

**2013 DOING BUSINESS IN  
AZERBAIJAN**



azpromo





# DOING BUSINESS IN 2013 AZERBAIJAN



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Azerbaijan Export and Investment  
Promotion Foundation

**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 of going to press.

Legal review by: KPMG Azerbaijan Limited / [www.kpmg.com](http://www.kpmg.com)

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The successful and dynamic development of our country has been ensured in 2012. Azerbaijan's economy successfully developed in 2012, and this development manifests itself in the economy again. What makes us particularly delighted is the fact that the non-oil economy grew by 10 per cent, which shows that our policy of reforms is very successful and effective.

Our economy is diversified. I am sure that further opportunities will be created in the coming years to ensure a sustainable economic development of our country. All our economic indicators are high. The level of poverty has dropped to 6 per cent. The rate of unemployment is 5.2 per cent. This year saw over 100,000 jobs created, while a total of 1.1 million jobs have been created in the past nine years. The new jobs have significantly helped us to reduce unemployment.

International rating agencies upgraded our country's credit ratings in 2012. This is a very good and remarkable event for a year of crisis.

The Azerbaijani economy is ranked in 46th place in the world for competitiveness. I am confident that our position will further improve in the years to come.

The economic reforms and consistent policies have enabled us to make great strides in the social sector too. Year 2012 saw a rise in salaries and pensions. Targeted social assistance covers tens of thousands families.

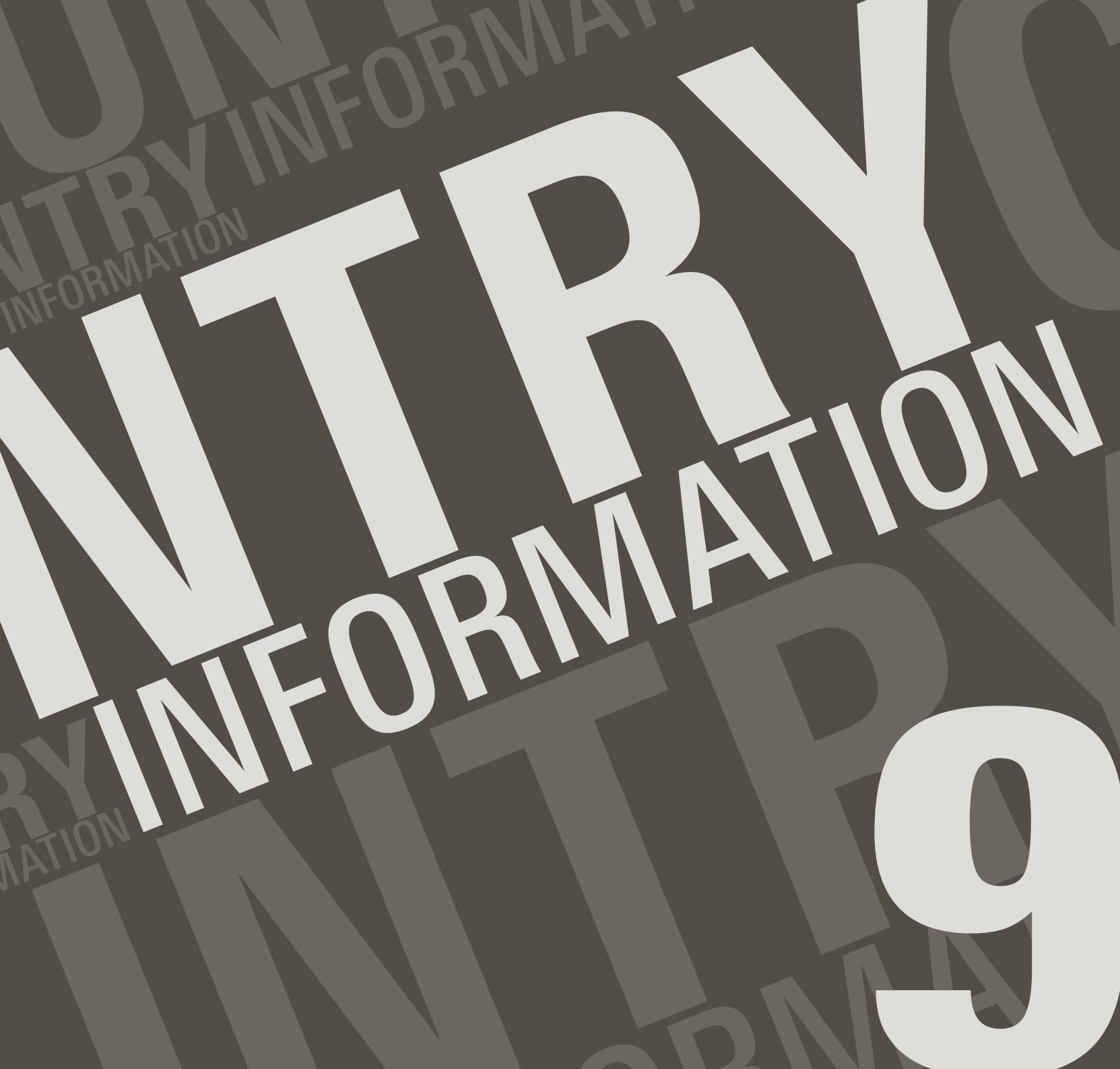
In all the spheres I have mentioned, 2012 will be remembered as a successful year and these accomplishments allow us to look into future with great optimism.

—Ilham Aliyev, President of the Republic of Azerbaijan









# COUNTRY INFORMATION

9

REPUBLIC OF AZERBAIJAN



## AZERBAIJAN: STATE, GEOGRAPHY AND HISTORY IN BRIEF



Emblem



Flag

**Establishment:** 28 May 1918

**Independence:** 18 October 1991 (II republic)

**Capital:** Baku

**Language:** Azerbaijani

**Currency:** Azerbaijani Manat (AZN)

### Geography

Land territory of 86,600 km<sup>2</sup> (11.5% forests, 1.6% water, 50% agricultural lands (27% of which are pastures) and 36.9% other lands). In addition to the land territory, the sovereign area of Azerbaijan includes Azerbaijani sector of the Caspian Sea.

Azerbaijan is located in the South Caucasus region of Eurasia on the crossroads of Eastern Europe and Western Asia. It lies between latitudes 38° and 42° N, and longitudes 44° and 51° E. Baku is located in 40° parallel.

The total length of Azerbaijan's land borders is 2,648 km, of which 1007 kilometers are with Armenia to the west, 756 kilometers with Iran to the south, 480 kilometers with Georgia to the north-west, 390 kilometers with Russia to the north and 15 kilometers with Turkey to the south-west. The coastline stretches for 800 km, and the length of the widest area of the Azerbaijani section of the Caspian Sea is 456 km.

### Political system

Azerbaijan has a republican form of government. The three branches of power include:

- \* executive headed by the president (5 year term);
- \* legislative: unicameral national assembly (Milli Majlis) with 125 deputies (5 year term);
- \* judiciary headed by the supreme court.

The system of "checks and balances" includes the Constitutional Court and the Constitution with a number of guaranteed rights and freedoms for the people of Azerbaijan.

The country lives a very dynamic political life. A number of parties and politicians compete for the presidency, parliamentary constituencies and municipalities. A well-developed electronic and print media community complements public political discourse.

### Foreign policy

The foreign policy of Azerbaijan is geared towards the establishment of peaceful and mutually beneficial cooperation with all international partners. Foreign policy priorities of Azerbaijan include the restoration of its territorial integrity; European and Euro-Atlantic integration; contribution to international security; cooperation with international organizations; regional cooperation and bilateral relations.

Azerbaijan is well integrated in the international cooperation system through participation in various international organizations such as 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 as well as a system of multilateral and bilateral treaties on security and economic affairs. Azerbaijan is an active non-permanent member

of the UN Security Council. It has stakes in and is actively engaged with the European Bank for Reconstruction and Development, Asian Development Bank, World Bank, International Monetary Fund, Islamic Development Bank, Black Sea Trade & Development Bank and other international financial institutions, all of which have running project portfolios in the country.

### Demography and people

The population is evenly distributed between urban and rural areas, with 53% residing in towns and cities. Over 39% of more than four million employed workforce are engaged in agriculture and related activities, with 8% working in industry and construction.

Population, as of the beginning of the year	2011	2012
Population, thsd	9,111	9235.1
Urban	53%	53%
Rural	47%	47%
Population density, per km <sup>2</sup>	105.2	108

### History

One of the countries of the South Caucasus, Azerbaijan was re-introduced on the political map of the world after the collapse of the Soviet bloc. Independence was regained only in 1991 at the price of thousands of lives of Azerbaijanis lost in the Nagorno-Karabakh conflict and the Soviet attack against Azerbaijani national movement in Baku in January 1990. Yet despite a short period of independence in the new era, Azerbaijan has an enduring and rich history of statehood and culture.

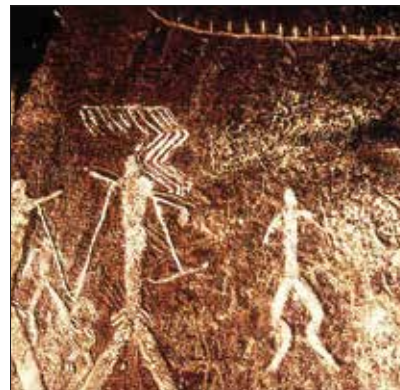
Today's Republic of Azerbaijan is the successor of the Azerbaijan Democratic Republic (ADR) declared on 28th May 1918 by the first Azerbaijani parliament - National Assembly (Milli Majlis). Though short lived (was occupied by Bolshevik Russia in 1920), ADR was the very first democratic government in the whole Islamic world. Such measures as electoral rights for women, representation of

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

Azerbaijan is one of the world's oldest cradles of civilization. Human cultural activities in Azerbaijan were discovered in Gobustan (about 70 km from the capital city Baku) providing indisputable proof that the Azerbaijani culture goes back to approximately the 12th millennium B.C.

The location of Azerbaijan as the most convenient route for migration from Asia to Europe, and from Eurasia to Middle East, from ancient times until recently forms the country's ethnic mix of today. It is a mix of Turkic, Caucasian, European and other cultural influences.

According to conventional historical tradition, the word "Azerbaijan" descends from the personal name or official title of the local ruler Atropat, IV century B.C., a contemporary of Alexander the great. Other historians refer to Turkic and Sanskrit languages to trace down the origins of the name of the country. Anyhow, the country bore the name "Atropatan" and later "Aderbagan" for many



Azerbaijan is one of the world's oldest cradles of civilization. Human cultural activities in Azerbaijan were discovered in Gobustan (about 70 km from the capital city Baku) providing indisputable proof that the Azerbaijani culture goes back to approximately the 12th millennium B.C.

centuries to come. The name was used to describe territories that include the present Republic of Azerbaijan and the province of the same name within the Islamic Republic of Iran. The first recorded states on the territory that is now known as Azerbaijan date back to 9th Century B.C. A few states such as Manna, Maday and Albania with their own unique traditions succeeded one another in the period to follow.

In the 4th century A.C. Christianity spread to the northern part of the country while the South remained largely Zoroastrian. In the 8th Century the Arabic conquest of Azerbaijan commenced. The Khalifat had long competed with the Turkic Khazar Kaganat (Judaism was the official religious tradition there) for domination over the north. Eventually Arabs prevailed and Azerbaijan remained under Islamic rule for circa three hundred years with the short period of twenty years when a large scale Hurammi freedom movement led by popular 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 now regarded the patriarchs of this civilization, contributed extensively



Shah Ismail I (Khatai), the founder of Safavid Dynasty pictured at battle against Abu al-Khayr Khan in a scene from the Tarikh-i Alam-Aray-i.

to the Islamic Renaissance of the 9th to the 13th century.

The Middle Ages were a period of several large regional empires, 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 independent or at least semi-independent status throughout the whole period, including the hectic times of the Mongolian invasion and the Teymurids.

By the XVIII century, the country consisted of a few independent Khanliqs (principalities). The new regional power, the Russian empire, eventually conquered Northern Azerbaijan and after the 1828 Turkmanchay Peace Treaty with Persia the country was divided and southern Azerbaijan was left under Persian sovereignty. The Turkmanchay division is the current state of affairs between Azerbaijan and Iran.

The late XIX - early XX centuries denotes the period of cultural and economic regeneration of Azerbaijan. In the 1860's the industrial exploitation of the Azerbaijani oil fields commenced, which witnessed the emergence of international businesses including



Nobel Brothers' oil wells at the end of 19<sup>th</sup> century, in Balakhani, a suburb of Baku.



Heydar Aliyev, President of the Republic of Azerbaijan, in office June 24, 1993–October 31, 2003

Nobel brothers, Rothschild, Siemens and others. Quite a few of them made their start in Baku from a small engineering company to a giant transnational corporation of today.

The economic rise led to a cultural revival. The traditional Islamic & oriental cultural stratum was enriched by the ever growing European and Russian influence. The XIX and XX centuries are the period of major advancement in Azerbaijani social life. The first opera in the Muslim world, newspapers and national drama theatre, discussion on the adoption of a "modern" Latin alphabet, the first university, a school for Muslim girls and such like were the cornerstones of this cultural and social development.

After the short life of Azerbaijani Democratic Republic, the 11th Soviet Red Army occupied Azerbaijan in late April 1920. The occupation did not occur without resistance. The remnants of the ADR National Army units, together with the local militia, retreated to the second largest city of Azerbaijan, Ganja, where a major clash with joint Bolshevik-Armenian Dashnak forces took place. A period of mass repression of the Azerbaijani intelligentsia, elite and national leaders from 1920 to 1930 followed the defeat of the 1st independent Azerbaijani Democratic Republic. Azerbaijan became a part of the Soviet Union with occupation of the Red Army in 1920.

The consequences of the disintegration of the Soviet Union 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 incapable 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, and launched a proactive foreign policy campaign aimed at the political integration of Azerbaijan internationally. In 1994 major oil & gas contracts with the consortia of oil giants such as BP, Amoco, Total and others were concluded. From circa 1997 onwards, major political reforms aimed at bringing Azerbaijan to international standards in the areas of the rule of law, democracy, human rights and freedoms started as well.

The era of Heydar Aliyev ended in December 2003 with the decease of the national leader. However, the policy decisions taken by him, including integration into European common space, democratization, the creation of a liberal market economy and socially oriented policies remain the undisputed development vectors for the current government. His far-seeing policy is being successfully continued by his successor Ilham Aliyev who was elected President for two consecutive terms in 2003 and 2008.

## SNAPSHOT OF THE AZERBAIJANI ECONOMY

Today Azerbaijan is one of the leading economies globally in respect of economy growth rates. A record GDP growth was observed in 2006 accounting for 34.5% which was the highest performance in the world as well. Even in the period of global financial crisis in the world Azerbaijan managed to keep the high pace of development. Since 2003, Azerbaijan has tripled its economic potential.

Country ranks one of the leading positions in the world for the ratio of strategic currency reserves to GDP, which is 66% considering that the nominal GDP in 2012 totalled 69.2 billion USD. Increase of state budget revenues is continuously observed.

In 2012 the state budget revenues made up 21.9 billion USD. Azerbaijani economy is characterized by firm macroeconomic stability and ranks 18th in the world for sustainable macroeconomic environment according to the Global Competitiveness Report 2012-2013.

Certainly, such rapid growth is associated with the development of oil and gas industries. At the same time, in order to reduce dependency on oil revenues, diversification of economy and development of non-oil industries became key strategic goal for the country. Presently, non-oil sectors make over 51% of the

total GDP with sustainable economic growth rates. Last year's figures alone with almost 10% of non-oil GDP increase show that this sector became a driving force for economic prosperity at large.

Continuing development of regions positively influences diversified economic growth in the country. The regional economic development is at the heart of economic policy.

Economic growth has a direct link to the reduction of poverty. Major reforms are structured through specifically defined state programmes covering all the aspects of economic and social development. The most important one is the State Programme on Poverty Reduction and Sustainable Development. Thanks to its successful implementation poverty was reduced by 8 times since 2003 and dropped to 6% at the end of 2012.

These achievements would be impossible without strong private hand. As a result of several stages of privatization policy, nowadays share of private sector in economy is over 85%. With that Azerbaijani economy is the biggest in the region of South Caucasus making up 73% of its GDP.

Azerbaijan has undertaken a wide range of economic and regulatory reforms to ensure a sustainable business and investment



"Azerbaijan is at the heart of a region whose energy resources will play a vital role in the world economy in the years to come. Azerbaijan has been playing a central and active part in unlocking these resources for the benefit of all."

—David Cameron, Prime Minister of the United Kingdom



"We have seen an intensification of our relations in various fields. Bilateral political contacts on all levels have intensified, so have contacts between people and business. We appreciate your support on many crucial international issues. Our energy cooperation continues to develop fast as an important positive dimension of our bilateral relationship."

—Herman Van Rompuy, President of the European Council



environment. The government continuously works on its enhancement, decreases red tape and simplifies procedures. Azerbaijan introduced one of the simplest business registration procedures in the world and fully digitalized taxation system which is quite competitive even compared to developed countries. Country pursues welcoming policy towards international businesses and established liberal investment climate with almost no restrictions for foreign investors. No discrimination policy and guarantees such as full repatriation of profits, compensation of damages, and moratorium against adverse changes in legislation are those measures which create favorable conditions for investing.

All these factors play a paramount role in promoting domestic and foreign investments. Since 1995 almost 145 billion USD have been invested in Azerbaijan whereas over 60% of total amount of investments have been injected in various non-hydrocarbon sectors of the economy. Moreover, increasing economic opportunities and financial means allowed Azerbaijan to emerge as a prominent foreign investor which actively invests in many countries, including those in close proximity like Georgia, Turkey, Kazakhstan, Russia or Ukraine and those a little further like Romania, Switzerland, Serbia,

Montenegro, France or UK. This geography enlarges progressively.

Along with oil and gas industry which is the major recipient of foreign investments in Azerbaijan, the non-oil sectors such as agriculture, food industry, tourism, alternative and renewable energy, ICT, chemistry, waste management have wide investment opportunities as well and attract attention of international businesses. In order to increase investment flow, a set of incentives has been introduced in various fields. For instance, no other taxes except the land tax are imposed on agricultural companies and these companies. They do not pay VAT and customs duties for various products and equipment imported for production purposes in agriculture. The same customs privilege is available for food companies as well. Recently established chemical and waste industrial parks offer their residents full tax exemptions and customs privileges for imported equipment, facilities and goods.

Next chapters provide further details to current economic trends, various sectors, business climate and other useful information.



"I am particularly interested in Azerbaijan continuing the brilliant economic growth it has achieved in recent years this year too. I want to assure you of my intention to further strengthen the friendly relations between our countries. Azerbaijan is an important partner of France and will become even more important in the future."

—Francois Hollande, President of the Republic of France



"The United States recognizes Azerbaijan's important contributions to regional and international security" and expresses the hope that "we will be able to broaden and deepen our relationship in the months and years ahead".

—Barack Obama, President of the United States of America

**Nominal GDP in Azerbaijan 2003-2012 (mln USD)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	7,276.0	8,680.4	13,238.7	20,983.0	33,050.3	48,852.5	44,297.0	52,909.3	64,780.9	69,224

**GDP per capita (USD)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	888.5	1048.5	1579.8	2471.6	3841.7	5603.3	5018.2	5922.0	7155.7	7490.0

**Share of Azerbaijan in the economy of South Caucasus (%)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Azerbaijan	52	50	54	60	63	67	70	72	72	73
Georgia	28	29	26	22	19	17	17	16	16	10
Armenia	20	21	20	18	18	16	13	12	12	17

**Azerbaijani Foreign Trade (mln USD)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	5216.6	7131.4	8558.4	11638.9	11771.7	54926.0	20824.5	33161.7	43121.3	43813.2

**Private share in GDP (%)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	73.3	73.5	77.8	81	84	84.5	81.2	81.7	82.5	83

**Budget revenues and expenditures (mln USD)**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues	1245.8	1540.3	2309.2	4346.9	6984.4	13125.2	12907.4	14253.8	19625.9	21773.9
Expenditures	1259.7	1532.8	2405.3	4258.6	7077.0	13139.3	13129.8	14707.4	19246.9	21998

### Some useful macroeconomic indicators (2011-2012)

Indicator	2011	2012
GDP (bln. USD)	63.6	69.2
GDP per capita	7,003 USD	7,500 USD
Inflation	7.9%	1.1%
Investments (bln. USD)	21.6	25.7
Domestic investments (bln. USD)	13	15.4
Foreign investments (bln. USD)	8.6	10.3
FDI (bln. USD)	4.4	5.4
Foreign trade (bln. USD)	36.3	43.8
Export (bln. USD)	26.5	34.2
Import (bln. USD)	9.8	9.6
Weighted exchange rate for 1 USD	0.78 AZN	0.78 AZN

### Administrative division

Autonomous Republic	1 (Nakhchivan AR)
Districts	66
Towns	77
Districts of cities	13
Settlements	257
Rural territorial division	1719
Rural settlements	4260
Capital city	Baku

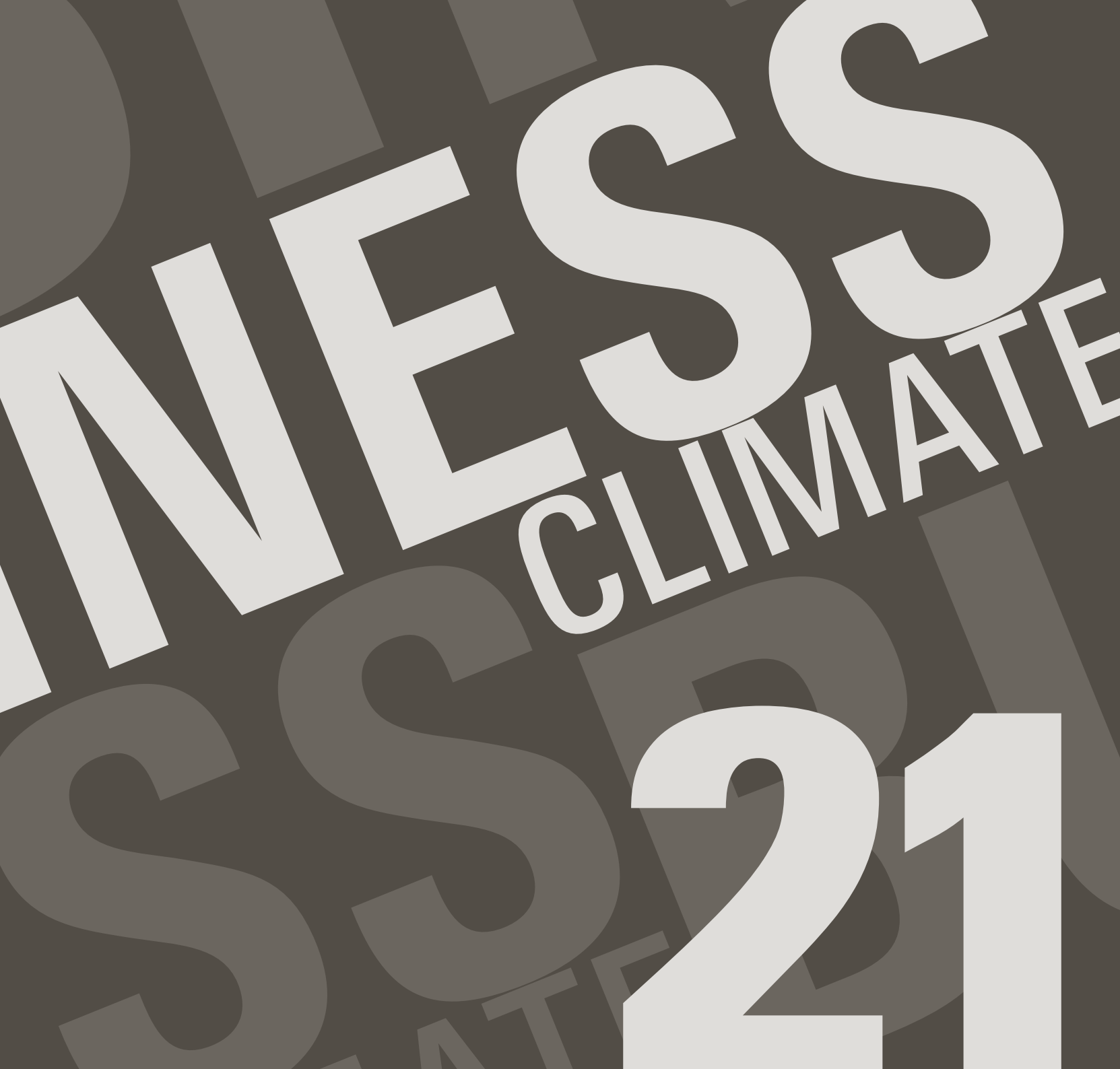
### Share in GDP by sectors

Industry	50%
Agriculture	5.2%
Construction	9.2%
Transport, storage and communication	5.5%
Trade, restaurants, hotels	8.4%
Social and non-formal services	13.8%
Other	7.9%



The Maiden Tower in Old Baku is a UNESCO World Heritage Site built in the 11th–12th century.

