

Doing Business in  
**AZERBAIJAN**  
2015





**Important notice:** This information is provided for general guidance only. Specific legal advice should be sought prior to taking any action in respect of the matters discussed herein. Every possible effort has been made to ensure that the information contained in this book is accurate at the time going to press.

**Statistical data by:** The State Statistical Committee of the Republic of Azerbaijan.



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<b>COUNTRY INFORMATION</b>	<b>08</b>
Azerbaijan: state, geography and history in brief .....	09
Snapshot of the Azerbaijani economy .....	13
<b>WHY AZERBAIJAN</b>	<b>19</b>
Political and economic stability .....	20
Reformist business environment .....	20
Attractive investment climate .....	20
Skilled labour force .....	20
Strategic location .....	21
Fast developing infrastructure .....	21
Abundant resources .....	21
<b>BUSINESS CLIMATE</b>	<b>22</b>
Establishing a legal presence .....	23
Land and property .....	26
Employment .....	28
Foreign trade regulation .....	31
Currency regulation .....	32
Taxation .....	34
Accounting .....	37
Intellectual property .....	39
Dispute resolution and arbitration .....	40
Licensing .....	43
<b>SECTORS REVIEW</b>	<b>44</b>
Energy .....	46
Chemical industry .....	48
Agriculture .....	48
Food processing .....	49

Textiles .....	50
ICT .....	51
Construction .....	52
Machinery and equipment .....	52
Transport and logistics .....	53
Tourism and hospitality .....	54
Financial sector .....	54
Insurance .....	55

## **OVERVIEW OF THE REGIONS 56**

Absheron .....	57
Aran .....	57
Ganja-Gazakh .....	58
Guba-Khachmaz .....	58
Daglig Shirvan .....	59
Sheki-Zagatala .....	59
Lankaran .....	60
Nakhchivan .....	60
Yukhari Garabakh .....	61
Kalbajar-Lachin .....	61

## **GENERAL INFORMATION 62**

Business etiquette .....	63
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## **USEFUL CONTACTS 70**

## **ANNEXES & MAP 81**

2014 was a successful year for our country. We have successfully completed all the tasks facing the country, and provided for a dynamic development of our country, which has further strengthened our international position. Azerbaijan is recognized worldwide as a reliable partner and our influence opportunities have expanded.

We have established equitable relations with all countries, and have good co-operation with neighbouring and all other countries. Our bilateral relations are developing. At the same time, Azerbaijan is playing a positive role in the multilateral forums. In particular, Azerbaijan's role in regional development is also undeniable.

In 2014 economic development was ensured. The development of the non-oil sector remains a priority for us. I am glad that this year our non-oil sector grew by almost 7 per cent. Investments worth \$27 billion were made in the country's economy. This is also a very important event because there is a struggle for the attraction of investment in the world. In Azerbaijan, investments are at a high level.

Azerbaijan is an island of stability, a model country. Our country provides and will continue to provide both political and economic stability. The Azerbaijani people will live in safety, and the 'well-being' of our people will improve every year.

Today, Azerbaijan is a dynamic and rapidly developing country. Azerbaijan is a country that successfully goes down the path of democracy, freedom, independence, progress and development.

Our successful development will be provided in the future.

***Ilham Aliyev - President of the Republic of Azerbaijan***





# COUNTRY INFORMATION



## **AZERBAIJAN: STATE, GEOGRAPHY AND HISTORY IN BRIEF**

Azerbaijan is one of the world's cradles of civilization. In Gobustan, about 70 kms south of Baku, are Petroglyphs dating back to the 12th Century BC. The area was regarded by another ancient civilization, the Roman Empire, as more ancient than their own. 14 centuries later, the area is a UNESCO World Heritage site, which puts Azerbaijan history and culture on the same level as sites in Egypt and China.

The location of Azerbaijan as the strategic meeting point of Asia, Europe, Eurasia and the Middle East, led to the country being a key migration and trade route for humanity. This has influenced the country's ethnic mix. It is a hybrid of Turkic, Persian, European and Caucasian influences, which gives the region a unique history.

The first recorded States on the territory of Azerbaijan date back to 9th Century B.C. The states of Manna, Maday and Albania, with their own unique traditions, succeeded one another in the period to follow.

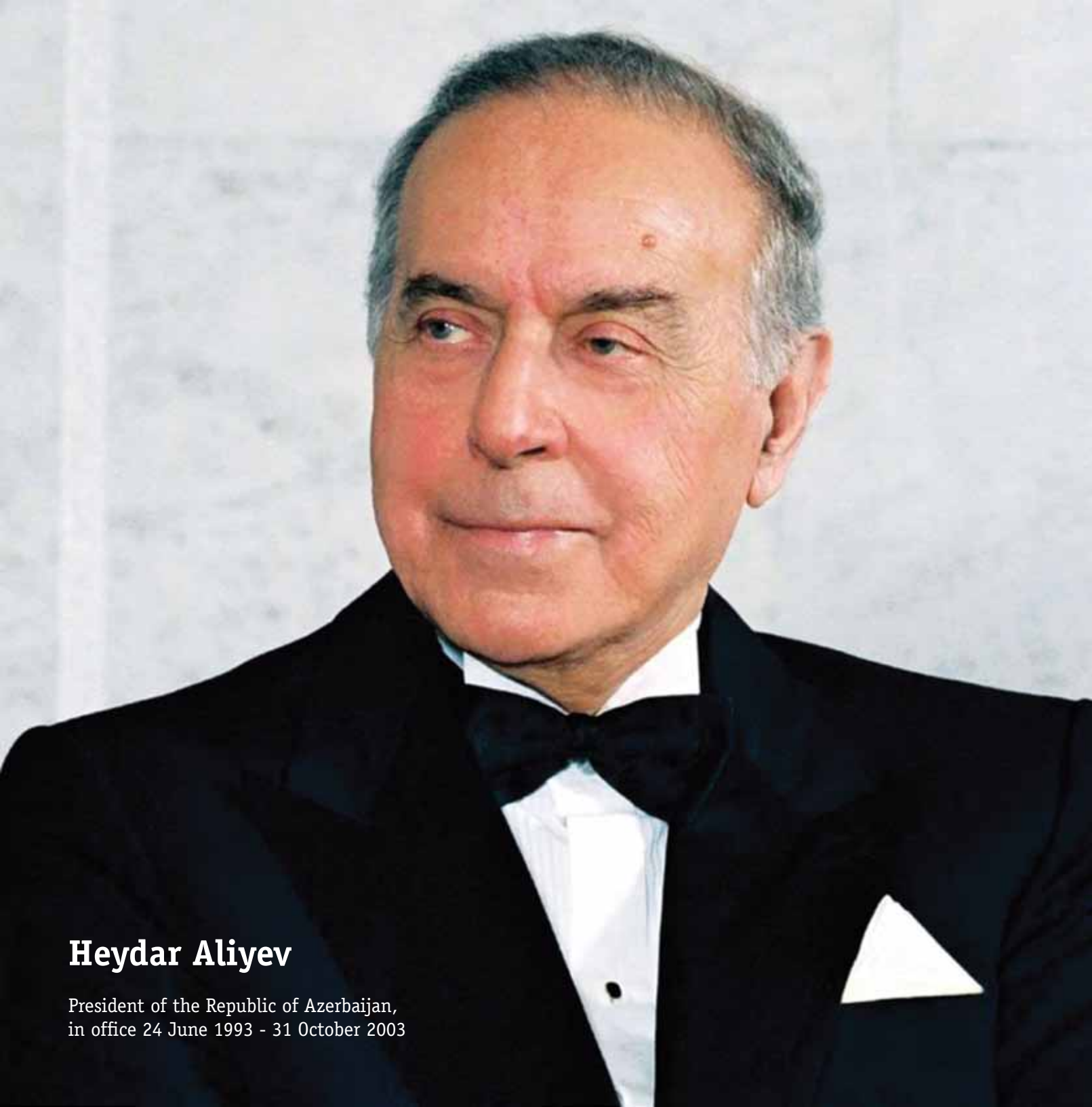
In the 8th Century the Arabic conquest of Azerbaijan commenced. The Khalifat had long competed with the Turkic 'Khazar Kaganat' for domination. Eventually Arabs prevailed and Azerbaijan remained under Arabic rule for around three hundred years. This was interrupted for a short period of twenty years, when a large scale 'Hurammi freedom movement' led by the leader Babek, overthrew the Arabs in Azerbaijan and parts of Iran. From the period of Arabian conquest onwards, Azerbaijan became an integral part of the Islamic cultural tradition. Nizami, Nasimi, Tusi and other Azerbaijani poets and scholars are now regarded as the patriarchs of this civilization, and contributed extensively to the Islamic Renaissance from the 9th to the 13th century.

The Middle Ages were a period of several large regional empires. These were predominantly Turkic. Some of the mightiest dynasties were of Azerbaijani origin, including the Karakoyunlu, Agkoyunlu and Safavids. Despite the dominance of large states on the regional political arena, northern Azerbaijan (Shirvan) managed to sustain some autonomy and independence throughout the whole period, including the hectic times of the Mongolian invasion and the Teymurids.

By the 18th century, the country consisted of a few independent Khanliqs (principalities). The new regional power, the Russian empire, eventually conquered Northern Azerbaijan. After the 1828 Turkmanchay Peace Treaty with Persia, the country was divided and southern Azerbaijan was left under Persian sovereignty.

The late 19th – to early 20th centuries were a period of cultural and economic regeneration for Azerbaijan. In the 1860's the industrial exploitation of the Azerbaijani oil fields commenced. This witnessed the emergence of international businesses including the Nobel Brothers, Rothschild, Siemens and others. Indeed, the Nobel Brothers made their fortune in Baku, to become one of the world's largest companies.

The economic rise led to a cultural revival. The traditional Islamic & Oriental cultural influence was enriched by the growing European and Russian influence. The 19th and 20th centuries were the period of major advancement in Azerbaijani social life. The most notable cultural advances included the first opera in the Muslim world, a national drama theatre, the adoption of a "modern" Latin alphabet, and the first school for Muslim girls in the Islamic world. Today's Republic of Azerbaijan is the successor of the Azerbaijan Democratic Republic (ADR) declared on 28th May 1918 by the first Azerbaijani parliament - National Assembly (Milli Majlis). Though short lived, ADR was the very first democratic republic in the whole Islamic world. Such measures as electoral rights for women, representation



## **Heydar Aliyev**

President of the Republic of Azerbaijan,  
in office 24 June 1993 - 31 October 2003

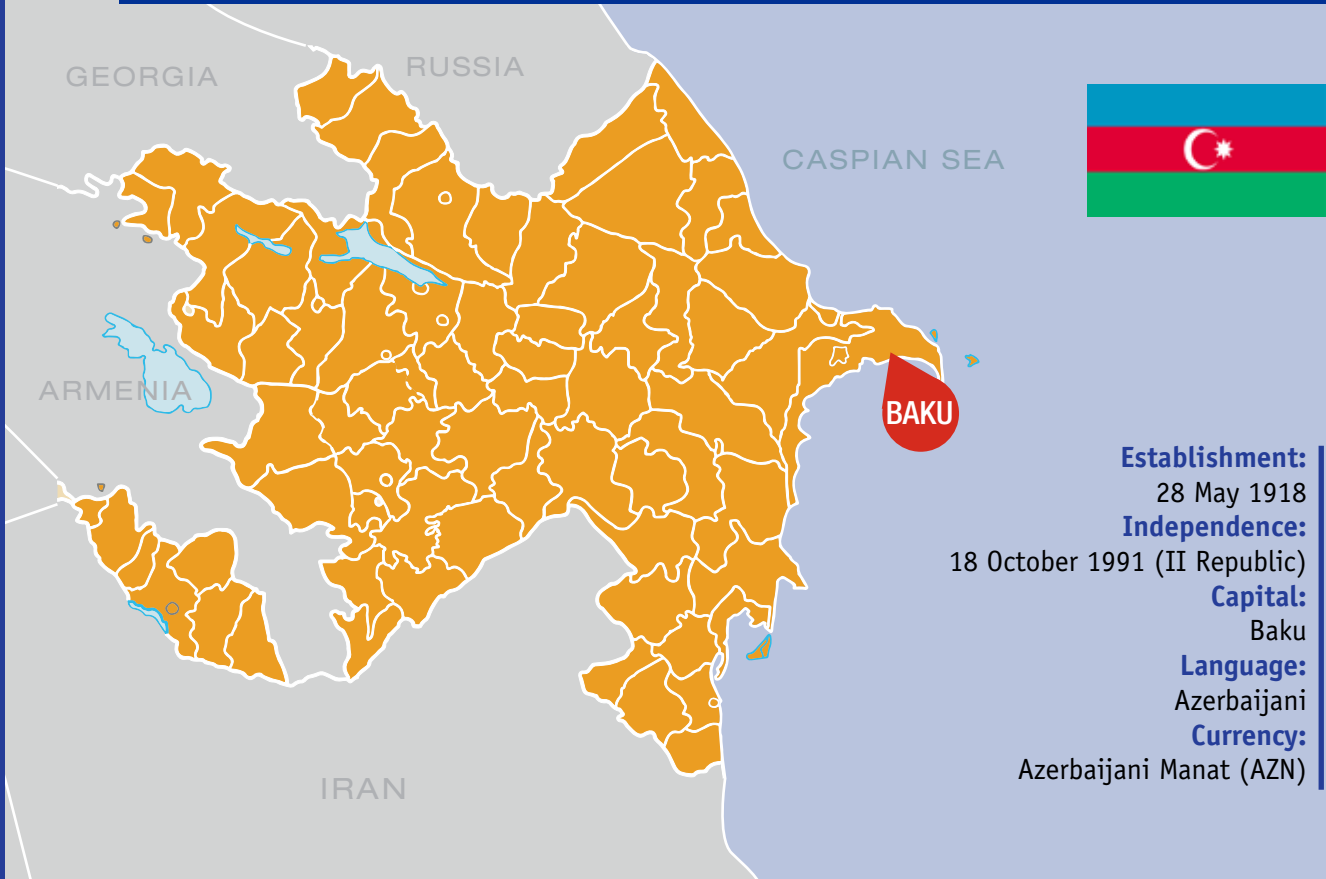
of ethnic minorities in Parliament, and other progressive initiatives were introduced in the country. These initiatives were ahead of their time, not only in the Middle East and Eurasia, but in the old democracies of Europe as well.

After the short life of ADR, the 11th Soviet Red Army occupied Azerbaijan in late April 1920.

Azerbaijan became part of the Soviet Union, but declared its independence in 1991. The consequences of the disintegration of USSR were complicated by the ongoing aggression by the Republic of Armenia. Armenian nationalists backed by the late Soviet administration launched a separatist movement in Western Azerbaijan (Nagorno-Karabakh). A long lasting and bloody military conflict started in 1988. The conflict was further complicated by civil confrontation within Azerbaijan. A few political groups were competing for power in the country. A succession of weak, largely unstable governments ended in 1993 when veteran politician and popular leader Heydar Aliyev was elected President.

A decade of rehabilitation and growth started. Under the leadership of Heydar Aliyev, the government re-established peace and stability in the country reinforced state infrastructure and civil rule throughout the country. It launched a proactive foreign policy campaign aimed at the political integration of Azerbaijan internationally. In 1994 a major oil & gas contract with the consortia of oil giants such as BP, Amoco, Total and others were concluded into the “Contract of the Century”. Along with economic rehabilitation, the government of Azerbaijan launched major political reforms aimed at bringing the country up to international standards in the areas of the rule of law, democracy, human rights and freedoms. The era of Heydar Aliyev ended in December 2003 with his sad death, but the policy decisions taken by him remain the undisputed development priorities for the current government. These include proactive foreign policy, democratization, the creation of a liberal market economy and socially oriented policies. His far-seeing policy is being successfully continued by his successor Ilham Aliyev who was elected President for three consecutive terms in 2003, 2008 and 2013.

# AZERBAIJAN: STATE, GEOGRAPHY AND HISTORY IN BRIEF



**Establishment:**

28 May 1918

**Independence:**

18 October 1991 (II Republic)

**Capital:**

Baku

**Language:**

Azerbaijani

**Currency:**

Azerbaijani Manat (AZN)

**Territory** .....

Land territory of 86,600 km<sup>2</sup> (12% forests, 1.7% water, 55.1% agricultural lands (30.5% of which are pastures) and 31.2% other lands). The territory also includes Azerbaijani sector of the Caspian Sea.

**Country location** .....

44° - 52° E, 38° - 42° N

**Neighbours** .....

Borders in the south with Iran (765 km) and Turkey (15 km), Russia in the north (390 km), Georgia in the north-west (480 km), Armenia in the west (1007 km). The coastline of Caspian Sea shared by Azerbaijan is 825 km.

**Population** .....

9,477 thsd (53.2% urban, 46.8% rural)

## POLITICAL SYSTEM

Government form  
Republic

Legal system  
Civil Law

### EXECUTIVE BRANCH

Head of State  
President

Head of Government  
Prime Minister

### LEGISLATIVE BRANCH

Parliament  
Unicameral National  
Assembly (Milli Mejlis)

### JUDICIAL BRANCH

Constitutional Court,  
Supreme Court, Court of  
Appeals, Courts of First  
Instance

## FOREIGN POLICY

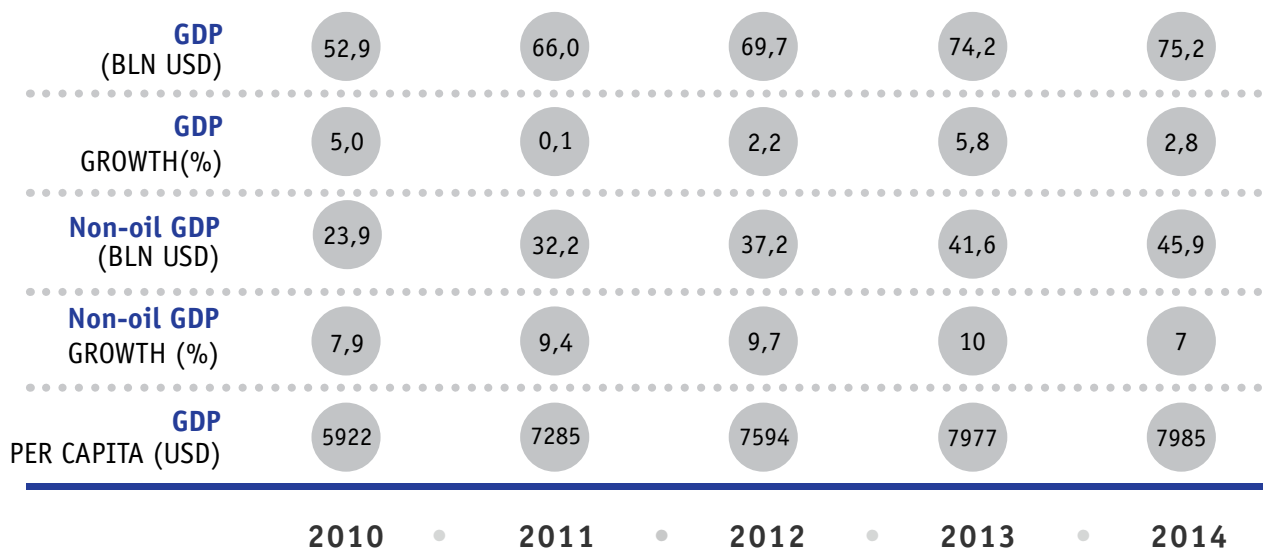
### DIPLOMATIC RELATIONS

with 160 countries

### MEMBER OF

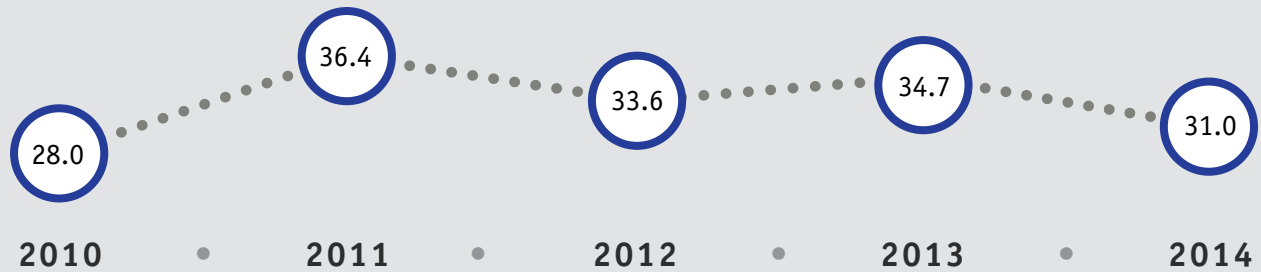
UN, Council of Europe, OSCE, Commonwealth of Independent States, GUAM (Georgia, Ukraine, Azerbaijan and Moldova alliance), Non-Aligned Movement, Organization of the Black Sea Economic Cooperation, Organization of Islamic Cooperation, European Bank for Reconstruction and Development, Asian Development Bank, World Bank, International Monetary Fund, Islamic Development Bank, Black Sea Trade & Development Bank.

