

Strategic Planning and Structural Inertia in Azerbaijan's Post-Oil Economy: An Evaluation of the 2016–2025 National Roadmap

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Abstract

This paper provides an empirical assessment of Azerbaijan's Strategic Roadmap for the National Economy, adopted in 2016 with targets set through 2025. Drawing on official statistics and the author's own calculations, the study evaluates performance against four core objectives: (i) raising average annual real GDP growth above 3 percent; (ii) increasing the share of foreign direct investment (FDI) in non-oil GDP to 4 percent; (iii) boosting non-oil exports per capita from USD 170 to USD 450; and (iv) reducing the state budget's dependence on transfers from the State Oil Fund of Azerbaijan (SOFAZ) to 15 percent.

The analysis shows that none of these targets have been met. Average annual GDP growth over 2016–2025 is estimated at 1.46 percent, well below the planned threshold. The share of FDI in non-oil GDP declined from 6.9 percent in 2016 to 0.7 percent in 2024, while per capita non-oil exports reached only about USD 330—more than 20 percent short of the 2025 target. At the same time, SOFAZ transfers still account for more than one-third of state budget revenues and are projected to remain structurally high. Labour-market indicators reveal additional fragility, with inflated job-creation figures, substantial job closures, and persistent reliance on public-sector employment.

The findings point to a systematic implementation gap between strategic planning and actual outcomes, rooted in structural and institutional constraints rather than exogenous shocks alone. The paper concludes that without significant reforms in governance, investment climate, and statistical transparency, Azerbaijan's strategic planning exercises will continue to underperform as instruments of genuine diversification and structural transformation.

Keywords: Azerbaijan; Strategic Roadmap; economic diversification; foreign direct investment; non-oil exports; SOFAZ; fiscal dependence; labour market; implementation gap; policy evaluation

Introduction

In December 2016, Azerbaijan adopted the Strategic Roadmap for the National Economy and 11 Key Sectors as a flagship policy framework intended to guide economic transformation through 2025. Conceived in the aftermath of the 2015 double devaluation and amid intensifying concerns over hydrocarbon dependence, the Roadmap set out an ambitious agenda to stabilize growth, attract foreign investment into the non-oil sector, expand non-oil exports, and gradually reduce the state budget's reliance on transfers from the State Oil Fund of Azerbaijan (SOFAZ).

The Roadmap operationalized these ambitions through four quantitative targets: (i) sustaining average annual real GDP growth above 3 percent, (ii) increasing the share of FDI in non-oil GDP to at least 4 percent, (iii) raising non-oil exports per capita to USD 450 by 2025, and (iv) reducing the share of SOFAZ transfers in total state budget revenues to 15 percent. In parallel, the document envisaged the creation of more than 450,000 new jobs, including 150,000 in tradable, market-oriented sectors such as manufacturing and tourism.

Nearly a decade later, the implementation period has effectively concluded, providing a critical opportunity to assess whether these targets have been achieved and how they relate to Azerbaijan's broader post-oil development objectives. This paper offers a systematic evaluation of progress toward the Strategic Roadmap's macroeconomic and structural goals over 2016–2025. Using data from the State Statistical Committee, budget documents, and the Ministry of Finance, it compares planned and realized outcomes, focusing on growth performance, FDI patterns, export diversification, SOFAZ dependence, and labour-market dynamics.

By doing so, the study contributes to the literature on policy implementation and state capacity in resource-dependent economies, highlighting the gap between reform narratives and empirical outcomes. The analysis underscores that Azerbaijan's persistent reliance on hydrocarbon revenues, weak private-sector competitiveness, and governance constraints have significantly limited the effectiveness of the Roadmap as a vehicle for structural transformation.

Assessment of Progress toward the Strategic Roadmap Targets

The Strategic Roadmap for the National Economy¹ and 11 Key Sectors², adopted by Presidential Decree on December 6, 2016, set forth an ambitious development agenda to be achieved by 2025. It envisages attaining an average annual real GDP growth rate exceeding 3 percent and the creation of more than 450,000 new jobs across the economy.

