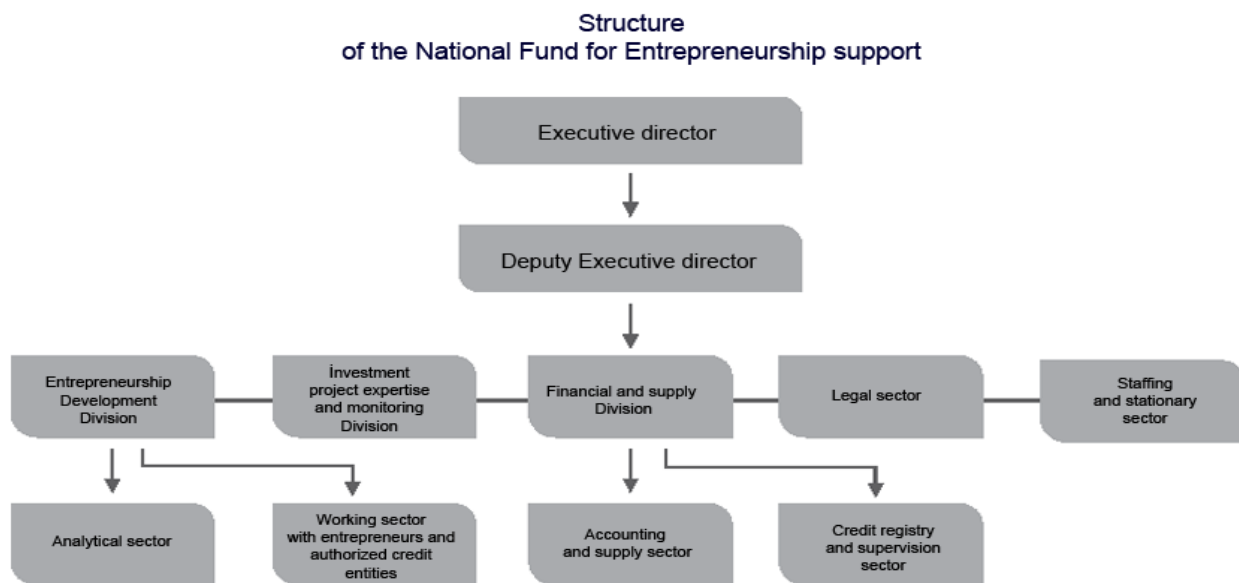
Working mechanism of Fund

The entrepreneurs wishing to acquire concessionary credits by virtue of the Fund assets, in the primary case should apply to took part financial establishments as per the "Methods on the utilization of the funds of Azerbaijan Republic NFES endorsed with the Decree of the President of Azerbaijan Republic dated October 7, 2009. Participated financial foundations records the applications and gives an important report to the entrepreneur affirming the receipt of the application. Taken

an interest financial organizations survey the investment extends and present the information and report on the emphatically evaluated ventures dictated by Fund to Fund not later than 10 working days in view of their business advantages and least necessities and appraisal criteria on arrangement of investment ventures characterized by Fund. This Fund may require extra data and reports for full and careful aptitude of the investment venture. The entrepreneurs, whose investment ventures are adversely evaluated might be educated by the taken an interest financial foundations inside 3 working days with a defended dismissal letter. Fund completes the ability of the undertakings submitted for the financing because of the Fund assets and executes nearby preparatory checking of investment ventures put together by the took an interest financial establishments, barring little scale credits, all inside 10 working days. Contingent upon the aftereffect of the ability, the Fund formally advises the took an interest financial foundations on arrangement of the applications or their dismissal.

In the wake of consenting to a credit arrangement with the entrepreneurs, a request on allotment of credit is sent to the Fund by the partook financial establishments. The Fund guarantees distribution of funds to the took an interest financial organizations inside 3 working days. After the allotted funds are gotten in the reporter record of the took an interest financial establishments, the credit association exchanges the sum to the record of the partook financial foundations inside 2 working days and educates the Fund and the entrepreneur thereof. The took an interest financial foundations ought to advise the Fund about the entrepreneurs that submitted investment tasks to utilize concessionary credit methods for the Fund, not later than initial 5 working days after each quarter. The organization of the information to be given is dictated by the Fund. In the event that fundamental, the Fund may require this data previously the decided period.

Participated financial foundations screen the utilization of assets of the Fund by every entrepreneur at least twice per year and answer to the Fund thereof as per the strategies dictated by the Fund. The structure and the arrangement of the report are dictated by the Fund. On the off chance that the observing by the partook financial establishments uncovers unpurposed utilization of the concessionary credit funds, took an interest financial foundations ought to require the entrepreneur to untimely reimbursement of the concessionary credit and its advantage. Despite of satisfying of the commitments by the entrepreneur, took part financial organizations might exchange the key credit and intrigue obligation on such undertaking to the record of the Fund inside 10 working days.