## ECONOMIC SNAPSHOT

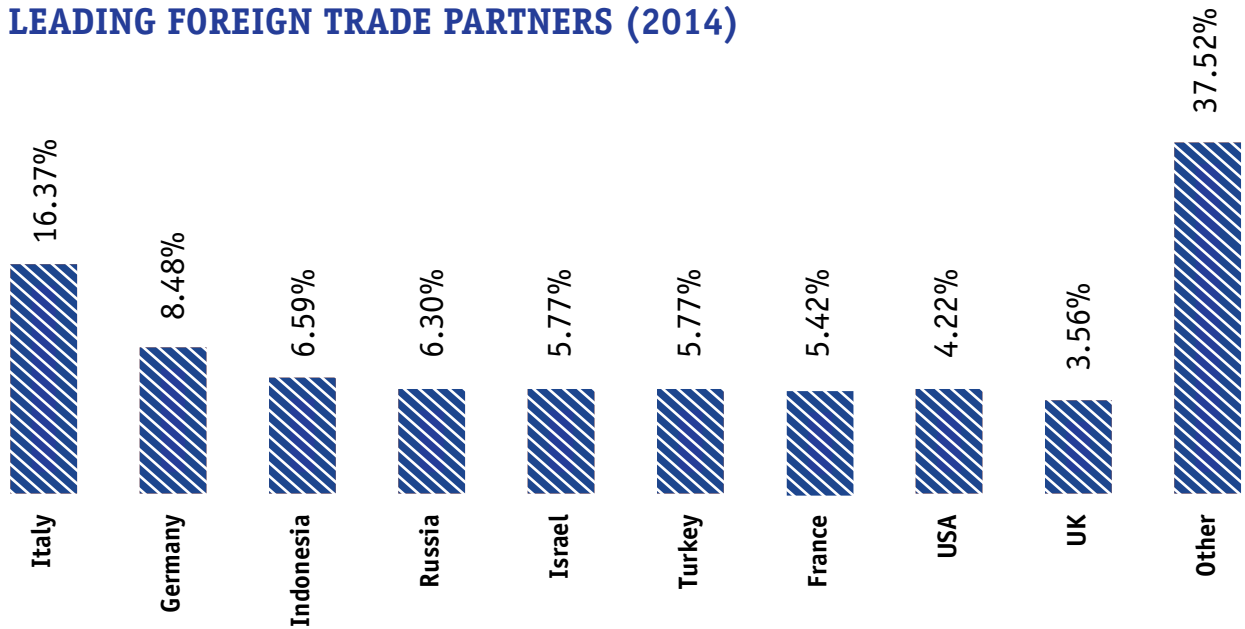


	2010	2011	2012	2013	2014
Inflation (%)	5.7	7.9	1.1	2.4	1.4
External debt (bln USD)	3,9	4,8	5,7	6,1	6,5
Total investment (bln USD)	17,6	21,6	25,8	27,3	27,7
Foreign investment (bln USD)	8,3	8,6	10,3	10,5	11,5
Domestic investment (bln USD)	9,3	12,9	15,5	16,8	16,2
FDI (bln USD)	3,4	4,3	5,4	6	7,6

## FOREIGN TRADE (BLN USD)



## LEADING FOREIGN TRADE PARTNERS (2014)

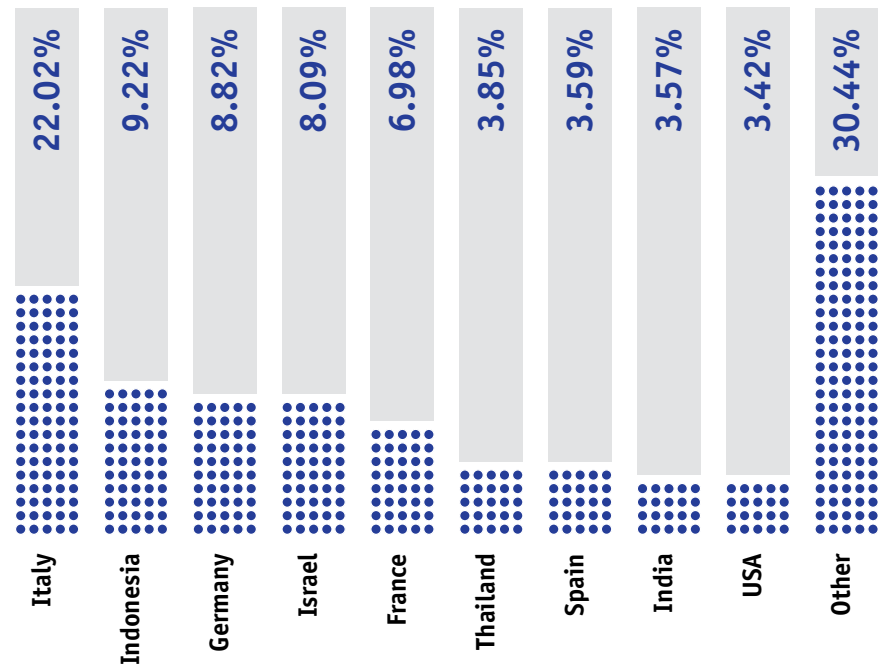


# TOP EXPORT PRODUCTS

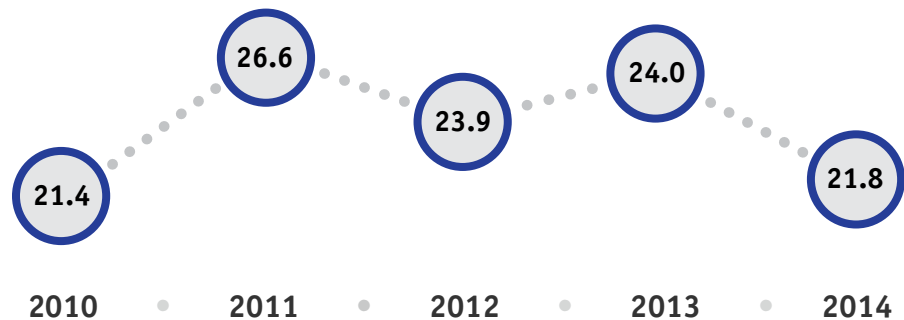
- Crude oil and oil products
- Natural gas
- Fruits and vegetables
- Foodstuffs and beverages
- Chemical products
- Ferrous and non-ferrous metals and their products



## LEADING EXPORT PARTNERS (2014)

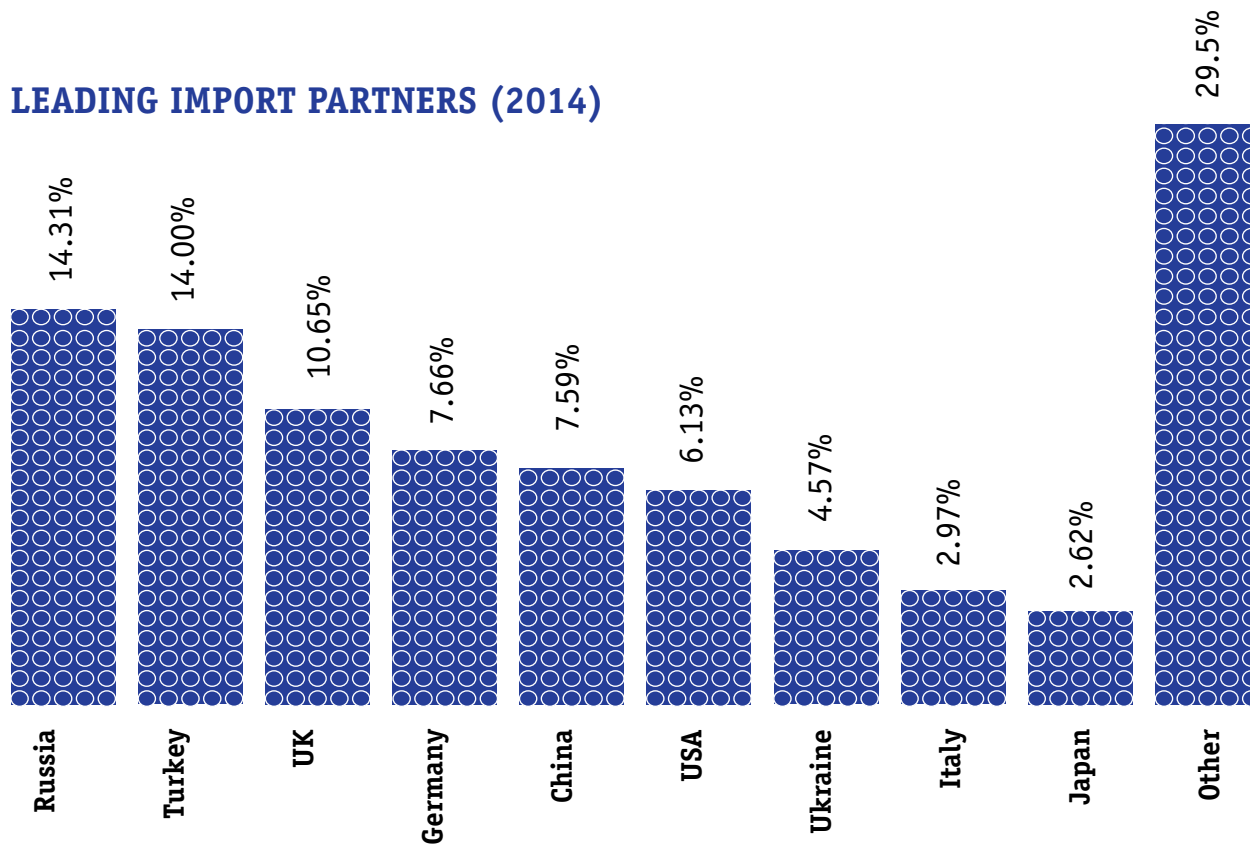


## EXPORT (BLN USD)





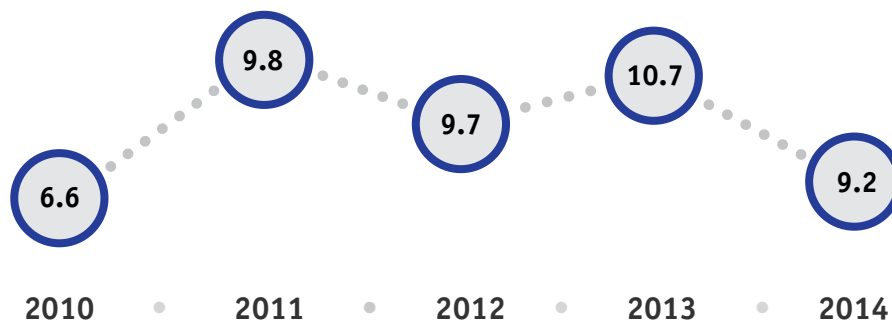
## LEADING IMPORT PARTNERS (2014)



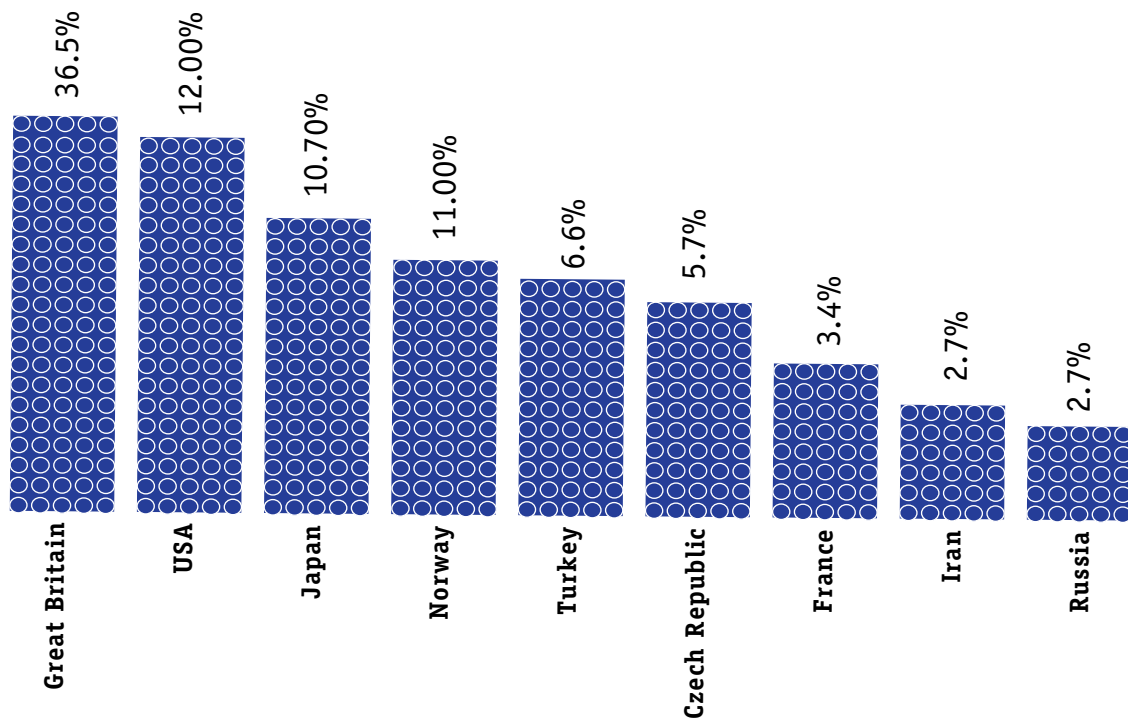
## TOP IMPORT PRODUCTS

- Machinery and equipment
- Foodstuffs
- Ferrous metals and their products
- Vehicles and spare parts
- Chemical products
- Tobacco and tobacco products

## IMPORT (BLN USD)



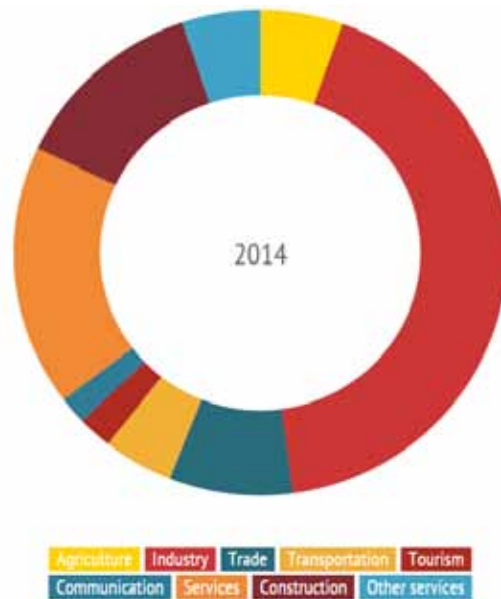
## FDI BY COUNTRIES (2013)



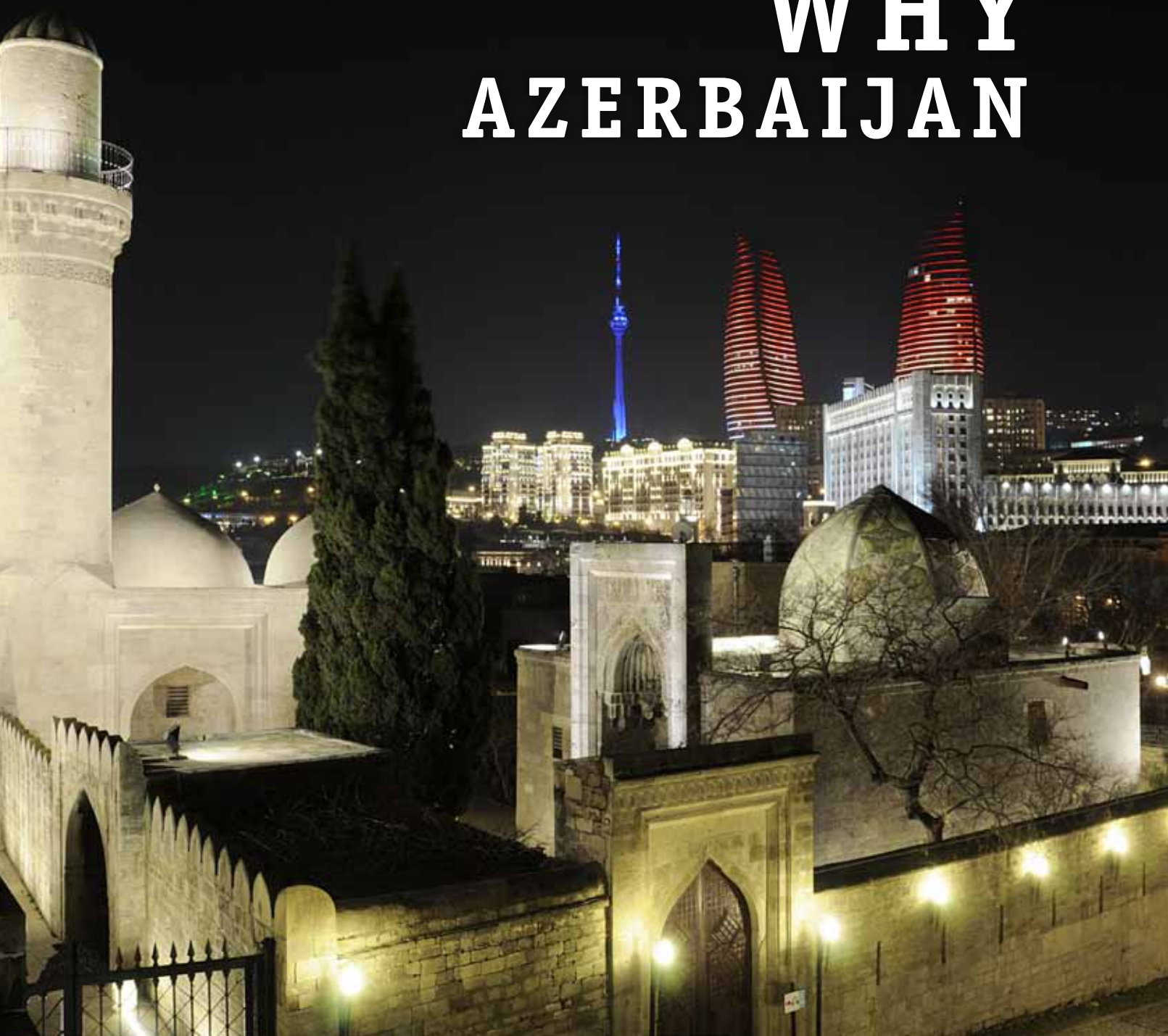
## GDP SECTOR COMPOSITION

The GDP composition by sectors is changing, with the non-oil sector forming an increasing portion of economy. Today the non-oil sector share in GDP is 56%.

Industry .....	41.5%
Services .....	17.0%
Construction .....	12.5%
Trade .....	7.9%
Agriculture .....	5.3%
Transportation .....	4.5%
Tourism .....	2.2%
Communication .....	1.8%
Other services .....	5%



# WHY AZERBAIJAN



## POLITICAL AND ECONOMIC STABILITY

- 2nd fastest growing economy among 179 countries in terms of GDP per capita growth in 2001-2010 (The Economist).
- In the past 10 years: GDP grew by 3 times, non-oil GDP by 2.5 times, GDP per capita by 2.6 times, strategic currency reserves by 29 times.
- Foreign debt of Azerbaijan is only 8.6% of the GDP, the volume of currency reserves accounts for about 68.4% of the GDP, and public deficit about 0.5% (2014).
- 38th most competitive economy among 148 countries and 1st among CIS members (WEF Global Competitiveness Report 2014-2015).
- Sovereign credit rating at investment level by three major international rating agencies: Standard and Poor's, Fitch Ratings and Moody's.
- Safety, government and political stability are considered the strongest factors by international business community operating in Azerbaijan (WEF Global Competitiveness Report 2014-2015).

## REFORMIST BUSINESS ENVIRONMENT

- Top reformer of business regulations in the world according to the World Bank's Doing Business 2009 and 2015.
- Low burden of government regulation.
- Strengthening welcoming business environment and legislative reforms are among the top priorities of "Azerbaijan 2020: the vision of the future" - national development concept.

## ATTRACTIVE INVESTMENT CLIMATE

- NO restrictions to foreign investments. National regime applied.



- NO local content requirement.
- Party to all major multilateral instruments on protection and promotion of foreign investment.
- 47 bilateral investment treaties and 44 double taxation treaties with foreign countries.
- Third easiest among CIS countries and fully digitalised tax paying procedure.
- Over 450 e-services by state authorities.

## SKILLED LABOUR FORCE

- About half of the population is economically active. Total labour force reached 4.8 million persons.
- One of the highest employment rates in the region (95%).
- The main driver of employment is the private sector (74%).
- Extremely high literacy rate of 99.8%.
- Around 30 thousand students graduate from universities and other higher education institutions annually.
- Large number of Azerbaijani students studying in the best universities worldwide in the framework of the State Programme on Education of Azerbaijani Youth Abroad in 2007-2015.

- A large R&D center, the National Academy of Sciences with its 28 research institutes in parallel with 52 universities and 108 colleges ensures the scientific and HR component of economic development.

## STRATEGIC LOCATION

- Located on the south-eastern border of Europe serving as the natural bridge between Europe and Asia.
- Logistics hub for the Caspian region with the biggest airport, sea port and railway network.
- Easy access to the markets with over 600 million customers in CIS, Middle East and Central Asia.
- Outreach to 50 countries with almost 50% of world consumers within 4-hours-flight-range.

## FAST DEVELOPING INFRASTRUCTURE

- The most state-of-the-art transport infrastructure in the region.
- About 19,000 km of hard-surface roads. Over 8 thousand km of roads built and re-constructed in the past 10 years.
- 6 international airports. Baku operates the biggest international airport in the region.
- Azerbaijan operates the biggest port on the Caspian Sea. A new port with capacity of 25 million tons cargo

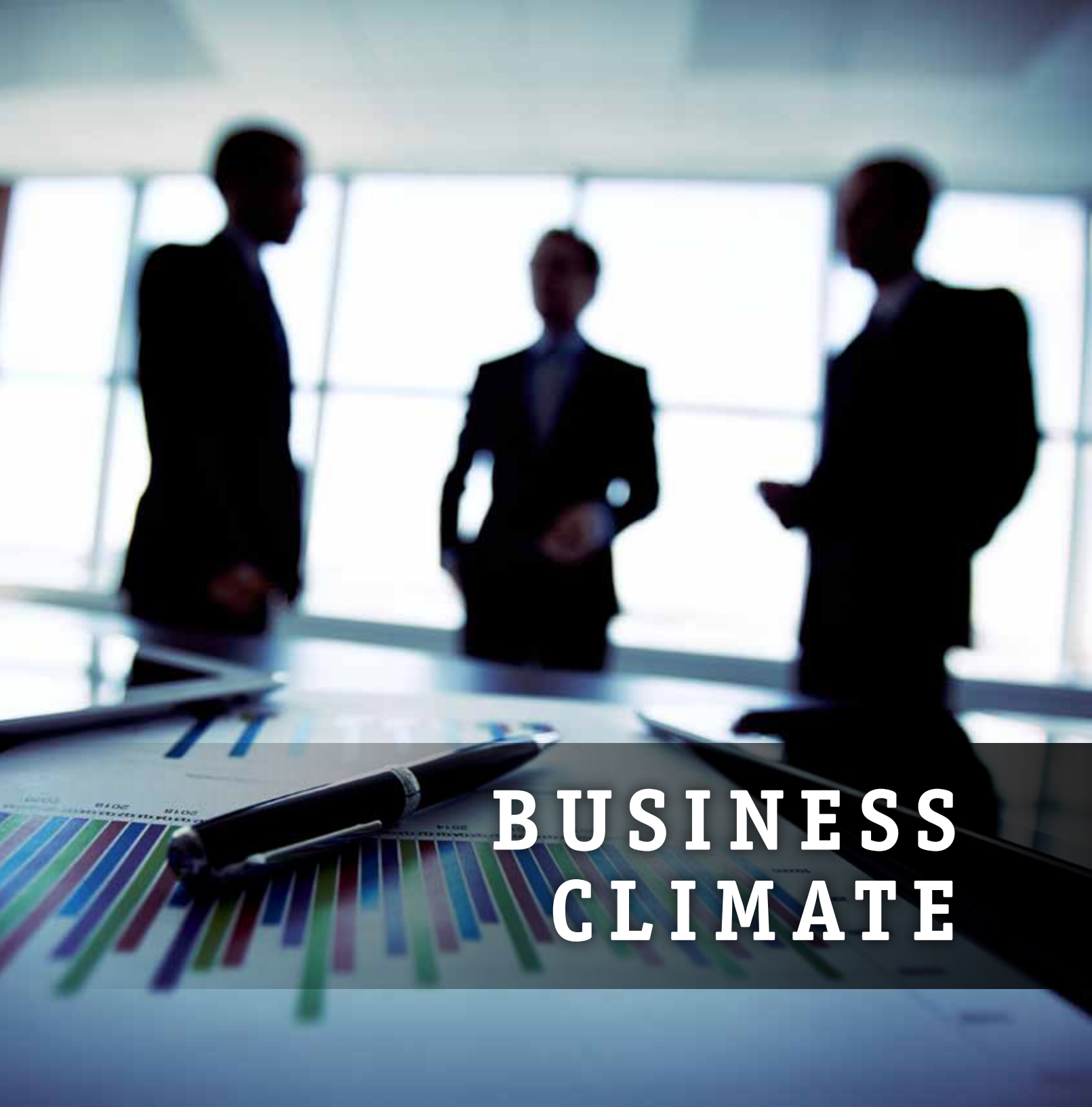
and 1 million containers a year is under construction. A new ship-building yard and the only one on the Caspian Sea commissioned in 2013.

- Over 2 thousand km of operational railroads. The so-called Iron Silk Way, Baku-Tbilisi-Kars trunk-railway is under construction. Once launched, it will connect European and Asian railway systems.