According to the document, the implementation of the Strategic Roadmap for the National Economy is expected to contribute to the achievement of four specific sectoral and macroeconomic targets by 2025.

1. Attracting Foreign Direct Investment (FDI) in the Non-Oil Sector. The first target envisions increasing the share of FDI in the non-oil sector from 2.6 percent to 4 percent of non-oil GDP by 2025.

2. Expanding Non-Oil Exports. A second key target aims to increase non-oil exports from USD 170 per capita in 2015 to at least USD 450 per capita by 2025.

3. Job Creation in the Tradable Sector. The third target calls for the creation of 150,000 additional jobs in the commercial goods and services sector—particularly in manufacturing, tourism, and other tradable industries—by 2025.

4. Reducing Fiscal Dependence on the State Oil Fund. The fourth strategic target aims to reduce the state budget's dependence on transfers from the State Oil Fund of Azerbaijan (SOFAZ) from nearly 50 percent of total expenditures to 15 percent by 2025.

An evaluation of the final results and dynamics of the Strategic Roadmap for the National Economy and Key Sectors indicates that Azerbaijan has not yet achieved the key performance targets set under the roadmap, the implementation period of which concluded in 2024.

Table 1. Strategic Roadmap Targets vs. Outcomes (2024–2025)

Indicator	2025 Target	2024 Actual
GDP annual growth	>3%	1.97%

¹ Strategic road map of the Republic of Azerbaijan on national economy perspective, <https://static.president.az/pdf/38542.pdf>

² Decree of the president of the Republic of Azerbaijan on approval of strategic road maps on the national economy and key sectors of the economy, <https://president.az/az/articles/view/21953>

Indicator	2025 Target	2024 Actual
FDI in non-oil GDP	>4%	0.7%
Non-oil exports per capita	USD 450	USD 302.2
SOFAZ transfer share in state budget revenues	15%	34.4%

*Source: Source: Author's calculations based on data from the **State Statistical Committee of the Republic of Azerbaijan (SSC)**.*

Most targets remain unmet, undermining diversification efforts. Therefore, the level of achievement of the target indicators set by the Azerbaijani government is assessed separately.

Real GDP Growth: Below-Target and Volatile

Empirical assessments show that the Strategic Roadmap for the National Economy and Key Sectors did not achieve the target of an average annual real GDP growth rate exceeding 3 percent by 2025.

The slowdown in overall GDP growth observed during the implementation period reflects both external shocks and structural weaknesses in the national economy.

During the Roadmap's implementation period (2016–2025), Azerbaijan's GDP contracted twice—by 3.1 percent in 2016 and 4.2 percent in 2020, the latter due to the COVID-19 pandemic and its global economic repercussions. In other years, GDP growth remained positive but moderate: 0.2 percent in 2017, 1.8 percent in 2018, 2.5 percent in 2019, 5.6 percent in 2021, 4.7 percent in 2022, 1.1 percent in 2023, and 4.1 percent in 2024.

Taking into account the forecasted growth rate of 1.9 percent for 2025, the average annual real GDP growth over the entire period is estimated at approximately 1.46 percent, significantly below the 3-percent target.

Table 2. Real GDP Growth (2016-2025)

Years	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025f
Real GDP Growth, %	- 3.1	0.2	1.8	2.5	-4.2	5.6	4.7	1.1	4.1	1.9

Source: State Statistical Committee of the Republic of Azerbaijan

Note: The indicator for 2025 year presented in the table represents a forecast, while all other figures reflect actual data.

Similarly, under the Azerbaijan 2020: Look into the Future Development Concept (Presidential Decree No. 800, December 29 2012)³, the average annual real growth rate of non-oil GDP was expected to exceed 7 percent. However, actual performance fell short: even after including several oil- and gas-related activities classified within the non-oil sector, average non-oil GDP growth reached only about 4 percent, underscoring limited diversification and productivity gains.