**BUSINESS**



CLIMATE

2021

## FOREIGN DIRECT INVESTMENT CLIMATE

The Republic of Azerbaijan is the leading FDI destination in the region. Since 2003, Azerbaijan has tripled its economic potential, enabled and sustained macroeconomic stability and undertaken a wide range of economic and regulatory reforms to ensure a sustainable business and investment environment. During last 18 years, almost 145 bln USD has been invested in our economy, where the shares of domestic and foreign investments are nearly equal. Azerbaijan has made the gradual transformation from planned economy to full-fledged market economy based on a mature and active private sector. Revolutionary legal reform with the introduction of a new Tax Code, Civil Code and Civil Procedural Code, Land Code, Labor Code, Customs Code, Foreign Exchange Law, Law on International Arbitration, as well as a number of other laws and regulations, has enabled significant development of the private sector and made legislation more transparent and investor-friendly.

Generally, Azerbaijani legislation establishes a very open national regime for FDI, where foreign investors are welcome in any sectors that local investors are allowed to invest in. This regime also applies to the participation of foreign investors in the privatization of state-owned property. Major economic policies also include an FDI element; for example, the Government has lifted limitations on foreign participation in the banking sector. There are no special permissions or specific registration requirements for foreign investment. Licensing has been substantially simplified, with foreign investors' interests in mind. Any FDI restrictions are strictly limited to national security matters. Foreign investors are particularly welcome to enter the Azerbaijani market with "greenfield" projects. This is particularly attractive, bearing in mind the regional markets and the geographic location of the country as the transportation hub for the Caspian region and Central Asia.

In recent years, Azerbaijan has significantly improved its business climate in terms of ease of doing business in the country. The introduction of "one-stop-shop" system of business registration

(often also called the "single window" system) in 2008 was designed explicitly to reduce the red tape, costs and paperwork associated with the process of business registration. Moreover, Azerbaijan introduced an electronic registration of individual entrepreneurs and this system is already available for limited liability companies with local investments. It is expected to improve e-registration of business for all types of enterprises. Important reforms were also undertaken in employment regulations, registering property, access to finance, paying taxes and protecting investors.

According to the World Bank's Doing Business 2009 report, Azerbaijan made a substantial leap, from 97th place to 33rd out of 181 economies. Azerbaijan improved in seven of 10 indicators, catapulting 64 places in the rankings, the biggest jump ever recorded by the World Bank. Azerbaijan is placed among the top economies narrowing the distance to best performance since 2005 according to the Doing Business Report 2013. Moreover, Azerbaijan applies one of the simplest business registration procedures in the world and ranks 18th place in starting business among 185 countries.

As for the Global Competitiveness Report 2012-2013 Azerbaijan is placed 46th in the world ranking of 144 countries. Government services for improved business performance are highly valued in the recent WEF Report. Azerbaijan ranks top position 3 times consecutively among CIS countries on competitiveness index.

Countries	Rank
Azerbaijan	46
Iran	66
Russia	67
Kazakhstan	51
Georgia	77
Armenia	82

Investment grade from leading international rating agencies is continuously improved. Azerbaijan showed stability of sovereign investment ratings in 2012 with 'BBB–' long term and 'F3' short term credit ratings from Fitch Ratings and 'BBB–' long term and 'A3' short term credit ratings from Standard and Poor's.

### **Abundant resources**

Azerbaijan is rich in mineral and climatic resources. The Caspian Sea oil & gas reserves are some of the world's largest deposits. Azerbaijan has also substantial explored deposits of precious metals (including gold and silver), ferrous and non-ferrous metals, various construction raw materials and so on. One of the major resources of the country is its natural diversity. Despite its relatively small size, Azerbaijan has a number of distinct climatic zones ranging from humid subtropical to semi-arctic due to its complex terrain and geography. This creates unique opportunities in agriculture and tourism.

### **Favorable location**

Azerbaijan is located on the very south-eastern border of the Europe, and serves as a natural bridge between Europe and Central Asia. It is the most convenient route from the north-east of Europe to the Middle East. The country is the logistics hub for the Caspian region. Baku's excellent infrastructure (including the region's largest sea and air terminal) is the best choice for any business entering the markets of the Caspian Sea region.

### **Competitive cost of production**

Azerbaijan has long-established industrial and trade traditions. The industrial revolution reached Azerbaijan in the late 19th century due to the expanding and advanced oil production and refining sector. Further industrial development led to growing a research and development (R&D) base. A large R&D centre, the Academy of Sciences with circa 7,000 research studies, operates in Azerbaijan in parallel with a number of universities and colleges. The country

is rich in engineering skills while wages are still very competitive. The government's policies in respect of utilities tariffs are manufacturer-friendly.

### **FDI friendly laws**

Azerbaijani legislation is evolving in accordance with the strategic goal of the Government of implementing a "welcoming policy" for foreign businesses. Foreign investments are protected by certain government and statutory guarantees, including:

- \* Guarantees against adverse changes in legislation - the general rule is that the legislation in force at the time an investment is made continues to apply to individual investor for the next 10 years, notwithstanding any adverse changes in law;
- \* Guarantees against nationalization and requisition – foreign investments are not subject to nationalization (except in cases of harm to the population and state) and requisition (except in cases of natural disaster, epidemics, accidents, and emergencies). Foreign investors are guaranteed immediate, adequate and effective compensation in case of nationalization and requisition. Compensation should be commensurate with the amount of the investment at the time of nationalization or requisition, is payable in foreign currency, and may be freely transferred abroad;
- \* Guarantee of compensation of damages - foreign investors are entitled to compensation of damages, including lost profits, incurred as a result of the unlawful acts of state authorities;
- \* Guarantee of repatriation of profits - foreign investors are entitled to repatriate profits derived from foreign investments, subject to the payment of applicable taxes and duties.

In order to attract domestic and foreign investment, improve the investment climate and create new competitive and effective production and service areas, measures have been taken to establish Special Economic Zones (SEZ) in Azerbaijan. The legal basis for the establishment of Special Economic Zones has been created and

the legal framework for implementing a new mechanism of state support for entrepreneurship has been established.

A concessional tax and customs regime will be introduced in Special Economic Zones. SEZs will be created for priority sectors after the territories where they will be located are identified. As a result of this policy, active works have been already started on establishing “Sumgayit Chemical Industrial Park” and “Balakhani Eco-industrial Park” in order to improve chemical industry and waste management respectively. Tax exemptions and customs privileges for 7 years will be applied for the residents of these Parks. Operating entrepreneurs will be provided with infrastructure including all necessary initial facilities. Both whole and partial participation of foreign investments in the projects are also considered and legally allowed by the management of the Parks.

In terms of trade regulation, there are no general trade barriers or prohibitions on the import of any types of goods in Azerbaijan, and only a minimum level of non-trade barriers for international trade. The country is not yet a member of WTO, although the Government has started the accession process. Exported goods are not subject to any customs duties and restrictions. Regulations exist for the export of strategic commodities such as electricity, petrol, cotton and non-ferrous metals.

#### Well-established institutional framework

The Government continues to introduce a number of initiatives aimed at improving its dialogue with the business community. Along with standard methods of communication with the government via its ministries and agencies, foreign investors can effectively deliver messages via institutional mechanisms.

Azerbaijan Export and Investment Promotion Foundation (AZPROMO)	Azerbaijan Investment Company (AIC)
* Established in 2003 by the Ministry of Economic Development	* Established in 2006 by the Presidential Decree
* Aims to develop non-oil sectors via promotion of Azerbaijani products abroad and facilitation of foreign investments domestically	* Aims to implement fixed-term equity investments in non-oil sectors along with local and foreign co-investors
* For more information: <a href="http://www.azpromo.az">www.azpromo.az</a>	* For more information: <a href="http://www.aic.az">www.aic.az</a>

#### Political and economic stability

Other substantial comparative advantages of doing business in Azerbaijan include such important factors as macroeconomic and political stability, in addition to Baku’s reputation as being the only metropolitan capital on the Caspian Sea. Azerbaijan is one of the leading economies globally in terms of economic growth. A record GDP growth was observed in 2006 accounting for 34.5%. That was the highest performance in the world. Even in a period of global financial turmoil, Azerbaijan managed to maintain high economic growth rates. As a result, Azerbaijan’s economy grew threefold in the past 10 years. Macroeconomic stability in Azerbaijan is considered as the 18th performance in the world according to the Global Competitiveness Report 2012-2013.

#### Wide choice of investment forms

Pursuant to the current Law “On the Protection of Foreign Investment”, foreign investment may take any of the following forms:

- \* Participation in enterprises and organizations established with legal entities and citizens of the Republic of Azerbaijan on a shared basis;
- \* Establishment of wholly-owned enterprises by foreign investors;
- \* Purchase of enterprises, property, buildings, structures, shares in enterprises, other shares, bonds, securities, and certain other property, which may be owned by foreign investors under the laws of the Republic of Azerbaijan;



## ESTABLISHING LEGAL PRESENCE

- \* Acquisition of rights to use land and other natural resources, and also other property rights; and
- \* Conclusion of agreements with legal entities and citizens of the Republic of Azerbaijan providing for other forms of foreign investment.

Enterprises with foreign investment include joint ventures, enterprises wholly-owned by foreign investors, and representations (offices and branches) of foreign legal entities.

### **Availability of international instruments for protection of FDIs**

Azerbaijan has established a sound legal basis for promoting and protecting foreign investments. Along with national legislation, it is a party to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958) and the Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States (1965). Azerbaijan is also a party to 45 bilateral treaties on the mutual protection and promotion of investments and 44 treaties on avoiding double taxation. At present, 34 bilateral investment treaties are being negotiated with such countries as the Kingdom of Netherlands, Bosnia and Herzegovina, Spain, Russia, Canada, Brazil and others.

A company may start operations in Azerbaijan from the moment of state registration. Currently, registration of commercial legal entities is carried out by the Ministry of Taxes of the Republic of Azerbaijan.

Without formal registration with the Ministry of Taxes, a company may not open a bank account, clear goods through customs, etc. A new system of corporate registration is in place from 1 January 2008, which significantly simplifies the registration process for legal entities. The registration of legal entities is now handled through a single state authority (“one-stop-shop”) – the Ministry of Taxes.

Upon submission of all required documents, within 3 business days the Ministry of Taxes issues an extract from the state register and a unique tax identification number. The “online registration” system of legal entities is available since January 2012.

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. In general, foreign businesses tend to open representative offices/branches or register (incorporate) a local company.

The Law on State Registration of Legal Entities and State Register sets out the requirements of the legal registration process.

You may start your own business in Azerbaijan with 100% foreign investment or form a joint venture with a local partner. There are 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 described below, there are no additional general approvals or permissions apart from state registration for the start up.

A certain, limited number of documents must be submitted to the Ministry of Taxes for registration purposes (for foreign participants/shareholders, these documents include, inter alia,

notarized/apostilled extracts from the companies' register, company statutes and documents on corporate governance). Azerbaijan is a party to the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents, and the legalization requirement has ceased to exist in respect of documents produced and executed abroad in the convention's member countries.

The state duty is AZN 220 for the registration of the banks, stock exchanges, insurance companies, representations and branches of foreign legal entities, AZN 3 for the registration of legal entities involved in agricultural business, and AZN 11 for all other legal entities. 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 most popular choices for incorporation. Please see Annex 2 for a brief comparative analysis of these two types of legal entities.

### **General Partnership**

Only private entrepreneurs and/or commercial organizations can be participants of GPs. 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. Participants bear subsidiary liability for the partnership's debts with their property. The profits and losses of a GP are allocated among the participants in proportion to their share in charter capital. If due to losses incurred the GP's net assets decrease below its charter capital, no earnings distribution occurs until net assets exceed charter capital.

### **Limited Partnership**

A limited partnership 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 only participate as a general partner in one LP. Similarly, a partner of a GP may not participate as a general partner in an LP.

### **Limited Liability Company**

A limited liability company is an entity established by one or more individuals and/or legal entities contributing their participatory interests 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**

An additional liability company 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 a 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 Companies**

A JSC is a legal entity with charter capital divided into a certain number of shares. 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, member 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 and insurance companies in the form of a JSC.

#### **Cooperative (a concept close to a Building Society)**

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.

#### **Non-Commercial Organizations**

An Azerbaijani non-commercial or not-for-profit organization is an entity created to engage in various public, social and economic activities, not related to the generation of profit and distribution of such profit to its equity holders. Since an Azerbaijani noncommercial organization is treated as a legal entity, it may own property, enter into contracts, acquire ownership and intellectual property rights, incur obligations in its own name, maintain an independent balance sheet, maintain settlement and other bank accounts, and act as a claimant and defendant in courts and arbitration. Azerbaijani non-commercial organizations are presumed to engage in non-commercial activities. Under the Civil Code, non-commercial organizations may be created in any of the following forms: public association, foundation and union of legal entities. Other forms permitted include federations, schools, universities and clubs.

#### **Public Associations**

A public association is a voluntary, not-for-profit organization created by its members to engage in activities of their mutual interest. Azerbaijani law authorizes both individual and corporate membership

in public associations. A member in a public association loses any ownership or other rights to property transferred to the public association, including their membership contributions. Members of a public association are not responsible for its obligations and the public association is likewise not responsible for the obligations of its members.

In the event of the liquidation of a public association, any property remaining after liquidation is allocated for the purposes specified in the charter. If this is not possible, such property is remitted to the state budget.

#### **Foundations**

A foundation is a not-for-profit organization created by individuals and/or legal entities to engage in public, charitable, educational and other kinds of social activities. Since an Azerbaijani foundation is not subject to a minimum requirement for the number of founders, it may be created by one individual or legal entity. Moreover, they are not based on membership, i.e. the founders do not become its members. A foundation's founders are not responsible for its obligations. Likewise, a foundation is not responsible for the obligations of its founders. The Civil Code sets a minimum amount of charter capital required for establishment of a foundation, which is AZN 10,000.

#### **Unions of Legal Entities**

A union of legal entities is created by business or non-commercial entities to provide for the cooperation and coordination of their entrepreneurial or non-commercial activities, to represent them, and to protect their common interests. A union is not responsible for the obligations of its corporate members. Corporate members, however, are responsible for the unions' obligations to the extent provided under the union's charter.





Night view from Old City to  
Flame Towers, Baku, Azerbaijan

### Subsidiaries

A legal entity, whether or not established in Azerbaijan, may form a subsidiary in Azerbaijan in one of the three legal forms available for commercial purposes, i.e. 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.

On 22 October 2010, the Parliament of the Republic of Azerbaijan approved the Law "On Investment Funds". The Law recognizes mutual investment funds and joint-stock investment funds. Also, one of the main provisions is that mutual investment funds are not subject to profit tax since it is not a legal entity.

Based on the Presidential Decree dated 12 November 2010, the executive authority responsible for implementation of the Law is the State Securities Committee. The Law became effective on 21 November 2010.

A progressive land reform was implemented in Azerbaijan in the 1990s. The country was one of the first among the former USSR republics to introduce private ownership of land as well as free trade and transfer of titles to land and distributed a large portion of land to its population. A great deal of formerly state-owned real estate was also either sold or distributed to the public and businesses.

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

The State Registration Law recognizes registration of rights to immovable property carried out by various state authorities prior to the date of the law, and provides for the transfer of data to the register from the various state authorities that previously registered rights to immovable property. Under the State Registration Law the register will be available to a limited range of persons entitled to receive information on data kept in the Register. As a general rule, the registration of property rights to immovable property takes not more than 20 days. The State Registration 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 can be registered in advance.
- \* Property rights regarding individual apartments in unfinished buildings or non-residential properties and mortgages thereon can also be registered in advance.
- \* In the event immovable property is leased or given for use for a period exceeding 11 months, such right shall be registered by either party of a lease or use agreement.

The concept of ownership in Azerbaijan includes rights to exercise possession, 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 own land is a privilege of (I) the Republic of Azerbaijan, (II) municipalities, and (III) Azerbaijani individuals and legal entities. 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 enforcement of security interest, grant or succession must dispose of their ownership (e.g. through a sale) within one year; otherwise ownership of the land reverts to the state or relevant municipality. There is no legal limitation on the ownership of buildings, constructions etc. by foreign individuals and legal entities.

Certain categories of land plots are in the exclusive ownership of the state or municipalities, and may only be leased by or granted for the use of private persons.

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 cannot 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.

A license is granted without discrimination to any entity that

## LICENSING

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.

Under Azerbaijani law: License is an official record permitting relevant types of entrepreneurial activities to a legal person irrespective of its organizational and legal form, as well as to a natural person engaged in entrepreneurial activities without creation of a legal entity.

Licensing in Azerbaijan is regulated by the laws, presidential decrees and orders of the Cabinet of Ministers of the Republic of Azerbaijan. The Ministry of Economic Development is the government agency 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 who control a licensed activity (the Ministry of Transportation, the Ministry of Emergency Situations, the Ministry of Economic Development, etc).

Regulations on licensing procedures for specific types of activities are generally issued by the Cabinet of Ministers. An applicant is required to submit all documents specified in the regulations and pay a fee; provided the application meets all requirements, a license is issued within 15 days. The basic term of most licenses is five years (3 years for the production of alcoholic beverages and ethyl (beverage) alcohol, and 1 year for import) and indefinitely for banking activities and activities in insurance sector. However, the right to issue a specific license is given to respective state authorities who control the licensed activity (the Ministry of Transportation, the Ministry of Emergency Situations, the Ministry of Economic Development, etc). The Azerbaijani licensing system was reformed in 2002. The number of business activities requiring a license was reduced from more than 200 to 58.

As the result of the reform, the licensing system in Azerbaijan was liberalized. Licensing differs from the procedure for permits related to special "hazardous" activities such the arms trade or storage of nuclear materials. In Azerbaijani terms, this type of permit is called a "special permit".

A person who wishes to obtain a license to carry out a specific entrepreneurial activity should either create a legal entity or register as an individual entrepreneur, i.e. become a "sole proprietor".

Annex 3 provides a list of business activities requiring a license. No other business activities require special permits as of this writing.

The list of documents required to obtain a license is exhaustive. No other documents may be demanded from a business to issue the license.

The President recently issued a Decree on certain aspects of the special permit and license system required for certain types of business activities. Thus, the Decree envisages the introduction of single licensing procedure in Azerbaijan. Recently a new information portal on permits and licenses [www.icazeler.gov.az](http://www.icazeler.gov.az) was launched.



## EMPLOYMENT

Labor relations governing the employment of all employees in the Republic of Azerbaijan are regulated by the Labor Code, effective from 1 July 1999 (the "Labor Code"), together with other laws issued pursuant to the Labor Code.

The Labor Code codifies the legislative acts adopted in the early years of independence and a number of lower-tier normative legal acts. Employment relations are established by the execution of a written employment contract, which is concluded without a fixed term in most cases. 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 can be made for a fixed term of up to 5 years. A fixed-term contract is deemed to be extended for the same period unless terminated by notice within 7 days of the expiration of the original term of the contract.

A contract without a fixed term can be terminated by the employer only in cases specified in the Labor Code, such as gross violation of job duties by an employee, redundancies, determination by a competency assessment body that an employee's qualifications are inadequate to perform his/her duties, a change of labor conditions etc. An employer has the duty of giving notice of termination. The general term of such notices is 2 months (e.g. redundancies). However, certain exceptions apply (e.g. in case of 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 2 months prior to termination the employer must allocate to the employee a fixed number of days 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 below 3 years of age), termination of employment is prohibited, unless the employer is being liquidated. In cases of termination of employment due to redundancy or liquidation of an enterprise, the employer must pay severance payment to employees,

which may total to up to three months of each employee's average salary. Generally, legal entities are required to make monthly social insurance contributions equal to 22% of the salary fund of their employees. Legal entities are also obligated to withhold employees' social insurance contribution in the amount of 3% of gross salaries and transfer it 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 obligatory medical insurance to be obtained by employers. Also it should be noted that the Law "On Mandatory Types of Insurance" came into force on 18 October 2011. The Law stipulates four types of mandatory insurance:

- \* Insurance of immovable property;
- \* Insurance of civil liability of vehicle owners;
- \* Insurance of civil liability of immovable property;
- \* Insurance of passengers.

Additionally, the Law stipulates the establishment of an Insurance Bureau. The purpose of creating the Insurance Bureau is to protect the interests of insurers, to prepare guidance on paying compensation, and to propose changes in the legislation.

### Compensation in Foreign Currency

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

### Probationary period

A probationary period of up to 3 months is allowed in most cases and, if the probationary period is included in the employment contract,

the contract may be terminated by either party upon giving a 3-day notice. To be enforceable, a probationary period must be stated in an employment contract and may not exceed three months. A probationary period may not be imposed on certain categories of staff listed in the Labour Code.

### **Minimum Wage**

Employee remuneration may not be lower than the minimum monthly wage, currently 93.5 manats (approx USD 119) per month.

### **Work Week**

The regular work week is 40 hours, reduced for certain groups of people and workplaces. Overtime work is not allowed unless necessary for state defence, public safety, ensuring the supply of public utilities, and in certain other situations.

The duration of overtime work may not exceed a certain limit established by the Labour Code. For each hour of overtime work, an employee must be compensated at a rate at least twice his or her 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 a mourning day) are compensated in the manner provided for in 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.

### **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.

### **Dismissal**

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 labour 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.

### **Cost of Employment**

Employers are required to pay social security contributions on behalf of their employees.

### **Income Tax**

The employer is obliged to withhold income taxes for its employees and certain social contributions.

### **Foreign Workers in Azerbaijan**

Foreign employees who are employed by enterprises (affiliates 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 employment contracts concluded in the foreign state where the employer is located.

Foreign nationals wishing to work in Azerbaijan are required to register at their place of residence and obtain a work permit. Work permits are issued by the Ministry of Labor and Social Protection.

Heads of representative offices and branches of foreign legal entities (and their deputies) and certain other categories of foreign employees are not required to obtain a work permit in Azerbaijan.

## FOREIGN TRADE REGULATION

Azerbaijan has started negotiations with the WTO on accession to the organization. The government has undertaken a number of steps to liberalize foreign trade. As of the end of 2011, the weighted average import tariff in Azerbaijan was 5.8% i.e. significantly below the international average. Import–export is one of the most rapidly developing business segments in Azerbaijan. In recent years, foreign trade has grown by an annual average of approximately 15%.

Azerbaijan is developing trade relations with a number of countries. In 2012, there were trade operations with 155 partners. The European Union remained the major destination for the export of Azerbaijani goods. Russia and CIS are the major importers.

The main export commodities are raw oil and petrochemicals, plan products, foodstuffs, animal and vegetable oils, chemicals, ferrous metals and agricultural products. Imports mainly include machinery and equipments, vehicles and spare parts, chemicals and plant products.