## ABUNDANT RESOURCES

- 9 climatic zones out of 11 existing in the world ranging from humid subtropical climate to semi-arctic.
- The territory of Azerbaijan stands out for its complex geological structure, diversity and manifold of minerals.
  - Major deposits of oil and gas.
  - Ferrous and nonferrous, rare and fine metals: iron and chromite ores, copper, lead and zinc, cobalt, molybdenum, aluminum, quicksilver, gold.
  - Nonferrous minerals and construction materials: building stone, facing stone, clay, cement raw materials, construction stone, sand-gravel, sand, bituminous sands, perlite, pumice, gypsum, anhydride, alabaster, bentonite clays, sodium chloride, dolomite, quartzite, limestone for flux and soda, ceramic raw materials, mineral dye (clayey ochre), quartz sands, barite, pebble, brimstone, Icelandic spar, refractory and hard clays, natural soda flashes, zeolites.





# BUSINESS CLIMATE

## ESTABLISHING A LEGAL PRESENCE

A company may start operations in Azerbaijan from the moment of state registration. The registration of commercial legal entities is handled by the Ministry of Taxes within 2 business days. Limited liability companies with local investment can be registered online. The Law “On State Registration of Legal Entities and State Register” sets out the requirements of the legal registration process.

A certain, limited number of documents must be submitted to the Ministry of Taxes for registration purposes. Azerbaijan is a party to the Hague Convention Abolishing the Requirement of Legalisation for Foreign Public Documents, and the legalisation requirement has ceased to exist in respect of documents produced and executed in the convention’s member countries.

There are numerous forms in which a legal entity/company can be incorporated in Azerbaijan. There are no specific rules for the incorporation of companies by foreigners, apart from the standard legal and translation requirements. Foreign investor may either establish a limited presence (representative office or branch) or opt for a full presence through various legal organisational forms.

There is no local content requirement and no specific requirements for the size of share or legal limitations for the foreign component in a company and investment. With the exception of certain licensed activities, there are no additional general approvals or permissions apart from state registration for the start up.

Azerbaijani law generally recognizes the following types of commercial legal entities (commercial legal entities are defined as those operating for profit):

- \* **General partnership (“GP”)**
- \* **Limited partnership (“LP”)**
- \* **Limited liability company (“LLC”)**
- \* **Additional liability company (“ALC”)**
- \* **Joint-stock company (open or closed JSC)**
- \* **Cooperatives**

LLCs and joint-stock companies are the most popular choices for incorporation (see Annex 2 for a brief comparative analysis of these two types of legal entities).

Due to practical irrelevance, non-profit organisations are not covered in present publication.



## GENERAL PARTNERSHIP

Formed by private entrepreneurs and/or commercial legal persons. An individual may participate in the creation of a GP only if this individual is registered as an entrepreneur. Individuals and/or legal entities may only participate in one GP. Partners are jointly and severally liable for GP's liabilities with their property. The profits and losses of a GP are allocated among the participants in proportion to their shares in the charter capital. If, due to losses incurred, the GP's net assets decrease below its charter capital, no earnings distribution may occur until the net assets exceed the charter capital.

## LIMITED PARTNERSHIP

LP has one or more general partners and one or more limited partners. General partners are personally liable for the partnership's obligations. Limited partners' liability is limited to the amount of their contributions. A person may participate as a general partner only in one LP. Similarly, a partner of a GP may not participate as a general partner in an LP.

## LIMITED LIABILITY COMPANY

LLC is an entity established by one or more individuals and/or legal entities contributing their shares to the charter capital. An LLC that has only one participant may not be the sole participant of another LLC or any other company. The participants of an LLC are normally liable only to the extent of their contributions. An LLC is not normally responsible for the obligations of its participants to third parties.

## ADDITIONAL LIABILITY COMPANY

ALC is an entity established by one or more individuals and/or legal entities contributing their shares to the charter capital. The legal structure of an ALC is similar to an LLC, except that the participants in an ALC may assume liability for the company in excess of their contributions, as regulated by the charter.

## JOINT-STOCK COMPANY

JSC is a legal entity with charter capital divided into a certain number of shares (securities). JSC shareholders are liable for the obligations of the JSC only to the extent of





their shares' par value. A single individual or legal entity may be the founder or the shareholder of a JSC. The charter capital of a JSC is divided into a fixed number of shares with a stated par value. Pursuant to the Civil Code of the Republic of Azerbaijan, members of the Board of Directors must be individuals. An individual who is not a shareholder of the JSC may also be a member of Board of Directors. A Supervisory Board is mandatory for JSCs with more than 50 shareholders. The General Meeting of Shareholders (GMS) is the supreme body in a JSC. Azerbaijani law sets a minimum share capital required for the establishment of JSCs, which ranges from AZN 2,000 for a closed JSC to AZN 4,000 for an open JSC. Additional statutory requirements exist for the establishment of banks, insurance companies and investment funds in the form of a JSC.

## COOPERATIVE

A cooperative is a voluntary union of at least five individuals and/or legal entities, for the purpose of satisfying the needs of its members through the consolidation of their financial or in-kind resources. Depending on the purpose of their activity, cooperatives may be of different kinds, such as consumer or housing cooperatives.

## SUBSIDIARIES

A legal entity, whether or not established in Azerbaijan, may form a subsidiary in Azerbaijan in any legal form available for commercial purposes, i.e. a GP, an LP, a JSC, an LLC, or an ALC. A subsidiary is a separate and distinct legal entity; the parent enterprise may contribute property to its subsidiary but is typically not liable for the obligations of the subsidiary. A parent company, however, may be held liable for the obligations of its subsidiary in bankruptcy if such bankruptcy was caused through the fault of the parent company in connection with the execution of its instructions.

Additionally, a parent company and its subsidiary are jointly liable for obligations incurred by the subsidiary as a direct result of the implementation of the parent's instructions, even if the former is not in bankruptcy.

## REPRESENTATIVE OFFICES AND BRANCHES

Neither representative offices nor branches are legal entities in and of themselves. These are separate divisions of a foreign legal entity they represent. Unlike a representative office, which only represents interests of a legal entity, a branch may perform the commercial activities that the head office does.

## LAND AND PROPERTY

Azerbaijan was one of the first among the former USSR republics to introduce the private ownership of land, as well as free trade and transfer of title to land.

Azerbaijani law provides for the following basic rights in land: (I) ownership; (II) lease; and (III) use. In Azerbaijani legislation real estate is generally referred to by the term "immovable property". Pursuant to the Law on the State Register of Immovable Property (the "State Register Law"), the creation of rights to property (ownership and other rights), transfers and the termination of rights are subject to state registration with the register of immovable property.

As a general rule, the registration of property rights to immovable property takes not more than 20 days. The State Register Law contains special provisions in respect of registration of certain rights in immovable property:

- \* Ownership and other property rights regarding unfinished construction of immovable property may be registered in advance.
- \* Property rights regarding individual apartments in unfinished buildings or non-residential properties and mortgages thereon may also be registered in advance.
- \* In the event that immovable property is leased or given for use for a period exceeding 11 months, such right must be registered by either party to the lease or use agreement.

The concept of ownership in Azerbaijan includes the right to exercise possession, the right to use/benefit and the right to dispose of the land (transfer ownership or other rights in land to third parties).





It should be noted that the right to land is a privilege of (I) the Republic of Azerbaijan, (II) municipalities, and (III) Azerbaijani individuals and legal entities (including legal entities with foreign investment). Foreigners (individuals and legal entities) and stateless individuals may not own land in Azerbaijan and may not be granted a purchase option on a lease. However, international organizations, foreign legal entities and foreign citizens and states may lease land in Azerbaijan. Foreigners who have acquired ownership rights in land through general legal procedures, such as the enforcement of a security interest, a grant or a succession must dispose of their ownership (e.g. through a sale) within one year; otherwise, ownership of the land reverts to the state or the relevant municipality. There is no legal limitation on the ownership of buildings, constructions etc. by foreign individuals and legal entities.

In addition to ownership, the Land Code recognizes perpetual and temporary land use rights, lease rights and easements. A temporary land use right

is granted for up to 99 years and may be extended by the parties. A perpetual land use right is granted for an indefinite period. The holder of such rights is liable only for the land tax for land use. Perpetual and temporary land use rights are granted by the state and municipalities only in exceptional circumstances to a limited number of persons listed in the Land Code. Landowners may grant perpetual or temporary land use rights under an agreement with the land user. Land use terms are defined by an agreement between the landowner and the land user. The lease of land is the use of land for a specific period for a charge. Leases are concluded for a period agreed by the parties. Rent payments for the lease of privately held land parcels are freely negotiable. Rent payments for state or municipally owned land parcels are determined according to market conditions, but may not be less than specified statutory rents. With regard to agricultural land, discounts from statutory rents are available depending on market conditions in the agricultural sector.



## EMPLOYMENT

Labor relations governing the employment of all employees in the Republic of Azerbaijan are regulated by the Labor Code and other relevant legislation.

Employment relationships become effective, not following the signature of the employment agreement, but from the time of the registration of the employment agreement in the an electronic database for maintaining records of employment agreements created by the Ministry of Labor and Social Protection. Under this rule, notification of all employment agreements, amendments to employment agreements and information on the termination of employment agreements must be submitted to the Ministry of Labor and Social Protection.

Employment contracts are concluded in most cases without a fixed term. In limited cases (such as seasonal employment, work on a fixed-term project or assignment, or by agreement of the employer and employee) the employment contract may be concluded for a fixed term of up to five years. A fixed-term contract is deemed to be extended for the same period unless terminated by notice within seven days of the expiration of the original term of the contract. If the term of the fixed-term contract lasts continuously for more than five years, it will be deemed to be an indefinite term contract.

A contract without a fixed term may be terminated by the employer only in cases specified in the Labor Code (see Termination below).

An employer has the duty of giving notice of termination. The general term of such notices is two months (e.g., redundancies). However, certain exceptions apply (e.g., in case of a gross violation of job duties, when no notice is required). An employee can terminate a contract at any time on one month's notice. When employment is terminated by the employer due to redundancy, for a period of two months prior to termination the employer must allocate to the employee at least one business day in a working week to allow the employee to look for a new job. For certain categories of employees (e.g., pregnant women, women with children under three years of age), termination of employment is prohibited, unless the employer is being liquidated.

In cases of termination of employment due to redundancy or the liquidation of an enterprise, the employer must make severance payments to employees, which may total up to three months of each employee's average salary and an additional two months if the employee is unable to find a job.

Generally, employers are liable for paying monthly social insurance contributions equal to 22% of the salary fund of their employees. Employers are also

obligated to withhold employees' social insurance contributions in the amount of 3% of gross salaries and transfer them on the employees' behalf to the State Social Protection Fund.

Individual entrepreneurs are generally required to pay social insurance contributions equal to 20% of the minimum salary. Different rates are provided for certain regions and categories of individual entrepreneurs (such as private notaries, auditors, accountants etc.).

Azerbaijani law also provides for mandatory insurance against accidents at work and occupational diseases to be obtained by all employers.

#### **COMPENSATION IN FOREIGN CURRENCY**

All salaries paid in Azerbaijan must be paid in Azerbaijani manats, unless there is a special agreement (for example, a Production Sharing Agreement for the development of hydrocarbon reserves) concluded with the Government of Azerbaijan allowing payments in other currencies.



#### **PROBATIONARY PERIOD**

A probationary period of up to three months is allowed in most cases if envisaged in the employment contract. The contract may be terminated by either party before the expiration of the probationary period upon giving a three-day notice. A probationary period may not be imposed on certain categories of staff listed in the Labor Code.

#### **MINIMUM WAGE**

Employee remuneration may not be lower than the minimum monthly wage, currently AZN 105 per month.

#### **WORK WEEK**

The regular work week is 40 hours, reduced for certain groups of people and workplaces. Overtime work is allowed in order to prevent a natural disaster, an industrial accident, or other emergency events, or to eliminate their consequences, as well as to prevent the loss of perishable goods. The duration of overtime work may not exceed a certain limit established by the Labor Code. For each hour of overtime work, an employee must be compensated at a rate at least double of a normal hourly rate.

#### **HOLIDAYS**

Employees are entitled to 19 official public days off, 18 of which are public holidays and one is a day of mourning. The minimum paid annual leave is 21 calendar days, more for certain groups of employees and in certain workplaces.

Overtime and work during days-off (which are Saturdays, Sundays, public holidays and the day of mourning) are compensated in accordance with the law.

## SICK LEAVE

Except for the first 14 days of any absence, compensation for sick leave is provided by the State Social Protection Fund, not the employer, in the amount of 22% of gross salary.

## MATERNITY LEAVE

Women are entitled to be paid maternity leave for 70 calendar days prior to and 56 days (70 or 110 days in certain cases) after the birth of a child. Maternity pay is provided by the State Social Protection Fund.

## TERMINATION

Grounds for dismissal include, among other things: staff redundancy; employee's failure to meet required competency standards as determined by the decision of a competency assessment body; liquidation of an enterprise; and violation of employment duties as determined by the employment contract or labor law.

There are statutory restrictions relating to the dismissal of certain categories of employees. In certain cases, an employer is required to report an employee's dismissal to the appropriate state authorities and/or trade unions.

## INCOME TAX

The employer is obliged to withhold income taxes for its employees at source and remit them to the state budget (see Taxation chapter).

## FOREIGN WORKERS IN AZERBAIJAN

Foreign employees who are employed by enterprises (subsidiaries), branches or representative offices operating in Azerbaijan are subject to Azerbaijani labor law, except for those working in enterprises, branches or representative offices located in Azerbaijan under employ-

ment contracts concluded in the foreign state where the employer is located.

Foreign nationals travelling to Azerbaijan to take employment here, have to obtain a work permit. Work permits are issued by the Ministry of Labour and Social Protection for the period of one year. The term of validity can be extended every time for another year. Permanent residents, persons engaged in entrepreneurship activities in Azerbaijan, staff of diplomatic missions, consulates and international organizations, heads and deputy heads of organisations established by international agreements, persons employed by relevant executive authorities, persons on a business trip for no more than 90 days a year, heads and deputy heads of branches and representative offices of foreign legal persons in Azerbaijan, and some other categories of foreign nationals would not require work permits.



## FOREIGN TRADE REGULATION

Import and export operations are regulated by the Presidential Decree No 609 “On Further Liberalization of Foreign Trade in the Republic of Azerbaijan”, Customs Code and other relevant legislation.

All goods imported in or exported from Azerbaijan shall be declared at customs authorities. Azerbaijan applies a single-window system for the inspection of goods and vehicles crossing the state borders. Thus, inspection of goods and transport documents, veterinary, phytosanitary, hygienic and other certificates, as well as the veterinary, phytosanitary, sanitary control is carried out by customs authorities. Moreover, State Customs Committee of Azerbaijan introduced “e-Customs” for a number of services including e-declaration.

Azerbaijani law recognizes several customs procedures applicable to goods imported into Azerbaijan, the most important of which are transit (international and national), warehouse (temporary storage and customs warehouse), free zone, special use (temporary import and end use), and processing (in and outside customs territories).

There are no export duties in Azerbaijan (except for certain types of metals and metal products), while important of goods is subject to import duties (ad

valorem duties ranging from 0% to 15%, per unit duties, duties per metric units).

In the case of temporary imports, no duties or reduced duties are applied and the goods must be re-exported from Azerbaijan by the deadline established by the customs authorities. Goods brought in as temporary imports should be re-exported without substantial changes in their nature.

Excise tax applies to certain types of imported goods (e.g., tobacco and alcohol products). Azerbaijan has adopted a “destination VAT” principle and VAT (currently set at 18%) is payable (subject to the applicable customs regime) on the declared value of goods (including assessed import duties and excise tax). Certain categories and types of goods are exempt from import duties, while certain other types of goods are subject to 0% VAT (the list of goods is approved by relevant resolutions of the Cabinet of Ministers).

Azerbaijan has free trade agreements with Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Moldova, Uzbekistan and Belarus. Goods imported from these countries are free of customs duties.

# CURRENCY REGULATION AND REPATRIATION OF PROFIT

**National currency of Azerbaijan is the Azerbaijani Manat (AZN).**

## **FOREIGN EXCHANGE**

Foreign exchange transactions are governed by the Law “On Currency Regulation”. The Central Bank of Azerbaijan administers the overall enforcement of currency regulation. Various aspects of foreign currency regulation also cover precious metals and foreign securities.

Azerbaijan’s currency control legislation distinguishes between residents and non-residents. The definition of resident includes private individuals having a permanent place of residence in Azerbaijan and legal entities established in accordance with Azerbaijani legislation. Branches and representative offices of foreign entities established in Azerbaijan do not fall within the definition of a resident.

Foreign currency operations are divided into routine currency operations and operations involving the move-

ment of capital. Routine currency operations include:

- Transfers for the payment of goods and services under import/export contracts;
- Transfers in connection with the financing of export/import transactions with a term not exceeding 180 days;
- Transfers in connection with financial loans with a term not exceeding 180 days;
- Transfers of dividends, interest, and other income from deposits, investments, credits and other operations;
- Non-commercial transfers, for example including transfers of inheritances, wages, pensions or alimony.

Operations involving the movement of capital include the following:

- Direct investment;
- Purchase of securities;
- Payments for ownership and other rights to immovable property;



- Transfers in connection with the financing of export/import transactions with a term exceeding 180 days;
- Deposits in the authorised banks with a term exceeding 180 days;
- Any other currency operation not deemed to be a routine currency operation.

Sale and purchase of foreign currency in Azerbaijan shall be carried out through authorised banks and non-banking financial institutions. No licensing of currency operations involving the movement of capital is required at present for residents. There is no specific limitation as to the amount allowed for transfer.

Both residents and non-residents are permitted to have foreign currency accounts in the authorised banks, as well as outside the Republic of Azerbaijan without restriction, may deposit their funds outside the country, and are not required to sell foreign currency proceeds or submit a report upon the withdrawal of foreign currency, subject to a routine procedure involving the obtaining of a duplicate of registration certificate from the Ministry

of Taxes (e-application is available). Non-resident legal entities may purchase foreign currency on the domestic foreign currency market for routine currency operations and in other cases stipulated by legislative acts.

#### **IMPORT/EXPORT OF FOREIGN CURRENCY IN CASH BY INDIVIDUALS**

Resident and non-resident individuals are treated equally with regard to the import of foreign currency in cash form. There are no limitations on the amount of foreign currency an individual may bring into Azerbaijan, provided that the amount is declared to the Azerbaijani customs authorities.

Residents may export hard currency in an amount up to the equivalent of USD 10,000 without any documentation, except a declaration to the customs authorities. Non-residents, however, are required to submit certain documents if the amount exceeds USD 1,000. If the USD 10,000 threshold is exceeded, supporting documentation must be provided in any event.



## TAXATION

Taxation in Azerbaijan is regulated by the Tax Code and other relevant legislative acts. Tax Code establishes the statutory tax regime and defines taxation in the industrial and technological parks. In addition, Tax Code recognizes the existence of special tax regimes. Such special tax regimes are existent predominantly in the oil & gas sector under Production Sharing Agreements (PSAs) and under Host Government Agreements (HGAs).

This review concentrates on the corporate taxation under the statutory tax regime and that in the industrial and technological parks (for detailed information on tax rates see Annex 5).

### ***Tax Code establishes following taxes:***

#### **PROFIT TAX**

Legal entities are taxed on profit, which is determined as gross income from economic activities less allowable deductions at a flat rate of 20%. Both resident and non-resident entities (through their permanent establishment) pay profit tax in Azerbaijan.

The gross income of a non-resident enterprise that is not

connected with the permanent establishment is taxed at the source of payment without the deduction of expenses. Unless otherwise specified in the double taxation treaties that Azerbaijan has entered to (see Annex 4), foreign legal entities with no permanent establishment in Azerbaijan are subject to the following withholding tax rates on items of income from Azerbaijani sources:

- Dividends .....10%
- Interest .....10%
- Rent and royalties .....14%
- International communication and transport services .....6%
- Risk insurance and re-insurance fees .....4%
- Interest on financial leasing .....10%
- Income received from performing works and rendering services .....10%



Supply of goods and rendering of services in Azerbaijan, as well as import of goods are subject to VAT. The VAT rate is 18%.

Separate VAT registration is required under the Tax Code. Companies with taxable transactions exceeding a certain threshold (currently AZN 120,000 during the previous 12 months) must register as VAT payers. Other companies doing business in Azerbaijan may voluntarily register. Only registered VAT payers may charge VAT or claim a credit for the input VAT that they pay.

### **PROPERTY TAX**

Legal entities are levied with 1% property tax on average annual value of fixed assets on the enterprise's balance sheet. Non-resident legal entities with permanent representation in Azerbaijan pay property tax on the average annual value of fixed assets connected with the permanent representation.

### **PERSONAL INCOME TAX**

Residents of Azerbaijan are subject to income tax. Taxable income is defined as gross income received from all sources worldwide during the tax year, regardless where the income was earned or paid, less allowable deductions. Non-residents are subject to Azerbaijani income tax only on income received from Azerbaijani sources. The effective progressive tax rate ranges from 14% up to 25%.

### **MINING TAX**

Legal entities and individuals extracting mineral resources in Azerbaijan pay mining tax at rates from 3% to 26%.

## LAND TAX

A land tax is imposed on owners and users of land plots, the amount of which depends on the use and location of the land.

## EXCISE TAX

All physical and legal persons producing excisable goods in or importing them to Azerbaijan are subject to excise tax, the rate of which differs among the products.

## ROAD TAX

Non-residents owning passenger and cargo vehicles entering or transiting Azerbaijan, as well as the persons producing or importing petrol, diesel and liquefied gas in Azerbaijan shall pay road tax.

## SIMPLIFIED TAX

The simplified tax is charged at the following rates on taxpayers' gross revenue:

- 4% for taxpayers operating in Baku
- 2% for taxpayers operating in other regions

In order to qualify for this tax, the total revenue of the legal entity should not exceed AZN 120,000 for the previous 12-month period and not registered for VAT. The payers of simplified tax are exempt from paying VAT, profit tax and property tax.

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## INDUSTRIAL AND TECHNOLOGY PARKS

Residents of industrial and technology parks enjoy certain tax holidays and exemptions:

- \* no income tax on any income (other than income from employment) generated from the activity in the industrial and technology parks by individual entrepreneurs that are residents of such parks within seven years starting from the year of registration in the park;
- \* no profit tax on any income generated from activities in the industrial and technology parks by legal persons that are residents of such parks within seven years from the year of registration in the park;
- \* no VAT on imports of machinery, technological equipment and plant by legal persons and individual entrepreneurs that are residents of the industrial and technology parks with the purpose of construction of the

production facilities in the parks and the research and development works within seven years from the year of registration in the park;

- \* no property tax for legal persons and individual entrepreneurs that are residents of industrial and technology parks on property in the parks for seven years from the year of registration in the park;
- \* no land tax for legal persons and individual entrepreneurs that are residents of industrial and technology parks on land in the parks for seven years from the year of registration in the park.

# ACCOUNTING

The law “On Accounting” stipulates that all significant entities including credit institutions, insurance companies, investment funds and commercial organizations which meet certain criteria are subject to International Financial Reporting Standards (IFRS). Others (except for small private businesses) have the choice of using either IFRS or National Accounting Standards (NAS). Small private businesses also have the right to choose between NAS or the simplified method of accounting.