FDI in the Non-Oil Sector: Structural Decline

Among the target indicators set forth in the Strategic Roadmap for the National Economy and Main Sectors of the Economy, attracting foreign direct investment (FDI) into the non-oil sector remains one of the most critical priorities for ensuring the long-term modernization and diversification of Azerbaijan's economy. However, FDI trends indicate that this objective was not successfully achieved during the implementation period of the Strategic Roadmap.

Following a pandemic-related contraction in 2020, when FDI inflows to joint ventures and enterprises with foreign participation fell to USD 606 million, a gradual recovery was observed in subsequent years: USD 790 million in 2021, USD 1.8 billion in 2022, and over USD 2.0 billion in 2023. Nevertheless, a new decline was recorded in 2024, when FDI inflows decreased to USD 1.385 billion.

Table 3. Dynamics of FDI in the Non-Oil Sector of Azerbaijan, 2016–2024

Year	FDI inflows to non-oil sector (USD million)	Ratio of FDI to non-oil & gas GDP (%)
2016	1706.2	6.9
2017	813	5.9
2018	967.1	4.5
2019	930.1	5.0
2020	606	3.2
2021	790	2.3
2022	1 800	1.3
2023	2 001.1	0.9
2024	1 358.5	0.7

³ Azerbaijan 2020: Look into the Future Development Concept, <https://e-qanun.az/framework/25029>

Source: Author's calculations based on data from the State Statistical Committee of the Republic of Azerbaijan (SSC)

During the implementation period of the Strategic Roadmaps (2016–2024), the share of foreign direct investment (FDI) in non-oil GDP declined significantly—from 6.9 percent in 2016 to 0.7 percent in 2024. This trend stands in contrast to the target established in the Strategic Roadmap for the Development Prospects of the National Economy, which envisaged that the share of FDI in non-oil GDP would exceed 4 percent by 2025.

Based on calculations using data from the State Statistical Committee (SSC), the ratio of FDI directed to the non-oil and gas sector relative to the non-oil and gas GDP exhibited a continuous downward trend: 6.9 percent in 2016, 5.9 percent in 2017, 4.5 percent in 2018, 5.0 percent in 2019, 3.2 percent in 2020, 2.3 percent in 2021, 1.3 percent in 2022, 0.9 percent in 2023, and 0.7 percent in 2024. Thus, the share of FDI in the non-oil sector declined nearly tenfold over the past eight years—from 6.9 percent of non-oil GDP in 2016 to 0.7 percent in 2024.

The sectoral structure of foreign investment remains highly skewed. The extractive industries accounted for 73.6 percent of total FDI over 2015–2024 (of which 99 percent was directed to oil and gas activities). The construction and transport sectors received 13.3 percent and 5.2 percent, respectively, while manufacturing attracted approximately 959.8 million manats during the same period. According to SSC data, the total volume of foreign investment in fixed capital in the Azerbaijani economy between 2015 and 2024 amounted to 56.152 billion manats, of which 41.2 billion manats (73.5 percent) were concentrated in the oil and gas sector and 14.9 billion manats (26.5 percent) in the non-oil and gas sectors⁴.

To reverse this trend and strengthen diversification, the Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026 (Presidential Order, August 4, 2023) set an ambitious goal of achieving a 10–15 percent annual increase in the volume of non-oil FDI through 2026. Nevertheless, despite certain improvements in investment legislation and infrastructure, the overall outcomes of the Strategic Roadmap remain below expectations, reflecting persistent institutional and structural constraints that continue to hinder private capital

⁴ Baku Research Institute (BRI), How much interest have foreign investors shown in the Azerbaijani economy over the past 10 years? written by BRI Economic Team, 16 September 2025, <https://bakuresearchinstitute.org/en/how-much-interest-have-foreign-investors-shown-in-the-azerbaijani-economy-over-the-past-10-years/>

inflows. The evidence suggests that Azerbaijan’s non-oil and gas sector remains insufficiently attractive to foreign investors, particularly compared with resource-based segments of the economy.