Import and export operations are regulated by the Presidential Decree No 609 “On further liberalization of foreign trade in the Republic of Azerbaijan” and customs legislation.

Azerbaijani law recognizes several customs procedures applicable to goods imported into Azerbaijan, the most important of which to foreign investors are transit, customs storage, bonded warehouse, temporary import, processing on and outside customs territories. In the case of temporary import, no 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.

In accordance with Decree of the President of the Republic of Azerbaijan “On the Application of the “Single Window” Principle during the Inspection of Goods and Vehicles Crossing the Inspection Points at the State Border of the Azerbaijan Republic” dated 12 November 2008, a single window system was established for the

inspection of goods and vehicles crossing the state borders of the Azerbaijan Republic commencing 1 January 2009.

On 24 June 2011 the President approved the New Customs Code, effective since 1 January 2012. Apart from that, the Custom Authorities of the Republic of Azerbaijan has introduced ‘e-Customs’ (<http://www.customs.gov.az/en/e-Xidmetler.html>) which gives participants in foreign trade activities the ability to declare goods in electronic form from any location. Based on President’s Decree dated 25 February 2011, the State Customs Committee is responsible for customs processing, payment of customs duties via bank transfer or by use of plastic cards. The import of goods into Azerbaijan is subject to import duties (ad valorem duties ranging from 0% to 15%, per unit duties, duties per metric units).

Excise tax applies to certain types of goods (e.g. tobacco and alcohol products). Azerbaijan adopted “destination VAT” principle and VAT (currently set at 18%) is payable (subject, of course, 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 import exempt and to some others 0% VAT applies.

Pursuant to the free trade agreements concluded between the government of Azerbaijan and the governments of Russia, Ukraine, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Moldova and Belarus, the goods imported from these countries are free of customs duties.

According to the resolutions of Cabinet of Ministers (No 11, dated 31 January 2005 and No 91, dated 22 April 1998) certain goods are exempted from import duties and VAT. For example, under the PSA (Production Sharing Agreement) regime, contractors, their agents and sub-contractors are entitled to import and re-export from Azerbaijan goods employed for hydrocarbon activities free from import duties. Imports under the PSA regime are subject to zero rate VAT. A similar regime applies under HGAs (Host Government Agreements).

### Advantages for Azerbaijan

Azerbaijan is the beneficiary of trade preferential scheme GSP adopted by USA, Canada, Japan, Switzerland, Norway, Turkey and GSP+ by European Union. Advantages for Azerbaijan:

- \* Access with preferential duties to the markets controlling 53% of all import operations.
- \* Exemption of duties for export of more than 7000 items of goods produced in Azerbaijan to EU states, as well as 3400 items to the US.
- \* Diversification of economy and growth of non-oil sector.

The GSP USA state program makes possible the duty-free import of about 5,000 products from 132 countries into the United States.

From early 2009 until late 2011 Azerbaijan received special trade privileges within the framework of the GSP+ EU plan, proposed in addition to standard privileges, provided within the framework of the generalized system of preferences. According to the Regulation No 512/2011 of the European Parliament and of the Council of 11 May 2011 GSP+ program should be extended until 31 December 2013.

Another important development worth mentioning is a number of regional trade initiatives including Central Asia–Caucasus–Europe transport corridor (TRACECA) and the Russia–Azerbaijan–Iran transport corridor (North–South Transport Corridor). The projects are directed at stimulation of international trade along the above routes via coordination of trade policies and tariffs, upgrade of infrastructure, simplification of customs procedures etc. The impact of the above initiatives on Azerbaijan’s international trade and on its status as a regional transportation hub is substantial.

In order to facilitate internal trade [www.b2b.az](http://www.b2b.az) internet portal has been launched in 2010.

### Foreign exchange

Foreign exchange transactions are governed by the Law on Currency Regulation. The Central Bank of Azerbaijan (CBA) administers the overall enforcement of currency regulation. Various aspects of foreign currency regulation also cover precious metals and foreign securities, among other matters.

Azerbaijan’s currency control legislation distinguishes between residents and non-residents, with more stringent requirements currently applying to 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. Currency operations are divided into routine currency operations and operations involving the movement of capital. Routine currency operations include:

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

Operations involving the movement of capital are deemed to include all other non-routine currency operations, e.g.:

- \* Direct investment in entities for the purpose of deriving profit and obtaining control over the entity;
- \* Purchase of securities;
- \* Payments for ownership and other rights to immovable property;
- \* Import/export transactions on credit terms of more than 180 days;
- \* Deposits by banks of currency assets for more than 180 days; and

- \* Any other currency operation not deemed to be a routine currency operation.

Currency operations involving the movement of capital must be performed in a manner approved by the CBA. No procedure, however, has been established by the CBA on this point and, in effect, no licensing of the currency operations involving the movement of capital is required at present.

Foreign exchange regulations are comparatively less restrictive for non-residents. Non-residents are permitted to hold offshore bank accounts without restriction, may deposit their funds offshore, and are not bound to sell foreign currency proceeds or submit a report upon withdrawal of foreign currency. 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/export of foreign currency in cash. 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. In cases where the amount of cash exceeds USD 50 thousand, within 7 days the Azerbaijani customs authorities are required to provide the Central Bank of the Republic of Azerbaijan, the financial monitoring authority and the Ministry of Taxes of the Republic of Azerbaijan with information regarding the date the cash was brought in, the person bringing it and information on the country the cash was brought from.

Residents can import cash hard currency into the Republic of Azerbaijan without any limitations, but with appropriate custom clearance through customs authorities.

Resident can import hard currency into the Republic of Azerbaijan up to the equivalent of USD 10,000 with appropriate documentation ("Passenger customs return"). For the import of

hard currency in an amount exceeding the equivalent of USD 10,000, customs clearance is implemented by the customs authorities through Passenger Customs Return and Clearance Bill. The same rules are applicable to non-residents.

Residents can export hard currency in an amount up to the equivalent of USD 10,000 free of tax without any documentation except a declaration to the customs authorities. Non-residents, however, are required to submit some documents. Residents must pay a 1% fee for the amount from USD 1,000 to USD 10,000. If the USD 10,000 threshold is exceeded, supporting documentation must be provided in any event.

Alternatively, non-residents are allowed to import hard currency into the Republic of Azerbaijan without any limitations with the appropriate declaration to the customs authorities.

Pursuant to the newly-issued regulations of the Azerbaijani Central Bank dated 21 June 2007, residents may transfer currency (movement of capital) to certain states (member states of the Organization of Economic Development and Cooperation, Russia and those having bilateral investment protection treaties with Azerbaijan) for the purposes stated in the regulation: direct investment, acquisition of securities, real estate purchase, transfer of currency to the resident's deposit in foreign bank. There is no specific limitation as to the amount allowed for transfer.

Foreign companies and individuals may have both manat and foreign currency accounts in a local bank. All settlements within Azerbaijan, including payments of employee salaries, must be made in Manats, with few exceptions. Permission from the Central Bank of Azerbaijan is required to conduct certain transactions in foreign currency.

From 1 January 2006, new Azerbaijani manats were introduced to replace the old ones. The exchange of banknotes was accompanied by the re-denomination of the currency, at a rate of 1 to 5,000. The international abbreviation for the new manat is AZN.





Jumeirah Bilgah Beach Hotel, Azerbaijan

## TAXATION

The Ministry of Taxes sets tax policy and collects taxes in Azerbaijan. For the purposes of this review, we will concentrate on corporate taxation.

Currently, there are three different types of tax regimes in Azerbaijan. The companies that work predominantly in the oil & gas sector under Production Sharing Agreements (PSA) are subject to the oil consortia tax regime. The companies working under Host Government Agreements (HGA) are subject to the HGA tax regime. The statutory tax regime is applicable to all other legal entities. The statutory tax regime is regulated by the Tax Code and numerous regulatory legal acts. The tax legislation in force is regarded as one of the best pieces of legislation among the transition economies.

All Azerbaijani enterprises, representative offices, branches, and individuals engaged in business activities (as well as foreign entities and individuals conducting business activity in Azerbaijan through a permanent establishment ("PE") as defined under the Tax Code) must register with the tax authorities regardless of whether or not their activities are taxable in Azerbaijan. Divisions which have not established a PE are subject to a separate regime.

### Double Taxation Treaties

Azerbaijan has signed bilateral treaties for the avoidance of double taxation with 44 countries. Double taxation treaty negotiations are currently underway with Denmark, India, Kyrgyzstan, Spain, Malta and Macedonia. For the list of double taxation treaties please see Annex 4.

### Road Tax

Legal entities and individuals of foreign states as well as persons owning vehicles in the Republic of Azerbaijan must pay this tax when using the territory of the Republic of Azerbaijan. Taxes are assessed on cars, buses and trucks depending on the number of seats, days spent in Azerbaijan, engine capacity and a number of other conditions.

Name of taxable object	Road tax rate
Motor cars – engine capacity up to 2000 cc (m <sup>3</sup> )	AZN 0.01 per cc
Motor cars – engine from 2000 cc to 3000 cc (m <sup>3</sup> )	AZN 20 + AZN 0.02 per cc In excess of 2000 cc
Motor cars – engine from 3000 cc to 4000 cc (m <sup>3</sup> )	AZN 40 + AZN 0.03 per cc In excess of 3000 cc
Motor cars – engine from 4000 cc to 5000 cc (m <sup>3</sup> )	AZN 70 + AZN 0.04 per cc In excess of 4000 cc
Motor cars – engine exceeding 5000 cc (m <sup>3</sup> )	AZN 70 + AZN 0.04 per cc In excess of 4000 cc

### Simplified Tax

This tax is intended to ease the tax burden for small businesses and is in lieu of general profit 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 of Azerbaijan

In order to qualify for this tax, the total revenue of the legal entity should not exceed 120,000 Azerbaijan manats for the previous 12-month period. The payers of simplified tax are also exempt from VAT, profits tax and property tax. The quarter is the reporting period for the simplified tax regime.

### Dividend Withholding Tax

A dividend withholding tax of 10% applies to both domestic and foreign shareholders. Taxes are accrued and paid in Azerbaijani manats. Double Taxation Treaties ("DTT") may reduce the rate at which dividend tax applies. See Annex 4 for brief information about DTTs in Azerbaijan.

### Land Tax

The land tax is imposed on the owners and users of land in an amount (defined under the Tax Code) dependent on the location, quality, and size of the land plot. The tax is payable by both resident and non-resident individuals, as well as resident and non-resident enterprises.



## Other Withholding Taxes

Foreign legal entities with no permanent presence (permanent establishment) in Azerbaijan are subject to withholding tax on income derived from sources in Azerbaijan at the following rates.

- \* 10% Interest
- \* 14% Rent and Royalty
- \* 6% Freight income
- \* 6% Telecommunication services
- \* 4% Insurance payments
- \* 10% Interest element of financial lease payments
- \* 10% other income

For detailed information on Tax rates please see ANNEX 5.

From January 2010 the corporate profit tax was reduced from 22% to 20%. There is 0% tax on agriculture (except land tax; rates depend on location and type of land plots).

## Losses and bad debts

Losses may be carried forward over the next five years without limitation. Losses cannot be carried back. Bad debts may be deducted from taxable income only if there are recognized as having no value in the company's accounts and they were reflected as income in previous periods.

Losses and bad debts recovered in future periods are to be recognized as income in the period of their recovery.

## VAT registration

There are detailed requirements for registration and accounting for VAT, with penalties for non-compliance. 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.

## Interest and penalties

There are certain interests and penalties applicable for failure to comply with tax legislation. For example, interest on outstanding tax liabilities accrues at a rate of 0.1 percent per day of delay. The following penalties may also be applicable:

Offence	Fine
Carrying out operations taxable for the purpose of VAT without appropriate VAT registration	50% of total VAT payable to the budget for the whole period of carrying out activity without VAT registration
Failure to file declarations	AZN 100
Understatement of tax liability	50% of understated tax
Payments from petty cash while tax sanctions or penalties have been imposed on bank accounts by the tax authorities	50% of expenses paid from petty cash
50% of expenses paid from petty cash	
Failure to obtain the certificate-duplicate from the tax authorities	100% of money transferred to accounts opened in non-resident banks and other non-resident credit institutions for business purposes without obtaining a certificate-duplicate from tax authorities
Failure to remit VAT amounts in accordance with the procedure determined by the Tax Code and a relevant executive authority	50% of the outstanding VAT amount

\*The statute of limitation period for a tax law violation is set as three years. More detailed information on the Production Sharing Agreements may be obtained from the Oil & Gas (including regulatory environment of the industry) article of this publication.

## ACCOUNTING

The new Accounting Law (2004) stipulates a gradual transition to new accounting standards by the year 2008. Thus the Soviet-era accounting principles will eventually cease to regulate financial reporting in Azerbaijan. It should be noted however that Azerbaijan has already made substantial advancement towards the new financial reporting philosophy. Banks, as well as companies under Production Sharing Agreements and similar commercial structures, are not regulated by the former Law on Accounting (1995).

The new Law charges the Ministry of Finance of the Republic of Azerbaijan with the task of arranging procedures in connection with the publication of initial National Accounting Standards ("NAS"). The Law stipulates that all significant entities including credit institutions, insurance companies, investment funds and commercial organizations which meet certain criteria are to be subject to International Financial Reporting Standards (IFRS). Others (except for small private businesses) have the choice of using either IFRS or 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 entities, representative offices and any branches of companies within the territory of Azerbaijan are required to keep their accounts and records in local currency, and in accordance with the Azerbaijan 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, facilities and installations - up to 7%;
- \* machines, equipment and computers - up to 25%;
- \* vehicles - up to 25%;
- \* intangible assets - up to 10% when service life is not defined, or based on service life when it is defined;
- \* other fixed assets - up to 20%.

As mentioned above, a separate chart of accounts based on Western accounting principles was adopted by Azerbaijani commercial banks a few years ago. 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 do 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 Azerbaijani 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.

## INTELLECTUAL PROPERTY

### 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.

In 1996 and 1997 Azerbaijan started implementation of a national system for registration and protection of intellectual property rights. Intellectual property rights in Azerbaijan include: all rights to industrial property (including inventions, industrial designs, utility models, trademarks, and geographical indication); and copyright and related rights. Current legislation pertaining to intellectual property includes the Law On Copyrights and Related Rights (the Copyright Law), the Law On Trademarks and Geographical Indication, the Law On Patents, and the Law On Topology of Integrated Circuits. Under existing legislation, the Cabinet of Ministers is empowered to authorize various state agencies to register and protect intellectual property rights in respective areas. The State Committee for Standardization, Metrology and Patents is responsible for the issuance of patents and trademark registration. There is also the State Copyright Agency which 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 ten 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 ten years.

Patents may be assigned and/or licensed by their owner(s) to natural persons or legal entities. However, an assignment must be registered with the relevant state agencies to be valid. 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 ten years, renewable every ten years. Assignments of licenses for trademarks must be registered with the relevant state agencies.

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

The Copyright Law protects works of science, literature and the arts (copyrights) as well as stage productions, phonograms of radio or cable broadcasts, and computer programs and databases (allied 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 50 years following his or her death. Rights to computer programs, databases and topologies of integrated circuits are protected under the Copyright Law and the Law On Topology of Integrated Circuits. The unauthorized recreation (copying) of computer programs, alteration of existing programs, and unlawful accessing of legally protected computer information are criminal offences.

Proper quality is determined by legislative norms and technical specifications applicable to a particular product. Certain goods are subject to mandatory certification by state agencies, in accordance with procedures established by legislation. The advertising and distribution of goods without such certification is prohibited.

## 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 (municipal) courts of general jurisdiction, local administrative-economic courts, and military courts.

It should be emphasized that Azerbaijani courts are undergoing a critical stage of transition and reform from a Soviet type “just courts” to an independent and modern judiciary. Vital steps such as reappointment of judges and recent legal reforms are underpinning this process. It is safe to say that the Azerbaijani system is becoming more relevant and appropriate for an open market economy.

Courts of general jurisdiction address disputes arising out of 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 physical person without the status of a sole proprietor, or, if he has such status, the dispute which arose is unrelated to the carrying out of his entrepreneurial activity.

The administrative-economic courts consider cases in respect of economic disputes arising from civil, administrative and other legal relations between legal entities and physical persons with the status of sole proprietors. Pursuant to the Decree of the President, the Economic Court of Appeals was liquidated and the regional appellate courts were established in the cities of Baku, Ganja, Sheki, Sumqayit and Shirvan.

The decisions of the appeal courts can be further appealed to the court of cassation. The civil board of the Supreme Court considers appeals filed in respect of the decisions of the boards for civil cases of appellate courts. The administrative-economic board of the Supreme Court reviews the decisions of the boards for administrative and economic cases of appellate courts. The cassation court is located in Baku.

### Mandatory enforcement

Enforcement procedures set forth in the Law On the Execution of Court Orders apply to judgments of Azerbaijani and foreign courts, as well as international arbitration and foreign arbitration awards.

The following documents have the status of execution orders:

- \* court orders (e.g. judgments of Azerbaijani courts, interim orders, awards of international arbitration courts and tribunals, decisions of courts of foreign states and arbitration courts);
- \* notarized agreements concerning the recovery of alimony and collateral in a mortgage agreement;
- \* execution notes of notaries;
- \* decisions of state bodies (officials) authorized to consider cases relating to administrative offences;
- \* mortgage lists issued under the agreements for the mortgage of immovable property;
- \* decisions of other state bodies when provided by law.
- \* The documents should be submitted to a bailiff for execution within the following periods:
  - \* writs issued in accordance with courts decisions and courts orders – one month;
  - \* writs issued in accordance with resolutions of courts on provisional relief - immediately;
  - \* execution notes of notaries and decisions of bodies (officials) authorized to consider cases on administrative offences-ten days;
  - \* writs issued in accordance with decisions of international arbitration court and arbitration tribunals and decisions of courts of foreign states and arbitration courts - three years.

Failure to voluntarily execute the appropriate decisions triggers enforcement. The following are enforcement measures:

- \* foreclosure and subsequent sale of assets;
- \* garnishment of salaries and similar payments;
- \* foreclosure on the debtor’s assets in the possession of third parties;

- \* seizure of the debtor's assets with subsequent transfer to the claimant.

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 agreements or an agreement of the parties.

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; or 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. Interestingly enough, civil procedural legislation does not set forth provisions regulating the conduct of domestic arbitration. Hence, one can naturally assume that the parties are at liberty to establish these provisions through an agreement.

Commendably, Azerbaijan has made significant progress as far as international arbitration is concerned. 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 European Convention on Foreign Commercial Arbitration, dated 21 April 1961. 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 Order 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 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, 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.

The New York Convention will certainly not apply to the recognition and enforcement by the Azerbaijani courts of domestic awards (where an award is made in Azerbaijan arbitral proceedings). In the absence of the relevant provisions in the civil procedural law, the Law On International Arbitration can be looked to for guidance.

Under this law, an international commercial arbitral award made in arbitration proceedings in Azerbaijan may be set aside if, inter alia:

- \* the notice of the appointment of an arbitrator or arbitration proceedings was defective;
- \* the dispute does not fall within the scope of the arbitration agreement;
- \* the composition of the arbitration tribunal or the arbitration procedure was not in accordance with the agreement of the parties;
- \* the subject-matter of the dispute is not subject to settlement by arbitration under the legislation of the forum state;
- \* the arbitral award is in conflict with Azerbaijani legislation.

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).

## PRIVATIZATION

### Foreign investment under Privatization Programmes

Under the Privatization Law, the following are considered to be foreign investors:

- \* Foreign legal entities and their subsidiaries;
- \* Azerbaijani legal entities in which foreign investment exceeds 50% of the entity's charter capital;
- \* Foreign nationals and
- \* Stateless persons.

To date, Azerbaijan has undergone a long process of transferring from a state-dominated economy to the current situation where 81.7% of the economy is held in private hands. This became possible largely thanks to the denationalization of state-owned enterprises and property. Privatization occurred in two stages. The denationalization of small enterprises was carried out within the First Stage Privatization Programme (1995-1998). Thirty-nine thousand enterprises, as well as 1.3 million hectares of land, were sold and distributed to private persons and legal entities, more than 1,550 medium and large enterprises were transformed into joint-stock companies. A few large enterprises were also sold to investors as part of the Programme. They include, among others, a brewery, and cement and steel plants transferred to foreign investors. In general, the sum of revenues from privatization in 1998-2011 was AZN 560 million (more than USD 700 million). More than 500,000 jobs were created as a result of privatization.

The Second Stage Privatization Programme adopted in 2000 is currently underway, and covers more strategic and broader sectors of the economy such as transport, communication, construction, chemical and heavy engineering industries, metallurgy, etc. It stipulates privatization of mainly medium and large enterprises.

The enterprises are declared "open for privatization" by special Decrees signed by the President. The list of enterprises currently open for privatization is available to the public.

The law also contains a list of exemptions, i.e. enterprises that cannot be denationalized. Such enterprises include military and

other facilities of strategic importance. Railways, radio and TV stations, and irrigation systems are excluded from the privatization as well.

The programmes explicitly do not place any restrictions on who may participate in privatization, i.e. foreign nationals can take part in the process on a non-discrimination basis.

The State Committee on Management of State Property is in charge of the privatization process. There are a few legally adopted privatization methods in Azerbaijan:

- \* direct sale to a strategic investor;
- \* sale at an investment tender;
- \* special cash and voucher auctions;
- \* general auctions;
- \* sale to employees on preferential terms.

The Government also practices long-term transfer of management to a private operator in accordance with an obligatory investment programme. Presently, the number of medium and large enterprises privatized under both Privatization Programmes is over one thousand. There are, however, still very substantial opportunities for privatization as a way to enter the market.

At present, the privatization process plays a significant role in the development of the economy. Hereto, a number of measures such as the involvement of consulting companies, independent experts and valuers, educational and promotional works, organization of different events with the participation of local and foreign investors are being implemented by the State Committee on Management of State Property to improve the privatization process.

Besides this, the [www.stateproperty.gov.az](http://www.stateproperty.gov.az) and [www.auction.az](http://www.auction.az) web sites provide comprehensive information about the enterprises open for privatization, investment projects in different sectors of economy, and the current situation regarding privatization of state property.



**SECTORS**





**DIRECTORS**

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## OIL & GAS

By the late 19th century with the discovery of huge oil reserves, Azerbaijan became rapidly one of the oil industry centres of the world, providing for approximately half of the world's oil supply. A number of foreign oil companies and powerful investors, including Shell, Rothschild, the Nobel brothers and many others had interests in Azerbaijan. Following the collapse of Soviet Union in late 20th century, Azerbaijan turned again into the hot spot for international oil businesses. Azerbaijani government invited the largest international oil companies such as British Petroleum, Amoco, Total, Elf, Lukoil, Itochu and many others to jointly develop previously closed hydrocarbon reserves of the Caspian basin.

Natural Gas Production in natural value (mln m<sup>3</sup>)

	2009	2010	2011	2012
Production	11517.7	13943	12368.4	13217.2

Azerbaijan experienced its second oil boom. Over 30 Production Sharing Agreements (PSA) was signed with the prominent foreign investors, such as BP, Unocal, Inpex, Statoil, Exxon Mobil, TPAO, Devon, Itochu, Delta Hess and SOCAR. By now, most of the global oil & gas corporations either operate or are present in Azerbaijan. The volume of affirmed national oil reserves is 2 billion tons, while gas reserves equal to 2,2 trillion m<sup>3</sup>.

Oil and oil products are exported to 33 countries, including Italy, USA, China, Brazil, Chile, Indonesia and others. The geography of gas exports is expanding.

## THE STATE OIL COMPANY OF THE AZERBAIJAN REPUBLIC (SOCAR)

In the early days of Azerbaijan's independence from Soviet Union, in particular on December 3, 1991 "Azerineft" State Concern was established by a Decree of the President of the Republic of Azerbaijan. Almost a year later, on September 13, 1992 "Azerineft" State Concern and "Azerneftkimya" Production Association were transformed into the State Oil Company of the Azerbaijan Republic (SOCAR) in order to ensure proper use of oil resources in accordance with a consistent national policy, improve management structure of the oil industry, and develop energy sector at large.