All entities registered in Azerbaijan, which includes Azerbaijani legal persons, representative offices and branches of companies within the territory of Azerbaijan are required to keep their accounts and records in local currency, and in accordance with the Azerbaijani accounting legislation (“AAL”). This includes the use of a mandatory and quite rigid chart of accounts which, in most cases, will also necessitate the employment of a full-time, experienced Azerbaijani chief accountant.

The Civil Code (2000) contains general provisions regarding financial reporting and audit requirements for legal entities. Joint-stock companies and limited-liability companies are required to use an independent auditor to audit their annual financials. Similarly, joint-stock companies are required to publish their annual

accounting reports and balance sheets. The Tax Code (2000) also contains certain provisions dealing with accounting matters, such as depreciation. Depreciation is accrued in accordance with a declining balance method, and the following rates apply to these selected categories of assets:

Buildings and structures – up to 7% p.a. on a reducing balance basis.

Machinery, equipment and computers – up to 25% p.a. on a reducing balance basis.

[Motor] vehicles – up to 25% p.a. on a reducing balance basis.

Geological exploration costs and development costs preparatory to the extraction of natural resources (including the cost of acquiring the right to explore, develop or exploit natural resources) – up to 25% p.a. on a reducing balance basis.

Intangible assets with a life of more than one year – depreciated over the useful life of the asset or, where the useful life cannot be determined, at up to 10% p.a. on a reducing balance basis.

AAL differs from IFRS and generally accepted accounting principles in other countries (e.g., the United States). Below is a summary of the most significant differences.

## ACCOUNTING POLICIES

AAL does not require a detailed disclosure of the accounting policies used in the preparation of the financial statements or footnote disclosures that provide additional information, analysis and clarification relating to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT (“PPE”)

Property, plant and equipment is maintained under the historical cost convention (at acquisition price or at the cost of production including transportation and assembly costs) as modified by the revaluation of these assets, if revalued. At various times since 1992, PPE in Azerbaijan have been revalued in accordance with Government decrees (the latest such revaluation occurred in 1996).

The indexes used for these revaluations did not properly account for the changes in the value of the Azerbaijan Manat, nor did they provide a market value for the fixed assets to which they were applied. Revaluations of property, plant and equipment are generally not required under IFRS and US GAAP, except under certain circumstances.

## IMPAIRMENT OF ASSETS

AAL does not permit the recording of a provision against the carrying value of an impaired asset. This includes setting up provisions for tangible assets, as well as inventories, accounts receivable and other assets.

IFRS requires, among other things, that long-lived assets and certain identifiable intangibles that are held and

used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, provisions may also be set up on the carrying value of short-term assets (for example, accounts receivable) when it is likely that the full carrying value of the asset will not be recovered.

## DEFERRED TAXES

Deferred tax assets and liabilities under IFRS are recorded for the expected future tax consequences of existing differences between the asset and liabilities base of financial and tax reporting, and loss or tax credit carry forwards. Under AAL rules, there are no such provisions dealing with deferred tax accounting.

## EQUITY

In the balance sheet of an Azerbaijani company equity is generally represented by charter capital, additional paid-in capital, reserve capital, appropriated earnings, social funds and retained earnings for the current and previous years. Deductions can be made directly from reserve funds for non-tax deductible expenses.



# INTELLECTUAL PROPERTY

Intellectual property rights in Azerbaijan include: all rights to industrial property (including inventions, industrial designs, utility models, trademarks, and geographical indication), copyright and related rights.

The State Committee for Standardization, Metrology and Patents is responsible for the issuance of patents and trademark registration. The State Copyright Agency is responsible for the registration of the copyrights. Beyond this, however, procedures for the registration and protection of various intellectual property rights differ from one state agency to another.

Azerbaijan is a party to several international agreements on the protection of intellectual property, including: the Convention Establishing the World Intellectual Property Organization, the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks, the Madrid Protocol, the Patent Cooperation Treaty, the Eurasian Patent Convention, the Performances and Phonograms Treaty of the World Intellectual Property Organization, and the Copyright Treaty of the World Intellectual Property Organization.

Azerbaijan is a “first to file” and not a “first to use” jurisdiction, meaning early registration of intellectual property rights is essential to ensure protection. Patent protection is granted to an invention if it is novel, inventive and useful. The maximum duration of protection for an invention patent is 20 years.

Utility models are granted patent protection if they are new and “industrially applicable”. The term of utility patents is 10 years.

An industrial design right is characterized by an artistic and structural form which determines its external appearance. Patent protection is granted if an industrial design is novel, original, and capable of industrial application. The term is 10 years.

Patents may be assigned and/or licensed by their owner(s) to natural persons or legal entities. However, an assignment and/or license must be registered with the relevant state agency to be enforceable. Infringement carries civil, criminal and administrative liability.

The right to a trademark is based on registration with the respective state agencies. Trademark registration is granted for a term of 10 years, renewable every 10 years. Assignments of licenses for trademarks must be registered with, the relevant state agency.

Legal protection is given to the appellation of origin of goods based on registration with the relevant state agency, and to trademarks existing under international agreements on the registration thereof or bearing the status of a well-known trademark. Violations of intellectual property rights lead to civil, criminal, and administrative liability.

The Copyright Law protects works of science, literature and the arts (works) as well as stage productions, phonograms of radio or cable broadcasts, and computer programs and databases (related rights). Copyright protection is normally granted to the author without registration. The right to use a copyrighted work may be reassigned. A copyright provides protection for the lifetime of the author and normally for a period of 70 years following his or her death.

Rights to computer programs, databases and topologies of integrated circuits are protected under the Copyright Law, the Law "On Topology of Integrated Circuits" and the Law "On Legal Protection of Compilations of Data". The unauthorized recreation (copying) of computer programs, alteration of existing programs, and unlawful accessing of legally protected computer information are criminal offences.

# DISPUTE RESOLUTION AND ARBITRATION

## COURTS

Azerbaijan has a three-tier court system - courts of first instance, appellate courts and a cassation court.

Courts of first instance are the district (city) courts of general jurisdiction, local administrative-economic courts, felony courts, and military courts.

Courts of general jurisdiction hear cases on civil, family, or land-related matters, use of natural resources, environmental protection, tax, administrative and other matters, where at least one of the parties to a dispute is a natural person without the status of a sole proprietor, or, in case of such status, where the dispute is not related to the carrying out of entrepreneurial activity by this natural person.







The administrative-economic courts hear cases in respect of economic disputes arising from civil, administrative and other legal relations between legal entities and natural persons with the status of sole proprietor.

There are 6 regional appellate courts in Azerbaijan each having civil, criminal, military and administrative-economic chambers. Their decisions can be further considered under the cassational proceedings in the Supreme Court also having civil, criminal, military and administrative-economic chambers.

## ARBITRATION

Referral of a dispute for arbitration is a permitted dispute resolution mechanism. In general, matters over which courts have jurisdiction can be arbitrated in cases provided by law, international and bilateral agreements of Azerbaijan.

Azerbaijani courts have exclusive jurisdiction over certain matters, which include, inter alia, rights over immovable property located in Azerbaijan, cases concerning the recognition of patents or other marks or rights, if they were registered (or application for registration was filed) in Azerbaijan, cases where an action is brought against a carrier under a contract for the carriage of goods, cases

relating to the existence of a legal person registered in Azerbaijan, or cases where the cancellation of a decision taken by a legal person is sought.

Legislation on civil procedures does not set forth provisions regulating the conduct of domestic arbitration. Hence, it is assumed that the parties have liberty to establish these provisions through an agreement.

In terms of international mechanisms, Azerbaijan acceded to and ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the “New York Convention”), the 1965 Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States (the “Washington Convention”) and the 1961 European Convention on Foreign Commercial Arbitration.

Azerbaijan has also enacted the Law “On International Arbitration”, which basically adopts the UNCITRAL Model Law on International Commercial Arbitration of 21 June 1985. In addition, Azerbaijan is a signatory to the Agreement on the Manner of Reciprocal Enforcement of Arbitral Awards and Economic Court Judgments on the Territory of the Member States of the Commonwealth of Independent States (1998).

Decisions on the enforcement and recognition of

foreign arbitral awards are taken by the Supreme Court. In certain cases, enforcement can be declined, most notably, if:

- an award contravenes legislation, or offends public policy or the sovereignty of the Republic of Azerbaijan.

- the principle of reciprocity is not adhered to.

- there is a valid judgment of an Azerbaijani court relating to the same parties and same subject-matter.

- an award has not entered into force in the country where it was made.

Moreover, the Law “On International Arbitration” lists several reasons for a refusal of recognition and enforcement of an arbitral award independent of the country it was taken in:

- one of the parties in the arbitral award is legally incapable.

- the arbitration agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the state the decision was taken in.

- a defendant has not been given notice of the appointment of an arbitrator or of the hearing and a fair opportunity to be heard.

- the dispute does not fall within the scope of the arbitration agreement.

- the composition of the arbitration court or the arbitration procedure was not in accordance with the agreement of the parties.

- the arbitral award is not yet effective or has been repealed or suspended by a court of the state the arbitration decision was taken in.

- the subject-matter of the dispute is not subject to settlement by arbitration under the legislation of the state the arbitration decision was taken in.

- the arbitral award is in conflict with the Azerbaijani Constitution.

The New York Convention shall not apply to the recognition and enforcement of domestic awards by Azerbaijani courts (where an award is made in Azerbaijan arbitral proceedings).

It is noteworthy that under the Constitution of Azerbaijan international treaties ratified by the Republic of Azerbaijan prevail over national (domestic) laws in case of conflict. Therefore, in case of international arbitration under the Washington Convention, the arbitral award will be enforceable in Azerbaijan as if it were a final judgment of a court in Azerbaijan (Article 54 of the Washington Convention).



# LICENSING

Under Azerbaijani law: a license is an official record permitting relevant types of entrepreneurial activities to a legal entity irrespective of its organizational and legal form, as well as to a natural person engaged in entrepreneurial activities without the creation of a legal entity. Annex 3 provides a list of business activities requiring a license.

A license is granted without discrimination to any entity that satisfies the requirements for that specific license. Thus (with certain exceptions), foreign investors may obtain licenses under the same conditions and in accordance with the same procedure as Azerbaijani nationals. Normally, a licensee may not transfer a license to another legal entity or individual.

Licensing in Azerbaijan is strictly regulated by the legislation. The Ministry of Economy and Industry is entrusted to exercise overall control in the field of licensing and to maintain a single register of licenses. However, the right to issue a specific license is given to the state authorities that control a licensed activity.

A person willing to carry out licensed entrepreneurial

activity should either create a legal entity or register as an individual entrepreneur, i.e. become a “sole proprietor”, and then apply for a license. An applicant is required to submit all documents specified in the regulations and pay a fee. The list of documents required to obtain a license is exhaustive. No other documents may be demanded from a business to issue the license. Provided the application meets all requirements, a license is issued within 15 days. The basic term of most licenses is five years (three years for the production of alcoholic beverages and ethyl (beverage) alcohol, and one year for import) and indefinitely for banking activities and activities in insurance sector.

Licensing differs from the procedure for permits related to special “hazardous” activities such as the arms trade or the storage of nuclear materials. In Azerbaijani terms, this type of permit is called a “special permit”.

An information portal on permits and licenses ([www.icazeler.gov.az](http://www.icazeler.gov.az)) provides broad information on the type of permit required, the process for obtaining it, the granting authority, the state fee and other related information.

# SECTOR REVIEW





## INTRODUCTION

Azerbaijan is known throughout the world as the 'land of fire'. On a mountain outside of Baku, is the Yanar-Dag 'fire' mountain where the earth has caught fire, due to the oil and gas seeping through the rocks. It is this natural wealth that led to the World's Oil Industry starting in Baku. Over a hundred years later, the Oil and Gas sector remains the major sector of the economy, but the role of non-oil sectors is of increasing importance. Non-Oil industries now account for about 60% of GDP. The following sections, are intended to give a brief review of all sectors. They show the Azerbaijani economy is becoming more diversified.

## ENERGY

Energy is the largest sector of industry in Azerbaijan. It has made a strong contribution to the economic growth in the country. Energy is the major recipient of investments, in particular FDI, and modern technologies. At present, Azerbaijan provides 100% of its gross energy consumption through domestic production. The country does not depend on foreign resources in the energy sector. Azerbaijan exports oil, natural gas and electricity. Moreover, Azerbaijan is ranked 33rd globally in the Energy Architecture Performance Index 2015. This measures the extent to which a country's energy architecture adds to the economic growth, the environmental impact of energy supply and consumption, as well as the extent to which an energy supply is secure, accessible and diversified. The Energy sector in Azerbaijan consists of 3 main elements: extraction of oil and gas, conventional electricity generation and utilization of renewable energies.

### OIL AND GAS

Azerbaijan is among the largest producers of oil and gas worldwide. It is one of the world's oldest oil producers and the city of Baku and the Absheron Peninsula have long been known as historic sites for oil. The first oil well in the world was drilled in Absheron, Bibiheybat in 1847, eleven years earlier than the first oil well in America was drilled in Pennsylvania. The first ever oil pipeline, oil refinery, oil tanker, railway tank (cistern), operating offshore oil platform are integral part of Azerbaijan's oil history.

Following its independence from the Soviet Union in 1991, successful oil and gas strategy implemented by the Azerbaijan government with the signing of the "Contract of the Century" in 1994 followed by a deal on the Shah Deniz gas field in 1996 led to an extraordinary amount of international investment flowing into the oil and gas sector. In December 2013, a consortium of 10 companies signed a new deal, namely the Shah Deniz II final investment decision, which along with other components of Southern Energy Corridor (the South Cau-

casus Pipeline Expansion, the Trans-Anatolian Pipeline (TANAP), and the Trans-Adriatic Pipeline (TAP)) will bring another \$50 billion investment to Azerbaijan and other participants in the Corridor.

The energy sector has made strong contribution to the economic growth also through profit payments to the State Oil Fund (SOFAZ) which was established as an extra-budgetary fund to ensure macroeconomic stability, transparency in the management of oil revenue, and utilizing natural resources in a sustainable manner for the benefit of future generations. SOFAZ received the highest rating for transparency by the Sovereign Wealth Fund Institute in 2009.

### Factsheet 2014

#### OIL

#### GAS

<b>PROVEN RESERVES</b>	7 Billion Barrels.	35 trillion cubic feet (Tcf).
<b>PRODUCTION</b>	881,300 bbl/d	346 mcf per day of natural gas and about 53,740 bbl/d of condensate
<b>EXPORT</b>	738,000 bbl/d of crude oil	240 Bcf, mainly shipping it via the South Caucasus Pipeline
<b>MAIN EXPORT MARKETS</b>	Refined Oil to Russia and Georgia Crude Oil to Europe.	Turkey, and Europe.
<b>MAIN EXPORT PIPELINES</b>	Baku-Tbilisi-Ceyhan (to Mediterranean), Baku – Novorossiysk (to Black sea)	<ul style="list-style-type: none"> <li>• South Caucasus Pipeline (SCP).</li> <li>• Gazi-Magomed-Mozdok Pipeline.</li> <li>• Baku-Astara Pipeline.</li> <li>• TANAP and TAP</li> </ul>

Source: State Statistical Committee

## ELECTRICITY SECTOR

Azerbaijan has made a great effort to ensure its energy security. Large scale investment programme for electricity sector resulted in construction and upgrade of 30 thsd km of power transmission lines and over 1500 substations, and construction of 17 new power plants in the past 10 years. At present, Azerbaijan has an installed capacity of above 7000 MW, consisting of thermo-power plants, hydroelectric plants and so-called modular plants, all of which are owned by the state. The state-owned

company Azerenergy owns all of the high voltage transmission lines and also controls the dispatching of the high voltage grid. The transmission grid voltages are 500 kV, 330 kV, 220 kV and 110 kV. Azerbaijan has interconnections with Georgia, Russia, Iran and Turkey that enables export and import of electricity to and from these countries. Azerenergy OJSC produces and transports electricity throughout the whole country, while Azerishig OJSC is responsible for its distribution and sales.

### *Factsheet 2014*

<b>GENERATION CAPACITY</b>	exceeds 7 Gw	<b>GENERATION FROM RENEWABLE SOURCES</b>	1.5 billion kwh
<b>PRODUCTION</b>	23.3 billion kwh	<b>EXPORT</b>	489.2 million kwh
<b>CONSUMPTION</b>	15 billion kwh	<b>IMPORT</b>	124 million kwh

## ALTERNATIVE ENERGIES

Although Azerbaijan is rich in oil and gas, the government has recently started paying vgreater attention to developing of renewable energy. This is reflected by the adoption of the State Programme on the use of alternative and renewable energy sources for 2004-13, Azerbaijan's accession to International Renewable Energy Agency (IRENA) in June 2009 and the creation of the State Agency on Alternative and Renewable Energy Sources in 2013.

Alternative and renewable energy sources account for almost 10% of the electricity generation and 2.3% of all energy consumption. Hydropower is the most developed renewable energy source accounting for 9.8% of the

country's entire electricity production in 2014 and compared to 0.2% for all other renewables. Azerbaijan's rivers have the ability to generate 40 billion kwh of power, of which 16 billion kwh is economically viable. According to the initial research, annual wind power reserves exceed 800 MW. This translates into approx. 2.4 bln kwh of electric energy. Solar power and heat generation is well suited to Azerbaijan, because of its 2,400-3,200 hours of sunshine per year. Moreover, biomass has the capacity for significant energy production, with 2 million tons of domestic and production waste sent to 4 treatment sites every year. The government has included the waste-to-energy

process among its renewable energy development plans, with public investments directed towards the construction of solid and municipal waste incineration plants. Finally, geothermal energy can partially meet domestic needs, especially in the Guba region where water temperatures can reach 90 degrees. Thermal extraction techniques have already been used as part of an experimental heating policy in the western town of Ganja.

## CHEMICAL INDUSTRY

Azerbaijan has a long heritage in the Chemicals Sector. Before 1990, it produced over 70% of key chemicals for the Soviet Union. Production declined after Independence, but since 2009, the value of chemicals produced in Azerbaijan has grown to reach 187 Million Manats in 2013. Chemical production is located in Baku, Sumgait, and west of Absheron in Ganja, Salyan and Neftchala, due to the availability of the main source materials. These include oil and gas, salt, iodine-bromide mine water, and waste of ferrous metals. The Government wants to move Chemical production towards high-technology techniques, and it is regulating production to the highest standards of environmental protection.

Today Azerbaijan is getting experience and wide advantages in the chemical industry abroad. The Petkim is one of the biggest chemical companies in Turkey and is owned and successfully operated by the State Oil Company of Azerbaijan Republic (SOCAR). SOCAR has also initiated the biggest in the region STAR Chemical Complex Project with cost of more than 5 billion USD. This shows Azerbaijan is at the cutting edge of international developments in the sector.

### SUMGAI CHEMICAL INDUSTRIAL PARK (SCIP)

Established in 2011 and located in 400 ha area the mission of the park is to attract investment for production of agricultural, medical, consumer, construction industry,

electronics and automotive chemicals, polymers and industrial equipment. In particular, this location has rail access to the Alat Sea Port, giving market access to Central Asia. The European market is accessible through the Baku-Tbilisi-Kars railway.

The Park lowers the costs of investing through simpler customs procedures, and the integrated infrastructure facilitates business operations within the park. Not least, the Business Support Department of the SCIP gives an investor confidence they will have access to local knowledge when investing. An important consideration to reduce the risks of establishing in a foreign country.

Companies operating in the park benefit for 7 years from no income tax, no profits tax, no import VAT for equipment to be used in production facilities.

### Factsheet 2014

Volume of chemical products (2013) million AZN	187
Number of acting enterprises - total, unit	70
Manufacture of the Propylene, thsd. ton	40,8
Ethylene, thsd. ton	78,5

## AGRICULTURE

Agriculture is one of the most important sectors of Azerbaijan's economy. The fertile lands and climatic diversity, including the existence of nine climatic



zones, create favourable conditions for a strong and fast growing agricultural sector. It has grown on average 5-6% a year in the last decade.

Agriculture accounts for 5.3% of the gross domestic product worth of AZN 5.2 bln. Azerbaijan has 4.8 mln ha of agricultural land (about 50% of its total territory), 39.6% of which is arable. Crop production accounts for 50.1% of agricultural output with livestock farming making up the remaining 49.9%.

99.7% of agricultural produce is generated in the private sector. Producers benefit from numerous incentive programmes including tax holidays, VAT and customs duty exemptions at the import of a number of products and equipment intended for agricultural production, numerous subsidies and discounts for the purchase of fuel and motor oils (50% discount), mineral fertilizers (from 50% to 75% discount), wheat seeds (50% subsidy), pedigree cattle (50% discount) and insurance of crop and vegetable products (50% discount).

### **Factsheet 2014**

<b>GROSS OUTPUT OF AGRICULTURAL PRODUCTS (BILLION USD)</b>	6,7
<b>TOTAL ARABLE LAND (MILLION HA)</b>	1,9
<b>TOTAL LENGTH OF IRRIGATION CHANNELS</b>	51,755 km from which 2,184 km are primary canals. 8,014 km are secondary channels between farms and 41,577 km tertiary channels inside farms

### **THE STRUCTURE OF AGRICULTURAL LANDS**

1,714,959 ha are cultivated lands, 161,081 ha are perennial crops, 109,709 Ha are hayfields, 259,037 ha are yards, 2,538,318 ha are pastures, 1,039,893 ha are forest and 2,820,509 ha are other lands .

## **FOOD PROCESSING**

The food processing industry is a fast growing and very important industry due to generating demand for agricultural sector and import substitution. The industry forms 1.3% of GDP, but is a significant, 41%, of manufacturing production, and 22.8% of manufacturing labour force. In Azerbaijan, the food processing industry consists of four main segments, meat processing, production of dairy products, production of beverages, processing and canning of fruits and vegetables. In 2014 total production of foodstuffs including beverages was over 3.7 million tonnes.

According to the Food and Agriculture Organisation, Azerbaijan has a comparative advantage in production of fruit (oranges, apples and pomegranates) and vegetables (tomatoes and cabbages), as well as oilseeds (sunflower) and nuts.

Several small businesses are engaged in processing of dairy products and a few medium and large companies undertake packaging and mass sales. There are twelve large meat processing plants in Azerbaijan, mostly in private hands. Forty-three plants are active in the

canning industry, and most of them are private companies.

Food products are high on the government's agenda to encourage domestic production to meet increasing demand in neighbouring, regional markets. To improve access to these markets, technical production and processing standards are improving. Azerbaijan is a member of the International Organisation of Standardization (ISO). Azerbaijan has continued preparation for accession to the WTO and the Codex Alimentarius, which includes an approximation to EU rules. It has developed food standards on milk and canned meat and is under-going advanced work on amendments of the food safety and hygiene laws.

### ***Factsheet 2014***

<b>PRODUCT</b>	<b>PRODUCTION VOLUME</b> (thousand ton)	<b>EXPORT VOLUME</b> (thousand USD)
Milk products	1855	2215
Tea	0.47	31263 (including re-export)
Canned Fruits & Vegetable	2089	5606
Grapes	147	462
Cattle and Poultry	291	186

## **TEXTILES**

Azerbaijan has a long tradition of textile production, spinning and weaving. Azerbaijan has the necessary climatic and soil conditions for reliable cotton production and high yields. Today, the textile industry is focused on the production of cotton and silk. The main production items are ginned cotton, silk fabric, and linen, which are used for the production of shirts and under-garments. Cotton growing areas have generally been the Mil-Mugan and Shirvan plains, the Salyan-Mugan plains, Mil- Karabakh, and Ganja-Qazakh region.