Non-Oil Exports: Incremental Gains, Persistent Dependence

According to Customs Statistics of Foreign Trade of the Republic of Azerbaijan, non-oil and gas exports totaled USD 3.36 billion in 2024, representing 12.64 percent of total exports and roughly USD 329 per capita.

While this demonstrates some progress relative to previous years, the outcome still falls short of the Strategic Roadmap’s per-capita export target of USD 450, highlighting the continuing dominance of hydrocarbons in the export structure.

Table 4. Annually and per capita non-oil export and gas export

Year	Non-oil and gas export (USD million)	Non-oil & gas export per capita (USD)
2016	1 237	126.8
2017	1 538	156.1
2018	1 689	169.9
2019	1 954	194.9
2020	1 851	183.4
2021	2 713	267.6
2022	3 047	300.4
2023	3 348	329.7
2024	3 356	328.9

Source: Author’s calculations based on data from the Statement on the state of foreign trade of the State Customs Committee of the Republic of Azerbaijan

According to the *Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026*, improvements are planned in the regulatory framework of management and institutional mechanisms to facilitate export activities. The strategy envisions ensuring the production of high-quality, export-oriented local goods, developing e-export infrastructure, and expanding state support for the promotion of non-oil and gas exports. It also sets a target of achieving an 85 percent increase in the volume of non-oil and gas exports by 2026 compared to 2021. However, when examining the share of Azerbaijan’s non-oil export value in total exports during the period

2020–2024, it is observed that this indicator stood at 13 percent in 2020, declined over the years 2021–2023, and returned to its 2020 level in 2024. This trend indicates that despite strategic commitments and policy initiatives, the diversification of exports beyond the oil and gas sector remains a persistent challenge. As for the implementation of the *Strategic Roadmap for the National Economy*, although the growth trajectory of non-oil exports throughout the implementation period—from 2016 to 2025—was generally positive, the per capita value of non-oil exports in 2024 (USD 338.9) remained 24.68 percent below the planned target of USD 450. This shortfall indicates that progress in export diversification and competitiveness has been slower than anticipated, despite the government’s strategic efforts to stimulate the non-oil sector.

Fiscal Dependence on SOFAZ: Slow Adjustment, Persistent Vulnerability

The objective of reducing the state budget’s dependence on transfers from the State Oil Fund of Azerbaijan (SOFAZ) to 15 percent by 2025 has not been achieved. In 2024, SOFAZ transfers amounted to 12781 million manat, equivalent to 34.4 percent of total budget revenues.

Table 5. SOFAZ’s transfers and its share in state budget revenues

Year	Transfers from SOFAZ (billion AZN)	Share in state budget revenues (%)
2016	6.0	50.2
2017	6.1	46.9
2018	9.2	52.7
2019	11.4	52.0
2020	12.2	58.0
2021	12.3	54.3
2022	11.4	45.2
2023	11.2	40.1
2024	12.7	34.4
2025f	14.5	37.8

Source: Source: Author’s calculations based on data from the budget documents

Of Ministry of Finance of the Republic of Azerbaijan

Note: The indicator for 2025 year presented in the table represents a forecast, while all other figures reflect actual data.

The dependence of the state budget on transfers from the State Oil Fund of Azerbaijan (SOFAZ) was projected to decline to 15 percent by 2025. However, the corresponding figure for 2024 exceeded the target by more than twofold, reaching 34.4 percent. Moreover, this dependence is expected to increase further in the current year, with projections indicating a rise to 37.8 percent. This sustained reliance underscores the persistent fiscal vulnerability associated with hydrocarbon revenues, despite the diversification goals articulated in the Strategic Roadmaps.

Table 6. Forecasted transfer from SOFAZ to state budget and its annual change

Year	SOFAZ transfers (billion AZN)	Annual change compared to previous year (%)
2025	14.481	+ 14
2026	12.750	–12.0
2027	11.900	–6.7
2028	11.050	–7.1
2029	10.200	–7.7

Source: Author's calculations based on data from the medium-term expenditure framework of Ministry of Finance of the Republic of Azerbaijan

Note: All indicators presented in the table represents a forecast, while all other figures reflect actual data.