Nowadays, SOCAR is involved in exploring oil and gas fields, producing, processing, and transporting oil, gas, and gas condensate, marketing petroleum and petrochemical products in domestic and international markets, and supplying natural gas to industry and the public in Azerbaijan. Three production divisions, two oil refineries and one gas processing plant, an oil tanker fleet, a deep water platform construction plant, two trusts, one institution, and 22 subdivisions are operating as the corporate entities under SOCAR.

Mission of the company is to ensure energy security of Azerbaijan and its strategic interests in developing oil, gas and petrochemical industries, support the increase of scientific and technical, economic and intellectual potential of Azerbaijan by applying advanced and eco-friendly technologies, take a crucial position in regional and international energy projects, and maximize the profit from the sale of hydrocarbon reserves and derived products in the domestic and foreign markets.

Joint ventures, consortia, subsidiaries and operation companies established with SOCAR's participation are doing business in various segments of the petroleum industry. SOCAR has representative offices in Georgia, Turkey, Romania, Austria, Switzerland, Kazakhstan, Great Britain, Iran, Germany and Ukraine and trading companies in Switzerland, Singapore, Vietnam, Nigeria, and other countries.

	2009	2010	2011	2012
Oil extraction, thsd ton	50416	50838	45625	43200
Natural gas extraction, million m <sup>3</sup>	23598	26312	25756	26900

## AZERBAIJAN – THE KEY TO EU ENERGY SECURITY

The European Union (EU) and Azerbaijan are strong partners in energy policy, and are working together on a number of projects. Azerbaijan emerged as a key partner in European energy security, especially through the construction of the Baku-Tbilisi-Ceyhan and Baku-Tbilisi-Erzurum oil and gas pipelines. Moreover, Azerbaijan's position as a link between the Caucasus and Central Asia and the Government's policy aimed at strengthening cross-Caspian cooperation, too, provide rather unique opportunities for building bridges of integration between the Black Sea- Caucasus region and Central Asia. In November 2006, President Barroso and President Aliyev signed a Memorandum of Understanding (MoU) establishing a strategic partnership in the field of energy between the EU and Azerbaijan. This MoU opened broader opportunities for mutual cooperation in the field of energy. As stated in its Article 3, Azerbaijan is rapidly becoming a key producer as well as an important transit country for hydrocarbon supplies to the EU from the Caspian Basin and Central Asia. With this, cooperation between two parties will transform into the gradual economic integration and deeper political cooperation.

## OIL PRODUCTION, TRANSPORTATION AND RAFINERY PROJECTS

### Azeri-Chirag-Gunashli

Azeri-Chirag-Guneshli (ACG) is a large complex of oil fields located in the Azerbaijan sector of Caspian Sea. It covers area of approximately 432.4 km<sup>2</sup> about 110-130 km east of Baku. The production sharing agreement (named in Azerbaijan a Contract of the Century) was signed between the government of Azerbaijan and 11 oil companies representing 6 countries on 20 September 1994 for development of the field for 30 years. The development of ACG field was split into three main stages and became operational in 1997 with the start-up of production from the Chirag-1 platform (Early Oil Project). Central, West and East Azeri complexes were developed under Stage 2, while Deepwater Gunashli portion was launched during the Stage 3.

This is currently the biggest oil production project in Azerbaijan and fairly considered as a beginning of a new phase in the development of Azerbaijan's petroleum industry.

### The Baku-Tbilisi-Ceyhan Main Export Oil Pipeline

1,768 km long Baku-Tbilisi-Ceyhan (BTC) Pipeline is one of the greatest engineering endeavors of the new millennium. The BTC oil export pipeline transports crude oil from offshore oil fields in the Caspian Sea to the Turkish coast of the Mediterranean from where the crude is further shipped via tankers to the world markets. The pipeline travels from the Sangachal terminal near Baku through Azerbaijan, Georgia and Turkey to the Ceyhan marine terminal on the Turkish coast of the Mediterranean.

BTC, which is buried along its entire length, is 1768 km long: 443 km in Azerbaijan, 249 km in Georgia, and 1,076 km in Turkey. The diameter of the pipeline is 42 inches throughout most of Azerbaijan and Turkey. In Georgia the pipeline diameter is 46 inches. The pipeline diameter reduces to 34 inches for the last downhill section to the Ceyhan Marine Terminal in Turkey.

The Baku-Tbilisi-Ceyhan Pipeline Company (BTC Co) was responsible for the construction and is operating whole pipeline. It is

an incorporated joint venture company made up of 11 shareholders and managed by BP, its largest shareholder. Linefill of BTC started on 10 May, 2005 and the first oil reached Ceyhan terminal on 28 May, 2006. Approximately 10 million barrels of oil were required to fill the line. The first tanker with crude from the pipeline was filled in 4 June, 2006.

#### **Baku-Novorossiysk Oil Pipeline**

Baku-Novorossiysk oil pipeline in northern direction is 1,330 km long. Its diameter is 530 mm. SOCAR is the operator of Azerbaijani part, which is 231 km long. Filling the pipeline with oil started in October of 1996. Maximum throughput capacity is 105 thousand barrels a day.

#### **Supsa Terminal**

Supsa Terminal (Georgia) provides storage capacity for crude oil transported via the Western Route Export Pipeline (WREP) before loading to oil tankers via offshore loading facilities. The crude is further shipped via tankers through the Bosphorus Straits to global markets. The crude oil is fiscally metered, into the Crude Oil Storage Tanks, each of approximately 40,000 tonnes capacity. Also sited at Supsa is the central Control Room to control both crude receipt and export facilities. The export loading system consists of three diesel driven loading pumps, which draw crude oil from the storage tanks and discharge to a fiscal export metering system. The 5.6 km, 36 inch pipeline continues from the Terminal to offshore and ends at the subset PLEM (Pipe Line End Manifold). Two 16-inch flexible hoses connect the PLEM to the CALM buoy (Catenary Anchor Leg Mooring), and 20 inch floating hoses used, to transfer crude oil to the tankers. Georgian Pipeline Company (GPC) operates the pipeline on behalf of AIOC and its shareholders. Supsa Terminal is 100% nationalised. Supsa Terminal has been in operation since January 1999 and the first tanker was loaded in April 1999.

#### **Baku-Tbilisi-Erzurum Gas Pipeline**

Baku-Tbilisi-Erzurum Gas Pipeline has been built to transport the gas produced in the Shah Deniz field located in the Azerbaijani sector of the Caspian Sea to Georgia and Turkey. The pipeline is 980 km long. Its diameter is 42 inches. The pipeline has the capacity to pump gas up to 20 billion cubic meters a year.

#### **Trans Anatolian Natural Gas Pipeline**

Trans Anatolian Natural Gas Pipeline (TANAP) Project is constructed for transportation of natural gas from Shah Deniz 2 gas field and other fields of Azerbaijan (and possibly other neighboring countries) through Turkey to Europe. Memorandum of Understanding establishing a consortium to build and operate the pipeline was signed between the governments of Turkey and Azerbaijan on December 26, 2011 in Ankara. Partners in the consortium are SOCAR (operator), Petroleum Pipeline Corporation of Turkey (BOTAS) and Turkish Petroleum Corporation (TPAO). TANAP Project will start from Georgia-Turkey border and reach European borders of Turkey. Launch of construction works under the project expected to start in 2014 and the first delivery of Azerbaijani gas to Turkey will begin already in 2017. According to the latest estimates, the cost of the TANAP project totals \$ 10 billion.

#### **Kulevi Terminal**

The Kulevi oil terminal and port is located in the Khobi District of the Republic of Georgia on the Black Sea coast. The acquisition of the terminal in 2006 and completion of its construction in 2008 is SOCAR's most important investment in Georgia. The Kulevi oil terminal and port is designed to receive oil and petroleum products, as well as to store and load them into tankers. Terminal's:

- \* functional purpose – unloading;
- \* transportation links – rail, sea;
- \* yearly cargo traffic – Level 1;
- \* total tank farm capacity – Category 1.

The Black Sea Terminal LLC, the operator of Kulevi oil terminal and port was certified according to ISO:9001, ISO:14001, and OHSAS:18001 standards in November 2008. The terminal has a modern infrastructure. The four track rail unloading facility can unload 168 tank-cars at the same time. The total capacity of the tank farm (16 tanks) is 320 000 m<sup>3</sup>. The sea port consists of loading platforms capable of accommodating 40,000 and 100,000 ton tankers, which can be loaded at a rate of 8000-12000 m<sup>3</sup>/hr. The Kulevi oil terminal is one of the new alternatives for the safe transportation of oil to world markets.

#### **Socar-Turgas Partnership: Petkim Oil Refinery**

SOCAR & Turcas Energy (STEAŞ) was founded as a joint venture company at the end of 2006, with the target of becoming a leading oil and gas player in the region. STEAŞ won the privatisation tender for the sale of 51% of the shares of PETKİM Petrochemicals, which stood out as the most significant privatization in Turkey in 2007, and acquired the controlling shares on May 30, 2008, paying \$ 2.04 billion to the Privatization Administration. STEAŞ, with the synergy created by its partners, has focused on becoming an integrated oil/energy company in the fields of refining, petrochemicals, and natural gas. STEAŞ founded SOCAR & Turcas Petrochemicals in April 2008 as a fully owned subsidiary for the ownership of PETKİM. Subsequent to this acquisition, STEAŞ initiated the development of a Feedstock Refinery Project (STAR Refinery) at the Petkim site, and, for this purpose, established SOCAR & Turcas Refining in September 2008 as fully owned subsidiary. The Refinery License was obtained and a contract was signed with a project management consultancy (PMC) firm in 2010. President of Azerbaijan İlham Aliyev and Prime Minister of Turkey Recep Tayyip Erdoğan attended the groundbreaking ceremonies for the Star oil refinery of the Petkim Company, Heydar Aliyev Vocational education Lyceum and inauguration of the AYPE-T plant in Izmir, Turkey on 26.20.2011. SOCAR is planning to invest \$350m in a sea

port in the region and investments in all Petkim's structures will exceed \$6 bln. In parallel, capital will be invested in the power sector and generating capacity of 1,000 MW will be created by 2020. The first part of the refinery is to come on stream in three years. SOCAR would start the second stage of its investments in Petkim start after 2015. The final stage of investments has been planned until 2040. Sales volume is expected to reach \$20 bln. 10,000 people will be employed in construction of the facility, while 1,000 people will be employed after it is completed. It will have the capacity to refine 10 million tons of oil per year. The first part of the refinery is to come on stream in three years. This will make SOCAR the largest investor in Turkey's industrial sector. This project will give Turkey and Azerbaijan an important role in oil refining and petrochemicals.

STAR Refinery, will have the flexibility to handle a variety of crude oils such as Ural, Iran, Azerbaijan and Kirkuk. On the one hand PETKİM refinery will be ensuring the security of raw material supply; on the other hand it will allow the creation of additional synergies by creating Refinery-petrochemical integration by which a higher added value can be provided by joint use of the existing infrastructure, as well as by sending of produced mutual co-products. STAR Refinery is scheduled for commissioning in 2015. The Refinery is the group's basic step for the "Value-Site" project on PETKİM Peninsula and it will contribute significantly to the economy of the region and country by creating employment and increasing the competitiveness.

## OIL EXPLORATION

### Absheron

Exploration, Development and Production Sharing Agreement for Absheron Perspective Structure was signed on February 27, 2009. After being ratified by the Milli Majlis of the Republic of Azerbaijan, the agreement entered into force on June 30, 2009. Contracting parties: SOCAR (40%), and TOTAL (40%) and Gas De France Suez (20%) companies of France. The Absheron contract area is located in the Caspian Sea, 100 km off Baku (depth: 500 meters). Drilling of the first exploration well under the project started in January 2011.

### Bulla Deniz

On 21 October 2009, the drilling of Exploration Well No. 89 began at the Bulla-Deniz Area 2, on the far southeast side of the Bulla-Deniz Field. The target well depth is 6400 m, and the target horizon is Horizon 7 of the Productive Strata (PS). Drilling was completed at a depth of 6505 m on April 25, 2011. The well penetrated PS Horizon VIII. The well was logged. PS Horizons V and VII (similar to Pereryv), and VIII (similar to the Girmaki Sand Horizon) were appraised as potential oil and gas bearing structures. At present preparations are being made for well completion.

### UMID

In 2009, SOCAR started deep-water exploratory drilling on the Umid Structure in Azerbaijan's sector of the Caspian Sea, and in November 2010 the giant Umid Gas-Condensate field was discovered. It is the first field discovered by SOCAR with its own resources after the Republic of Azerbaijan gained its independence.

All work from the construction of a permanent offshore platform in water 58 m deep to the drilling of the well with a depth of 6006 m were carried out with SOCAR's own resources. Based on well logs, hydrocarbon reserves were identified the Productive Strata Horizons V and VII. Later on gas flow was recorded in Horizon VII of the Productive Strata. According to initial estimates, the Umid Structure has hydrocarbon reserves of 200 billion m<sup>3</sup> of natural gas

and 40 million tons of condensate. Currently, drilling of a second well (Umid-10) has started from the Umid-1 Platform. The well will be drilled with an extended reach of 500 m in the direction of the bedding. The target depth of the well is 6500 m, and the target horizon is the PS Horizon VII (similar to Fasila).

### State Oil Fund of The Republic of Azerbaijan (SOFAZ)



The State Oil Fund of the Republic of Azerbaijan (SOFAZ) was established in accordance with the Decree of the President of the Republic of Azerbaijan # 240 dated December 29, 1999 for the purpose of formation such mechanism.

A number of agreements on joint development of oil and gas resources were signed with foreign investors in the framework of Oil Strategy, defined by the national leader Heydar Aliyev and launched since 1994. The issue on effective management of revenues from implementation of these agreements was brought to agenda.

Budget revenues of the State Oil Fund of the Republic of Azerbaijan (SOFAZ) for the period of January-December, 2012 reached 13673.7 mln AZN, while budget expenditures constituted 10573.6 mln AZN.

Revenue of 13130.1 mln AZN was received from implementation of oil and gas agreements, including 13117.4 mln AZN from the sale of profit oil and gas, 7.9 mln AZN as transit payments, 1.6 mln AZN as bonus payments, 3.0 mln AZN as acreage payments and 0.2 mln AZN from sale of assets received from foreign companies. The revenues from managing assets of the Fund for the reporting period amounted to 543.6 mln AZN. The Fund's extra-budgetary revenues related to the revaluation of foreign exchange totaled 253.8 mln AZN. As per 2012 budget of the Fund, 9 905.0 mln AZN were transferred to the state budget.

The expenditures in the amount of 300.0 mln AZN were directed to financing of improvement of social condition of refugees and internally displaced persons, 200.0 mln AZN were used for financing

the reconstruction of the Samur-Absheron irrigation system. 119.0 mln AZN were directed to financing Baku-Tbilisi-Kars railway and 20.0 mln AZN were directed to financing “The state program on the education of Azerbaijan youth abroad in the years 2007-2015”. The Fund’s administrative and operational expenses in this period were 29.6 mln AZN.

The assets of SOFAZ as at January 1, 2013 has grown by 14.5% compared to the beginning of 2012 (USD 29 800.0 mln) and stood at USD 34 129.4 mln. Starting from the first quarter of 2012 the Oil Fund has begun purchase of gold and the amount of gold as of January 1, 2013 was 14 tons 934 kg (480 146 ounces).

Growth in SOFAZ assets

2008	2009	2010	2011	2012
11.2	14.9	22.8	29.8	34.1

### Extractive Industries Transparency Initiative (EITI)



Extractive Industries Transparency Initiative (EITI) was launched by the former UK Prime Minister Tony Blair at the World Summit for Sustainable Development in Johannesburg in September 2002. The government of Azerbaijan declared its willingness to join EITI and support the international efforts for higher transparency in the extractive industries and becoming a pioneer country in the implementation process at the EITI Lancaster House Conference on June 17, 2003. Following that President Ilham Aliyev instructed Cabinet of Ministers of Azerbaijan to establish an interagency National committee on EITI to implement obligations taken at the EITI Conference.

Some thirty five countries have either endorsed, or are now actively implementing EITI across the world. On March 15, 2005 Azerbaijan published the first ever EITI report. Since then, the government of Azerbaijan successfully disclosed eleven EITI reports.

EITI process is recognized as an international brand of transparency in extractive industries and in order to safeguard this international brand the Validation process has been launched. Validation is an essential element of the EITI process, and central to the initiative’s status as an international standard. The objective of Validation is to provide an independent assessment of the progress achieved by Implementing Countries on their progress on EITI and what measures they may need to take to make better and faster progress. Azerbaijani government tremendously contributed to the development of the validation process and, moreover, Azerbaijan expressed its willingness to pilot and test the validation process in the country. As Azerbaijan was a first country publishing EITI report, Azerbaijan has become a first ever country to successfully complete Validation process and obtain EITI Compliant status.

### Production Sharing Agreements

Azerbaijan is a party to over 30 production sharing agreements (PSA) signed between the government and a group of international oil companies.

Owing to the absence of any national legislation that covers the oil and gas industry and specifically addresses the need for sector growth, such PSAs have been enacted into the legislative system of the Republic of Azerbaijan in a form of the laws of the country. With this, PSAs become an integral part of national legislation and even prevail over domestic legislating in the event of any inconsistency PSA and other laws of Azerbaijan (except constitution and constitutional acts).

One of the areas of particular interest to foreign oil production and service companies is the tax regime introduced by the PSAs. Given the significance that the government attaches to the development of the energy sector in Azerbaijan, substantial tax concessions have been granted to the oil companies involved in the development of the energy sector of Azerbaijan under production sharing agreements.

The principal objective of oil and gas taxation is to maintain a balance between obtaining a fair share of revenues from oil- and gas-related activities carried out in the country and retaining the attractiveness of the oil fields in Azerbaijan and the Azerbaijani sector of the Caspian Sea to foreign investors.

Each PSA contains a specific protocol dealing with the taxation of oil and gas production. In accordance with PSAs (which are uniform with regard to taxation), oil companies pay only one tax: namely, a Profit Tax on the taxable profit derived from sales of oil and from certain other sources specified in the PSAs, at a fixed rate for a calendar year. The Profit Tax rate varies, depending on the PSA, from 25% to 32%. Oil companies that are parties to a PSA Contract will not be liable to any existing or future taxes (except for the Profit Tax) of any kind whatsoever in respect of their oil and/or gas production. The taxable profit (or loss) of Contractors under PSAs is computed in the generally accepted manner, i.e. sales income less tax-deductible expenses. The list of tax-deductible expenses is specified in each relevant PSA and is usually quite extensive.

The revenues of foreign companies providing services to oil companies under the scope of a PSA (Foreign Sub-contractors) are subject to a withholding tax at different rates varying from 5% to 8% depending on the particular PSA. Only goods and services supplied by Foreign Sub-contractors on the territory of Azerbaijan are subject to this tax. No other taxes are payable by Foreign Sub-contractors operating under any PSA.

Value Added Tax is not applicable to any supplies and sales within the ambit of any PSA. Under the PSAs, Double Tax Treaties entered into between Azerbaijan and a relevant country may apply as long as they provide better treatment for persons operating under the PSA. Contractor Parties as well as Sub-contractors (including the Foreign Subcontractors) may import and re-export free of duties and taxes any machinery, equipment, fixed assets, goods, works, and services for use under the PSAs.

Although the system of regulation of the industry through PSAs is in place and working effectively, the government of Azerbaijan continues improving the legislative base of this sector of the economy. A number of laws regulating the oil and gas industry have been approved by the Azerbaijani Parliament (Milli Majlis) over the past few years, including the "Subsoil" and "Use of energy Resources" laws. As part of restructuring programme taking place in the energy sector of Azerbaijan, a new Ministry of Industry and energy was established by Presidential Decree on 6 December, 2004.



## ENERGY

Azerbaijan's existing power generation capacity, fuel resources and infrastructure is not only able to satisfy domestic needs for energy but can also offer substantial export opportunities for electricity.

Production of electricity (million kWh)

	2009	2010	2011	2012
Energy production	18 869	18710	20294	20400

The electric energy sector has undergone through substantial reforms in order to ensure satisfaction of market demand. Important legislative acts regulating the power sector are the Law on the Use of Energy Resources (the Energy Resources Law), dated 30 May 1996, the Law on Electrical Energy (the Electricity Law), dated 13 June 1998, and the Law on Electricity and Heat Power Stations, dated 28 December 1999.

A medium and long-term strategy for the power sector is in place. A Decree of the President dated October 21, 2004 enforcing a new "State Programme on Usage of Alternative Energy Sources" gave additional impetus to the industry. In parallel with this, the "State Programme on Development of Fuel-Energy Complex of the Republic of Azerbaijan in 2004-2015" was approved by the Head of State.

At present, the system of electric power stations of the country consists of 13 thermal power plants and 8 hydro power plants.

Power plants	
Azerbaijan TPP	2400 MW
Shirvan TPP	900 MW
Sumgait PP	525 MW
Shimal PP	400 MW
Sengechal PP	300 MW
Baku TPC	106 MW
Shahdagh PP	105 MW
Baku PP	105 MW
Astara PP	87 MW
Shaki PP	87 MW
Khachmaz PP	87 MW
Nakhchivan PP	87 MW
Nakhchivan GTES	64 MW

Hydro power plants	
Mingachevir HPP	418 MW
Varvara HPP	16 MW
Shamkir HPP	380 MW
Yenikand HPP	150 MW
Tartar HPP	50 MW
Araz HPP	22 MW
Bilav HPP	22 MW
Vaykhir HPP	5 MW

Total electric energy production of all power plants belonging to "Azerenergy" JSC exceeds 6 GW. The production capacity of 5 power plants of Nakhchivan Autonomy Republic is more than 190 MW. The annual production of electric energy exceeds 18 billion kWh, where about 90% generated by thermal power plants, while 10% produced by hydro power plants.

Participation of private business in power generation and distribution is permitted by law, while electricity generated by private producers may be delivered to consumers without any restrictions. Fuel supplied to private producers may be delivered on the same terms as to the state owned power stations.





Oil derricks are inseparable part of Baku's landscape

Since independence, the implementation of power sector legislation has been complicated by, among other things, the absence of a state agency performing functions such as the issuance of relevant licenses, tariff regulation, and the conclusion of contracts with investors. The creation of such a regulatory agency became an urgent issue in 2001 in the light of the above mentioned developments in the power sector.

A Presidential Decree “On establishment of the Ministry of Industry and energy of the Republic of Azerbaijan” was issued on 6 December 2004. Under this decree, the new Ministry of Industry and energy is to assume the functions of the previous Ministry of Fuel and Energy and some of the authorities of each of SOCAR, Azerenerji and Azerigaz. Matters within the Ministry’s competence include the preparation and implementation of state policy in the fuel and energy complex, including the production, transportation and processing of oil and gas. Specifically, the Ministry prepares, negotiates, executes and oversees implementation of production sharing or other agreements on behalf of the state with respect to the development of hydrocarbon reserves in the Republic of Azerbaijan.

Under the energy Law, a foreign investor wishing to enter the power market must obtain a permit to do so and, thereafter, conclude a contract with authorized state agencies to conduct certain activities. Contractors are also required to have their business plans approved by central and local state executive authorities.

As a general rule, special permissions to carry out activity in the power sector are granted and the contractors determined on a tender basis. The electricity Law requires that individuals and legal entities must obtain special permission for conducting activities in the generation, transportation and distribution of electricity. Such permission is issued by the relevant executive authority pursuant to an application by an interested party. In order to obtain such permission, an applicant is required to meet the quantitative needs

for electrical energy, provide for an economical and effective supply of electricity within the boundaries of the area, and prevent possible damage to the environment and historical and cultural monuments. Information of a technical and financial nature must also be provided.