Textile manufacturing has grown from a value of 26.4 Million Manat in 2009 to 40 Million Manat in 2014. However, production is currently at under-capacity, as Azerbaijan has the potential to produce 9,000 tons of silk cocoons annually and the potential production of cotton is 800,000 tons on approximately 280,000 hectares. Indeed, cotton remains the country's largest cash crop. Sheki considered one of the oldest region for production silk. Garmets from the silk exported from this region to more than 70 countries in the world.

Although pesticides and insecticides are not used by the Azerbaijani farmer, none of Azerbaijan's cotton is currently certified as organic. The Government has recognised the technical standards of production need to be developed to meet international standards and improve access to markets, the Scientific Research Institute of Cotton-Growing is located in Ganja. It seeks out methods for cotton cultivation that produce high quality raw cotton and fibre. Soil-protection, energy and resources savings, and ecologically efficient technology are other areas of study.

## Factsheet

KEY TEXTILE INDICATORS	2012	2013	2014
Volume of products (million USD)	36.8	40,0	42,0
Shirts for mens and boys, thsd. unit	53.0	49,1	51,1
Crocheted legwear garment, thsd.pair	5646	4499	4789

## INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT)

The ICT sector is the fastest growing non-oil sector in terms of increasing revenues. In 2014 ICT income accounted for above US\$2 Billion, doubling since 2009. The income obtained in the sector is projected to hit US\$ 9 billion by 2020. Since 2010, growth in income has been about 8%.

The number of consumers is growing rapidly. By 2014, ICT services increased 5.6 times compared to 2003. The volume of e-trade grew by 50 % in 2014, and access to the Internet by 35%. Internet users constitute more than 70 % of the population of Azerbaijan making it the CIS leader in internet coverage. Operator Azercell leads the mobile communications market, with a market share of 43%. The second and third ranked operators, are Bakcell (33%) and Azerfon (24%). Azerbaijan currently has 25 television stations and 15 radio stations.

The ICT sector is pioneering the application of innovative technologies into Azerbaijan. The 'ASAN' services, is a 'one-stop-shop' for the delivery of public services, which has been commended by the Asian Development Bank for reducing corruption. In early 2013, Azerbaijan put its first telecommunications satellite into orbit. The Azerspace-1 satellite will provide communications coverage for Azerbaijan, Central Asia, Europe and Africa for 15 years. The Government has subsequently announced that Azerspace-2, the country's second telecommunications satellite, which also actively offers different services including high resolution space imaging. The Government wants to encourage entrepreneurs in ICT. As a result, the ICT Development Fund was established with financing in the form of soft loans and grants. The Fund started financing projects in 2014. More than 50 startup projects received grants and credits in 2014.

## HIGH-TECHNOLOGY PARKS

High-Technology Parks in Azerbaijan create a Business Friendly environment for the commercial development of innovative and new technologies. The locations in Baku and Mingchevir, are developing the necessary infrastructure and logistics to enable high quality engineers to conduct research in ICT, space, energy efficiency, and the development of new technologies into commercially viable businesses.

Companies operating in the park benefit for 7 years from no income tax, no profits tax, no import VAT for equipment to be used in production facilities or research and development, no property tax, and no land tax in respect of land in the technology park.

Although new, the High Technology Parks have generated interest from foreign companies. For example, the US company Hewlett Packard (HP) has an M.O.U. with the High Technology Park.

## Factsheet

INCOME OBTAINED IN THE ICT SECTOR	MILLION USD
2011	1664,4
2012	1914,9
2013	2086,7

## CONSTRUCTION

Business and residential construction has grown rapidly in Azerbaijan. In 2014, the sector grew by 2.3% on the previous year. The GDP output of the sector, was worth 7.3 billion AZN in 2014, constituting 12.5% of the GDP.

The majority of construction projects (60%), are centralized in the Absheron Peninsula, due to the availability of raw materials and high demand. In 2014, the production of construction materials reached 345 million Manat, exceeding the previous year by 21%. The construction business has become a very competitive sector with strong local companies providing services for diverse projects, including the development of residential areas, business offices and hotels.

The growth of the sector has attracted a number of global players in the industry, such as Atkins, Foster and Partners, MACE, Alstom etc.

The implementation of EU technical standards is a key development in the industry. In 2012, the EU 'Energy Saving Initiative in the Building sector' was launched in Azerbaijan as part of the EU-funded Innogate project.

The UK's BREEAM system, a design and assessment method for sustainable building is being increasingly applied. Accordingly, there is significant demand for resource-efficient technologies for insulation, heating, cooling, water supply, architectural and engineering services, designs and methods following green building standards to local firms, development of smart complexes (including housing, offices and shopping centres), and interior design consultancy.

## Factsheet 2014

INCOME OBTAINED	
Share in GDP, in percent.	12.5
Value in GDP, billion manat.	7,4
Value of construction materials (2013), million manat.	345
Capital investments (2013), million manat.	979.9

## MACHINERY AND EQUIPMENT

This is a fast growing sector, with the total output reaching 246.5 million AZN in 2013. Machinery for Oil and Gas constitutes 25% of the total machinery production, whilst the remaining 75% of production consists of consumer, agricultural and automotive equipment.

The Oil and Gas Machinery sector is well developed with more than 150 years experience. Today, this sector has growing export potential, to serve demand in neighbouring, regional markets.

## Factsheet

	2010	2011	2012	2013
Volume of machinery products, million manat	151.2	156.7	151.5	257
The number of acting industrial enterprises	2 650	2 508	2 514	2 527
Investment to the machinery industry, million manat	0.5	0.7	34.3	24.3
The number of employees in industry, thsd persons	2.9	3.0	2,8	2,6
Average monthly wages of employees in industry, AZN	451.8	518.6	590.1	630,8

Azerbaijan has a number of centres of machinery production. Baku is a centre of radio-electronics production. The Baku Shipbuilding Plant produces small back-up vessels, and the Automobile Plant in Ganja, produces tractors and special trucks. The Nakhchivan Automobile Plant was put into operation in 2010, and manufactures the Chinese “Lifan” brand of automobiles.

## TRANSPORT & LOGISTICS

Azerbaijan has been for millennia at the centre of trade between Asia and Europe. Starting from the first millennia, the Silk Road passed through Azerbaijan. Today, as trade flows increase between Europe and Asia, Azerbaijan is emerging as a transport and logistics hub on the crossroad of Eurasia. In recent years, the sector has witnessed significant growth. Since 1995, shipping has enjoyed an average annual growth rate of almost 20%. Aviation has received a cumulative investment exceeding US\$200 million. The transportation of goods by Rail has increased from over 20,000 tons in 2009 to over 23,000 tons in 2013. Azerbaijan is the home of the “Transport Corridor Europe-Caucasus-Asia” TRACECA, the international transport programme to create a transport corridor from Europe to Asia through the Caucasus. It involves the European Union and 14 member States of the

Eastern European, Caucasian and Central Asian region. It has a permanent Secretariat, in Baku, Azerbaijan. This demonstrates the strategic location of Azerbaijan, ideally located to access Asian and European markets.

Significant investment has been made to upgrade the transport infrastructure to EU standards, and to meet this increasing intercontinental traffic. This includes the implementation of the Baku-Tbilisi-Kars new railway connection line, to connect the Trans-European and Trans-Asian railway networks. This will create a fast, safe and short railway connection to transport goods from Asia to Europe and vice versa.

The new Baku International Sea Trade Port in Alat settlement, 65 km. south from Baku, will provide general cargo and passenger terminals, cargo handling and ‘Roll on-Roll off’ facilities, and rail ferry terminal connecting the ports of Aktau and Turkmenbashi.

Azerbaijan is also a growing, regional hub for passenger traffic. The new Heydar Aliyev terminal at Baku International Airport has state of the art services, and has significant capacity for transit passengers. The redevelopment of Baku Train station, and the upgrade of the Baku Buses, is a tangible sign of the dynamic changes in the sector.

<b><i>Factsheet</i></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total transported goods (thsd tons)	203 480	210 600	218 013
<b>of which:</b>			
Railway (thsd tons)	22 102	22900	23 225
Pipelines (thsd tons)	59 052	62 600	57 941
Road (thsd tons)	109 780	118 100	125 222

## TOURISM & HOSPITALITY

Since 2009 Tourist numbers have grown from 597,0 thsd. to 2159,7 thsd. in 2014. International events held in Baku, from the Eurovision Song Contest in 2012 to the 1st European Olympic Games 2015, have raised the international profile of Azerbaijan as a tourist destination.

The tourism infrastructure is developing quickly. A number of top class international hotel chains such as Four Seasons, Marriot, Kempinski, Hilton, Fairmont and Jumeirah operate in Azerbaijan. In 2012, Shahdag Winter-Summer Tourism Complex in Gusar was put into operation. The complex includes two hotels- "Shahdagh" and "Peak Palace", trade centers, restaurant, café, game hall, equestrian sport, skiing and other services. The year 2013 was marked by the opening of several luxury

hotels in the regions, such as Excelsior in Shamkir, Rixos in Quba and Qafqaz Karvansaray in Qabala.

The tourism market is becoming more attractive for companies. Income from tourist enterprises has increased from 17.8 Million Manat in 2009 to 29.6 Million Manat in 2014. The income from tourism services has grown from 14.0 Million Manat in 2009 to 29.1 Million Manat in 2014. Accordingly, the number of tourism companies has grown from 124 in 2009 to 197 in 2013.

<b><i>Factsheet</i></b>	Number of hotels	Value of tourism services mln. USD
<b>2010</b>	499	766,6
<b>2011</b>	508	1 203,9
<b>2012</b>	514	1 479,0
<b>2013</b>	530	1 600,2
<b>2014</b>	535	1 633,4

## FINANCIAL SECTOR

The financial sector is developing rapidly to meet the needs of a diversifying economy. The Banking sector is the largest segment with 45 banks, 23 of which with foreign capital. It is stable, with its assets contributing to 29% of GDP, and its loans accounting for 67% of total assets. In January 2014 the total assets of bank were 17,64 Billion AZN. The Banking Sector has played a key role in meeting the increasing needs of the Azerbaijani consumer. The deposit base of banks increased by 16,6% reaching 12475,8 million AZN and customers have increased from 1.9 Million in 2010 to 4.3 Million in 2014.

The sector has also provided project finance to the industrial development of Azerbaijan. In addition, to

## *Factsheet 2014*

Banks	45
Non-Bank Credit Organisations	157
Foreign Banks	6
Total assests of bank	17,64 bln AZN

industrial development of Azerbaijan. In addition, to reduce the financing risks in the early stages of projects, the Azerbaijan Investment Company (AIC), provides termed equity injection along with local and foreign co-investors. As the Economy has grown, the demand for alternative forms of finance has grown steadily.

Microfinance has developed quickly in Azerbaijan, with borrowers rising from 100,000 in 2006 to more than 400,000 in 2014. The alternative finance sector remains a segment with room for substantial growth, as these non-bank financial institutions are just over 1% of GDP. Financial assistance to Entrepreneurs, and Small and Medium Sized Enterprises is supported by the State Agency for Agro Credit and the Entrepreneurship Fund.

Trade Finance and leasing are relatively new, but demand for these services is increasing as Azerbaijan diversifies its economy.

Financial Consultancy is also growing to meet the demand for business plans and financial statements.

The industry is regulated by the Central Bank of the Azerbaijan Republic.

## **INSURANCE**

The Insurance industry is relatively new, but the increasing income of population plays a significant role in the development of a viable insurance market. There are 48 types of insurance services in Azerbaijani market. 16 of them are compulsory insurance and 32 are voluntary insurance products. The volume of insurance premiums (429.2 million AZN in December 2014) has increased 7 times in the past 10 years and 26.5 million AZN (7.8%) since 2012. The volume of insurance claims (157.1 million AZN in 2014) has increased 7 times in the past 10 years and 16.6 million AZN (17.7%). A major driver of growth in the insurance market is the newly enforced law on compulsory insurance. Another reason is the increasing volume of car and mortgage credits, because insurance for these loans is obligatory.

At present, there are 28 insurance companies in the Azerbaijani market. Three of them are the companies with foreign capital. These are Chartis Azerbaijan (100% owned by AIG USA), AXA Mbask – (51% owned by AXA France), and Bashaq Inam – (16-17% owned by GROUPAMA France). The low level of capitalization of local insurance companies is one of the major disadvantages affecting the development of the insurance market. Many insurance companies depend on local banks in terms of capital growth.

## *Factsheet 2014*

Volume of Insurance Premimus	429.2 Million AZN
Volume of Insurance claims	157.1 Million AZN



# OVERVIEW OF THE REGIONS



## ABSHERON

## ARAN

<b>ADMINISTRATIVE UNITS</b>	Sumgait city, Absheron and Khizi districts	Agdash, Aghjabadi, Barda, Beylagan, Bilasuvar, Geoychay, Hajigabul, Imishli, Kurdamir, Neftchala, Saatli, Sabirabad, Salyan, Ujar, Zardab districts, Mingachevir, Yevlakh and Shirvan towns/districts, Mingachevir, Yevlakh and Shirvan towns
<b>AREA</b>	3.7 thousands sq.km	21.27 thousand sq.km
<b>POPULATION</b>	555.3 thousand	1933.2 thousand
<b>KEY ECONOMIC SECTORS</b>	Chemical and petro-chemical industry, ferrous and non-ferrous metallurgy, energy, construction materials, tourism, light and food industry	Manufacturing and agriculture, oil and gas
<b>MAJOR PRODUCTS</b>	Olives, cattle breeding, poultry farming, construction raw materials, balneological resources	Fishery, cattle breeding, poultry farming, cotton, grain, wine-making, subtropical fruits
<b>GENERAL OUTPUT</b>	1773.8 mln USD	6229.6 mln USD
<b>INDUSTRY</b>	731.3 mln USD	1233.5 mln USD
<b>AGRICULTURE</b>	126.1 mln USD	12140.4 mln USD
<b>INVESTMENTS INTO FIXED CAPITAL</b>	631 mln USD	1505 mln USD



## GANJA-GAZAKH

## GUBA-KHACHMAZ

<b>ADMINISTRATIVE UNITS</b>	Ganja, Agstafa, Dashkasan Gadabay, Goranboy, Naftalan, Goygol, Gazakh, Samukh, Shamkir and Tovuz districts	Shabran, Khachmaz, Guba, Gusar and Siyazan districts
<b>AREA</b>	12.49 thousand sq.km	7 thousands sq.km
<b>POPULATION</b>	1253.0 thousand	525.5 thousand
<b>KEY ECONOMIC SECTORS</b>	Manufacturing, agriculture, tourism and handicraft	Manufacturing, agriculture, tourism and handicraft
<b>MAJOR PRODUCTS</b>	Potatoes, viticulture, grain, fruits, apiculture, animal husbandry	Vegetables, fruits, grain, fishery, viticulture
<b>GENERAL OUTPUT</b>	3365.5 mln USD	1581.8 mln USD
<b>INDUSTRY</b>	425.4 mln USD	99.24 mln USD
<b>AGRICULTURE</b>	1085.8 mln USD	729.0 mln USD
<b>INVESTMENTS INTO FIXED CAPITAL</b>	1028 mln USD	468.5 mln USD



## DAGLIG SHIRVAN

## SHEKI-ZAGATALA

<b>ADMINISTRATIVE UNITS</b>	Agsu, Ismailli, Gobustan and Shamakhi districts	Shaki, Zagatala, Gabala, Oguz, Gakh and Balaken districts
<b>AREA</b>	6.0 thousand sq.km	8.83 thousand sq.km
<b>POPULATION</b>	303.7 thousand	599.7 thousand
<b>KEY ECONOMIC SECTORS</b>	Agriculture, tourism, food and light industry	Agriculture, tourism, food and light industry
<b>MAJOR PRODUCTS</b>	Viticulture, vegetables, wine-making, fruits, animal husbandry and apiculture	Tobacco, silkworm, fruits, grain, viticulture, meat and dairy production
<b>GENERAL OUTPUT</b>	692 mln USD	1295.8 mln USD
<b>INDUSTRY</b>	21.63 mln USD	108.8 mln USD
<b>AGRICULTURE</b>	272.6 mln USD	525.8 mln USD
<b>INVESTMENTS INTO FIXED CAPITAL</b>	197 mln USD	356.7 mln USD

## LANKARAN

## NAKHCHIVAN

<b>ADMINISTRATIVE UNITS</b>	Astara, Jalilabad, Lerik, Masalli, Yardimli and Lankaran districts	Nakhchivan city, Julfa, Sharur, Ordubad, Babek, Shahbuz, Sadarak and Kangarli districts
<b>AREA</b>	6.07 thousand sq.km	5.5 thousand sq.km
<b>POPULATION</b>	896 thousand	440.1 thousand
<b>KEY ECONOMIC SECTORS</b>	Agriculture, tourism, manufacturing	Manufacturing, construction, agriculture and food production
<b>MAJOR PRODUCTS</b>	Fruits and vegetables, tea-growing, citruses, viticulture, animal husbandry	Grain, vegetables, animal husbandry, fishery
<b>GENERAL OUTPUT</b>	1877.6 mln USD	3877.3 mln USD
<b>INDUSTRY</b>	94.2 mln USD	2000 mln USD
<b>AGRICULTURE</b>	709.5 mln USD	1616.7 mln USD
<b>INVESTMENTS INTO FIXED CAPITAL</b>	349 mln USD	2009 mln USD

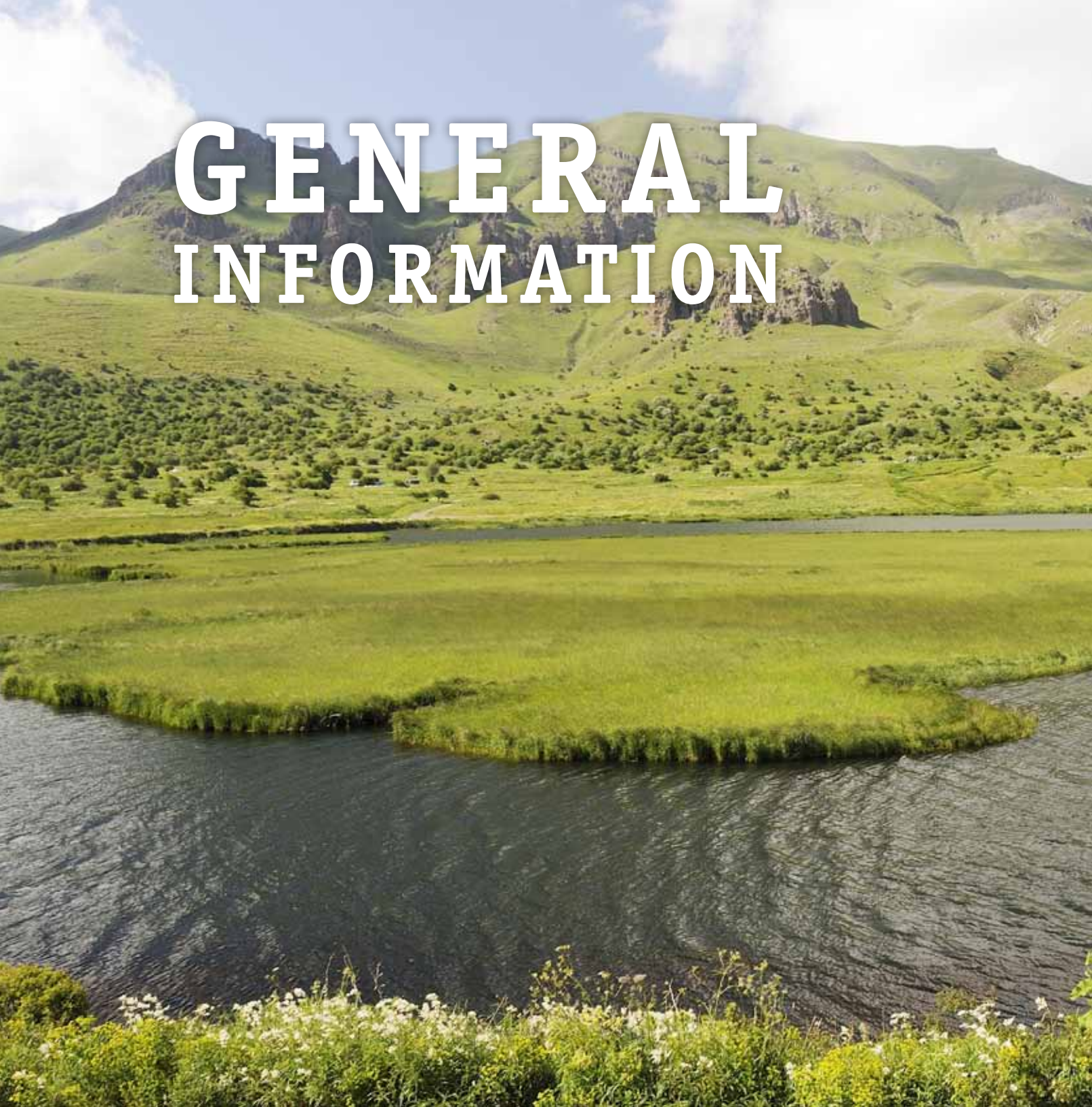
**YUXARI GARABAGH\*****KALBAJAR-LACHIN\*\***

<b>ADMINISTRATIVE UNITS</b>	Agdam, Tartar, Khojavand, Khojali, Shusha, Jabrayil, Fuzuli districts and Khankandi city	Kalbajar, Lachin, Zengilan and Gubadli districts
<b>AREA</b>	7.33 thousands sq.km.	6.42 thousand sq.km
<b>POPULATION</b>	653.5 thousand.	244 thousand
<b>KEY ECONOMIC SECTORS</b>	Agriculture, food production including drinks, textile	Agriculture, industry and tourism
<b>MAJOR PRODUCTS</b>	Grain, fruits, meat and dairy products, viticulture	Ores, grain, meat and dairy products
<b>GENERAL OUTPUT</b>	555.7 mln USD	-----
<b>INDUSTRY</b>	27.69 mln USD	-----
<b>AGRICULTURE</b>	224.2 mln USD	-----
<b>INVESTMENTS INTO FIXED CAPITAL</b>	128.6 mln USD	-----

\*- Territories of Khojavand, Khojali, Shusha, Jabrail regions and Khankandi city of this economic region are under complete and areas of Aghdam and Fuzuli regions are under partly Armenian occupation.

\*\* - All administrative regions within the economic region are under Armenian occupation.

# GENERAL INFORMATION



# BUSINESS ETIQUETTE

## APPOINTMENT AND MEETINGS

Arrange appointments in advance. Try to do so via telephone and confirm it with a letter or an e-mail. It is a very good idea to call on the day or the day before to check that it is still convenient. Local business people only take very seriously those appointments that are reconfirmed. The dynamics of business life means that people at senior level tend to change their schedule at short notice.

Although Azerbaijanis do not practice time keeping and punctuality perfectly, they will expect you to do so. If you do arrive on time it is not uncommon for you to be left waiting while a previous meeting is wrapped up or a telephone conversation is taking place. You may have to wait but you will almost certainly have the meeting. So try to leave plenty of time between meetings to allow for slippage.