As shown in Table 6, SOFAZ transfers are projected to decline by nearly 30 percent between 2025 and 2029, signaling a deliberate policy shift toward fiscal consolidation and diversification of non-oil revenue sources. According to data from the Ministry of Finance of the Republic of Azerbaijan, transfers from the State Oil Fund of Azerbaijan (SOFAZ) to the state budget for the current fiscal year have been approved at 14.481 billion manats. Medium-term fiscal projections foresee a gradual decline in these transfers over the coming years. Specifically, transfers are expected to amount to 12.750 billion manats in 2026 (a 12.0 percent decrease compared to 2025), 11.900 billion manats in 2027 (a 6.7 percent decline relative to 2026), 11.050 billion manats in 2028 (a 7.1 percent decline relative to 2027), and 10.200 billion manats in 2029 (a 7.7 percent decline relative to 2028). Despite gradual reductions in nominal transfer volumes, SOFAZ allocations are projected to comprise one-third of total state budget revenues (33.2

percent) in 2026, indicating that the Azerbaijani budget remains structurally reliant on oil-related income.

The lack of restrictions on the spending of oil and gas revenues, which have played an essential role in the economy of Azerbaijan in the past two decades, has led to an increase in the current expenditures of the state budget, as well as to the escalation of corruption in state investments made without ensuring accountability and transparency, leading to a decrease in the effectiveness of capital expenditures of the state budget. In the current condition, where access to unique financial sources formed outside the oil and gas sector is still limited, the national economy has again faced the effects of "twin deficits" and "spending of unearned money." So, on the one hand, non-oil foreign trade, and on the other hand, the ratio of the summary budget's non-oil base deficit to non-oil GDP is increasing, and Azerbaijan is not able to achieve the implementation of the target indicators defined in the "Strategic Roadmap¹ for the perspective of the national economy", the implementation of which ended this year.⁵

Labour-Market Fragility and Questionable Statistics

Among Azerbaijan's macroeconomic indicators, the accuracy of employment statistics remains particularly contentious. Official data on the employed and unemployed populations often fail to capture the underlying realities of the national labour market. Nevertheless, given the absence of credible alternative data sources, scholars and policymakers are constrained to rely on official figures for analysis. Within this context, the Strategic Road Map for the National Economy projects the creation of more than 450,000 new jobs by 2025. Accordingly, the present assessment employs official statistical data to evaluate the extent to which these targets are being achieved.

Although no supplementary information was available in statistical reports regarding the creation of 150,000 new jobs by 2025 in the commercial goods and services sector—including manufacturing and tourism—data disaggregated by economic region and by year were accessible. These figures are presented in Table 7, which illustrates annual trends in job creation between 2016 and 2024.

⁵ Ibadoghlu, Gubad and Bayramov, Ibad, Evaluation of the target indicators of the Strategic Roadmap: the effects of "twin deficits" and "spending of unearned money" (June 20, 2024). Available at SSRN: <https://ssrn.com/abstract=4871213> or <http://dx.doi.org/10.2139/ssrn.4871213>

Table 7. Number of new jobs created in 2016-2024

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
Number of new jobs created, thousands	196,5	281,4	238,9	192,0	128,9	68,9	71,2	82,3	91,7

Source: State Statistical Committee of the Republic of Azerbaijan

According to official statistics, 15,942 workplaces were closed in Azerbaijan in 2024, representing an increase of 1,033 closures (7%) compared with 2023. Of these, 30.1% occurred in the non-state sector. Furthermore, 29.7% of closures were attributed to the suspension of enterprise activities, while 70.3% resulted from workforce reductions within operational organizations.