The Fund may complete free checking of the entrepreneurs it has financed to control purposed utilization of the funds. . In the event that the checking by the Fund uncovers unpurposed utilization of the concessionary credit funds, took an interest financial foundations should exchange the primary credit and intrigue obligation on such task to the record of the Fund inside 10 working days with the

composed demand of the Fund, despite of satisfying of the commitments of the entrepreneur before the partook financial establishments.

Participated Financial Institutions

Inclusion of partook financial establishments in area of the funds NFES as per the "Methods on the utilization of the funds of Azerbaijan Republic NFES " affirmed with the Decree of the National pioneer Heydar Aliyev dated August 27, 2002 has created extraordinary open doors for participation of business banks and the Government in our Republic and in this manner was the aftereffect of exceptional consideration and care on the change of this field. With this Decree, action instrument of Azerbaijan Republic NFES has been rebuilt and assumed a critical part in productive utilization of remiss credits. Foundation of rather reasonable condition for improvement of private segment and access to financial assets has emphatically influenced the advancement of business banks as took an interest financial organizations.

Each of the banks and non managing an account credit substances authorized by the Central Bank can take an interest in loaning of credits following the criteria dictated by the Supervisory Board of the NFES as per the "Systems on the utilization of the funds of Azerbaijan Republic NFES " endorsed with the Decree of the President of Azerbaijan Republic dated October 7, 2009.

Partaken financial foundations put the funds of the NFES in their own names and hazards and autonomously settle on choices on loaning of concessionary credits to entrepreneurship subjects as per the "Strategies on the utilization of the funds of Azerbaijan NFES ". Moreover, the "Law of Azerbaijan Republic on the Banks" additionally demonstrates the non-reliance of the partook financial foundations on

government and district associations in settling on choices on current saving money exercises and impedance of the last in the exercises of the credit substances is impermissible.

The "Systems on the utilization of the funds of Azerbaijan Republic NFES " particularly demonstrates, that took an interest financial organizations of the NFES are not in charge of the commitments of the entrepreneurs accounted as the end clients of concessionary credits and that the credit funds can't be utilized for such purposes.

Lending limits

- Loans within following limits can be issued to entrepreneurship entities on the account of the Fund:

From 5 000 manat to 50 000 manat – small loans;

from 50 001 manat to 500 000 manat – medium loans;

from 500 001 manat to 10 000 000 manat – big loans;

The maximum ceiling for low interest loans received by entrepreneurship entity from Fund's sources shouldn't exceed 10 000 000 manat.

Loan terms and interests

-Terms of low interest loans from the Fund are determined as follows:

small loans – up to 3 (three) years;

medium loans – up to 5 (five) years;

big loans – up to 10 (ten) years;

- Annual interest rates for Fund's loans are set as follows:

for financing mass media development projects – 0.5%;

financing of other projects – 1%.

Project monitoring of ANFES

The approved loaning office leads nearby observing for each individual venture financed on the record of Fund's returns for deliberate utilization of assets at least

twice a year in accordance with rules set by the Fund and advises the Fund in like manner. The structure and the configuration of the report are set by the Fund. If there should be an occurrence of non-intentional utilization of advances continues as characterized by the observing of the approved loaning office, the approved loaning organization might guarantee from the entrepreneurship substance the reimbursement of the rule and the accumulated enthusiasm for cutting edge. Notwithstanding the status of reimbursement by the entrepreneurship element, the approved loaning organization should guarantee the reimbursement of such advances and gathered enthusiasm to the record of the Fund inside 10 keeping money days. In order to ensure the purposeful use of loan proceeds the Fund can conduct independent monitoring of entrepreneurship entities it finances. In case of detection of non-purposeful use of loan proceeds during such monitoring, the authorized lending agency, based on written request of the Fund, ensure the repayment of principle and accrued interest to the account of the Fund within 10 banking days regardless of status of repayment by the entrepreneurship entity.

Direction of investment or use of money of ANFES

Production of agricultural products:

- Establishment of meat and dairy oriented modern cattle breeding complexes
- Establishment or reconstruction of modern poultry farmings
- Establishment of large scale grain or seed-growing farms
- Development of vine-growing and vine-making
- Establishment of greenhouse complexes
- Intensive horticulture and seedling farming
- Intensive development of tea growing and citrus fruit growing
- Expansion of productive potato and onion planting

Production of competitive and export oriented food and other industrial products with usage of modern technologies:

- Establishment of fruit and vegetable processing units
- Establishment of bakeries
- Establishment of slaughter houses
- Establishment of modern cold storage complex
- Establishment of enterprises producing and processing industrial products using modern technologies.