A shock to many visitors is how long it takes to move around the city. Baku is quite compact and the centre in particular is well suited to walking although the sidewalks, steps and pedestrian areas are not very well paved and one needs to look where you are walking. But in a car, travelling in and around Baku is an increasingly time consuming and frustrating activity. The number of SUVs, cars and buses on the city's streets is rising at an alarming rate. The city's streets are narrow, not well surfaced generally, and there is no provision made for off-street parking. Finding a place to park can be a real challenge. In addition, Baku is in the process of being rebuilt and construction activity is at every turn. Business visitors are advised to leave plenty of time to travel from one place to another. Baku drivers are also slightly

erratic if compared with most western driving standards. Business hours are 9:00 a.m. to 1:00 p.m. and 2:00 p.m. to 6:00 p.m. Monday to Friday. Government departments and agencies usually work Saturdays too, at least until lunch time. Shops and restaurants are generally open seven days a week.

The business community tends to work quite long and rather variable hours. Lunch can be taken as early as 12:00 pm (mainly by the oil sector) and as late as 3:00 p.m. Many managers work later than 6:00 p.m. Most Azerbaijanis eat early in the evening rather than late.

## FACTORS AND EVENTS AFFECTING THE WORKING ROUTINE

Azerbaijan is a secular state but approximately 80% of Azerbaijanis follow Islam. Muslim prayer times impinge relatively little on the typical working day. However, during the Holy month of Ramadan (which changes every year) many Azerbaijanis fast from dawn to sunset and then break their fast immediately after sunset by having a meal [Iftar]. Managers need to be aware of this as it can affect the normal working routine and heighten staff eagerness to leave the office in time to have their first food (and drink) since before dawn. Fasting is growing in popularity each year, especially amongst young adults.

A time to avoid travelling to Azerbaijan on business, or at least to check first, is during July and August since many Azerbaijani businesspeople take extended vacations to spend time with family in their holiday homes or, increasingly, abroad.

Azerbaijan has many secular and Islamic holidays and one day of mourning. The 2015 calendar is:

January 1-2 – New Year
January 20 – Martyr’s day (Day of Mourning)
March 8 – Women’s day
March 20-24 Novruz Bayram
May 9 - Victory day
May 28 – Republic day
June 15 - Salvation day
June 26 – Army day
July 17-18 – Ramadan Bayram (to be confirmed by Cabinet of Ministers)
September 24-25 – Gurban Bayram (Eid al-Adha) (to be confirmed by Cabinet of Ministers)
October 18 – Independence Day
November 9 – State Flag Day
November 12 – Constitution Day
November 17 – The Day of Revival
December 31 – The Solidarity Day

Major holidays are December 31 to January 2 (incl.) to celebrate Solidarity of all Azerbaijanis and the international New Year, and Novruz Bayram over March 20-24 (traditional New Year).

In addition to these Azerbaijan has one day of mourning on January 20 in remembrance of hundreds of Azerbaijanis massacred by Soviet troops in 1990. All businesses, shops and even TV and radio will be closed

down or with sombre programming for at least the first half of the day. (Warning: try not to offend anyone by referring to this day as a holiday).

The Islamic holiday of Gurban Bayram falls on different dates each year due to the lunar cycle. This Islamic festival is a 'sacrifice festival.' Marking the end of the pilgrimage in Mecca, Saudi Arabia, it is based upon the Quranic story of Abraham's willingness to sacrifice his son for God. A day or so the festival you may see a sheep or a cow bought by families and tied up outside apartment blocks or living on balconies until the day arrives. The animal is then slaughtered and the meat distributed among the family, neighbours and the poor. The festival is more widely celebrated in the regions than in Baku, and in the outskirts of the city rather than the city centre.

Ramadan ends with the festival known as Ramadan Bayram. Families would visit each other and children would receive presents, sweets or money.

## **BUSINESS COMMUNICATION**

Azerbaijan’s official language is Azerbaijani and all state documentation is in the Azerbaijani language. Russian is widely known and spoken but most official meetings will be conducted in Azerbaijani. Many Azerbaijani businesspeople have a good command of English and the vast majority of young people speak English to some level, especially those who work in foreign companies. In general, the knowledge of the English language is proficient. Other international languages spoken include French, Italian and German, but more usually by those in businesses that are specifically oriented to a particular country. If you are unsure as to your counterpart's linguistic capability, it is may be worth investing in an interpreter so as not to appear to take it for granted that the person you are visiting will be able to communicate in your language or provide an interpreter. Remember



to slow your speech down and to speak clearly. Always confirm meanings, conclusions and agreements.

Rather than 'get straight down to business', engage in some small talk and always wait for the other to initiate the change in topic.

At most meetings the person you are visiting will offer you tea or sometimes coffee. Often tea (Chai) will be served automatically by an assistant and delivered to the meeting table. It will usually be served in tulip shaped glasses with lemon slices and wrapped sweets or chocolates are often provided. Many Azerbaijanis serve tea but sometimes chose not to drink theirs but are pleased if you drink yours. It is done as a courteous act of hospitality. Sugar may not be offered as many Azerbaijanis prefer to sip their Chai and eat something sweet to accompany the drink. If sugar cubes are offered you may find your host places one in his mouth and drinks his Chai through the sugar cube. He will not expect you to do the same unless you wish to.

## **BUSINESS DRESS CODE**

Business dress is always conservative but varies slightly with the seasons. Men generally wear suits or jackets and ties. Similarly, women should wear smart professional outfits. In the hotter weather (and temperatures can regularly reach over 30 degrees in summer months), men usually switch to short-sleeved shirts with or without ties. Light coloured summer suits are also acceptable. The oil sector, especially foreign companies, adopts rather more informal standards. Shorts are not advisable either at work or socially.

Outside Baku, and especially in the regions, while men's dress code remains the same, women should wear more conservative clothing. Women are advised to refrain from high fashion and many women might find that they feel more comfortable in longer skirts or trousers. No shorts.

At the beach, normal beach wear is worn by Azerbaijanis and foreigners alike. Topless bathing is not allowed.

When visiting a mosque, bear in mind that it is a place of worship. Never enter a mosque with shoes. There is always a rack where shoes can be kept. Make sure your feet are clean and will not bring in dust or mud. Men should not wear shorts and must wear a shirt or t-shirt. Women should be covered fully, especially their hair. If you do not have a shawl or head-dress, ask an attendant, as some are usually put aside for foreign visitors.

If you are invited to someone's home, you may find that you are offered the opportunity to take your shoes off and wear slippers. Most Azerbaijani families always remove their outdoor shoes when entering the home.

## **WELCOME TOPICS OF CONVERSATION**

At initial meetings, it is a good idea to get to know your Azerbaijani counterpart on a personal level.

Ask about his/her family without prying. Questions about children will be welcomed. Find out about their work, role and company.

The Azerbaijanis are proud of their country and will enjoy answering questions on their culture, climatic zones (of which they have nine), picturesque countryside and their ancient history although be sure to avoid more modern political history. Azerbaijanis follow international current affairs and will usually be opinionated.

## **TOPICS TO AVOID**

Avoid giving opinions over sensitive issues involving Armenia, especially the war over Nagorny Karabakh and the protracted efforts by the OSCE Minsk Group to find a solution to the conflict (which remains in a state of cease fire). Azerbaijan has had a turbulent political history

which may be best left in the past. Try and avoid this subject as a whole.

Unless you know the subject well and have a good understanding of local sensitivities, you are advised to avoid discussing religion. Islamic values of Azerbaijanis vary from person to person and one needs to know your counterparts views before discussing this topic. In general, it is wise to be careful as to how you approach any topic about Islam.

### **FIRST NAME OR TITLE?**

When addressing an Azerbaijani, especially middle aged or older men, the most common method is to call a man by his first name followed by 'muallim' [pronounced mallim]. So, Emil Hasanov would be Emil Muallim. Similarly a woman's first name would be followed by 'Khanum' [pronounced ha-num]. Muallim and Khanum are Azerbaijani for 'Teacher/Mr.' and 'Madame/Miss/Mrs' respectively.

In official letters men should be addressed as Janab and women as Khanum. For example, Hormetli Canab Emil Hasanov, or Hormetli Khanum Aygun Hasanova. Hormetli means 'respected'.

### **GIFT GIVING**

Gift giving has no real place in business relationships or etiquette. Relationship building and the like will usually take the form of dining or sight seeing trips rather than lavish gifts.

However, if a gift is given it will be accepted graciously. It is always a good idea to bring gifts from your own country. Small craft items are always well received.

Be aware that Azerbaijan is a Muslim country. Before giving alcohol to anyone, be 100% sure that they drink. The only time you would need to give any great thought



to gifts would be if you were invited to an Azerbaijani's home for dinner. Decorative items for the home such as ornaments, vases or small pictures are always acceptable. Flowers are not usually taken to a host, but can be if felt appropriate. It is best to ask a florist for advice on what is best to take. If the host has children, take some expensive sweets or biscuits. Note: Flowers must always be given in odd numbers. Azerbaijanis associate an even number of stems with death. They would buy ten lilies to lie on a grave, for example. So, a dozen red roses given in admiration in Europe or US would need to be 9 or 11 in Azerbaijan.

### **MAKING A DEAL**

Always come to Azerbaijan with two things clearly in mind. Firstly, your success will in most part depend on your ability to build effective personal relationships, and secondly, you will need to have well defined goal backed up with means to perform.

Business remains personal in Azerbaijan, although a more corporate culture is developing led by the foreign oil companies. But even in those companies it's often a matter of whom, rather than more that what you know. Many smaller Azerbaijani businesses and several groups of companies are family owned and run. It is not unusual to find several relatives in one business or group of companies.

Azerbaijanis will want to do business with those they like, trust, feel comfortable with and with those who can initiate a long term relationship. If they feel you are hiding something or there is an element of suspicion about your motives, you may not get very far.

Building a relationship with your Azerbaijani counterpart[s] is therefore critical. The first meeting is often a matter of getting to know each other and introducing the subject. Once a relationship has been established you can safely move on to more detailed business matters. It may take several meetings to achieve real progress.

As well as looking to the person, Azerbaijanis are also astute businesspeople. Ensure your proposal clearly demonstrates the mutual benefit and profitability of any agreement or partnership. It is also very important not to underestimate the business acumen and position of your counterpart. Whilst he or she may not have had (and often cannot have had) the years of experience you may possess, they will not welcome visitors suggesting how they should run their business. Remember, you may need them a lot more than they need you.

Azerbaijanis are primarily oral and visual communicators, so in addition to written statistics, projections and the like, try to present information vocally or with maps, graphs and charts.

Decision making can be slow. It is often the case that you will be directed to meet and negotiate with less senior members of staff from the outset or after an initial introduction. If this happens don't read anything negative into it. Once it is reported to the very senior management that you are seen as trustworthy, reliable and that your proposal is financially viable, you will then move on to meet more senior members. Almost all decisions in business in Azerbaijan are made at the very highest levels of the company (or government structure).

Azerbaijan has a long history of trade dating back to the ancient times. They are canny negotiators. They will usually start off very demanding gauge your response. Prior to negotiations know your target figure and work slowly towards it through meaningful concessions. When conceding, it may help to ensure that you present this as much as a favour and out of respect and a liking for your counterpart[s]. Try to concede only once you have gained agreement on a reciprocal concession on a separate or related issue.

Do not use deadlines or pressure tactics. They won't get you very far. Indeed, you are much more likely to be the victim of such tactics. Remain calm and be patient.

It may not always be necessary to focus only on financial benefits when negotiating. It is just as useful to point to areas such as power, influence, honour, respect and other non-monetary incentives. However, profit usually overrides all at the end of the day.

## **ENTERTAINING**

Your choice of restaurant is important. Senior Azerbaijani businessmen and officials do not welcome the idea of eating somewhere that is too public. Top hotels and Most business entertaining will take place in restaurants. Azerbaijanis enjoy food and the meal is a time for relaxing and engaging in some good conversation.

The protocol of Azerbaijani hospitality dictates that the host always pays for the meal. The concept of sharing a bill is completely alien to the culture. You may try and offer to pay, which may be seen as polite, but you would never be allowed to do so. The best policy is graciously to thank the host and then a few days later to invite the host to dinner at a restaurant of your choice. It may be a good idea to inform the restaurant manager that under no circumstances are they to accept payment from your guests.

restaurants are usually considered fine, and many have separate dining rooms for private meetings. Meeting purely for a drink in the evening happens only rarely.

Evening meals may be accompanied by some alcohol, depending on your dining companions' attitude to alcohol. If they have an alcoholic drink with their meal then it will usually be wine or vodka or both. Beer is less usual. If vodka is served there may be toasts. You will not be expected to make a toast but can do so later in the meal if you wish. Toasts are usually made for the business, family or friendship. You will not be considered anti-social if you do not down your glass of vodka in one. Taking a sensible mouthful at each toast will be acceptable. Vodka glasses are constantly refilled. Azerbaijanis often drink fruit juice in accompaniment to the vodka. A traditional Azerbaijani meal will comprise several courses. Salads and cheese usually start the meal, followed by various chicken, fish and lamb kebabs brought in echelons. Soup is less often served but Caspian sturgeon is popular and traditionally eaten with a sauce made from pomegranate (which has a strong flavour). Copious amounts of bread will also be served.

Azerbaijanis smoke during meals and will often take breaks between courses to have a cigarette and a few drinks before moving onto the next.

Tea or coffee is often served at the end of a meal, usually with something sweet.

### **CONDUCTING YOURSELF IN PUBLIC**

When greeting someone, shake hands firmly, but note that Azerbaijanis will resist shaking hands while standing over the threshold of a door. This can lead to some confusion on arrival unless you are aware of the tradition. When departing, it is generally customary to again shake hands.

Friends and relations will greet each other with either one or two kisses on the cheek, even men. It is better to avoid kisses as part of any greeting or farewell until you are familiar with the custom. Woman can be quite offended if you attempt to kiss them on the cheek in situations where in other cultures it might be acceptable.

When entering a room, if you are not automatically met by someone, greet the most elderly or most senior first. At social occasions, greet the person closest to you, then work your way around the room or table anti-clockwise.

If you want to adopt local custom, greet people with the Islamic greeting of 'Assalamu alaykum' [peace be upon you].

Many Azerbaijanis smoke. There are no legal controls on where people can smoke but it is generally accepted that one does not smoke in confined places such as lifts and buses. Many taxi drivers smoke but will sometimes ask if passengers mind. There are smoking sections in all restaurants or the restaurant will probably be open for smoking at any table. Azerbaijanis do not usually wait for others to finish eating before they start to smoke.

When seated opposite someone, try not to sit with your legs apart. Keep them together or cross your legs. Also try not to allow your feet to touch someone else's. If the feet of two Azerbaijanis touch you will see the person whose feet touched the other briefly touch the hand of the other person. This is a customary way of a reassuring demonstration that you wish no ill-intent to the other person who you just 'kicked'.

Holding hands with someone of the opposite sex is acceptable in Baku and beaches but less so in rural areas. Kissing (other than as a greeting) in public should be avoided.

To wave down a taxi or bus, stretch out your right arm and move your wrist inwards repeatedly. To avoid frustration you should note that taxis usually have their taxi signs illuminated whether they are carrying passengers or not.

Queuing in Azerbaijan is not practiced widely. Banks and some service sector businesses try to control clients but it is far from what most business people from Europe or US are used to. It is not uncommon for people to jump queues or even go straight to the front. It is best to be patient. If frustration gets the better of you, politely point out you were in the line before them although most of the time this will make little difference.

## LANGUAGE POLICY

All state bodies, local authorities, state agencies, political parties, non-governmental organizations (funds and public associations), trade unions, and legal entities (including their representative or branch offices) are required to use Azerbaijani in their official interactions and transactions. Any notarization, legalization, registration or other forms of documentation in a foreign language require translation into Azerbaijani with subsequent notarization of the translation.

Seals and stamps of entities operating in the Republic of Azerbaijan must be in Azerbaijani. Letterheads, signage, announcements, advertisements, price lists, price tags, labels, and certifications and instructions applying to goods produced in Azerbaijan (and all other visual information) must be in Azerbaijani and, additionally, may be in other languages where necessary or desirable. For services rendered to foreigners, a foreign language may be used together with Azerbaijani.



# USEFUL CONTACTS

## PUBLIC INSTITUTIONS

	ORGANIZATION	ADDRESS	CONTACTS
1	Administration of the President of the Republic of Azerbaijan	19, Istiglaliyyat Street, Baku, AZ1066	<b>Tel.:</b> (+99412) 492 13 00 <b>Fax:</b> (+99412) 492 35 43 <b>E-mail:</b> office@pa.gov.az <b>Web-site:</b> www.president.gov.az
2	Cabinet of Ministers of the Republic of Azerbaijan	68, Lermontov Street, Baku, AZ1066	<b>Tel.:</b> (+99412) 492 41 61 <b>Fax:</b> (+99412) 498 97 86 <b>E-mail:</b> nk@cabmin.baku.az <b>Web-site:</b> www.cabmin.gov.az
3	Parliament of the Republic of Azerbaijan (Milli Majlis)	1, Parliament Avenue, Baku, AZ1152	<b>Tel.:</b> (+99412) 498 97 48 <b>Fax:</b> (+99412) 498 97 22 <b>E-mail:</b> azmm@meclis.gov.az <b>Web-site:</b> www.meclis.gov.az
4	Ministry of Economy and Industry	"The Government House", 40, Uzeir Hajibeyov Street, Baku, AZ1000	<b>Tel.:</b> (+99412) 493 88 67 <b>Fax:</b> (+99412) 492 58 95 <b>E-mail:</b> office@economy.gov.az <b>Web-site:</b> www.economy.gov.az
5	Ministry of Foreign Affairs	50, Sh.Gurbanov Street, Baku, AZ1009	<b>Tel.:</b> (+99412) 496 90 00 <b>Fax:</b> (+99412) 596 90 01 <b>E-mail:</b> katiblik@mfa.gov.az <b>Web-site:</b> www.mfa.gov.az
6	Ministry of Taxes	16, Landau Street, Baku, AZ1073	<b>Tel.:</b> (+99412) 403 89 70 <b>Fax:</b> (+99412) 403 89 71 <b>E-mail:</b> office@taxes.gov.az <b>Web-site:</b> www.taxes.gov.az
7	Ministry of Transport	1054, Tbilisi Avenue, Baku, AZ1122	<b>Tel.:</b> (+99412) 431 74 37 <b>Fax:</b> (+99412) 430 99 42 <b>E-mail:</b> office@mintrans.az <b>Web-site:</b> www.mintrans.az
8	Ministry of Agriculture	"The Government House" 40, U.Hajibayov Street, Baku, AZ1000	<b>Tel.:</b> (+99412) 498 64 49 <b>Fax:</b> (+99412) 498 64 49 <b>E-mail:</b> agro@azerin.com <b>Web-site:</b> www.agro.gov.az

9	Ministry of Communications and High Technologies	33, Zarifa Aliyeva Street, Baku, AZ1000	<b>Tel.:</b> (+99412) 498 58 38 <b>Fax:</b> (+99412) 498 79 12 <b>E-mail:</b> mincom@mincom.gov.az <b>Web-site:</b> www.mincom.gov.az
10	State Customs Committee	2, Inshaatchilar Avenue, Baku, AZ1073	<b>Tel.:</b> (+99412) 404 22 00 <b>Fax:</b> (+99412) 404 22 17 <b>E-mail:</b> international@customs.gov.az <b>Web-site:</b> www.customs.gov.az
11	State Statistical Committee	136, Inshaatchilar Avenue, Baku, AZ1136	<b>Tel.:</b> (+99412) 438 64 98 <b>Fax:</b> (+99412) 438 24 42 <b>E-mail:</b> sc@azstat.gov.az <b>Web-site:</b> www.stat.gov.az
12	State Committee for Standardization, Metrology and Patents	124, Mardanov Gardashlary Street, Baku, AZ1147	<b>Tel.:</b> (+99412) 449 99 59 <b>Fax:</b> (+99412) 440 52 24 <b>E-mail:</b> azs@azstand.gov.az <b>Web-site:</b> www.azstand.gov.az
13	State Migration Service	202 Binagadi Highway, 3123 Block, Binagadi district, Baku, AZ1114	<b>Tel:</b> (+99412) 562 56 23 <b>Fax:</b> (+99412) 562 37 02 <b>Email:</b> info@migration.gov.az <b>Web-site:</b> www.migration.gov.az
14	State Service for Antimonopoly Policy and Protection of Consumers' Rights	88A, H. Zardabi Avenue, Baku, AZ 1011	<b>Tel.:</b> (+99412) 498 15 01 <b>Fax:</b> (+99412) 497 24 08 <b>E-mail:</b> office@consumer.gov.az Bu elektron adress spam robotlar t r find n qorunub. Ona baxmaq üçün Javascript aktiv olmalıdır. <b>Web-site:</b> www.consumer.gov.az
15	State Agency for Public Service and Social Innovations	36, H.Aliyev Street, Baku, AZ1078	<b>Tel.:</b> (+99412) 444 74 44 <b>Fax:</b> (+99412) 541 76 63 <b>Email:</b> info@asan.gov.az <b>Web-site:</b> www.asan.gov.az
16	State Agency on Alternative and Renewable Energy Sources	"The Government House", 40, U.Hajibayov Street, Baku, AZ1000	<b>Tel.:</b> (+99412) 493 15 26 <b>Fax:</b> (+99412) 493 16 97 <b>E-mail:</b> info@abemda.az <b>Web:</b> www.area.gov.az
17	State Oil Fund	24, Neftchilar Avenue, Dalga Plaza, Baku, AZ1000	<b>Tel.:</b> (+99412) 498 77 53 <b>Fax:</b> (+99412) 498 77 53 <b>E-mail:</b> office@oilfund.az <b>Web-site:</b> www.oilfund.az



18	National Fund for Entrepreneurship Support	172, Sharifzade str., Baku, AZ1122	<b>Tel:</b> (+99412) 434 96 22 <b>Fax:</b> (+99412) 432 37 17 <b>E-mail:</b> info@anfes.gov.az <b>Web-site:</b> www.anfes.gov.az
19	Chamber of Auditors	14, S.Y.Bakuvi Street, Baku, AZ1072	<b>Tel:</b> (+99412) 498 28 55 <b>Fax:</b> (+99412) 465 65 45 <b>E-mail:</b> audit-azerbaijan@audit.gov.az <b>Web-site:</b> www.audit.gov.az
20	Sumgait Chemical Industrial Park	37 Khojaly Avenue, Damirchi Tower, 20 <sup>th</sup> floor, Baku, AZ1025	<b>Tel.:</b> (+99412) 497 40 62 <b>Fax:</b> (+99412) 488 80 64 <b>E-mail:</b> office@scip.az <b>Web-site:</b> www.scip.az
21	“Tamiz Shahar” JSC	55, Khojaly Avenue, Business centre AGA, Baku, AZ1025	<b>Tel.:</b> (+99412) 464 41 10 <b>Fax:</b> (+99412) 464 41 12 <b>E-mail:</b> info@tamizshahar.az <b>Web-site:</b> www.tamizshahar.az
22	State Oil Company of the Republic of Azerbaijan(SOCAR)	73, Neftchilar Avenue, Baku, AZ1000	<b>Tel.:</b> (+99412) 521 02 82 <b>Fax:</b> (+99412) 521 03 83 <b>E-mail:</b> info@socar.az <b>Web-site:</b> www.socar.az
23	Azerbaijan Investment Company	37 Khojaly Avenue, Damirchi Tower, 20 <sup>th</sup> floor, Baku, AZ1025	<b>Tel.:</b> (+99412) 488 80 10 <b>Fax:</b> (+99412) 488 80 12 <b>E-mail:</b> info@aic.az <b>Web-site:</b> www.aic.az
24	High Technologies Park	Nizami st.203-B, AF Business House, 3 <sup>rd</sup> floor, Baku, AZ1000	<b>Tel.:</b> (+99412) 493 14 00 <b>Fax:</b> (+99412) 493 41 00 <b>E-mail:</b> info@hightech.az <b>Web-site:</b> www.hightech.az