Despite the regular publication of optimistic data on job creation, official sources fail to disclose comprehensive information on the number of jobs eliminated annually. The statistics on terminated employment contracts, however, provide a more accurate reflection of labour market volatility: 780,000 contracts were terminated in 2022, 872,000 in 2023, and 999,000 in 2024.

These figures suggest that the official data on job creation and closure lack empirical reliability. Reported job creation figures appear to be systematically overstated, largely due to the inclusion of temporary or short-term employment, while job losses are underreported, thereby obscuring the true dynamics of Azerbaijan's labour market.

Further inconsistencies emerge when comparing these data with statistics on wage employment. As of 1 January 2025, total wage employment in Azerbaijan stood at 1,778.5 thousand persons, of whom 882.8 thousand were employed in the state sector and 895.7 thousand in the non-state sector. In contrast, as of 1 January 2024, total wage employment was 1,741.8 thousand, including 899.1 thousand in the state sector and 842.7 thousand in the non-state sector. Thus, during 2024, employment in the state sector declined by 16.2 thousand, while non-state employment increased by 53 thousand.

These data reveal a clear statistical contradiction. If 16.2 thousand jobs were lost in the state sector alone, and additional reductions occurred in the private sector, it is implausible that the total number of closed workplaces amounted to only 15,942 nationwide. This inconsistency raises questions about data coherence and transparency in the official reporting of employment indicators.

A noteworthy structural development in 2024 was the surpassing of state-sector employment by the non-state sector, marking an important milestone in Azerbaijan's post-Soviet labour market transformation. Nonetheless, the state continues to occupy a disproportionately large position in the economy, accounting for 49% of total wage employment. This figure contrasts sharply with those of neighbouring economies—24% in Georgia and 29% in Armenia—highlighting Azerbaijan's ongoing dependence on public-sector employment as a mechanism of macroeconomic stabilization and political control. Notably, official data indicate that two-thirds of employees in the country's regions continue to work in the public sector.

Finally, unemployment statistics also invite skepticism. As of 1 October 2025, 236,4 thousand individuals were officially registered as unemployed with local branches of the State Employment Agency, 50,9 % of whom were women⁶. These figures underscore not only the persistence of structural weaknesses in employment generation and labour market diversification, but also the limitations of official statistical methodologies in accurately capturing the true scope and nature of unemployment in Azerbaijan. Despite formal policy commitments to job creation and private-sector expansion, the available evidence points to an ongoing disjunction between reported and actual labour market outcomes.

Conclusion

The assessment of Azerbaijan's Strategic Roadmap for the National Economy and 11 Key Sectors reveals a persistent and significant gap between planned outcomes and realized performance. Despite formal commitments to diversification, non-oil FDI has declined as a share of non-oil GDP, non-oil exports per capita remain well below target levels, and fiscal dependence on SOFAZ transfers has not been reduced to the envisaged threshold. Real GDP growth has averaged less than half of the Roadmap's 3 percent benchmark, while labour-market statistics point to high volatility, continued dominance of public-sector employment, and limited net job creation in tradable sectors.

These findings suggest that the Roadmap's underperformance is driven less by exogenous shocks alone and more by deep-rooted structural and institutional constraints: a narrow production base,

⁶ State Statistical Committee, Report on Social and Economic Development in January-September 2025, https://www.stat.gov.az/news/source/doklad_2025-09.pdf

a state-dominated economic model, weak investor protections, and pervasive governance challenges. The continued reliance on hydrocarbon revenues as the primary anchor of fiscal and external stability reinforces Azerbaijan's vulnerability to commodity-price cycles and constrains the development of a competitive non-oil private sector.

Going forward, future strategic frameworks must move beyond quantitative target-setting and address the institutional foundations of diversification. This requires strengthening the rule of law, improving the business and investment climate, enhancing the credibility and transparency of official statistics, and rebalancing the state–market relationship in favor of private initiative and competition. Without such reforms, Azerbaijan's strategic planning exercises are likely to remain largely declarative, and the country's post-oil development trajectory will continue to be characterized by modest growth, fiscal fragility, and unrealized potential.