All power projects and production, technological processes and services, facilities and devices connected with or related to the use of energy resources and their production, transmission, and consumption, are subject to mandatory certification, i.e. confirmation that they comply with established ecological, sanitary, fire, construction, and health and safety standards. Additionally, major projects as defined in the energy Resources Law require a feasibility study by the state commission created for such purposes.

Existing Azerbaijani legislation provides that consumers have the right to choose any energy supplier regardless of its location. Energy is supplied under agreements between consumers and energy suppliers. Agreements on the sale and purchase, transportation and exchange of electricity and heat must comply with the Rules on the Use of electricity and Heat. Energy consumption is subject to mandatory metering. The procedure for disconnecting consumers from the network or termination of power supply is regulated by the Rules on the Use of electricity and Heat as well as by agreements with consumers. The suspension of a power supply or the disconnection of some consumers is prohibited. The list of such consumers is determined by an authorized state agency.

## ALTERNATIVE ENERGY

### Sector outlook

Azerbaijan has rich resources of renewable energy. The wind, which blows more than 250 days per year and may generate 2.4 billion kWh of electricity annually, is the country's preferred option because of its lower cost, environmental soundness and unlimited availability. Offering 2,400-3,200 hours of sunshine per year, Azerbaijan has also good potential for solar electricity and heat generation. While its technically feasible potential (16 billion kWh) remains underexploited, hydro power is currently the most developed renewable energy source. In 2011, it accounted for 9.8% of electricity production, against only 0.2% for other renewable.

With 2 million tons of solid domestic and production waste annually sent to treatment sites, the country has also good potential for biomass energy. Finally, the exploitation of thermal waters could partially cover heat energy needs.

Representing only 2.3% of total energy consumption, renewable energy (RE) will require additional investment to become competitive with the country's huge fossil resources. The reduction of energy consumption for heating and cooling, which represents more than 50% of total domestic consumption, is another major challenge that could be resolved partially by the introduction of efficient technology.

### Strategic direction/ specific schemes and incentives

- \* Although Azerbaijan is rich in oil and gas, the government is well aware of the need to reduce the country's dependency on non-renewable resources and launched several initiatives to diversify its energy mix and increase energy efficiency:
- \* State Programme on the Use of Alternative and Renewable Energy Sources for 2005-2013;
- \* Renewable Energy Strategy under preparation for 2012-2020, targeting 20% of RE in electricity and 9.7% in total energy consumption;
- \* Experimental Polygon and Training Centre launched in Gobustan

in 2011 including a 5.5 MW hybrid station, a dispatcher centre (connection of local grids with global electricity networks), a RE producers' database, a RE promotion centre, a training centre for RE specialists, etc.;

- \* Priority sector for Azerbaijan Investment Company, which invests in greenfield and brownfield projects along with local and foreign co-investors;
- \* Preferential tariffs for wind power and small HPPs (feed-in tariffs under consideration);
- \* Active participation in the EU-funded Inogate project supporting the development of energy efficiency, RE and demand side management in Eastern Europe, South Caucasus and Central Asia.

### Business opportunities

Azerbaijan offers numerous opportunities for foreign companies interested in investing in alternative energy or penetrating the local market, preferably with a local partner:

- \* Wind power plants in Absheron Peninsula, Ganja-Dahskesen, Sharur-Julfa and the Caspian seashore;
- \* Production of electricity and heat from solar resources;
- \* Construction of small HPPs in the Nakhchivan Autonomous Republic;
- \* Recycling of solid waste and development of waste combustion plants around Baku and other large industrial cities such as Sumgayit to supply residential settlements with electricity and heat;
- \* Production of domestic heat energy from thermal waters in the Great and Small Caucasus, Absheron Peninsula, Talish mountain-row zone, Kur lowland and Caspian-Guba area;
- \* Production of RE technology (photovoltaic systems, solar collectors, wind turbines, etc.) in Baku or at the Sumgait Hi-Tech Park (financial incentives, tax exemption and infrastructure offered by the State);

- \* Provision of modern technology and expertise for improving energy efficiency in the industrial and residential sectors.

#### **Caspian Technology Company (Azerbaijan)**

The country's first company to engage in alternative energy. It launched a Vestas V39-500kW Training Center, several wind and solar power pilot projects and started manufacturing wind turbines and solar panels.

#### **State Programme on the Use of Alternative and Renewable energy Sources for 2005-2013**

The objective of State Program is to promote the power generation from renewable and environmentally sound sources and to more efficiently utilize hydrocarbon energy sources.

The major tasks of State Program include:

- \* define the potential of alternative (renewable) energy sources for electric power generation;
- \* raise the efficiency of utilization of country's energy sources by developing renewable energy sources;
- \* ensure the opening of additional jobs with creation of new energy production sites;
- \* given the existing total capacity of traditional energy sources in Azerbaijan, increase the energy capacities at the expense of alternative energy sources and therefore, achieve the country's energy security.

In December 2011 the President signed a decree on drafting of State Strategy on usage of alternative and renewable energy sources for the years up to 2020, which considers implementation of measures to further stimulate the development of sector.

## **ALTERNATIVE (RENEWABLE) ENERGY POTENTIAL OF AZERBAIJAN**

### **Wind power**

Wind power is the most efficient among the alternative sources of energy for its cost and environmental friendliness. Its use has great prospects in some regions of Azerbaijan. In 1999, the Japanese company "Tomen" built on the Absheron Peninsula, two towers of 30 and 40 meters. "Thomen" prepared a feasibility study for construction of wind power plants with a capacity of 30 MW in Gobustan region. It is estimated that, considering the natural environment, economic infrastructure and geographical location, the potential of wind energy resources of Azerbaijan is 800 MW which is an approximately equivalent to 2.4 billion kilowatt hours of electricity. This will allow to save each year about 0.8 million tons of standard fuel.

The best place for the development of wind energy is the Absheron Peninsula. It is located on the north-western part of the Caspian Sea. The average annual wind speed in the Absheron Peninsula is 5-8 m/sec. The number of windy days on the peninsula is 245-280. In the west of Azerbaijan, in Ganja, Dashkesan and in the areas Sharur and Julfa of Nakhchivan Autonomous Region the average annual wind speed is 3-5 m/s which allows to install there wind turbines of average power.

### **Solar power**

The climate condition of Azerbaijan opens great opportunities for production of electric and heat energy using solar power. The annual number of sunshine hours in USA and Central Asia is 2500-3000 hours, 500-2000 hours in Russia and 2400-3200 hours in Azerbaijan.

Development of solar power can partially solve energy problem in many regions of Azerbaijan. Several developed countries have recently started to widely apply Photovoltaic Program (PVP).

Involvement of Azerbaijan in this Program can have important role in application of such type of energy systems. It should be noted that the efficiency of solar stations depends on country's natural climate condition and geographical location. The solar

power that comes down to earth totals 1500-2000 kWh/m<sup>2</sup> annually in USA, 800-1600 kWh/m<sup>2</sup> in Russia, 1200-1400 kWh/m<sup>2</sup> in France, 1800-2000 kWh/m<sup>2</sup> in China and 1500-2000 kWh/m<sup>2</sup> in Azerbaijan. It is obviously clear that the quantity of solar rays in Azerbaijan prevails in comparison with other countries, which might be regarded as one of the efficiency factors for attracting investments to utilization of solar power.

In April 24, 2012 The President of Azerbaijan Ilham Aliyev inaugurated the Azguntex solar panel factory built by the State Company on Alternative and Renewable Energy Sources, in Sumgait city. The solar module and LED lamps production lines would function in the factory. The panels ranging from 42 to 250 watts, equipped with 60 solar cells, will be manufactured at the level of international standards and produce energy.

For more efficient lighting and better energy supply of residential buildings, streets, squares, various catering and social facilities, the plant also intends to manufacture high-tech LED lamps. The line producing solar panels is fully automated. Initially, the plant will produce 120,000 panels a year and 240,000 in the future. After the commissioning of the LED lamp section following the stage of equipment, it will manufacture 36 million LED chips and 12 million LED lamps a year.

Besides, the Company launched “One thousand buildings - one thousand power plants” project which is primarily intended for residential buildings, aims to provide every building with an environmentally friendly and safe power plant which will autonomously convert solar energy into electrical.

The stable energy to be generated by solar panels will be converted into alternating and transmitted to consumers. Surplus energy will be fed into the network and withdrawn from it at night. At the initial stage the project is designed for small settlements, but there is a great potential for its further expansion.

## **Hydropower**

The weight of generation capacity of hydro-power-plants in Azerbaijan’s power generation system at large is currently 17.8%. The country has great potential for development of unused hydropower resources. As a result of research, it was found that the hydropower potential of rivers in Azerbaijan is 40 billion kWh and technically feasible potential is 16 billion kWh, 5 billion of which is the part of small hydro power plants. Construction of hydropower plays an important role in solving issues of national importance such as flood control, clean production of electricity and the creation of new irrigation systems.

Construction of hydro power plants has important role in resolution of country-level issues such as regulation of flood waters, environmentally sound electricity generation and creation of new irrigation systems. It is possible to locate dozens of small hydro power plants on rivers and water facilities and these plants can generate up to 3.2 billion kWh annually. These HPPs can be located on irrigation canals, rivers with unregulated flow and water reservoirs that are under-construction. Use of micro HPPs in electricity supply of objects and settlements that are remote from transmission lines and substations of countrywide grid system can resolve electricity problems, as well social problems.

## **Biomass power**

Rapid development of industry, agriculture and social service in the Republic of Azerbaijan opens new opportunities for electricity generation from biomass. The sources of bio substances in the country include followings:

- \* combustive industrial wastes;
- \* wastes of forestry and wood-working;
- \* agricultural and organic wastes;
- \* domestic and communal wastes;
- \* wastes processed from areas polluted with oil and petroleum products.

Studies suggest that much of composition of production wastes in all industrial sites is biomass substances. It is feasible to produce biogas, bio-liquid and solid biosubstance that can be used for electricity generation. More than 2.0 million tons of solid domestic and production wastes are annually thrown to waste treatment sites in the Republic of Azerbaijan. Utilization (processing) of solid domestic and production wastes would partially resolve the problems in heating public buildings in Baku and other large industrial cities.

Many of European countries have already found the ways to solve these problems. That is, waste combustion plants are built in densely populated areas and domestic wastes are fired in those plants. The nearby residential settlements are then provided with electricity and heat at the expense of energy produced from waste combustion. The remains of fired wastes are widely used as a manure to increase fertility of soil. Therefore, construction of such plants having complex importance would be significant for Azerbaijan, too.

### **Geothermal power**

The Republic of Azerbaijan is rich with thermal waters. They are usually found in great and Small Caucasus, Absheron Peninsula, Talish mountain-row zone, Kur lowland and Caspian-Guba area. Exploitation of thermal waters in noted areas would partially cover the domestic and other heat energy needs. Attracting private investments in connection with implementation of actions envisaged under State Program and maximum use of alternative (renewable) energy sources can be conducive for connection additional capacities to power system.

### **State Company for Alternative and Renewable Energy Sources (ABEMDA)**

The State Company for Alternative and Renewable Energy Sources was established in June 2012. It is a state-owned company provid-

ing state services in the field of use of alternative and renewable energy sources, as well as determining the sources of renewable energy resources and carrying out other work associated with the development of this sector. The objectives of ABEMDA are as follows:

- \* Participation in the development and preparation of public policies for creating the infrastructure of renewable energy, and ensure the accomplishment of this policy
- \* Participation in the preparation and creation of the normative documents regulating the Renewable Energy sector
- \* Putting forth suggestions on the use of renewable energy sources, designing, building, operation of facilities and mechanisms of regulating the activity related to the production of the necessary equipment for the purposes listed
- \* Preparation of proposals for measures to encourage the activity (design, construction, maintenance and production) and to meet demand for Renewable Energy
- \* Monitoring activities in the Renewable Energy sector.

### **Experimental Polygon in Gobustan**

Azerbaijan established world's first modern hybrid (solar, biogas, wind, thermal) power station on the use of alternative energy sources. It was opened on September 13, 2012 together with the science center of the State Company for Alternative and Renewable Energy in Gobustan. The area of the plant covers 38 hectares and is equipped with wind, solar and biogas stations. This is a real example of development of three mainstream forms of renewable energy at the same time in the country. In the territory of the testing ground three wind turbines each with 0.9 MW, a solar station with 1.8MW and a bioenergy station with 1 MW were installed. There is a stabilizing device, a reservoir, a testing ground and a workshop in the area. Besides, the car park built within the area is designated to charge the batteries of electric cars. Car charged for a few minutes can travel up to 250 kilometers.



## MINERALS & MINING

Apart from major oil & gas deposits there are numerous mining sites for ferrous and nonferrous metals, unique construction materials. An area to be mentioned specifically is the north west of the country (Dashkesan, in particular). Major deposits of aluminum ore, iron ore and non ferrous metals make the region a very interesting part of Azerbaijan to explore. Apart from metals, construction materials including gypsum, limestone, trim stone etc. scattered all over the country are of particular interest. The deposits of iodine, gold and other precious metals, mineral spring, etc. add up to the diverse geology of Azerbaijan. The processing industry that was inherited from the times of USSR allows for speedy rehabilitation of a number of prospective fields. As mentioned before the laws permit a foreign company to become a manager of the mining fields in Azerbaijan after conclusion of an appropriate agreement with the Government. In 2012, 32.4 ths tons bentonite, 378.2 ths tons limestone, 28.7 ths tons salt, 1.6 tons gold and 625.8 tons silver was produced. Total production volume of mining industry was 25.6 billion manats.

### Main indicators of mining industry

	2011	2012
Number of acting enterprises -total, unit	289	712
The number of individual entrepreneur registered for acting in industry, person	436	526
Production volume of mining industry, at factual prices, mln AZN	26 894	25601.2
Index of actual volume of industrial products relative to previous year, at percentage	91.6	95.8
Average payroll of employees - total, thsd person	35.6	36.3
Average monthly wages, per employee, AZN	1 176,3	1398,6
Investments to fixed capital, mln AZN	3 244	3651,4

## CHEMICAL INDUSTRY

Chemistry and petrochemical industry based on oil and gas processing plays an important role in the economy of the country. Enterprises involved in this sector are located close to raw material sources like Baku and Sumgait, but also Ganja, Salyan and Neftchala. Oil and gas, table salt, iodine-bromide mine water, waste of ferrous metals are the basic materials of the chemical industry.

The first chemical plant was built in Baku in 1879. In the 20th century Sumgait became the center of chemical industry of Azerbaijan. The main chemical products are: synthetic rubber, car tires, plastics, synthetic fiber and mineral fertilizers, soda, chlorine, iodine, washing powder, soap, medicines etc.

The main chemical factories of are: "Organic Synthesis" (1960), "Superphosphate" (1961), "Household Chemistry" (1978), "Synthesis Rubber" (1935) plants in Sumgait and "Baku Car Tire" (1959), "Baku Iodine" (1930), "Baku Chemistry and Pharmaceutics", "Baku Rubber Products" (1929) plants in Baku, "Industrial Rubber" (1970), "glass Fiber" (1965) plants in Mingechevir, "Iodine-Bromide" plant in Neftchala (1972) and "Plastic Mass" (1972) plant in Salyan. Besides there are scientific unions and institutions working in the field of chemistry such as: "Azerizolit", "Azerkimya Professional Development" Institution, State Scientific Olefin Institution, "Azerkimya" State Scientific Research Institution.

Over the recent 15 years Azerbaijan made significant progress in upstream and midstream sectors of the oil and gas industry. This laid a firm basis for the development of downstream sector. In consequence, a new project on commissioning the brand new Oil Gas Processing and Petrochemical Complex in Azerbaijan has been launched recently. The complex will consist of 4 production sites: a refinery (to be commissioned at the end of 2020), a gas processing plant (to be commissioned in 2017), a petrochemical plant (to be commissioned in 2018) and a thermal power center (to be commissioned early 2017).

#### Volume of chemical products (mln AZN)

	2009	2010	2011	2012
Chemical products	132.1	120.3	186.7	157.1

#### Sumgait Chemical Industrial Park

Sumgait Chemical Industrial Park was established in 2011. The main goal of establishing the Park is to ensure necessary environment for the development of industrial production on the base of competitive and innovative high technology as well as to promote and support entrepreneurship and stable development of non-oil economy in the country. The area of the Park constitutes 167.66 hectares and resides nearby Sumgait city that is 32.5 km away from Baku. The appropriate external and internal infrastructure (electricity, heating, water supply, communication and other systems) with offices, training centers, offices, laboratory, etc. will be established within the Park to enable profitable activity and development of entrepreneurs and produce competitive products and render services through the application of modern technologies.

The Administration of the Park will be implemented by "Sumgait Chemical Industrial Park" LLC established under the Ministry of Economic Development. The Company is responsible for granting of permits, preparation and coordination of projects, infrastructure maintenance and other general activity of the Park.

A number of tax and customs incentives as well as concessional loans will be granted to investors in the Park. Generally, the petro-chemical derivatives will dominate overall production. But other priority industrial goods such as final polymer products will be also manufactured and processed in the Park. Outlined Incentives Portfolio of SCIP:

- \* Exemption from custom duty for technical equipment for 7 years
- \* Exemption from property tax for 7 years
- \* Exemption from a land tax for 7 years
- \* Exemption from an income tax for 7 years

#### "Tamiz Shahar" joint Stock Company

"The Complex Plan of Measures for Improvement of Ecological Situation in the Republic of Azerbaijan for 2006-2010 years" was approved by the President of Azerbaijan on September 28, 2006 with the purpose of settling the existing ecological problems systematically in Absheron region. This complex plan of measures has a great importance for the enhancement of environment in Baku and Absheron peninsula. The Complex Plan of Measures reflects all major activities aimed at enhancing the existing environmental situation. So, the measures and other issues related to the improvement of ecological situation of Baku Bay, Bibi-Heybat area, surrounding area of International Airport named after Heydar Aliyev, the lakes of Absheron peninsula, oil-contaminated lands, groundwater-flooded areas and other lands polluted with industrial wastes have been reflected in the Complex Plan of Measures. The settlement of issues related to collection, transportation and placement of solid household waste in Absheron are among the duties approved in the Complex Plan of measures.

According to the Decree of President of the Republic of Azerbaijan "On Improvement of Management of Solid Household Waste in Baku city" as of August 6, 2008, the collection, transportation of all kind of solid household wastes, regardless of its origin of generation remains under the competences of Baku city Executive Power. According to the Decree the newly established "Tamiz Shahar" JSC carries out the works related to improvement of ecological situation of the city through placement and disposal of the solid household wastes in accordance with the modern standards.

"Tamiz Shahar" JSC was launched on March 12, 2009. The supervision of its management and activities is carried out by the State Committee for Property Issues and the Ministry of Economic Development of the Republic of Azerbaijan as well as by a Supervisory Board functioning under the auspices of the Ministry of Economic Development.

“Tamiz shahar” JSC was entrusted with the function of management, placement and disposal of household wastes in accordance with modern standards, carrying out this process in an organized manner, as well as improvement of environmental situation of the city and development of this field based on the principles of market economy.

### **Waste to Energy Plant**

The construction of Waste-to-Energy Plant was decided within the framework of “The Comprehensive Action Plan about the improvement of ecological situation in the Republic of Azerbaijan for 2006-2010 years”.. Plant construction costs reached 346 million Euros. It was built on the territory of 20 ha in the settlement named Balakhani. Balakhani Waste-to-Energy Plant consists of 2 incineration lines, each line with 250,000 ton capacity and a turbine producing electricity. The amount of electricity obtained as a result of burning of waste will be equal to 231,5 million kWh/year.

The President of the Republic of Azerbaijan Ilham Aliyev laid the foundation of Waste-to-Energy Plant on November 3, 2009 and participated in the Plant’s inauguration ceremony on December 19, 2012. It is considered to be the biggest Waste-to-Energy Plant in Eastern Europe and CIS countries. The plant was constructed using 4G technologies and completely complies with local and European standards of environmental protection. Fly ash generated during the incineration process is caught by the special filters and does not pollute the environment. Concerning the bottom ash which is heavier and less harmful could be utilized as a construction material for road construction. And finally, industrial water used for cooling during waste incineration is discharged to sewerage only after treatment. Monitoring of emission level at the plant is conducted and controlled daily. Before launching the construction of the plant Environmental Impact Assessment was done and presented to various public discussions.

### **The Integrated Solid Waste Management Project**

The purpose of the “Integrated Solid Waste Management” Project which is being carried out within the framework of “Absheron Ecological Rehabilitation Program” funded by the World Bank and the Republic of Azerbaijan is to support reforms conducted for systematic and continuous organization of solid municipal waste collection and utilization.

The loan agreement between World Bank and Azerbaijan Republic was signed on May 20, 2009. The document has been signed by Shahin Mustafayev, the Minister of Economic Development of Azerbaijan Republic and Gregori Yedrjeychak, the manager of World Bank in Azerbaijan. The activities outlined under the project are being conducted in 5 components. Thus, according to the project component on institutional reform, raising the potential and project management, the development of strategic planning, establishment of “Tamiz Shahar” JSC and its performance and development is being supported.

The control of environmental impact on MSW management, increasing the efficiency of existing landfill, the purchase of up-to-date equipments and technologies (weigh bridges, bulldozers) and the construction works (fencing, waste dumping, laying internal roads and etc.) are being financed within the framework of the project component on the rehabilitation and management of Balakhani landfill.

Parallel to the rehabilitation and improvement activities of Balakhani landfill, preparatory activities for its total closure in future are also being conducted today. In addition to the above mentioned activities the preparatory works for building new modern landfills are also being conducted today.

Under the project component on closing and management of other landfills, the closing and cleaning of other unofficial landfills in Baku city, the improvement of other landfill’s management (or closure) will be financed.





Sumgayit Cable Plant. Sumgayit, Azerbaijan

Within the frame of the project component on equipment provision for waste collection, the measures will be taken for expansion of service quality in Baku districts and in other areas where solid municipal wastes are not collected effectively, in order to increase the efficiency of the service and scale of solid municipal waste collection in most demanded areas there will be financed purchasing of lorries and waste trucks.

The Final- under the component of technical preparation of post project investments there will be carried out the feasibility study and environmental impact evaluation necessary for designing of new landfills, and establishment of transfer stations for increasing the efficiency of waste collection system.

As a result the mentioned measures will provide an opportunity to solve the problem of solid municipal waste, to improve the ecological condition in Baku and Absheron, to eliminate the factors causing danger for the environment, for potable water and peoples' health due to harmful wastes.

The total amount of the project budget planned for 5 years is 41.5 million US dollars. The amount of the loan provided by The World Bank on this project is 29 million US dollars, and it is planned to be provided through the International Reconstruction and Development Agency. The rest of amount is the contribution of Azerbaijan Government and the VAT obligation.

### **Waste Sorting Project in Old City**

With the intention of more efficient management of solid municipal waste formed in the territory of "Icharishahar" State Historical-Architectural Reserve, a series of measures are being realized by "Tamiz Shahar" JSC's support since February of 2010.

Provision of fascinating appearance of Old City as a territory included to "World Heritage" will be realized step by step.

Sorting of organic and non organic wastes has started. In order to sort the wastes, the Reserve has been provided with special marked containers and city residents were distributed multicolored

packages. Within the framework of Plan of Measures elaborated by "Tamiz Shahar" JSC, realization of enlightenment activities are being realized among Old City residents, organizations located in that territory and guests of Reserve. Conducting public actions and distribution of various enlightening agitation materials serves to increase people's awareness in the sphere of solid municipal waste.