## LIST OF THE EMBASSIES, CONSULATES AND PERMANENT MISSIONS OF THE REPUBLIC OF AZERBAIJAN ABROAD\*

\*For contact details see [www.mfa.gov.az](http://www.mfa.gov.az)

1	Embassy in Austria (also accredited in Slovakia, Slovenia; Permanent Mission to OSCE, UNOV, UNIDO, IAEA)
2	Embassy in Argentina (also accredited in Chile, Paraguay, Uruguay, Bolivia)
3	Embassy in Australia (also accredited in New Zealand and Fiji)
4	Embassy in Belarus
5	Embassy in Belgium (also accredited in Luxembourg; Mission to the European Union)
6	Mission to NATO
7	Embassy in Bulgaria
8	Office of the Embassy (of Azerbaijan in Serbia) in Bosnia and Herzegovina
9	Embassy in Brazil (also accredited in Guyana, Suriname, Ecuador, Trinidad and Tobago)
10	Embassy in Canada (Permanent Mission to ICAO)
11	Office of the Embassy (of Azerbaijan in Argentina) in Chile
12	Embassy in China (also accredited in Mongolia and Democratic People's Republic of Korea)
13	Office of the Embassy (of Azerbaijan in Mexico) in Colombia
14	Office of the Embassy in Cuba
15	Embassy in Croatia
16	Embassy in Czech Republic
17	Embassy in Egypt (also accredited in Sudan and Algeria; Permanent observer to the League of Arab States)
18	Embassy in Estonia
19	Embassy in Ethiopia (Permanent Mission to the African Union)
20	Embassy in France (also accredited in Holy See and Monaco)

21	Permanent Mission to UNESCO
22	Permanent Mission to the Council of Europe
23	Embassy in Georgia
24	Consulate General in Batumi
25	Embassy in Germany
26	Honorable Consulate in Stuttgart
27	Embassy in Greece (also accredited in Albania)
28	Embassy in Hungary
29	Embassy in India (also accredited in Nepal, Bangladesh, Bhutan, Sri Lanka and Maldives)
30	Embassy in Indonesia (also accredited in Singapore, Philippines, Timor-Leste; Permanent Mission to ASEAN)
31	Embassy in Iran (Permanent Mission to ECO)
32	Consulate General in Tabriz
33	Embassy in Italy (also accredited in San Marino, Malta, Mission to FAO, IFAD and WFP)
34	Honorable Consulate in Genoa
35	Embassy in Japan
36	Embassy in Jordan
37	Embassy in Kazakhstan
38	Consulate General in Aktau
39	Embassy in Kyrgyzstan
40	Embassy in the Republic of Korea
41	Embassy in Kuwait
42	Embassy in Lithuania
43	Embassy in Latvia
44	Embassy in Malaysia (also accredited in Brunei and Myanmar)

45	Honorable Consulate in Malta
46	Embassy in Mexico (also accredited in Costa-Rica Guatemala, Columbia, Panama, Peru, Honduras)
47	Embassy in Moldova
48	Office of the Embassy (of Azerbaijan in Serbia) in Montenegro
49	Embassy in Morocco (also accredited in Tunisia, Mali, Gambia, Portugal, Senegal and Mauritania)
50	Embassy in Netherlands (Permanent Mission to the Organization for the Prohibition of Chemical Weapons (OPCW))
51	Embassy in Pakistan
52	Honorable Consulate in Philippine
53	Embassy in Poland
54	Embassy in Qatar
55	Embassy in Romania
56	Embassy in Russian Federation
57	Consulate General in Saint Petersburg
58	Consulate General in Yekaterinburg
59	Embassy in Saudi Arabia (also accredited in Bahrain, Yemen and Oman; Permanent Mission to the OIC)
60	Embassy in Serbia (also accredited in Bosnia and Herzegovina and Montenegro)
61	Honorable Consulate in Slovakia
62	Office of the Embassy (of Azerbaijan in Austria) in Slovenia
63	Embassy in South Africa (also accredited in Angola, Zimbabwe, Mozambique)
64	Embassy in Spain (also accredited in Andorra)
65	Embassy in Sweden (also accredited in Norway and Finland)
66	Embassy in Switzerland (also accredited in Lichtenstein)
67	Permanent Mission to the UN Office in Geneva and other international organizations in Switzerland
68	Embassy in Syria (also accredited in Lebanon)

69	Embassy in Tajikistan
70	Embassy in Turkey (also accredited in Macedonia)
71	Consulate General in Istanbul (Permanent Mission to BSEC)
72	Consulate General in Kars
73	Embassy in Turkmenistan (also accredited in Afghanistan)
74	Embassy in Ukraine (Permanent Mission to GUAM)
75	Embassy in the United Arab Emirates
76	Consulate General in Dubai
77	Embassy in UK (also accredited in Ireland, Iceland and Denmark)
78	Office of the Embassy (of Azerbaijan in Argentina) in Uruguay
79	Embassy in USA (Permanent Observer to the Organisation of American States)
80	Consulate General in Los Angeles
81	Honorable Consulate in Santa Fe
82	Permanent Mission at the UN, New York (also accredited in Cuba, Venezuela, Nicaragua, Jamaica)
83	Embassy in Vietnam (also accredited in Laos and Cambodia)
84	Embassy in Uzbekistan

## EMBASSIES OF FOREIGN COUNTRIES IN THE REPUBLIC OF AZERBAIJAN

Embassy of Afghanistan
Embassy of Argentina
Embassy of Austria
Honorary Consulate of Bangladesh
Embassy of Belarus

Embassy of Belgium
Embassy of Brazil
Embassy of Bulgaria
Embassy of the People's Republic of China
Embassy of Colombia
Embassy of Croatia
Honorary Consulate of Croatia
Embassy of Cuba
Embassy of the Czech Republic
Honorary Consulate of Denmark
Embassy of Egypt
Embassy of Estonia
Honorary Consulate of Finland
Embassy of France
Embassy of Georgia
Consulate General of Georgia in Ganja
Embassy of Germany
Embassy of Greece
Embassy of Hungary
Honorary Consulate of Hungary
Embassy of India
Embassy of Indonesia
Embassy of the Islamic Republic of Iran
Consulate General of Iran in Nakhchivan
Embassy of Iraq
Embassy of Israel

Embassy of Italy

Embassy of Japan

Embassy of Jordan

Embassy of Kazakhstan

Embassy of the Republic of Korea

Embassy of Kuwait

Embassy of Kyrgyzstan

Honorary Consulate of Kyrgyzstan

Embassy of Latvia

Embassy of Libya

Embassy of Lithuania

Honorary Consulate of Macedonia

Embassy of Malaysia

Embassy of Mexico

Embassy of Moldova

Honorary Consulate of Montenegro

Embassy of Morocco

Embassy of Netherlands

Embassy of Norway

Embassy of Pakistan

Embassy of Palestine

Embassy of Poland

Honorary Consulate of Portugal

Embassy of Qatar

Embassy of Romania

Embassy of Russian Federation

Embassy of Saudi Arabia

Embassy of Serbia

Honorary Consulate of Slovenia

Embassy of Spain

Embassy of Sudan

Embassy of Sweden

Embassy of Switzerland

Embassy of Tajikistan

Honorary Consulate of Thailand

Embassy of Turkey

Consulate General of Turkey in Nakhchivan

Consulate General of Turkey in Ganja

Honorary Consulate of Turkey in Lankaran

Embassy of Turkmenistan

Embassy of Ukraine

Embassy of the United Arab Emirates

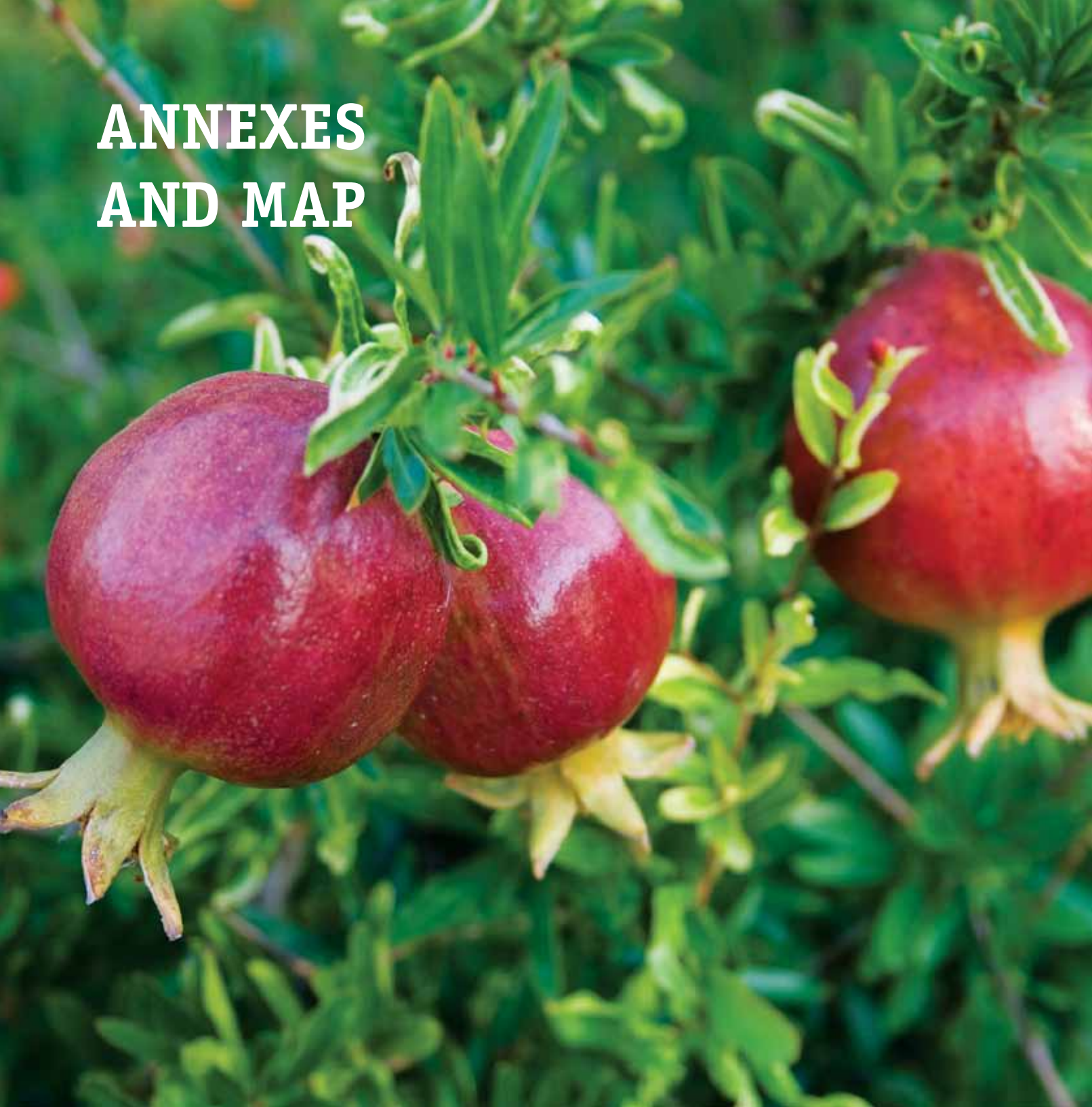
Embassy of the United Kingdom

Embassy of the United States of America

Embassy of Uzbekistan



# ANNEXES AND MAP



## ANNEX 1. Bilateral Investment Treaties

#	Country	Date of signature	Ratification Date
1	Albania	9 February 2012	22 May 2012
2	Austria	4 July 2000	24 October 2000
3	Belarus	3 June 2010	30 September 2010
4	Belgium-Luxembourg Economic Union	18 May 2004	26 October 2004
5	Bulgaria	7 October 2004	1 March 2005
6	China	8 March 1994	-----
7	Croatia	2 October 2007	1 February 2008
8	Czech Republic	17 May 2011	30 September 2011
9	Egypt	24 October 2002	13 May 2003
10	Estonia	7 April 2010	8 June 2010
11	Finland	26 February 2003	13 May 2003
12	France	1 September 1998	27 November 1998
13	Georgia	8 March 1996	19 April 1996
14	Germany	22 December 1995	25 June 1996
15	Greece	21 June 2004	26 October 2004
16	Hungary	18 May 2007	1 October 2007
17	Iran	28 October 1996	1 December 1998
18	Israel	20 February 2007	1 October 2007
19	Italy	28 September 1997	17 February 1998
20	Jordan	5 May 2008	2 October 2008
21	Kazakhstan	16 September 1996	15 November 1996
22	Korea	23 April 2007	1 October 2007
23	Kuwait	10 February 2009	28 April 2009
24	Kyrgyzstan	23 April 1997	26 June 1997
25	Latvia	3 October 2005	1 March 2006

26	Lithuania	8 June 2006	10 April 2007
27	Lebanon	11 February 1998	4 December 1998
28	FYR of Macedonia	9 April 2013	21 June 2013
29	Moldova	27 November 1997	8 December 1998
30	Montenegro	16 September 2011	13 December 2011
31	Norway	25 September 1996	-----
32	Pakistan	9 October 1995	12 March 1996
33	Poland	26 August 1997	13 February 1998
34	Qatar	28 August 2007	19 October 2007
35	Russia	29 September 2014	-----
36	Romania	29 October 2002	5 December 2003
37	Saudi Arabia	9 March 2005	10 May 2005
38	Serbia	8 June 2011	30 September 2011
39	Syria	8 July 2009	30 September 2009
40	Switzerland	23 February 2006	10 April 2007
41	Tajikistan	15 March 2007	5 June 2007
42	Turkey	25 October 2011	30 December 2011
43	UAE	20 November 2006	10 April 2007
44	Ukraine	24 March 1997	6 June 1997
45	United Kingdom	4 January 1996	15 March 1996
46	USA	1 August 1997	14 April 1998
47	Uzbekistan	27 May 1996	29 October 1996

## ANNEX 2: Brief comparative analysis of LLC and JSC under Azerbaijani law

	JSC	LLC
1. Minimum number of Founders	At least one founder. Closed JSC - maximum number of shareholders may not exceed fifty. If this limit is exceeded, a closed JSC must be either reorganized into an open JSC, or liquidated.	At least one founder. However, there is not a statutory limit on the number of participants.
2. Liability of Founders	The participants/shareholders are not personally liable for the obligations/liabilities of a JSC/LLC. The liability of founders is limited to the amount of their equity (capital) contribution.	
3. Capital Requirements	<p>Open JSC – AZN 4,000 (about USD 4,760)/ Closed JSC – AZN 2,000 (circa USD 2,380).</p> <p>Share capital must be paid in full prior to state registration.</p> <p>In-kind capital contributions must be valued by an independent appraiser. The value of in-kind contributions of a newly founded company and an existing company is determined by a founders’ meeting and the general meeting of shareholders, respectively.</p>	There is no specified minimum capital requirement. However, the Civil Code (2000) states that the minimum capital is to be set by the relevant executive authorities. Charter capital must be paid in full prior to state registration, unless the charter of an LLC specifies that the payment of the charter capital be made within a certain period of time in the future. In-kind capital contributions must be valued by an independent appraiser.
4. Securities	Shares must be registered by the State Securities Committee. Placement of securities can be public (offered to the public at large) or private (offered to a limited group of investors).	Paid-in capital of participants is not considered to be a security. Therefore, there are no registration requirements with the State Securities Committee.

5. Transferability of Shares/ participatory interests	Open – no restriction on the transfer of one’s shares to another. Closed – shareholders have the right of first refusal.	Unless provided otherwise in the Charter, a participant may alienate (sell/transfer) his participating interest to third parties. However, other participants have the right of first refusal, if the Charter does not provide otherwise.
6. Management structure	The General Meeting of Shareholders (GMS) is the supreme governing body, which has exclusive competence in fundamental matters (such as amendments to the Charter and to the Share Capital, any decision on liquidation, reorganization, etc.). The law does not allow delegation of such powers to other inferior governing bodies.	Same as JSC. Still there is no requirement to create a Supervisory Board, which can though be established if so desired by the participants and indicated in the charter.
7. Accountability	A JSC must make public its annual report and balance sheet.	
7. Liquidation & Reorganization	A voluntary liquidation or reorganization is performed by a decision of the shareholders’ general meeting. A JSC may be reorganized into an LLC.	A voluntary liquidation or reorganization is performed by a decision of the general meeting of participants. An LLC may be reorganized into a JSC.
8. Tax	Identical tax treatment (except in case of distribution of net profits).	

## ANNEX 3:

List of types of activities requiring special permissions (licenses) and the amount of state duty to be paid for the issuance of special permissions (licenses) for such activities.

NO.	NAME OF TYPE OF ACTIVITY	EXECUTIVE ORGAN TO ISSUE THE LICENSE	AMOUNT OF STATE DUTY (IN MANATS)
1.	Private security activity	Ministry of National Security of the Republic of Azerbaijan (to ensure the safety of legal entities formed on the territory of the Republic of Azerbaijan by foreign legal entities or foreigners or stateless persons, including legal entities established with direct or indirect participation of the foreign capital); Ministry of Internal Affairs of the Republic of Azerbaijan (in other cases)	3000
2.	Cartographic activities	State Committee of the Republic of Azerbaijan on Land and Cartography	1100
3.	Storage and disposal of radioactive and ionized waste	Ministry of Emergency Situations of the Republic of Azerbaijan	1100
4.	Utilization and neutralization of toxic waste	Ministry of Ecology and Natural Resources of the Republic of Azerbaijan	1100
5.	Purchase, processing and sale of non-ferrous metals and industrial waste, including precious metals and stones	Ministry of Economy and Industry the Republic of Azerbaijan	2200
6.	Sale of oil products	Ministry of Energy of the Republic of Azerbaijan	5500
7.	Sale of gas products	Ministry of Energy of the Republic of Azerbaijan	5500
8.	Medical activities	Ministry of Health of the Republic of Azerbaijan	5500
9.	Pharmaceutical activities	Ministry of Health of the Republic of Azerbaijan	5500

10.	Ethyl (potable) alcohol and strong drinks: (wine, cognac, vodka and other strong drinks, list of which is established by the Cabinet of Ministers of the Republic of Azerbaijan):		
10.1	production	Ministry of Agriculture of the Republic of Azerbaijan	5500
10.2	import	Ministry of Agriculture of the Republic of Azerbaijan	11000
10.3	sale	City and regional executive organs (with the exception of city districts)	220
11.	Tobacco goods:		
11.1	production	Ministry of Agriculture of the Republic of Azerbaijan	5500
11.2	import	Ministry of Agriculture of the Republic of Azerbaijan	11000
11.3	sale	City and regional executive organs (with the exception of city districts)	220
12.	Sea trade:		
12.1	carriage of cargo by sea	State Maritime Administration of the Azerbaijan Republic	5500
12.2	carriage of passengers by sea	State Maritime Administration of the Azerbaijan Republic	5500
13.	Carriage of passengers and cargo by air	Civil Aviation Public Administration of the Azerbaijan Republic	5500

14.	Communication services:		
14.1	telephone (wire)	Ministry of Communications and Information Technologies of the Republic of Azerbaijan	5000
14.2	cellular (mobile)		11000
14.3	radio trunk and wireless		5000
14.4	arranging of internal telecommunication channels		5000
14.5	arranging of international telecommunication channels		11000
14.6	IP-telephony		8000
14.7	data communications		6000
14.8	express postal services		2500
14.9	mobile communication service of the 3rd generation (3G)		11000
15.	Activities in the field of the designing and production of data protection facilities	Ministry of National Security of the Republic of Azerbaijan	2200
16.	Educational activities:		



16.1	preschool educational institutions	Ministry of Education of the Republic of Azerbaijan	2500
16.2	general education (including lyceums and gymnasiums), vocational schools and professional lyceums, colleges)		4000
16.2-1.	various organizations, enterprises, labor exchanges, employment institutions and other appropriate establishments providing primary professional education		3000
16.3	higher education institutions		5500
	professional development and preparatory organizations, and other organizations providing continuing education		3000
16.4	secondary-special religious education institutions		4000
16.5	higher religious education institutions		5500
17.	Activities in the field of assistance in employment in foreign countries for the citizens of Azerbaijan	Ministry of Labor and Social Protection of the Population of the Republic of Azerbaijan	2200
18.	Banking activities:		
18.1	banks	Central Bank of the Republic of Azerbaijan	22000
18.2	non-bank credit institutions		1100
18.3	national postal operator		1000
19.	Activities of non-governmental social funds	Ministry of Finance of the Republic of Azerbaijan	11000
20.	Activities in the insurance sector:		

20.1	insurance activities	Ministry of Finance of the Republic of Azerbaijan	22000
20.2	reinsurance activities		22000
20.3	insurance broker activities:		
20.3.1	insurance brokers - legal entities		22000
20.3.2	insurance brokers - natural persons		1000
20.4	insurance agent activities:		
20.4.1	insurance agents - legal entities		1000
20.4.2	insurance agents - natural persons		200
21.	Auditing activities		Chamber of Auditors of the Republic of Azerbaijan
22.	Activities of the commodity exchange	Ministry of Economy and Industry of the Republic of Azerbaijan	11000
23.	Activities of the stock exchange	State Committee for Securities of the Republic of Azerbaijan	11000
24.	Activities of stock investment funds	State Committee for Securities of the Republic of Azerbaijan	11000
25.	Activities of professional participants in the equity market (brokers, dealers, asset managers, persons responsible for determining mutual obligations (clearing), deposit, registration of holders of securities, organization of trade on the equity market)	State Committee for Securities of the Republic of Azerbaijan	5500
26.	Activities on the production and sale of all types of securities forms	State Committee for Securities of the Republic of Azerbaijan	5500
27.	Manufacturing of strict accounting forms	Ministry of Finance of the Republic of Azerbaijan	2200
28.	Preparation of various seals and stamps	Ministry of Internal Affairs of the Republic of Azerbaijan	2200

29.	Tourism activities	Ministry of Culture and Tourism of the Republic of Azerbaijan	5500
30.	Customs broker activity	Azerbaijan State Customs Committee	11000
31.	Establishment of bonded warehouses, short term storehouses, free warehouses	Azerbaijan State Customs Committee	11000
32.	Broadcasting:		
32.1	republican TV broadcasting	National Council of Television and Radio Broadcasting	11000
32.2	Baku city TV broadcasting		5500
32.3	regional TV broadcasting		3000
32.4	republican radio broadcasting		5000
32.5	Baku city radio broadcasting		2500
32.6	regional radio broadcasting		1000
32.7	auxiliary information broadcasting		1000
32.8	cable network broadcasting with up to 5000 subscribers		3000
32.9	cable network broadcasting with over 5000 subscribers		5000
32.10	satellite broadcasting		1000
32.11	activity on ensuring satellite broadcasting of foreign radio and television channels by means of coding devices		1000
33.	Gathering of raw material of wild medicinal plants	Ministry of Ecology and Natural Resources of the Republic of Azerbaijan	550
34.	Passenger and cargo transportation by motor transport:		

34.1	intercity (local) passenger transportation	Ministry of Transport of the Republic of Azerbaijan	150
34.2	long-distance (interregional) passenger transportation		150
34.3	international passenger transportation		150
34.4	passenger transportation by motor cars - taxis:		150
34.5	local cargo transportation		150
34.6	international cargo transportation		200
35.	Production, export-import, transit traffic of precursors	Ministry of Public Health of the Republic of Azerbaijan	550
36.	Activity of hotels and hotel type objects	Ministry of Culture and Tourism of the Republic of Azerbaijan	1500
37.	Transportation of hazardous cargo by transport facilities	Ministry of Emergency Situations of the Republic of Azerbaijan	550
38.	Installation and exploitation of liquid and natural gas plants	Ministry of Emergency Situations of the Republic of Azerbaijan	2200
39.	Field operations, mining and drilling works	Ministry of Emergency Situations of the Republic of Azerbaijan	2200
40.	Installation and repair of elevators	Ministry of Emergency Situations of the Republic of Azerbaijan	550
41.	Installation and repair of public attractions	Ministry of Emergency Situations of the Republic of Azerbaijan	2500
42.	Installation, set-up and repair of power plants, equipment and facilities	Ministry of Emergency Situations of the Republic of Azerbaijan	2500

43.	Production, installation and repair of hoisting facilities, metallurgical plants, boilers, vessels operating under pressure	Emergencies Ministry of the Republic of Azerbaijan	2500
44.	Diagnostics and other maintenance inspection of the equipment and technical plants, using at the potentially hazardous facilities	Ministry of Emergency Situations of the Republic of Azerbaijan	2500
45.	Fire protection on the basis of the agreement of companies and settlements	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
46.	Production and purchase of fire-fighting equipment and conducting of tests	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
47.	Installation of fire protection systems and facilities, their repair and maintenance	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
48.	Repair and servicing of fire protection equipment, primary fire fighting appliances, restoration of fire fighting appliances performance	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
49.	Construction, reconstruction and repair of fire protection buildings, constructions and premises	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
50	Precious metals and stones:		
50.1	production (extraction of precious metals from ore, concentrates)	Ministry of Finance of the Republic of Azerbaijan	5000
50.2	processing and use (production and repair of jewelry and other items from precious metals and stones)		500
50.3	turnover (retail and wholesale, purchase of precious metals and stones, jewelry and other items produced from them from the population)		500

51.	Engineering-survey works of buildings and structures with I and II level of responsibility according to state standards	Ministry of Emergency Situations of the Republic of Azerbaijan	1100
52.	Designing of building and structures with I and II level of responsibility according to the state standards	State Committee for Urban Planning and Architecture of the Republic of Azerbaijan	1100
53	Building and assembly works of buildings and structures with I and II level of responsibility according to the state standards (except for private houses and summer cottages with height up to 12 meters):		
53.1	height up to 40 meters	Ministry of Emergency Situations of the Republic of Azerbaijan	1100
53.2	height up to 65 meters		2200
53.3	height up to 65 meters and higher		3300
54.	Activities for private veterinary activity	Ministry of Agriculture of the Republic of Azerbaijan	150
55.	Veterinary medicines:		
55.1	production	Ministry of Agriculture of the Republic of Azerbaijan	3000
55.2	sale		220
56.	Creation of biometric technologies and maintenance of such technologies	Ministry of Communication and Information Technologies of the Republic of Azerbaijan	2200
57.	Creation of information resources of personal data and information systems, their maintenance	Ministry of Communication and Information Technologies of the Republic of Azerbaijan	2200

List of the types of activities to be granted special permissions (licenses) by the executive organs of the Nakhchivan Autonomous Republic.