About 'Azerbaijan Export and Investment Promotion Foundation'

(AZPROMO) was set up in 2003 expects to expand trades capacity of the nation and to charm outside investments. Fund nearly bolster entrepreneurs on expanding of fare capability of nation's specialists, development of investment openings



finding of potential accomplices and usage of regular collaboration venture. As a remarkable "one-stop shop" body, it helps outside based organizations inspired by examining and using investment openings in Azerbaijan. Interim, it is the dedicated accomplice of organizations built up in Azerbaijan hoping to go into remote markets. Its information of outside business sectors and material exchange directions alongside a wide system of remote portrayals and accomplices offer organizations great chances to extend their fare limits.

AZPROMO hold critical financial occasions, including business gatherings, presentations, workshops and meetings in inside and outside of the nation. To hold such sort of occasions are profitable for whether the nation's business condition

and advancement of monetary potential, and additionally improvement of business relations. Specifically, occasions sorted out in outside nations decidedly impact the expanding of investment volume on need advancement course of economy.

Business discussions held in our nation assume a vital part on acknowledgment of neighborhood businessmen, items access to outside business sectors, consenting to of business arrangements and expanding of business relations.

AZPROMO has colossal worldwide systems administration abilities. It is the individual from the World Association of Investment Promotion Agencies (WAIPA) and as of now, its leader holds WAIPA's bad habit administration position. Its universal workplaces in Georgia, Austria, Italy and China facilitated by the inside in Baku convey benefits in a brief timeframe. Its nearby relations with numerous universal investment advancement offices, assemblies of trade and different business advancement foundations have been maintained. It has marked notices on participation and association with more than 80 such associations from 37 nations the world over.

The main mission of AZPROMO:

To support financial development and enhancement by expanding inflow of FDI and using viably send out limits.

The primary functions of AZPROMO on some issues are following:

- ' -To form of investment image of country;
- To provide various services to local and foreign investors;
- To attract investors and conduct negotiations with them;
- To create information base on investment and export opportunity;
- To investigate the regional trade (export) opportunity for Azerbaijani business
- Consulting services and market research for companies focused on export;
- To promote the "Made in Azerbaijan" trade mark in international level.

AZPROMO provides the following services in the field of export:

AZPROMO makes different types of services and support for increasing export of the country. Such as, Information support services:

- Theoretical information at all stages of production and export process
- Evaluating the possibilities of exporters to export to different market
- International standards and requirements for catering
- Certification, certificates required during export
- Importing procedures and requirements of different foreign countries
- Customs regulation, rules and customs tariffs in various foreign countries
- Logistics and Transportation Directions
- Informing about local and international events on catering

Law support services:

- Local and international documentation on export issues: general procedures, required documents, rules and conditions
- Support for opening of foreign representations and divisions to local companies

Organizational support services of the AZPROMO:

- Ensuring the functional activities of the Exporters Club
- Implementation of exported mechanisms in Made in Azerbaijan
- Refunding of "export promotion" to suitors
- Support for the establishment of internal export departments
- Establishing diverse public associations and related associations
- Conduct training on production and export processes
- Support for international exhibitions and fairs
- Organization of various business events for the establishment and development of inter-personal relations

Marketing support services of the AZPROMO:

- Marketing research and evaluation strategies
- Identification of products and services with the right to self-sacrifice
- Market research and identification of foreign markets for products
- Finding external potential customers and partners, building relationships
- Presentation of companies

2.3. The Economic effects of creation Exim Banks in Azerbaijan

Supporting entrepreneurs are accepted one of the main goals by Azerbaijan State that Although oil industry played an influential role in strengthening of economic and social potential of Azerbaijan, State created different organization and programs for development of non-oil sector entrepreneurship that it observed after devaluation that it is right policy which is chosen by the government that show importance of entrepreneurs and revenue of exporting. Main reason of this process is oil sector dependency that influence all sector of country during oil price decreased period. Also it is defined that System of Supporting entrepreneurs in Azerbaijan is not good enough. That is why, Some of economist consider that Eximbanks can be more usefull for the country, because Eximbank have deeply more services than other types of organization also its structure and system are more functional than other state organisations that it help to predict that if it is founded in Azerbaijan and they can include:

- insures entrepreneurs out of the country from economic and political risks
- Providing foreign and domestic financial institutions with export from the country
- Granting low-interest and long-term loans to promote branding, patent and new technologies for business purposes
- granting credits to exporters on favorable terms, etc.
- advisory services

These banks, which have long been used in countries around the world, have had a positive impact on the economies of the countries and can be considered by the US Eximbank to more clearly observe. In the US Eximbank and has supported the

country's economy in the amount of \$ 383 billion during the period of its existence. The deficit was 1% above 1934-2014 and the country's economic diversification played an important role. US Eximbank has played a major role in the creation of the Made in USA brand and has earned it worldwide reputation, specializing in certain types of products.