### **"Tamiz Gala" Project**

Gala settlement is regarded one of the oldest dwellings of Azerbaijan. The settlement is located in the northeast of Absheron Peninsula. There are plenty of architectural and archeological monuments in the settlement of Gala and in the surrounded regions. "The first Outdoor Archeological and Ethnographic Museum Complex" was established in the territory of Gala Historical and Ethnographic Reserve by the initiative and support of Heydar Aliyev Foundation in 2008. The Complex has attracted local and foreign tourists' attention since its establishment and it has also become the must-see in all tourist programs. Everybody is responsible to keep Gala Historical and Ethnographic Reserve which is regarded the historical and cultural heritage of Azerbaijanis clean and tidy all the time.

Regarding this purpose "Tamiz Shahar" JSC is implementing "Tamiz Gala" Project in order to create proper waste management system as a pilot project in the territory of Gala settlement by the initiative of Heydar Aliyev Foundation. The purpose of the Project is to set up collection and transportation of waste, as well as its further utilization procedure in accordance with up-to-date standards. Over 120 waste fields for waste collection have been installed in the territory of the settlement and constant transportation of waste has been organized within the Project scope. Moreover, waste containers are washed and disinfected continuously in accordance with sanitary and hygienic norms. All the technologies operating in the settlement were connected to the GPS navigation system, and it provides opportunity to observe and control operation of the technologies at any time.

Waste sorting system under organic and non-organic wastes is being carried out with the purpose of proper and efficient implementation of waste management. Containers in two various colors, green and blue have been provided for this purpose. Wide scale propaganda campaign is being carried out among the people in order to provide active participation of settlement dwellers in the sorting process. Sorting and recycling of wastes leads up to saving of natural resources and energy, as well as rapid growth in cheap raw material market.

### Eco-Industrial Park

Balakhani Industrial Park was established by a decree of the President on December 28, 2011. Along with the primary goal to sustain the improvement of ecological situation in Baku, this industrial park shall offer favourable conditions for the investors interested in recycling industry. State will ensure the required internal and external infrastructure like roads, electricity, gas, water, drainage and communication. The main objectives of Eco-Industrial Park are:

- \* To create unique waste recycling infrastructure in one area;
- \* To reduce environmental impact as a result of activity of green business;
- \* To establish enterprises of recycling/reusing and production;
- \* Sale of obtained raw material and extension of market of produced goods.

Investment incentives of Eco-Industrial Park:

- \* exemption from corporate and income taxes for 7 years after registration
- \* exemption from land taxes for 7 years after registration
- \* exemption from real estate taxes for 7 years after registration
- \* exemption from VAT for 7 years after registration for equipment, facilities and goods imported for production purposes

Target Industries:

- \* Plastic recycling
- \* Tire/rubber recycling

- \* WEEE recycling
- \* Lead batteries
- \* Non-ferrous metal and cable recycling
- \* Municipal hazardous waste (battery pills, light tubes, mercury containing goods, etc) recycling

Advantages:

- \* The opportunity to obtain long-term and short term credits with favorable conditions
- \* Favorable costs for renting lands and industrial facilities
- \* Application of tax and customs incentives
- \* Very good location with easy access to highway, railway, international airport, sea port
- \* Close proximity to important export markets of Russia, Caspian Sea, Caucasus and Central Asia countries
- \* Highly skilled labor force
- \* Common infrastructure, facilities and services
- \* Simplification of procedures/one-window service for administrative issues

### Material Recovery Facility

Material Recovery Facility with annual capacity of 200 thousand tons constructed to develop segregating household waste and recycling business in the country began to operate in test mode. It completely started to operate after the inauguration ceremony in which the President of the Republic of Azerbaijan Ilham Aliyev also participated on December 19, 2012.

Designing Material Recovery Facility was carried out by "Aztech Project Construction" LLC. Contractor is "M-Naf" Company, and supplier Company is "Adelmann".

As a result of sorting paper, glass, plastic, non-ferrous metal, iron, and other recyclable materials are segregated and as a result, total volume of waste is reduced, cheap raw material market will be formed, background for establishment of recycling industry in the country is created, energy is saved, and negative impact on

## AGRICULTURE

environment is reduced. Additionally, hazardous waste as batteries, accumulators, and electronic waste are segregated from general waste and are sent to proper places. The main objectives of the project are:

- \* Reduction of negative impacts on the environment and human health;
- \* Saving natural resources and energy;
- \* Cheap and recyclable raw material market;
- \* Stimulation of the recycling industry;
- \* Reduction of the amount of final waste;
- \* New workplaces.

### Urea Plant in Sumgait

SOCAR is building a urea plant in Sumgait that will have a designed capacity of 2,000 tpd. The groundbreaking ceremony held on 19 December 2011. The plant would be built on an area of 24 hectares. Plant construction is expected for completion in 2014. The plant's production capacity will be 1,200 tons of ammonia and 2,000 tons of urea per day. The plant would operate units for the production of ammonia, urea liquid and commodity urea. The project will be environmentally effective as it is expected not to emit the produced carbon dioxide into the atmosphere, but to use it as additional feedstock in the urea manufacturing. 3,000 people would be provided with jobs during the construction and 500 after the plant is put into operation.

Agriculture is one of the most important sectors of the economy in Azerbaijan, a country that is considered to be one of the earliest sites of human agricultural activity. Today, the agricultural sector employs over 39% of the active labor force of the country and accounts for 5.2% of gross domestic product. Azerbaijan has 4.7 million hectares of agricultural land, which comprises about 50% of its total territory, of which 38% is arable. Crop production accounts for around 52% of agricultural production with livestock farming making up the remaining 48%.

The fertile lands, abundance of water and climatic diversity create favorable conditions for a strong agricultural sector. The existence of nine climatic zones allows the country to produce a variety of agricultural products, and offers new opportunities for the introduction of new kinds of goods. Being one of the leading producers of agricultural goods in the CIS, Azerbaijan seeks to further develop its agriculture and food industry for import substitution as well as for export.

The sector is growing rapidly, as gross output in agriculture has increased more than 3 times in comparison to 2003. The annual average growth since 2000 in the sector has been more than 10.0 % and this is one of the highest sustained growth rates registered.

The reforms in the agricultural sector of the economy continue, and despite substantial decline in the early years of transition, agriculture in Azerbaijan is now firmly on the way to rehabilitation and growth. Following almost full denationalization of the sector (at the moment circa 99% of the sector is in private ownership) a number of steps were taken by the government to support the farmers as well as producers of processed a/c products.

Azerbaijan has on the quality and location of the land. Moreover, VAT and customs duty were abolished for many products and equipment imported for production purposes in agriculture.

All agricultural companies registered in Azerbaijan, even with 100% foreign participation, may benefit from numerous subsidies,



discounts and other privileges provided by the state. Here is a schematic overview of these privileges:

Product based privileges	Non-product based privileges
40 AZN aid to wheat and rice producers for each ha of crop production	Tax heaven to agrarian producers
50% government subsidy to farmers for seed purchase (wheat)	Soft credits to agrarian producers
70% government subsidy to wheat producers for the purchase of mineral fertilizers	50% discount to producers for the purchase of fuel and motor oils
50% discount for the purchase of pedigree cattle	50% discount to producers for the purchase of mineral fertilizers
50% discount for insurance of crop and vegetable products	Sale of machinery to producers at privileged leasing terms
	Reduced cost of irrigation water for the agrarian producers

Furthermore, Azerbaijan trades intensively in agricultural and food products. Traditionally the main destination and the largest consumer of agricultural and food exports has been the CIS market, but in recent years this geography has expanded to include many other countries in Europe, Asia and the Americas. The main export products are fresh vegetables and fruits, vegetable and animal oils, sugar products, tea, processed vegetables and fruits, beverages, tobacco products, cotton and others.

#### Production of Azerbaijani agricultural products

	2009	2010	2011	2012
Production, mln AZN	3805.1	3877.7	4525.2	4763.7

#### Capital investments in agriculture

	2009	2010	2011	2012
Production, mln AZN	266.6	431.0	437.3	583.5

Substantial business opportunities are now opening up in the agriculture of Azerbaijan for a number of reasons. The Azerbaijan government has embarked on a very ambitious Programme of

Regional Development. The Programme includes development of agriculture and food processing development as one of its key elements. It also includes rehabilitation of major infrastructure, promotion of exports, more effective management of businesses, and rehabilitation of existing facilities and development of green-field projects.

#### Plant cultivation

2012 was successful in terms of crop production in Azerbaijan. Significant growth is observed in production of different types of plants in comparison to previous years. Considering the recent instability in the regional grain market due to prolonged harvesting difficulties, development of cereal production in Azerbaijan has become one of the government's primary strategic objectives. The increase in sown areas of grains such as wheat, barley and maize all over the country amounted for 1030.8 thousand hectares. In 2012, of the total production of over 2 million tons of fruits and vegetables, around 290,000 tons were exports. This is one of the most important sectors of the economy, catering not only to the local, but also to neighboring markets where fresh fruits and vegetables are in great demand.

#### Crop production, thsd ton

	2009	2010	2011	2012
Cereals	2988.3	2000.5	2458.4	2802.3
Cotton	31.9	38.2	66.4	56.8
Tobacco	2.6	3.2	3.6	4.3
Potatoes	983.0	953.7	938.5	968.5
Fruits	718.2	729.5	765.8	809.8
Vegetables	1178.6	1189.5	1214.8	1214.9
Grapes	129.2	129.5	137.0	151

#### Animal husbandry

Essential to the provision of products such as meat, milk and eggs, there has been considerable pressure on the number of livestock with increasing demand from the local population and huge volumes of imported goods. The recent reforms in government policies have

## LIGHT INDUSTRY

provided a solid foundation for the expansion and amelioration of conditions on farms. In 2012, a 30% growth in the numbers of cattle, a 40% growth in the number of sheep and goats, and a 50% growth in poultry numbers was observed compared to the year 2000. The efforts to privatize and create greater opportunities for local farmers was key to stimulating the development of this sector and the significant achievements in the agricultural economy have since provided a sound base for future innovation and development.

### Main animal production thsd ton

	2009	2010	2011	2012
Meat	237.1	253.8	263.7	285.6
Milk	1 433.1	1 536.2	1 622.3	1 719.6
Eggs, mln units	1 209.4	1 178.6	1 011.0	1 226.7
Wool	15.3	15.6	16.2	16.5

### Fruits and berries: cultivated area, gross harvest and yield

	2009	2010	2011	2012
Gross harvest, 1000t	718.2	729,5	765.8	809.8
Yield from 1 ha, 100 kg	71.9	70.6	71.7	102.9

Azerbaijan has a long tradition of production, spinning and weaving of cotton and silk. Industrial weaving started in the late 19th century. Further industrialization of Azerbaijan in the 20th century stimulated rapid development of light industries including textiles. The main raw materials for the domestic textile industry are cotton, wool, silk cocoons, leather and synthetic fiber. Azerbaijan played important role in producing silk materials among former USSR countries.

After a period of crisis in the mid 1990s, cotton cultivation has increased. The sown area for cotton rose by almost 10% between 2002 and 2003, to reach 66800 hectares. Output rose by more than 23% over the same period, to 99500 tones. This indicator was 56.8 ths tons of raw cotton in 2012. More than half of the increase was derived from higher productivity. The overall potential production of cotton in Azerbaijan is as much as 800000 tons from approximately 280000 hectares. This level was achieved in mid 1980s with massive capital investment by the Soviet government.

Other raw materials that are also important for the weaving industry of Azerbaijan are wool and silk cocoons. In 2012, the local sheep stock was 8651.2, and approximately 16.5 ths tons of wool was produced.

There is a potential to produce over 9,000 tons of silk cocoons annually by increasing the area of mulberry plantations to 25,000 hectares. Normally, 1 kg of silk cloth is produced from 3.5 kg of local cocoon (the Japanese standard is 1 kg of silk per 2.8 kg of cocoon). So the potential of the local silk industry is 2,600 tons or about 18 million m<sup>2</sup> of silk cloth (1 kg - 5-7 m<sup>2</sup>).

There are also opportunities for leather production and processing in Azerbaijan as livestock-breeding has been growing rapidly for the last few years. Markets for Azerbaijan's textiles, in addition to the local market, include Russia, Central Asia and Iran. No export duty is payable on such products. Textile products exported to the EU are free of quotas and permits, and only the import customs duty is payable.

## FOOD PROCESSING

Products of Azerbaijan origin attract import duties significantly lower than those from other countries. Undoubted comparative advantages of the textile industry in Azerbaijan are:

- \* Cheap labor and low production costs;
- \* Strong historical traditions in weaving;
- \* Local raw materials;
- \* Favorable location;
- \* Direct access to Central Asia and the Caspian Sea region;
- \* Proximity to large potential markets;
- \* The opportunity to locate production in small and middle-sized towns of the country;
- \* Opportunities arising from privatization of state owned textile plants.

### Production volume of textile products

	2011	2012
Volume of textile products (at factual prices, mln. AZN)	85.2	58.1
Average monthly wages, per employee, AZN	263,3	258,9

	2012
Cotton fiber, ton	21 349,3
Ready cotton fabrics, ths m2	208,9
Cotton thread, ton	15 297,7
Rug and rug products, ths m2	2 120,5
Cotton linen, ths	424,2

The food processing industry in Azerbaijan consists of four main segments. These are meat processing, production of dairy products, production of beverages, processing and canning of fruits and vegetables. Food products are high on the government's agenda for import substitution. Although this policy has been relatively successful, and food products are declining in prominence within Azerbaijan's imports, there are still significant opportunities in a number of areas.

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 although they were previously state-owned, most of them are also now private.

In 2012 total production of foodstuffs including beverages valued 2480 mln AZN. In order to provide markets for local agricultural producers there is still a need for substantial rehabilitation and renovation of storage and processing facilities.

Significant opportunities exist in export-oriented agricultural production and processing. Azerbaijan's pomegranate, feijoa and grape juices and its olives, hazelnuts and other products are all competitive in international terms. Azerbaijani wine and brandy are traditional export products. The major markets include Russia, Ukraine, Kazakhstan and other countries of the region.



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## Export of most important types of foodstuff, in value

	2010	2011	2012
Meat and edible meat offal (thsd USD)	75.2	43.9	0
Fish, other aquatic invertebrates (thsd USD)	287.8	64.9	0
Dairy products, Birds eggs, Natural honey (thsd USD)	45.9	15.1	375.9
Edible vegetables and certain roots and tubers (thsd USD)	42344.5	78307.3	55968.6
Edible fruit and nuts, peel of melons (thsd USD)	112484.3	152965.2	207986.1
Coffee, tea, mate and spices (thsd USD)	33360.8	32444.2	37493
Cereals (thsd USD)	174.7	34.5	24.5
Oil seeds and oleaginous fruit, industrial plants, straw (thsd USD)	1846.8	4835.6	6413
Animals and vegetable fats and oils (thsd USD)	188255.5	173756.9	221766
Preparations meat, of fish, of crustaceans (thsd USD)	7515.4	7231.5	12394.2
Sugars and sugar confectionery (thsd USD)	146451.9	199185	214911.2
Cocoa and cocoa preparations (thsd USD)	3156.9	7923.9	11942.2
Preparations of cereals, flour or starch or milk (thsd USD)	3951.3	3908.6	4480.2
Preparations of vegetables, fruit or other parts of plants (thsd USD)	21518.2	21366.4	18694.4
Miscellaneous edible preparations (thsd USD)	992.6	1402.9	1776.1
Beverages, spirits and vinegar (thsd USD)	15142.2	15727	21040.6

The development of information and communication technologies will define and facilitate our successful future. The sphere of information and communication technologies is a field of knowledge, intellect and, at the same time, business. 2013 was declared a year of ICT in Azerbaijan. Undoubtedly, it means new projects and opportunities for businesses in this sector. Telecommunications sector is one of the main economic areas. It is the fastest growing non-oil sector in terms of increasing revenues. In 2012 ICT income accounted for almost 2 bln USD increasing 2 times within 5 years. The number of consumers is growing rapidly with expansion of services to all the parts of the country. In 2012 ICT services increased 5.6 times compared to 2003. Today number of personal computers per 100 inhabitants makes up 20 and number of mobile phones reached 110 per 100 inhabitants being above the world average figure.

Azerbaijani telecommunications is the second largest recipient of foreign investments after the oil industry. The fact that total volume of investments in ICT was more than 1 billion USD in past 3 years proves high investment attractiveness of this sector. The first wave of liberalization took place in the 1990's when a number of foreign investors entered the market. As Azerbaijani Communications Law recognizes the right of foreign individuals and legal entities to own and operate networks and devices in the country. Such activities must be jointly certified by the Ministry of Informational Technologies and Communications and the Azerbaijan State Standards Agency and their subordinate bodies, as well as accredited test laboratories. The largest FDI stock is in the mobile telephony, followed by a number of enterprises with the foreign capital in land lines operating companies, internet providers and cable TV companies. Foreign capital inflow into the telecommunications industry has evolved primarily in the form of joint ventures with the entities subordinate to the Ministry of Communications, which acts both as the ultimate partner and

supervising authority. Such joint ventures are engaged in the production of telecommunications equipments and the operation of telecommunications facilities. However, under the Presidential Instructive Order the government announced its intention to privatize the state-owned share of joint ventures in which the Ministry of Communications and its subordinate enterprises and institutions have participated. Certainly, continuing privatization of the state shares in the telecom and IT enterprises is one of the major steps taken for the development of the sector. Today the share of private companies in income structure of ICT accounts for almost 25% and this figure is continuously increasing thanks to the government's policy on supporting entrepreneurs.

All the achievements in ICT are highly appreciated by the international financial institutions. Azerbaijan is one of the leading countries in CIS and ranks 56st place in the world according to the World Economic Forum Global Information Technology Report 2013. Azerbaijan is the first among CIS states on share of internet users as per WEF Report.

#### Dynamics and growth rate of ICT total income, mln. USD

	2007	2008	2009	2010	2011	2012
Total income	60.2	53.5	77.8	104.4	153.1	164.8
Growth rate, %	6.7	6.7	5.6	6.8	9.2	9

#### Income structure

	2007	2008	2009	2010	2011	2012
State sector, %	79.5	79.3	79.3	79	80	75.7
Private sector, %	20.5	20.7	20.7	21	20	24.3

#### Volume of investments in the sector, mln. USD

	2007	2008	2009	2010	2011	2012
	195.1	196.9	172.9	254.2	525.5	414.4

#### Number of PCs per 100 inhabitants

	2008	2009	2010	2011	2012
	8	12	15	20	20

## MAIN PROJECTS IN INFORMATION AND COMMUNICATION TECHNOLOGIES

### First Telecommunications Satellite

One of the most important developments in the history of modern Azerbaijan occurred on February 8, 2013. The first telecommunications satellite of the Republic of Azerbaijan, "Azerspace-1", which will operate at least 15 years, was successfully launched into orbit from the Guiana Space Center in Kourou, South America. 20 percent of the satellite's resources will be used to meet the needs of Azerbaijan, while the remaining 80 percent will be exported to the world market. Conditional contracts for the sale of 40 percent of the satellite's resources have already been signed. As a result of this project, millions of people in the geographical area covering almost a third of the planet will be able to comfortably use modern information and communication services.

The first satellite will play an important economic role on an area covering more than 50 countries around the world. Thus, the "Azerspace-1" satellite will provide quality broadcasts on the territory of Azerbaijan in the near future, including the provision of high-speed IP-based services. On the whole, better control will be exercised over the entire information being transmitted and an enabling platform created for such important programs as various e-government projects, distance learning and e-health. In case of any damage to the terrestrial fiber-optic network, it will be possible to eliminate communication problems by means of effective and operational solutions. In addition, in order to ensure the security of communication, a modern communications and secure encryption systems will be applied.

## **TASIM**

Project Trans-Eurasian Information Super Highway (TASIM) is a project of regional importance aiming to lay a transnational fiber-optic line covering the countries of Eurasia from Western Europe to Eastern Asia. The project envisages the creation of major transit link from Frankfurt to Hong Kong. The line will combine the major centers of information exchange in Europe and Asia. The transit line will stretch through China, Kazakhstan, Azerbaijan, Georgia and Turkey to Germany. Reserve North transit line will pass through the territory of Russia, Ukraine and Poland. TASIM project will contribute to creation of open information society in the region, increase in speed of Internet connection and development of Internet services, which in turn, will lead to economic growth of the whole region.

## **High Technologies Park**

A new High Technologies Park was established in Sumgait in November 2012. The Park shall focus on the research in information and communication technologies, telecommunications and space, energy efficiency, as well as on production of new and high technologies. It will offer a basis for sustainable development of ICT sector in Azerbaijan, create alternative income sources and increase its attractiveness for foreign investors. In order to stimulate investment activities in the Park, the latter shall offer a number of tax and other incentives for companies operating in there.

## **E-government**

The aim of the project is to increase the introduction level of ICT in state agencies and using modern ICT to render services to citizens. Implementation of this project will enable to increase the quality of services rendering to population. The project will improve management methods and mechanisms of state bodies, increase rationality and transparency of their activities and create much more simple and favorable conditions for Azerbaijani people.

## **National computer**

The project aims to create favorable conditions for low income population to purchase modern computers and licensed software. In this case, consumers may obtain required computer devices free of interest without down payments and 25-30% below the present market price.

## **National Certification Services Center**

The aims of the project are using of e-documents in government-to-citizen and government-to-business communications, organization of e-services and e-trade and establishing information relations among the government bodies, citizens and business entities. This project will create sustainable basis for the using of e-signature in the social and economic fields of the country.

## **University of Information Technologies**

The university was established under a presidential order on February 2, 2013 after the declaration of 2013 as the Year of Information and Communication Technologies in Azerbaijan. Taking into account the expansion of new technologies in social and economic development of the country, as well as in different spheres of everyday life, the university aims to shape highly qualified human resources for the creation of information-oriented society in Azerbaijan.

## **ICT Development Fund**

A decree establishing funds on the balance sheet of the Ministry of Communications and Information Technologies of the State Fund for Development of Information Technology was signed by President of Azerbaijan on March 15, 2012. The Azerbaijani Information and Communication Technologies Development Fund will start financing projects in 2013. Financing shall take place in the form of soft loans and grants. Establishment of this Fund will allow domestic companies to get both monetary and fiscal benefits. The Fund is financed from the state budget. It will, moreover, provide



direct financial support to promising start-ups in science and technology. In international practice the participation of small innovative companies in the Fund's programmes allows them to bring the development of scientific ideas on to the creation of a sustainable business that is attractive to investors.

#### Activity of telephone communication

	2010	2011	2012
Number of ATS, total	1 394	1 410	1569
Capacity of ATS, thsd numbers	1 667.3	1 730.0	1790

## CONSTRUCTION

Azerbaijan is a booming construction market. There are several reasons behind the rapid development of the business in Azerbaijan in the last few years. The major one is the large capital investment in local infrastructure related to oil and gas projects. As a result this business area has evolved into a very competitive sector with a number of strong companies able to deliver the highest international standards in construction. The above measures along with overall economic development led to a booming real estate market. A number of local and foreign developers are active in the field. The hot spot of the market is undoubtedly capital city of Baku. The sector is growing year by year. In 2012 construction was the fastest growing sector of Azerbaijan's economy. Substantial increases in business and residential construction have been registered since the late 1990s in response to the growth of both commercial and household purchasing power. As market research in the field shows, there are currently significant opportunities to introduce state-of-the-art construction technology in Azerbaijan, as well as in architectural and engineering services, the production of construction materials and so on. The products of construction industry include cement, iron-concrete constructions and panels, cubic stones, brick, glass, slate, asbestos-cement pipe, heat-insulating, polymer-construction materials, and linoleum, and plumbing, chemical windows-doors products.

The majority of objects of construction industry are centralized in Absheron due to the abundance of raw materials and high demand. There are building stones, raw material for cement, glass and construction sand, bitumen, ceramic raw materials in this region. 60% of building-construction works of Republic are conducted in Absheron. Garadagh, Guzdek, Shuvelan, Korgoz stone quarries, Garadagh cement, Baku asbestos-cement, iron-concrete construction plants, enterprises of plastic door-windows and various plumbing products, Sumgait glass plant are the main enterprises in the region.