	<b>Name of the activity type</b>
1.	Cartographic activities
2.	Sale of oil products
3.	Sale of gas products
4.	Medical activities
5.	Pharmaceutical activities
6.	Ethyl (potable) alcohol and strong drinks: (wine, cognac, vodka and other strong drinks, list of which is established by the Cabinet of Ministers of the Azerbaijan Republic):
6.1.	Production
6.2.	Import
7.	Tobacco goods:
7.1.	Production
7.2.	Import
8.	Communication service::
8.1.	telephone (wire)
8.2.	cellular (mobile)
8.3.	radio trunk and wireless
8.4.	IP-telephony (Internet-telephony)
8.5.	data communication
8.6.	express postal service
8.7.	mobile communication service of 3rd generation (3G)
9.	Educational activities:
9.1.	pre- schools
9.2.	general education schools (including lyceums and gymnasiums), vocational schools and professional lyceums, colleges)

9.2.1	various organizations, enterprises, labor exchanges, employment institutions and other appropriate establishments providing primary professional education
9.3.	higher educational institutions
9.3.1	professional development and preparatory organizations, and other organizations providing continuing education
9.4.	secondary-special religious education institutions
9.5.	higher religious education institutions
10.	Activities in the field of assistance in employment in foreign countries for citizens of Azerbaijan
11.	Auditing activities
12.	Manufacturing of strict accounting blanks
13.	Production of various seals and stamps
14.	Tourism activities
15.	Customs clearance and brokerage activity
16.	Establishment of customs warehouses, temporary warehouses
17.	Broadcasting (broadcasting activity, auxiliary information broadcasting, cable network broadcasting, satellite broadcasting, activity, ensuring satellite broadcasting of foreign radio and television channels by means of coding devices)
18.	Gathering of raw material of wild medicinal plants
19.	Passengers and cargo transportation by motor transport:
19.1.	intercity (intradistrict) passenger transportation
19.2.	long-distance (interregional) passenger transportation
19.3.	passenger transportation by motor cars – taxis
19.4.	local cargo transportation
20.	Production, export-import, transit traffic of precursors
21.	Activity of hotels and hotel type objects
22.	Transportation of hazardous cargo by transport facilities
23.	Installation and exploitation of liquid and natural gas plants
24.	Field operations, mining and drilling works
25.	Installation and repair of elevators



26.	Installation and repair of public attractions
27.	Installation, set-up and repair of power plants, equipment and facilities
28.	Production, installation and repair of hoisting facilities, metallurgical plants, boilers, vessels, operating under pressure
29.	Diagnostics and other maintenance inspection of the equipment and technical plants used at the potentially hazardous facilities
30.	Production and purchase of firefighting equipment and conducting of tests
31.	Installation of fire protection systems and facilities, their repair and maintenance
32.	Repair and servicing of fire protection equipment, primary fire fighting appliances, restoration of fire fighting appliances performance
33.	Construction, reconstruction and repair of fire protection buildings, constructions and premises
34.	Turnover of precious metals and stones (retail and wholesale, purchase of precious metals and stones, jewelry and other items produced from them from the population)
35.	Engineering-survey works of buildings and structures with I and II level of responsibility according to the state standards
36.	Designing of buildings and structures with I and II level of responsibility according to the state standards
37.	Building and assembly works of buildings and structures with I and II level of responsibility according to the state standards (except for private houses and summer cottages with height up to 12 meters):
37.1.	height up to 40 meters
37.2.	height up to 65 meters
37.3.	height up to 65 meters and higher
38.	Activities for the private veterinary activities
39.	Veterinary medicines:
39.1.	production
39.2.	sale
40.	Creation of biometric technologies and maintenance of such technologies

## ANNEX 4

### Table: Double Taxation Treaties

	STATE	SIGNATURE DATE	COMING INTO FORCE DATE	APPLICATION DATE
1	Almaniya	25.08.2004	28.02.2005	01.01.2006
2	Austria	04.07.2000	23.02.2001	01.01.2002
3	Belarus	08.08.2001	29.04.2002	01.01.2003
4	Belgium	18.05.2004	12.08.2006	01.01.2007
5	Bulgaria	12.11.2007	25.11.2008	01.01.2009
6	Bosnia and Herzegovina	18.10.2012	26.12.2013	01.01.2014
7	China	17.03.2005	17.08.2005	01.01.2006
8	Croatia	12.03.2012	18.03.2013	01.01.2014
9	Czech Republic	24.11.2005	16.06.2006	01.01.2007
10	Estonia	30.10.2007	27.11.2008	01.01.2009
11	Finland	29.09.2005	29.11.2006	01.01.2007
12	France	20.12.2001	01.10.2005	01.01.2006
13	Georgia	18.02.1997	01.12.1997	01.01.1998
14	Germany	25.08.2004	28.12.2005	01.01.2006
15	Greece	16.02.2009	11.03.2010	01.01.2011
16	Hungary	18.02.2008	15.12.2008	01.01.2009
17	Islamic Republic of Iran	10.03.2009	25.01.2010	01.01.2011
18	Islamic Republic of Pakistan	10.04.1996	01.07.1997	01.01.1998
19	Italy	21.07.2004	28.04.2010	01.01.2011
20	Japan	30.05.2005	11.04.2008	28.12.1991
21	Canada	07.09.2004	23.01.2006	01.01.2007
22	Kazakhstan	16.09.1996	07.05.1997	01.01.1998
23	Korea	19.05.2008	25.11.2008	01.01.2009

<b>24</b>	Kuwait	10.02.2009	XXX	XXX
<b>25</b>	Latvia	03.10.2005	19.04.2006	01.01.2007
<b>26</b>	Lithuania	02.04.2004	13.11.2004	01.01.2005
<b>27</b>	Luxemburg	16.06.2006	02.07.2009	01.01.2010
<b>28</b>	FYR Macedonia	19.04.2013	12.08.2013	01.01.2014
<b>29</b>	Moldova	27.11.1997	28.01.1999	01.01.2000
<b>30</b>	Montenegro	12.03.2013	XXX	XXX
<b>31</b>	Nederland	22.09.2008	18.12.2009	01.01.2010
<b>32</b>	Norway	24.04.1996	19.09.1996	01.01.1997
<b>33</b>	Poland	26.08.1997	20.01.2005	01.01.2006
<b>34</b>	Qatar	28.08.2007	11.03.2008	01.01.2009
<b>35</b>	Romania	29.10.2002	29.01.2004	01.01.2005
<b>36</b>	Russian Federation	03.07.1997	03.07.1998	01.01.1999
<b>37</b>	Slovenia	09.06.2011	10.09.2012	01.01.2013
<b>38</b>	Serbia	13.05.2010	01.12.2010	01.01.2011
<b>39</b>	Switzerland	23.02.2006	13.07.2007	01.01.2008
<b>40</b>	Saudi Arabia	13.05.2014	01.05.2015	01.01.2015
<b>41</b>	Tajikistan	13.08.2007	11.02.2008	01.01.2009
<b>42</b>	The Hashemite Kingdom of Jordan	05.05.2008	XXX	XXX
<b>43</b>	Turkey	09.02.1994	01.09.1997	01.01.1998
<b>44</b>	Ukraine	30.07.1999	03.07.2000	01.01.2001
<b>45</b>	United Arab Emirates	20.11.2006	25.07.2007	01.01.2008
<b>46</b>	United Kingdom	23.02.1994	29.09.1995	18.10.1991
<b>47</b>	Uzbekistan	27.05.1996	02.11.1996	01.01.1997
<b>48</b>	Vietnam	19.05.2014	11.11.2014	01.01.2015

**Table: Free Trade Agreements**

	<b>COUNTRIES</b>	<b>DATE</b>
1.	Agreement on Free Trade between the Republic of Azerbaijan and the Russian Federation	30 September 1992
2.	Agreement on Free Trade between the Republic of Azerbaijan and Moldova	26 May 1995
3.	Agreement on Free Trade between the Republic of Azerbaijan and Ukraine	28 July 1995
4.	Agreement on Free Trade between the Republic of Azerbaijan and Georgia	8 March 1996
5.	Agreement on Free Trade between the Republic of Azerbaijan and Turkmenistan	18 March 1996
6.	Agreement on Free Trade between the Republic of Azerbaijan and Uzbekistan	27 May 1996
7.	Agreement on Free Trade between the Republic of Azerbaijan and Kazakhstan	10 June 1997
8.	Agreement on Free Trade between the Republic of Azerbaijan and Kyrgyzstan	12 January 2004
9.	Agreement on Free Trade between the Republic of Azerbaijan and Belarus	31 March 2004
10.	Agreement on Free Trade between the Republic of Azerbaijan and Tajikistan	13 August 2007

## ANNEX 5

The table below summarizes some of the characteristics of Azerbaijani taxes:

RATE	PAYERS	TAXABLE BASE	EXEMPTIONS
<p>1. Corporate Profit Tax</p> <p>Generally - 20%</p>	<p>All enterprises (resident and non-resident). Resident enterprises are subject to tax on their total profit. Non-resident enterprises operating in Azerbaijan through permanent establishments ('PE') are subject to tax on profit from such operations.</p>	<p>Difference between total gross income and deductible expenses. In case of a PE, total gross income generated from Azerbaijani sources through a PE less the amount of expenses incurred with respect to such income.</p>	<ul style="list-style-type: none"> <li>profit of charity organizations (except from entrepreneurial activity);</li> <li>grants, membership fees and donations received by non-commercial organizations;</li> <li>income of international, interstate and intergovernmental organizations (except from entrepreneurial activity) etc.</li> </ul>
<p>2. Withholding Tax from the income of non-residents</p> <p>4%, 6%, 10% and 14% depending on type of income</p>	<p>Enterprises or entrepreneurs making payments to non-residents. Payments made by the PE of non-residents are treated the same as the payments of resident enterprises.</p>	<p>The gross income of a non-resident from an Azerbaijani source not attributable to a PE of a non-resident on the territory of Azerbaijan is subject to taxation at the source of payment, without deduction of expenses.</p>	
<p>3. Income Tax of Employees</p> <p>14% for up to 2500 AZN (3185 USD)</p> <p>25% for over 2500 AZN (350 AZN+ 25% of the amount of exceeding 2500 AZN)</p>	<p>Enterprises or entrepreneurs making payments to employees. Payments made by the PE of non-residents are treated the same as the payments of resident enterprises.</p>	<p>Any salaries, payments or benefits received by an employee in respect of employment.</p>	<ul style="list-style-type: none"> <li>income of diplomats or consular employees who are not citizens of Azerbaijan;</li> <li>employment income of a person who is not a citizen of Azerbaijan, whose stay in Azerbaijan during the tax year (the same as the calendar year) is less than 182 days - if this income is paid by an employer or in the name of an employer who is not a resident of Azerbaijan and is not paid by or on behalf of a PE of a non-resident;</li> <li>gifts, material aid and inheritance up to certain limits;</li> <li>compensation for damage caused etc.</li> </ul>

<p>4. Value-Added Tax ('VAT')</p> <p>0 and 18%</p>	<p>Any person registered or required to register as a VAT payer. There is a requirement to register for VAT purposes if turnover of a taxpayer exceeds a certain threshold.</p> <p>Persons importing goods to which VAT applies are considered payers of VAT on goods so imported.</p>	<p>Value of goods, works, and services provided and value of taxable import.</p>	<ul style="list-style-type: none"> <li>the cost of property purchased from state enterprises in the course of privatization;</li> <li>the provision of financial services (including a financial leasing);</li> <li>contributions (except for imported property) to a Charter Fund etc.</li> </ul> <p>The following are subject to '0' (zero) rate:</p> <ul style="list-style-type: none"> <li>The purchase of goods or services, or importation thereof, with the proceeds of foreign grants;</li> <li>Exports, etc.</li> </ul>
<p>5. Excise Tax</p> <p>Various rates (per unit, volume, etc)</p>	<p>All persons engaged in the production of excisable goods in Azerbaijan or importation of such goods into Azerbaijan.</p>	<p>Release of excise goods produced in Azerbaijan and import of excisable goods into Azerbaijan.</p> <p>Excisable goods are spirits, beer and all kinds of alcohol, tobacco products, and petroleum products.</p>	<ul style="list-style-type: none"> <li>transit transportation of goods through the territory of Azerbaijan;</li> <li>temporary imports of goods into Azerbaijan, except for goods intended for re-export;</li> <li>goods that are intended for re-export and secured under a pledge etc.</li> </ul>
<p>6. Property Tax</p> <p>Different rates depending on type of assets.</p> <p>-0.1% of property worth more than AZN 5,000 - for individuals</p> <p>-1% of the value of fixed assets - for legal entities;</p> <p>Other rates are applicable for possession of watercrafts and aircrafts</p>	<p>All persons and legal entities having assets (buildings or their parts, fixed assets etc.) in ownership.</p>	<p>For individuals, buildings owned by resident and non-resident individuals in the Republic of Azerbaijan, plus watercraft and aircraft owned by resident individuals;</p> <p>For resident enterprises – average annual value of fixed assets on the balance sheet of the enterprise;</p> <p>For legal entities carrying out business activities in Azerbaijan through a permanent establishment – annual average value of only those fixed assets which are related to the PE</p>	<ul style="list-style-type: none"> <li>facilities that are used for environmental preservation, fire protection or civil defense purposes;</li> <li>pipelines carrying products, rail and motorways, communication, power transmission lines, irrigation system facilities etc.</li> </ul>

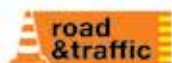
<p>7. Land Tax</p> <p>Different rates depending on location and type of land plots</p>	<p>All persons owning or using land in Azerbaijan.</p>	<p>Land plots granted for use or ownership.</p>	<ul style="list-style-type: none"> <li>• common use residential land plots;</li> <li>• national border zones and land designated for defense purposes etc.</li> </ul>
<p>8. Mining Tax (Royalty)</p> <p>3% - 26%</p>	<p>All persons engaged in extraction of commercial minerals from subsoil strata (including in the Azerbaijani sector of the Caspian Sea)</p>	<p>Commercial minerals extracted from subsoil strata in the territory of Azerbaijan (including in the Azerbaijani sector of the Caspian Sea).</p>	
<p>9. Road Tax</p> <p>Different rates depending on type and capacity of the vehicle, number of seats, distance traveled etc.</p>	<p>Non-resident enterprises and non-resident individuals that own motor vehicles that enter the territory of Azerbaijan and use on this territory for passenger and cargo transport; also persons owning or using motorcars, buses or other motor vehicles in Azerbaijan</p>	<p>Vehicles that belong to foreign states, owned or used by persons in the territory of the Republic of Azerbaijan or which enter the territory of the Republic of Azerbaijan</p>	
<p>10. Simplified System Tax</p> <p>4% for taxpayers operating in Baku and</p> <p>2% for taxpayers operating in other regions</p>	<p>Enterprises and individuals with a yearly turnover not exceeding a certain limit (currently 120,000 AZN – around USD 152,000)</p>	<p>Total proceeds realized by a taxpayer from the sale of goods or services and from non-sales related activity.</p>	<p>Exempt from payments of VAT, assets and profit taxes.</p>

# 2015

## INTERNATIONAL EXHIBITIONS AND CONF



14<sup>th</sup> International  
**TRANSPORT, TRANSIT AND  
LOGISTICS EXHIBITION**  
12-14 MAY [www.transcaspian.az](http://www.transcaspian.az)



5<sup>th</sup> Anniversary Caspian International  
**ROAD INFRASTRUCTURE AND  
PUBLIC TRANSPORT EXHIBITION**  
12-14 MAY [www.roadtraffic.az](http://www.roadtraffic.az)



21<sup>st</sup> Azerbaijan International  
**FOOD INDUSTRY EXHIBITION**  
21-23 MAY [www.worldfood.az](http://www.worldfood.az)



Caspian International  
**PACKAGING, TARE, LABEL AND  
PRINTING EXHIBITION**  
21-23 MAY [www.ipack.iteca.az](http://www.ipack.iteca.az)



22<sup>nd</sup> International  
**CASPIAN OIL AND GAS EXHIBITION**  
2-5 JUNE [www.caspianoilgas.az](http://www.caspianoilgas.az)



5<sup>th</sup> Anniversary Caspian International  
**POWER AND ALTERNATIVE ENERGY  
EXHIBITION**  
2-5 JUNE [www.caspianpower.az](http://www.caspianpower.az)



22<sup>nd</sup> International  
**CASPIAN OIL AND GAS CONFERENCE**  
3-4 JUNE [www.oilgasconference.az](http://www.oilgasconference.az)



21<sup>st</sup> Azerbaijan International  
**HEALTHCARE EXHIBITION**  
18-20 SEPTEMBER [www.bihe.az](http://www.bihe.az)



10<sup>th</sup> Anniversary Azerbaijan International  
**STOMATOLOGY EXHIBITION**  
18-20 SEPTEMBER [www.stomatology.az](http://www.stomatology.az)



9<sup>th</sup> Azerbaijan International  
**BEAUTY AND AESTHETIC MEDICINE  
EXHIBITION**  
18-20 SEPTEMBER [www.beauty.iteca.az](http://www.beauty.iteca.az)



21<sup>st</sup> Azerbaijan International  
**CONSTRUCTION EXHIBITION**  
21-24 OCTOBER [www.bakubuild.az](http://www.bakubuild.az)



8<sup>th</sup> International Exhibition  
**FOR HEATING, VENTILATION,  
AIR-CONDITIONING, WATER SUPPLY,  
SANITARY, ENVIRONMENTAL  
TECHNOLOGY, SWIMMING POOL AND  
RENEWABLE ENERGIES**  
21-24 OCTOBER [www.aquatherm-baku.com](http://www.aquatherm-baku.com)

\*Dates are subject to change

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# CONFERENCES IN AZERBAIJAN



8<sup>th</sup> Caspian International  
**PROTECTION, SECURITY AND  
RESCUE EXHIBITION**  
21-24 OCTOBER [www.cips.az](http://www.cips.az)



Bakutel



21<sup>st</sup> Azerbaijan International  
**TELECOMMUNICATIONS AND  
INFORMATION TECHNOLOGIES  
EXHIBITION AND CONFERENCE**  
2-5 DECEMBER [www.bakutel.az](http://www.bakutel.az)

## 2016



Aitf

15<sup>th</sup> Anniversary  
Azerbaijan International  
**TRAVEL AND TOURISM FAIR**  
7-9 APRIL [www.aitf.az](http://www.aitf.az)



10<sup>th</sup> Anniversary  
Caucasus International  
**HOSPITALITY FAIR**  
7-9 APRIL [www.horex.az](http://www.horex.az)



3<sup>rd</sup> Caspian International  
**BOAT AND YACHT SHOW**  
7-9 APRIL [www.cibs.az](http://www.cibs.az)

[www.iteca.az](http://www.iteca.az)



# PROFESSIONAL EVENT ORGANISERS 2015

**ceo**  
caspian  
event  
organisers



9<sup>th</sup> AZERBAIJAN INTERNATIONAL  
AGRICULTURE EXHIBITION  
21-23 MAY  
[www.caspianagro.az](http://www.caspianagro.az)



9<sup>th</sup> AZERBAIJAN INTERNATIONAL  
EDUCATION EXHIBITION  
9-11 OCTOBER  
[www.eduexpo.az](http://www.eduexpo.az)



9<sup>th</sup> AZERBAIJAN INTERNATIONAL  
CAREER EXHIBITION  
9-11 OCTOBER  
[www.careerexpo.az](http://www.careerexpo.az)



1<sup>st</sup> AZERBAIJAN  
CONFERENCE ON SUSTAINABLE  
DEVELOPMENT & CORPORATE SOCIAL  
RESPONSIBILITY  
15 OCTOBER  
[www.csrconference.az](http://www.csrconference.az)



CASPIAN: TECHNOLOGIES FOR ENVIRONMENT  
6<sup>th</sup> INTERNATIONAL ENVIRONMENTAL  
EXHIBITION  
18-20 NOVEMBER  
[www.cte.az](http://www.cte.az)



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