The Eximbank has provided soft credits and other support for the development of the country's economy, as well as encouraging governments to develop their economies, so countries are interested in developing and developing eximbank. for example If The USA wants to increase the production and export of medical equipment and medicines, the Eximbank entrepreneurs operating in the field can simplify the preferential credit conditions and give more credit to those who operate in this area, and thus the economy to develop separately on the area.

There is no Eximbank in our country at present, but there is a similar "National Fund for Entrepreneurship Support(NFES) and APROMO". Firtsly to start with NFES, This fund produces preferential loans of millions of manats every year, and these loans are aimed at developing small and medium enterprises. The loans provided by the Bank have contributed to the development of more agricultural productivity. The level of profitability of the Fund's activity was more noticeable after the devaluation, as after the devaluation, the non-oil sector's exports were negatively impacted by our country. The more impact was that it was not Exim Bank and the non-oil sector developed exports is more related to stimulation. Eximbank is very different from the "National Fund for Entrepreneurship Support". These differences are:

- The main objective of the Bank is to encourage export through stimulation of entrepreneurship for export, but the fund's objective is to provide entrepreneurs with preferential loans and development, but not export here.
- The banks finance their activities outside the country, but the fund only finances its operations within the country.
- Eximbank creates and helps businessmen access to new markets, but there is no such thing in the background.
- Economists are deeply involved in providing loans, and if any problems arise, they are advised to resolve it, and this is not the case in the government fund.
- The bank provides entrepreneurs more services such as risk management advices,loan gurantee,insurance,lower level loan,marketing support and etc.,but The Fund just provide entrepreneurs by credit that it is not done directly by The fund,that it is done different contacted bank or financial organization.

AZPROMO is more smiliar than NFES to Exim Bank that their purposes are to support entrepreneurs for increasing export and also some of their services are the same such as,advisory help,marketing support,supporting entrepreneurs in foreign countries.However, there are some differences between AZPROMO and EXIM BANK,such as Exim Banks have Export Credit Insurance,Fiancial Lease Guarantee, Foreign Currency Guarantee and other extra services

Based on such differences, Eximbanks are more effective and functional than NFES and AZPROMO for supporting and servicing to entrepreneurs to increase export potential of the country in the theory.And also Based on the World experience,it is predicted that if AZ Exim Bank is created,it can have some positive effect to the Azerbaijan economy,such as :

- 1) Provide concessional loans to exporters.
- 2) To carry out insurance coverage in order to minimize risks outside the country.
- 3) Provide stimulating effect loans for the production and sale of firms and organizations that will form exports.
- 4) With the expanded export policy, it will provide employment for those who are unemployed in the non-oil sector.
- 5) Unlike other banks and institutions lending, risk mitigation will lead to export-oriented production policies.
- 6) And, finally, foreign investment flows will make a considerable contribution to economic development due to the increase in exports.

Conclusion and recommendations

After 2014, it is defined that Azerbaijan economy and growth is not stable enough because after the reduction in the oil price Azerbaijan and its economy entered to economic and financial crisis that it is evidence that Azerbaijan GDP and Export product structures are not high level diversified that its economy is depend on just oil sector and oil prices. After this time, it is understood that Export and its structure are so important for economic stability of the country. In the world economy, the best way for solving this problem is accepted as government support to entrepreneurs with to directly increase export level by different ways. However, there are different organisation and programs for doing government support to entrepreneurs in Azerbaijan such as ANFES and AZPROMO that it helps to think about inefficiency of these organisations' working process that

nowadays it is defined that in the theory this organization support Azerbaijan economy with high amount of investment and high quality services, but in the reality, Non-oil sector didn't improve enough that it has high potential that can't use by state and entrepreneurs. After this research, it is defined that this supporting system isn't perfect for economy because ANFES support just local economic activities that it doesn't have enough effect on the export that it just covers local market demand and also, there are weakness in the AZPROMO that it is portfolio so lower and its services aren't enough multiform. This tendency force to think about alternative supporting systems such as Exim bank that is used by some developed countries. Based on the research, Exim banks have wider services area than ANFES and AZPROMO that Exim bank looks like combination of ANFES and AZPROMO but it has extra function and services such as insurance, loan guarantee and etc that it proves that Exim bank complexly supports entrepreneurs in the production and exporting process.

Main recommendation and result of this study is that based on research Creation of Exim bank in Azerbaijan can have higher positive effect to developing export supporting system especial non-oil sector products this idea can be supported by the fact that in the most of countries, creation of Exim banks have incredible positive effect on the countries' economy during the long term. Also last five show that current system isn't effective for improving non-oil export.

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