The abundance of natural construction materials and great demand in Gandja-Qazakh economic region resulted in the establishment of large-panel house-building plant, industrial-construction plant in Gandja, iron-concrete product enterprise in Qazakh and Zeyem, construction plants in Dashkesen and Tovuz.

The production iron-concrete product, large-panel house-building, thermal insulator is the main field in Mingechevir. There are construction centers in Agdam, Khankendi, Berde, Horadiz in Garabakh region and in Shirvan, Hadjigabul, Imishli, Bahramtepe regions of Lower Kur.

Now the production of dry construction admixtures, including gypsum products, tile-ceramic tile adhesives, spreading, hydro-insulating, heat-insulating masonry and plaster mixtures, decorative plaster mixtures, slaked lime, paint products, brick, etc prevail in the production of construction products in Azerbaijan.

## Legislation

Pursuant to the Presidential Decree “On Measures to Eliminate Monopoly and Privatize the Construction Sector”, dated 2 December 1997, the state monopoly in the construction sector has been eliminated, and private persons may now engage in construction activities. The main laws regulating construction are the Town Planning & Building Code and the Civil Code. Other legislation regulating construction includes: legislative acts of a general nature such as property, land, safety, environmental protection, fire and sanitary regulations; construction rules, norms and standards; and legislative acts regulating specific sectors where structures or facilities are constructed.

According to Presidential Decree dated August 31, 2007 toughening government control over the country’s construction sector Ministry of Emergency Situations ensures government control over all stages of construction activities across the country, and stops construction of the public and residential buildings unless the construction regulations in force are observed. The Decree

also gives relevant instructions to the Ministry of Labor and Social Protection of Population, the Ministry of Taxes and State Committee for Town-planning and Architecture. Foreign citizen and foreign legal entities may engage in construction works in Azerbaijan.

By his decree in 2012 President Ilham Aliyev has approved the Town Planning & Building Code and established terms of its entry into force and the related legal regulations. Its purpose is to develop the policy and powers of the state in the construction sphere, to define the rights and responsibilities of the participants in the market, to protect the interests of consumers and to inform the public about construction works in the country.

The code also covers questions of town planning, including the long-term prospects of the socio-economic development of towns. It includes questions of town planning, defining housing, industrial, communal and other functional zones, the development of the production, social, transport and engineering infrastructure and protecting the environment and historical and cultural heritage. Alongside the merging of all rules and laws regulating construction activity into a single legal document, the functions of construction companies will also be monitored by a single state body.

According to the new law, the issuing of permits will be conducted according to the ‘single window’ principle: it will ensure both the transparency and simplification of the whole procedure.

The new law will simplify the procedure for the construction and registration of real estate, and also help to define the legal foundations and principles of construction work in the country and to denote more precisely the rights and responsibilities of state bodies, private individuals and juridical persons in this sphere of activity which is so important for society. It will, furthermore, tighten the control of civic society over town-planning and construction activity, thus ensuring transparency and protection of the rights of consumers.

### Construction sector (2012)

Share in GDP, in percent	9.2
Value in GDP, million manat	4993,9
Volume of total construction-installation works, billion manat	9.3
Total budget cost, million manat	6462,2
Value of construction materials, million manat	311,7
Capital investments, million manat	456.3
Average salary, hundred manat	488.5
Average number of workers in construction, thsd persons	321.8

### List of some constructed infrastructures in 2012

#### In Baku

Baku Metal Constructions Plant
Haydar Aliyev Center
Baku Crystal Hall Sport and Concert Complex
Qafqaz Baku City Hotel & Residences
JW Marriott Absheron Hotel
Four Seasons Hotel
New education complex of Azerbaijan Diplomatic Academy
The Integrated Solid Waste Management Plant
Reconstruction of Tofiq Bahramov multi-purpose stadium
"8th" km football stadium
"Bina" football stadium
"Zira" Sport Complex

#### In regions

Nakhchivan–Julfa highway
"Azgüntex" solar panels factory in Sumgait
Olympic Complex in Astara
Beylagan-Kabirli-Baharabad highway
Yevlakh-Barda highway
Mill and Cereal Complex in Jalilabad
Olympic Complex in Jalilabad
"Kraun-co" Cereal Complex in Imishli
Cannery in Gazakh
Central hospital, "Gusar-1" Water Electric Station, "Zirva" and "Gaya" hotels in Gusar
"Shaki Palace" hotel in Shaki
"Ayan Palace" hotel in Tovuz
Milk Processing Factory in Tartar
Regional Information Center in Yevlakh
Broiler Factory, Storage complex, Water Electric Station, Chess school in Fuzuli

## MACHINERY & EQUIPMENT

Rapid progressing of Azerbaijan's machinery industry has been stimulated through fundamental reforms launched by the government of Azerbaijan early this century started by privatization of sixteen large state-owned machinery enterprises.

In 2002, "The State Program on the Development of Machinery Industry in the years of 2002-2005" was approved by the Cabinet of Ministries of the Republic of Azerbaijan. The major goals of the state program are: developing machinery industry, ensuring competitive product development, meeting the demands of the local market and raising export potential of the machinery products.

The specialized field of this industry is oil machinery which constitutes 1/4 of the total machinery production. Beside the oil machinery, the other fields of industry such as electro-technology, instrument-making, and radio electronics are growing rapidly. "E.H.M" (electronic calculators), "Baku Radio", "Nord", and "Azon" produce radio electronic equipments. Transport machinery include automotive and ship building industry. "Agricultural machinery is produced in Ganja Car Manufactory.

### MACHINE BUILDING PLANTS IN AZERBAIJAN

#### Baku Deep Water Jacket Factory

This unique enterprise has no analogues in the former USSR. It plays exclusive role in the production of metallurgical constructions necessary for oil fields Heydar Aliyev Baku Deep Water Jackets Plant is designed to fabricate deepwater jackets for the development of oil and gas fields. This plant designs, prepares, installs, launches, and transports the jackets to their destinations, deploys them, attaches their supports, and puts them in service.

#### Kishly machine building plant

The plant was established in 1895. It is specialized in manufacturing of drilling-rigs for geophysical and exploratory drilling, elevators, reducing gear for pumping units, tanks for transportation and hydraulic fracturing of formation. The plant is equipped with

necessary technological equipment. It has iron casting shop and all kind of communication including railways. Its main products are designed by the Azerbaijan Petroleum Machinery Research and Development Institute.

#### "Azneftkimyamash" OJSC

Being established in 2001, "Azneftkimyamash" OJSC consist of 14 machine-building plants. Production includes approximately 90 industrial items and more than 600 different types and sizes of oil and gas equipments and other products. Oil and gas equipment was exported to 35 countries worldwide. Azerbaijan Oil Machine-building Industry is one of the highly concentrated machinery facilities near to oil-fields. "Azneftkimyamash" OJSC also includes four scientific research and development institutes with more than 500 scientists, engineers and technicians involved in research, development and experimental projects.

#### Bunyard Sardarov Machine Building Plant

It was established in 1926. The plant specializes in the manufacturing of cranes for round-trip operations, shale shakers, crown-blocks and hooks with a lifting capacity of 15 to 50 ton, work-over rigs with a lifting capacity of 25 ton and 40 ton, diaphragm pumps, pipe-layers, units for servicing the oilfield electric units, servicing units for lifting equipment. The plant's highly-trained staff and modern technological equipment can provide its customers with cost-effective and quality products. The plant also has developed infrastructure, including convenience railways.

#### "Bakinskiy Rabochiy" machine building plant

It is a large-scale specialized enterprise producing oil field equipment, and also consumer goods. The Bakinskiy Rabochiy machine-building plant belongs to the State Concern "Azneftkhimmash". It was founded in 1900 in territory of the section 101 of the Sabunchi settlement, Balakhano-Sabunchi district of Baku, on the basis of small work shop that belonged to the former oil firm "Benkendorff.

### **Baku Machine Building Plant**

Being in the structure of the "Azneftekhimmash" OJSC, is one of the oldest enterprises of the Republic of Azerbaijan. This big enterprise functioning since 1897 specialized in manufacturing of the different types of tool joints for the drilling and geological exploration drilling pipes. Nowadays, the output capacity is 120 thousand sets of tool joints per year.

### **Surahani machine-building plant**

According to the resolution of the "Azneft" Amalgamation construction of the plant began in 1923. In 1991 the plant was renamed how it was called Surahani machine-building plant. Now it is considered as one of the leading plants of the "Azneftkimyamash" state enterprise. Manufactured by the plant oil and gas mining equipments are widely spread at the oil and gas mining enterprises both in the Republic of Azerbaijan and in CIS countries.

### **Machinery Technology Institute**

Established in 1961, institute is specialized in developing and application of the technologies of oilfield equipment manufacturing.

Institute provides design and implementation into manufacturing mechanizations and automatic equipment, nonstandard and rigging/devices, cutting and measuring tools as well as is carrying out manufacturing capacity calculations and ecology monitoring of production facilities with issue of the ecology certificates, searching of the pollution sources and calculating of their allowable limits. There is certification department in the institute for equipment manufacturing by "AzNEFTECHIMMASH" JSC in accordance with API and ISO requirements.

### **Azerbaijan Electronics Co. Ltd**

Located in Shamakhi, is a producer of refrigerators, air conditioners, washing machines, vacuum cleaners and many other electronic products.

The factory building covers 20,000 square meters and the

annual capacity of production is 210,000 refrigerators and 300,000 air conditioners.

### **Ganja Car Manufactory**

In December 2004 Ganja car manufactory was launched with the first car assembled in the plant. The agreement on assembling Belarus tractors and automobiles on the base of ganja Automobile plant was concluded during Azerbaijani President Ilham Aliyev's visit to Belarus. The contract for the assembly and sale of the whole range of trucks and tractors produced by Minsk automobile and tractor plants in Azerbaijan was signed in late November 2006 in Minsk. Assemble is conducted in an area of 20,000 square meters. According to market research, the plant has the opportunity of the annual production level of up to 5,000 units for the local market at existing areas. Besides, Ganja car manufactory signed a memorandum of intentions with Minsk Automobile Plant (Belarus) to expand the automotive assembly of equipment based on MAZ chassis at the meeting of Azerbaijan-Belarus intergovernmental commission on trade and economic cooperation. This memorandum envisages assembly on the basis of MAZ municipal machinery produced by German company Haller.

The contract for 10 years involves production of MAZ trucks with equipment made by Haller for transporting waste volume of 16 and 22 cubic meters. The first stage provides for release of about 100-150 units of municipal engineering. Manufactured equipments are being sold in the markets of Azerbaijan, Turkey and Georgia. Assembly-welding and paint shop businesses have been equipped with modern technologies. Today ganja Plant also assembles 25-ton cranes on the basis of MAZ. Besides, the construction of cars marked "UAZ" has begun in Ganja car manufactory.

### **NAZ-LIFAN**

In May 2009, during the Azerbaijani-Chinese business forum organized by AZPROMO, NCP and Chongqing Lifan Industry (group)

## TRANSPORT & LOGISTICS

Imp. & exp. Co., Ltd. Corporation signed a contract on cooperation. The contract envisaged the assembly of Lifan passenger cars in Nakhchivan. As a result, the new automobile plant "NAZ Lifan" has been launched in Nakhchivan Autonomous Republic of Azerbaijan in January 11, 2010. These cars include Lifan-320, Lifan-520 (sedan and hatchback), Lifan-620 (sedan), Lifan-7160 (sedan), Lifan-7162 (sedan), Lifan (7130). Parts are supplied from China. The plant uses the latest models of equipment made in Germany, Belgium and Italy. Total plant area is 2.6 hectares.

The capacity of the plant is the production of 5,000 cars per year. Assembly of motor vehicles is conducted under the supervision of Chinese experts. The prices of the plant's current vehicles ranges from AZN8,400 to AZN12,600 (\$10,500 to \$15,800).

### Total number of manufactured machine and equipment in 2012

Tractor	618
Plough	511
Truck	161
Car	542
Air conditioner	5726

### Volume of industrial products in 2012 (at factual prices, mln. manat)

Manufacture of machinery and equipment	136.4
Manufacture of motor vehicles, trailers and semi-trailers	4.2
Manufacture of other transport equipment	12.7
Repair and installation of machinery and equipment	122.9
Electricity, gas, steam and air conditioning supply	1719.8
Water collection, treatment and supply	190.3
Manufacture of rubber and plastics products	62.3
Manufacture of fabricated metal products	119.1
Manufacture of computer, electronic and optical products	88.1
Manufacture of electrical equipment	243.5

Azerbaijan is rapidly emerging as transport and logistics hub on the crossroad of Eurasia. All segments of Azerbaijan's transport industry are experiencing rapid growth. Shipping, for example, has enjoyed an average annual growth rate of almost 20% since the mid-1990s. Aviation is one of the leading segments, with a cumulative investment exceeding 200 mln USD in recent years. Rails transportation is growing at a similar pace, largely due to ever-increasing volumes in transit of goods across the country. Pipeline transport of oil and gas is also expected to grow rapidly over the next few years as large-scale oil projects come on stream.

The transport sector in Azerbaijan comprises railway, aviation, roads and maritime shipping. Azerbaijan has taken significant steps to implement structural reforms in the transport sector and has implemented significant improvements in rehabilitation and construction of roads, railways, and other infrastructural installations. In June 2003 the Ministry of Transport's functions and duties were radically amended to achieve a clear differentiation between transport policy and transport operation. This was a significant step towards modernizing the transport sector in Azerbaijan.

### Total transported goods

	2009	2010	2011	2012
Total, thsd ton	190 372	196 452	203 480	210 862
Railway, thsd ton	20 799	22 349	22 102	23 116
Sea, thsd ton	13 190	11 714	12 496	12371
Air, thsd ton	32	40	51	82
Oil pipes, thsd ton	50 480	49 982	45 602	43 316
Gas pipes, bln m3	11 635	12 476	13 450	13 854
Road, thsd ton	94 236	99 891	109 780	118 123

Particular attention is being paid to the role of multi-modal transport to serve the needs of Euro-Asian logistics. This involves the establishment of a favorable transit environment, delivering smooth transportation of goods and passengers across the region. Azerbaijan stresses the importance of developing efficient

Euro-Asian trading links as a means of increasing prosperity and improving the living standards of the people of all countries involved. All this helps Azerbaijan in its effort to integrate into the global economy.

The government of Azerbaijan together with the private sector is actively involved in the cooperation with international donor agencies and investors in transport sector. Such institutions as the World Bank, EBRD and ADB are active both in the country and in the region.

Azerbaijan strongly supports regional transport initiatives and promotes international transit transportation. Its infrastructure projects include the construction and rehabilitation of railways, highways, ports, and airports. The EU sponsors development of the transport sector through both TRACECA and national projects. The EU goals include linking the East-West transport corridor to the Trans-European Networks. The European Bank for Reconstruction and Development (EBRD) is investing in capital projects in ports, railways, and roads, including involvement with TRACECA.

Azerbaijan's active role in the establishment of the Transport Corridor for Europe, the Caucasus and Central Asia (TRACECA), together with its being the base for the TRACECA Intergovernmental Commission (IGC), is a powerful indication of its open transport policy. The TRACECA IGC, which includes in its membership Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan (Central Asia), the three Caucasian States and Bulgaria, Moldova, Romania, Turkey and Ukraine, was set up to promote transportation on this corridor, remove non-physical barriers, establish transport-related communication links and to promote logistics capabilities and multi-modal transport. More information on TRACECA can be obtained via [www.traceca-org.org](http://www.traceca-org.org)

Private investors are currently investigating opportunities for an international logistics centre close to Baku, with access to rail, road and water transportation.

The international logistics centre will become the primary hub for transport and industry. Investments in the transport sector are

welcome in Azerbaijan and the country offers a variety of Public Private Partnership (PPP) investment models.

In order to bring Azerbaijan roads up to world standards government invests huge capitals to infrastructure projects. Only in Baku a number of bridges, over- and underground passageways are planned to be build. New concrete surface roads using German technology, connecting Baku with Russia is under construction.

Conveyance of passengers in transport sector, thsd passengers

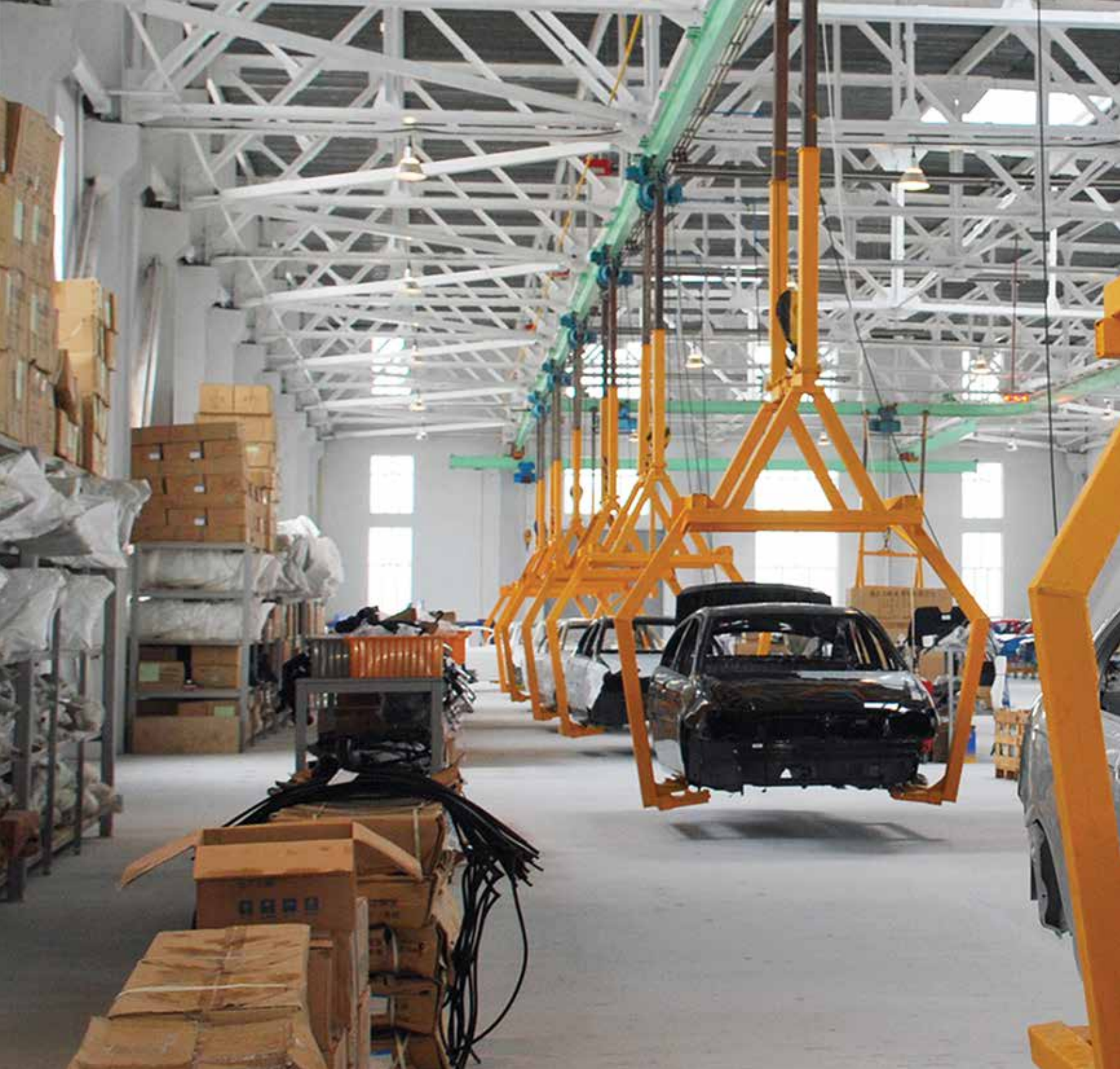
	2009	2010	2011	2012
Railway	6 389	4 803	3 488	2 700
Sea	10	12	18	16.2
Air	941	1 017	1 394	1 600
Metro	206 140	181 146	182 602	195 600
Road	1 114 593	1 200 330	1 304 441	1 417 400

Capital investment to transport, thsd AZN

Indicator	2012
Total	2,610.4
Land transport	610583.6
Railway transport	2798.1
Other land transport	433269.2
Pipeline	174516.3
Water transport	67343.9
Air transport	280482.2
Supporting and auxiliary transport activities, activities of travel agencies	1651916.7

### Intellectual Transport Management Centre

An Intellectual Transport Management Centre was established on October 28, 2011 put in operation following its official opening by the President of Azerbaijan on 29 December 2011. Intellectual Transport Management Center focuses on the key Intelligent Transportation Systems (ITS) technologies, including an integrated network of transportation information, advanced transportation monitoring and management, analysis and optimization of the current situation, crash & incident detection, notification and







response, advanced crash avoidance technology etc., in order to improve the safety, security, efficiency, comfort, mobile access, and environment. New equipments imported from the US were initially used while creating the system. This equipment does not require an additional amount of work while expanding the coverage zone of intellectual systems. After all three stages are finished, the system will be controlled from the Baku centre.

The increase in the project cost is associated with the improvement of some of the system's functions, in accordance with the Cabinet of Ministers' decision on the implementation of several measures to prevent terrorist acts. The initial cost of the project totaled \$77 million, but as a result of making additions and changes, the cost has now increased by \$19 million. In particular an increase in video streaming and recording was needed and the number of information terminals was increased from 300 to 664 units. The number of Baku street information boards that were planned to be installed rose from 20 to 48 units. It is planned to create about 639 sites for buses and about 140 sites for taxis. These operations are conducted jointly with the Azerbaijani traffic police and the Korean specialists involved in the installation of the intellectual system. The new system also envisages the installation of about 150 new electronic traffic lights.

### **The Baku-Tbilisi-Kars railroad**

The ideas and discussions about Kars - Akhalkalaki new railway connection was started since the 1993. The historical Declaration on "Baku-Tbilisi Kars new railway connection" project between the Republic of Azerbaijan, Georgia and the Republic of Turkey was signed on 25th May 2005 in Baku by the Presidents of Azerbaijan Ilham Aliyev, Georgia Mikheil Saakashvili and Turkey Ahmet Necdet Sezer.

On November 21, 2007, in Marabda (southern Georgia), the Presidents of Azerbaijan, Georgia and Turkey inaugurated the construction of a new railroad between Kars and Baku, via Tbilisi.

This new railroad is supposed to increase the transportation capacity in the South Caucasus and to diversify the nature of the goods that are transported through these three countries. Indeed, after the implementation of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline and of the Baku-Tbilisi-Erzurum (BTE) gas pipeline, the Baku-Tbilisi-Kars railroad, also known as the Kars-Akhalkalaki-Tbilisi-Baku railroad, should be another step in the definition of the South Caucasus, and especially of Azerbaijan, Georgia and Turkey, as a major transit corridor between Europe and Asia.

Linking Baku in Azerbaijan with Kars in eastern Turkey via Tbilisi in Georgia, the railway is scheduled to be completed by 2014 and will transport goods, especially oil and passengers. There are plans to extend the railway corridor to Europe under the Marmaris project once a tunnel under the Istanbul strait becomes operational around 2013. The Baku-Tbilisi-Kars railroad project envisages construction of a 29-kilometer segment in Georgia and a 76-kilometer segment in Turkey. Moreover, 160 km section of Akhalkalaki-Marabda-Tbilisi railway will be also reconstructed to improve the carrying capacity to 15 mln. tons of cargo per year. It is planned to build in Akhalkalaki station a special place for the transition of trains from the track gauges existing in Georgia and also in other post-soviet countries (1520 mm) to the European one (1435 mm). The project is estimated at \$422mln and taking into consideration the accompanying infrastructure its cost will comprise \$600mln.

The implementation of Baku-Tbilisi-Kars new railway connection line project and meantime, construction of under Bosphorus railway under the Marmara project that connect the Trans-European and Trans-Asian railway networks along the construction of the new Sea Trade Port at Alat settlement (Azerbaijan) in line with the advanced technologies will create the fast, safe and shortest railway connection to transport the goods from Asia to Europe and vice versa.

This railway line is short, but the importance of the emerging transcontinental corridor shall be in the significant growth of the competitiveness of the East-West international transport corridor and transit capacity of countries in a region, but even more in creating an integrated freight railway network between Europe and Asia.

### **International trade seaport in Alat**

According to the Order of the President of the Republic of Azerbaijan on the 'Construction of New Baku International Sea Trade Port Complex' signed on March 18, 2007 the existing sea trade port demolished, and a new port complex is being constructed at Alat settlement, 65 km south of Baku. The new port will provide general cargo and passenger terminals, cargo handling and Ro/Ro facilities, rail ferry terminal connecting the ports of Aktau and Turkmenbashi as well as International Logistics Centre. Construction of the Port Complex will be completed in three stages in 2014. Estimated transshipment of the new port complex is: up to 10 million tones of cargo and 40 thousand TEU container at the first stage, up to 17 million tons of cargo and 150 thousand TEU container at the second stage and up to 25 million tons of cargo, 1 million TEU- containers at the third stage of the project implementation. The first stage of project implementation is 3 years 6 months, with allocated 104 hectares of the land area and 9 bridges (2 ferry, 4 dry cargo, 1 Ro-Ro and 1 naval service bridges). International Transport Logistics Centre within the framework of TRASECA is planned to be built on the 100 ha area (50 ha at the first stage) out of 400 hectares allocated for the port complex. Considering the location of the port complex at the intersection of East-West and North-South corridors to be suitable for the International Transport Logistics Centre, the transport experts of the European Commission, have already submitted a General Plan of the project to be prepared on European Union grant to the Ministry of Transport of the Republic of Azerbaijan. The construction of this centre has been advised to

be funded on private, state-private, 'build-operate-transfer' (BOT) basis. During the second stage of the construction one additional ferry terminal and 4 bridges for dry bulk cargo are planned to be built. This will increase port's transshipment capacity to 7 000 000 tons. At the third stage 650 meters long container terminal is planned to be brought into operation along with the construction of ferry terminal Port in Alat will be multi-mode. In addition to the logistics center, a free economic zone is planned to be created in this area in future.

### **A new terminal in the Baku International Airport**

A new terminal in the Baku International Airport is under construction and will be commissioned in 2013. The new airport terminal is designed for the annual maintenance of about three million passengers. The total usable area of the new terminal is 58 thousand square meters. The new terminal is structured over two main floor levels, allowing vertical separation of arriving and departing passengers. The ground level, level 0, as well as baggage reclaim, also accommodates forward bussing lounges and baggage makeup facilities. The terminal will also offer luxury shopping and leisure areas. On plan, the Baku International Airport Terminal Building is of triangular shape with rounded off angles. The approximate length of the building is 190m and the width reaches around 280m. Baku is a seismic zone, and the design uses a frame resistant system to allow for seismic forces. The terminal will have eight air bridges and is compatible with the Boeing 767 aircraft. The construction of this unique project began with the completion of new entrance tollgate in October 2010. The bulk of the remaining construction was launched in early 2011 and should be finished by 2014.

## TOURISM & HOTEL MANAGEMENT

Azerbaijan is an emerging popular tourist destination. It just recently re-entered the maps of global tour operators. Though a comparatively new this business in Azerbaijan proved to be particularly successful. This is mainly due to of the favourable natural conditions in Azerbaijan. The natural attractions include: rare climatic and terrain diversity, mountains and warm sea, medicinal hot springs, mud volcanoes and natural gas flames areas. The history of Azerbaijan and the monuments of few civilizations and religions add up to the above. The oldest Early Christian church, the only operating Fire-worshippers Temple in the world, medieval castles scattered all over the country, Old City of Baku and Maiden Tower are located here. Baku has the best developed infrastructure in the region with modern hotels, resorts, international and traditional cuisine, convenient air links to Europe and Asia etc.

The positive impact on the development of tourism in Azerbaijan was made by the years of political stability and economic development in the last decade. The sector received a further stimulus after establishment of the Ministry with the portfolio which includes tourism. Consistently grows the number of businesses engaged in tourism industry in Azerbaijan.

Measures by the government play key role in sector's development: After implementation of steps stipulated in the Law on Tourism (June 4, 1999) the number of inward tourists increased significantly. Total number of visitors to the country is increasing year by year. The number of tourists traveling to Azerbaijan has increased by 7-10 % in 2012 compared to 2011. Business visits account for the majority of trips to Azerbaijan at the moment (the so-called business tourism). At the same time outward tourism expands rapidly. Opportunities exist for the development of regional tours (the so called Silk Way Tours in countries of the Central Asia & Caucasus).

The capital and the countryside are rich in historical monuments, religious shrines of ancient and medieval times. Azerbaijani cuisine

and rich flavored wines as well as the widely known Caucasian hospitality of the people are the brand of the Republic of Azerbaijan. The tourism industry, including hotels, resorts, restaurants aimed at the domestic consumer is on the verge of a boom following the rapid growth of population's purchase power.

The Ministry of Culture and Tourism issued 141 licenses in the hospitality and tourism sector in 2012. Around 81 licenses in the hospitality area and 60 licenses in tourism were issued in 2012. The Ministry has also conducted state classification of 37 hotels and hotel type facilities. "Five stars" were assigned to 11 hotels, "four stars" to 20 hotels, "three stars" to four hotels and "two stars" to two hotels. A number of international hotel chains such as Four Seasons, Marriot, Kempinski, Hilton, Fairmont and Jumeirah already have operations in Azerbaijan. Obviously, the potential for development is very high bearing in mind the natural and historical attractions of the country. The country's main wealth is its diversity. There are 9 climatic zones present with a number of tourist attractions such as sea and mountain resorts, mineral and medicinal waters and clays, unique Naftalan therapeutic oil, fascinating sceneries and other.

Shahdag Winter-Summer Tourism Complex in Gusar was put into operation in December 2012. The complex includes trade centers, restaurant, café, game hall, equestrian sport, skiing and other services. The project was launched in 2006. The Shahdag Complex Directorate was established to run the project. Construction of the complex began in September 2009. The complex is located 32 km from the regional centre - Gusar. Its total area is 2,058 hectares. The construction area is situated in Shahdag National Park. The complex is at 1,300-2,351 m and its main part at 1,640 m above sea level. Unlike from existing systems of this type in the world, it will operate throughout the year.

In May 2012 the 57th Eurovision Song Contest Eurovision was held in Baku. The number of guests who visited Azerbaijan

## FINANCIAL SECTOR: BANKS, INSURANCE & LEASING

during the Eurovision - 2012 song contest, including contestants and delegation, is in the range of 6000 to 7000 people. In addition 103,000 people had crossed the border of Azerbaijan during the 15 days.

Baku will host the first European Games in 2015, FIDE World Cup 2015 and World Chess Olympiad 2016. These major events in the World of Sport will play a significant role in tourists' attraction and the development of tourism infrastructure in Azerbaijan.

	2010	2011	2012
Number of citizens crossing borders	10,210,332	11,504,273	12,678,962
Azerbaijan citizens	6,291,743	7,049,768	7,716,911
Foreign citizens	3,918,589	4,454,505	4,962,051
Number of citizens arrived	5,079,043	5,738,677	6,326,577
Azerbaijan citizens	3,116,137	3,499,536	3,842,529
Foreign citizens	1,962,906	2,239,141	2,484,048
Number of citizens departed	5,131,289	5,765,596	6,352,385
Azerbaijan citizens	3,175,606	3,550,232	3,874,382
Foreign citizens	1,955,683	2,215,364	2,478,003

Financial sector in Azerbaijan has gained its sustainability and market cap during last 10 years by leaping numbers of newly opened commercial banks, insurance companies and financial entities of multi-purpose loans, etc. In 9 months of 2012 the banking sector preserved growth dynamics and deepened its financial intermediation. As of end-September, 2012 assets of the banking sector made AZN 15 998.9 million. Compared to the beginning of the year, bank assets grew by AZN 2 052.1 million or 14.7% (18% over the past one year). In January – September, 2012 loans rose by 15.2% (annual growth 18.5%) and constituted AZN 11170 million as of end-period, which makes 70% of bank assets. The deposit base of banks (funds attracted from financial and non-financial sectors) increased by 6.7%, including 10.6% rise in deposits of individuals, that reached AZN 4556.3 million. As of end of September, active banks were numbering 44. Compared to the relevant period of the previous year, banks opened 12 new branches (total 672) and 8 new divisions (total 162). Some of them have international operations in the cities of Tbilisi, Moscow, London, Paris, Frankfurt-Main, St. Petersburg and New York. The number of banks with foreign capital was 23 as of 1 October 2012. As of the end period, credit unions were numbering 103, while the number of credit institutions financed by international humanitarian institutions was 28. The number of their branches reached 112 as of 1 October 2012 (74 as of 1 January 2012). 63 branches of the AZERPOST LLC, which provide financial services to the customers, operated successfully over the last 9 months. As of 1 October 2012 departments of AZERPOST LLC were numbering 939.

Growth rate of key indicators of the banking system, %

	2009	2010	2011	2012/9 months
Assets	13.6	13.9	7.3	14.7
Loans	17.3	9.0	8.1	15.2
Deposits of legal entities	-18.8	4.3	16.1	0.2
Deposits of population	22.6	29.8	36.0	10.6
Aggregate capital	17.9	7.8	12.7	21.8

In January – September, 2012 banks' liabilities rose by 15.5% (AZN 1 830 million) and made AZN 13658.4 million as of end period. Also, over the period banks' total deposits rose by 6.7% and reached AZN 10080.6 million and took 73.8% of total liabilities. In 9 months of the current year deposits of the population increased by 10.6% and equaled AZN 4556.3 million that makes 33.3% of total bank liabilities as of end-period.

As of November 1 2012, the total assets of the Azerbaijani banking sector reached a new absolute record to the amount of 16.309 million manat compared to 15.998 million manat as of October 1, which is considered a record level in 2012.

The assets of the banking system have a positive trend in 2012, because they hit 13.946 million manat in early 2012. The assets have increased by 17 percent since early 2012 and by 20.8 percent per annum (13.503 million manat as of November 1, 2011). The loans given to customers to the amount of 10.405 million manat (annual growth of 17.7 percent), investments (1.334.5 billion manat, increasing by 4.65 percent) and the funds on correspondent accounts (839.9 million manat decreasing by 14.2 percent) form the basis of the assets of the banking sector (63.8 percent). Loans and deposits given to the financial sector amounted to 742.6 million manat (with an increase of 25.4 percent). The deposits (7.202.2 billion manat) form the main share (44.16 percent) in the structure of liabilities, increasing by 18.4 percent compared to the same period of last year. Loans and deposits obtained from the financial sector accounted for 4.830.7 billion manat, increasing by 11.8 percent.

As of 01.01.2013 the total bank assets reached 17643.4 million manat and the total loans is 12399.4 million manat The official exchange rate is 0,7850 AZN/USD.

Sectorial structure and dynamics of banks' lending portfolio on October 1, 2012

Sector	mIn AZN	Share in lending portfolio, %	Growth in 9 months, %
Trade and services	2 844.6	25.5	0.04
Households	3 756.1	33.6	21.7
Agriculture and manufacturing	516.9	4.6	13.2
Construction and property	1 103.4	9.9	26.1
Industry and production	774.9	6.9	32.9
Transport and communication	439.1	3.9	7.2
Other	1734.5	15.6	20

## INSURANCE

Insurance market is one of the most dynamic sectors of the Azerbaijani financial market. Although insurance market is on the first stage of its development, according to analysis of financial indicators it could be said that growth and development direction of the market by and large is on a right path.

The volume of insurance premiums (342.5 million AZN in 2012) has increased 6 times in the past 10 years and 2.3 times in the past 5 years. The volume of insurance claims (93.8 million AZN in 2012) has increased 6.4 times in the past 10 years and 2.55 times in the past 5 years. The newly enforced law on compulsory insurance was the major driver of this growth in 2012. Another major reason is increasing volume of car and mortgage credits, as insurance of these loans are obligatory. Undoubtedly, increasing income of population plays a significant role in the development of insurance market. Today there are 48 types of insurance services in Azerbaijani market. 16 of them are compulsory insurance and 32 are voluntary insurance products.

### Premiums, mln. AZN

2008	2009	2010	2011	2012
179.3	163.3	155.6	213	342.5

### Claims, mln. AZN

2008	2009	2010	2011	2012
49.8	53	53.8	61.6	93.9

Specific feature of the market is that non-life insurance accounts for almost 90% of the volume of insurance services. The main reasons of the low performance of the life insurance are:

- \* Distrust of the long-term insurance among the people;
- \* Limited technical resources of insurance companies;
- \* Absence of the big insurance companies specialized in life insurance.

Main Laws regulating insurance market are:

- \* Law on Insurance Activity;
- \* The chapter 50 of the Civil Code;
- \* Law on Compulsory Insurance;
- \* Law on Compulsory Insurance against Cases of Becoming Disabled due to Accidents at Work or Professional Illnesses.

Insurance companies can start their activity after being registered in the Ministry of Finance of the Republic of Azerbaijan. At present, there are 28 insurance companies in Azerbaijani market and 3 of them (Chartis Azerbaijan – 100% AIG USA, AXA Mbank – 51% AXA France and Bashaq Inam – 16-17% GROUPAMA France) are the companies with foreign capital. According to the legislation, share of foreign capital in the total capital of insurance market cannot exceed 30 percent. Low level of capitalization of local insurance companies is one of the major disadvantages negatively affecting development of insurance market. Today many insurance companies depend on local banks in terms of capital growth, because such companies mainly insure bank credits and loans.

The Azerbaijani Finance Ministry announced results of operations of the top ten insurance companies for January-July, 2012. Some 82 percent of the total insurance payments accounted for them. Some 28 insurance companies and one reinsurance company operated in Azerbaijan during that period.

Insurance company	Payments for January- July, 2012 in mln AZN	Payments for January- July, 2011 in mln AZN	Share of payments in market in January-July 2012, %	Share of payments in market in January-July 2011, %	Ranking in January- July 2012	Ranking in January- June 2012	Ranking in January- July 2011
Pasha Insurance	11,996	1,46	24,25	4,48	1	1	7
Azerbaijan Republic State Insurance Commerce Company	6,5	6,32	13,17	19,38	2	2	1
Ateshgah	4,57	3,44	9,24	10,55	3	3	3
International Insurance Company	3,84	3,55	7,77	10,89	4	4	2
AXA MBASK	3,26	1,73	6,59	5,31	5	5	6
A-Qroup	3,18	3,01	6,42	9,23	6	6	4
Standard Insurance	2,26	1,28	4,57	3,93	7	7	9
Silk Way Insurance	1,76	2,86	3,56	8,77	8	8	5
Ateshgah Hayat	1,72	0,11	3,47	0,34	9	17	21
AzSigorta	1,58	1,11	3,2	3,4	10	10	10
Total	40,67	24,87	82,24	76,28	-	-	-



## CAPITAL MARKET

The securities market of Azerbaijan is regulated by provisions of the Civil Code and a number of presidential decrees, resolutions of the Cabinet of Ministers, and acts of the State Committee for Securities. The State Committee for Securities, created at the end of 1998, is authorized to regulate activities on the securities market.

According to the Civil Code, securities may be issued as registered or bearer securities or order papers. In addition, depending on the methods of placement, securities are of two types:

Investment securities, which are placed through separate issues and, regardless of the time of their acquisition, have equal rights within the respective issue, such as shares and bonds;

Non-emitive securities, which are placed otherwise and have different rights, such as options, warrants, privatization checks, futures, mortgage certificates etc.

There are two forms of securities:

- \* Documentary, in which the rights of securities holders on the securities are established by a paper document or, in the case of depositing securities, by entries in a deposit account. The specific requirements for the certificates are determined by the State Committee for Securities; and
- \* Non-documentary, where the rights of securities holders on the securities are evidenced by the entries made in the shareholder register or by the entries made in a deposit account.

### Disclosure Requirements

The Civil Code defines different reporting and disclosure requirements depending on the nature of placement with more extensive requirements being imposed on an open joint stock company.

Regardless of the type of securities placement, the issuer must present a report to the State Committee for Securities on the results of the issue of the securities not later than 30 days after completing the placement. An issuer who has announced a public placement must publish the balance sheet and the report on the results of its business activity in the mass media annually.

The acquisition of a certain percentage of the shares of the issuer by affiliated persons may be regulated by anti-monopoly legislation.

## STOCK EXCHANGE

A stock exchange may only be formed as a closed joint stock company, and must obtain a license from the State Committee for Securities to operate. The Baku Stock exchange was established by 18 shareholders in October 2000 which include leading local financial institutions and banks and Istanbul Stock exchange. At present, the BSE is providing trading, depository, clearing, and consultancy services. The instruments currently traded on the stock exchange are stocks, corporate bonds, government bonds and bills, Notes and Repo. The BSE has a fully automated trading platform providing remote access for the members of the exchange. Trading on the BSE occurs via trading sessions in real time regime.

The Baku Stock exchange also holds a license for providing depository services to government securities and this service is free of charge. Clearing and settlement on the exchange is done through the BSE's clearing account in the Central Bank – using its clearing account the BSE keeps record of mutual obligations of counterparties during the trade session and ensures those obligations via mutual settlements according to the auction results.

The BSE free of charge provides necessary consultancy support to companies planning to list their securities and help them with connecting to investors. The exchange also provides the market and all stakeholders with the necessary information by means of its official website ([www.bfb.az](http://www.bfb.az)) and newsletters.

Since 2001, the BSE has been the member of the Federation of euro Asian Stock exchanges (FEAS).

The total turnover of transactions on all instruments on Baku Stock Exchange (BSE) in Jan. 2013 totaled 146.45 million manat, or by 84.42 percent less compared to the same period of 2012.

Such a decrease in stock market in the country is ensured by decreasing the state securities market by 85.93 percent, while the corporate securities market reduced by 30.54 percent.

The state securities market reduced up to 128.65 million manat in January and the volume of corporate securities hit 17.8 million manat in January.

Comparative table on the results of trades on corporate sector at BSE (January-December 2012)

Market segments	2013 (31.01.13)		2012 (31.01.12)		Percentage ratio
	Volume of transactions, AZN	Number of deals	Volume of transactions, AZN	Number of deals	
Corporate bonds, placement	8 414 500,00	4	6 374 836,00	3	132,00%
Corporate bonds, secondary market	7 630 682,51	11	15 863 469,80	7	48,10%
Stocks, placement	1 500 000,00	5	3 303 000,00	8	45,41%
Stocks, secondary market	251 601,04	322	82 092,88	107	306,48%
CS Market Total	17 796 783,55	342	25 623 398,68	125	69,46%

Comparative table on the results of trades on state sector at BSE (January 2013)

Market segments	2013 (31.01.13)		2012 (31.01.12)		Percentage ratio
	Volume of transactions, AZN	Number of deals	Volume of transactions, AZN	Number of deals	
GB - (AR MF), placement	0,00	0	0,00	0	-
GB - (AR MF), secondary market	0,00	0	0,00	0	-
Notes (AR CB), placement	39 947 772,90	13	84 836 613,35	22	47,09%
Notes (AR CB), secondary market	39 949 480,00	3	2 495 727,50	1	1600,71%
Repo operations	48 755 781,81	6	827 112 619,77	127	5,89%
GS Market Total	128 653 034,71	22	914 444 960,62	150	14,07%

Abbreviations:

GB - government bonds,

GS - government securities,

CB - corporate bonds,

The official exchange rate is 0,7847 AZN/USD.



# REG OVERVIEW

VIEW OF THE  
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**1011**

## ABSHERON

Absheron economic region is the largest contributor to Azerbaijan's GDP. It covers famous Absheron peninsula and adjacent territories and mainly consists of hills, sub-mountain plains and low mountains. The climate in the region is dry in summer with warm temperature prevailing throughout the year. The region is supplied with fresh water through the canals connected to Samur and Kura rivers.

Key components of the region's economy are oil and gas, chemical industry, energy production, metallurgy, construction, diversified food industry, as well as agriculture in some parts.

Absheron economic region hosts several major energy plants and oil refineries. Moreover, abundance of sunny hours and strong windy days creates favourable conditions for the development of alternative energy sector. Since the region is reach of deposits of construction materials, such as construction stone, raw materials for cement production, limestone, quartz, and sand, it is considered a hub for many companies producing construction materials. Moreover, the majority of important construction projects are implemented in this region. Agriculture is mainly developed in suburban zones and includes poultry and cattle breeding and fruits and vegetables growing. Climate in the region allows cultivation of olives, saffron, pistachio and other specific plants.

Infrastructure is well developed. All major railways and highways as well as sea and air connections pass through the region. Biggest international airport in the South Caucasus and biggest international sea trade port in the Caspian region are located in the Absheron economic region. The region is also popular for its beaches, which attract foreign tourists from different countries every year. Existence of favourable natural conditions and developing tourism infrastructure are the major determinant factors which make this region attractive tourism destination.

Sumgayit Industrial Park (chemical industry), Balakhani Eco-Industrial Park (waste management) and Sumgayit High Technologies Park (IT and High-Tech) are located in this region.

## ARAN

Aran is the largest economic region located centrally in Azerbaijan. It is the main cotton-growing area in Azerbaijan. This region is popular for its natural resources such as oil, gas and construction materials. Along with that, rich solar energy, water resources of the Kura and Araz rivers and large arable land areas are the main advantages as well.

More than half of its territory is the plains located below sea level. Dry subtropical climate is characteristic for the region.

Aran has developed industry mainly concentrated in the south-western and north-western parts. Two major power stations produce almost 60% of national energy output. Chemicals, machinery, light industry, food processing, construction materials production are the major sectors of the region's economy.

Aran economic region is an important agricultural zone. Fertile lands are the major determinant factor for the development of this sector. Crop production, such as cotton, grain, fruit and grape growing is developing rapidly. Animal husbandry is considered as one the most promising areas following the rapid growth reached in the recent years.

Food industry of the region mainly includes such sectors as production of fresh fruits and vegetables, fish, meat and milk processing products. The first sugar plant in Azerbaijan was established here. It is the biggest sugar production site in the South Caucasus.

Aran is very attractive in terms of logistics opportunities. The region is located on the main transport routes of national importance connecting the capital city of Baku with other main economic regions and neighbouring countries such as Georgia, Iran and Turkey. It translates into the vast opportunities for exporting different types of goods produced in the region.

	Absheron	Aran
Admin units	Sumgait city, Absheron, Khizi districts	Agdash, Aghjabadi, Barda, Beylagan, Bilasuvar, Geoychay, Hajigabul, Imishli, Kurdamir, Neftchala, Saatli, Sabirabad, Salyan, Ujar, Zardab districts, Mingachevir, Yevlakh and Shirvan towns
Total area	3.29 thousands qkm	21.43 thousand sq km
Population	538,4 thousand	1887.3 thousand
Natural resources	Construction materials, balneological resources	Oil, natural gas, iodine and bromine mineral waters, construction materials, solar energy, water reserves, soil for sowing
Investment opportunities	Production of agricultural products, processing agricultural raw, light industry, construction of tourism complexes	Alternative energy sources, cattle-breeding, poultry farming, vine-growing, fishery, cotton-growing, carpet-making, grain storehouse, construction materials, tourism
General production	1570.3 mln.USD	5529.8 mln USD
Industry	671.6 mln. USD	1047.1 mln USD
Agriculture	98.9 mln. USD	1840.3 mln USD
Investments into fixed capital	433.3 mln. USD	1522.9 mln USD
Number of new enterprises	391	690
Number of new jobs	5211	20083

## DAGLIG SHIRVAN

Daglig Shirvan economic region accounts for 7% of the country's total territory. Natural conditions, such as diverse climate, mountains, mineral waters, make it attractive for those who invest in tourism. As a result of implemented infrastructure projects the flow of tourists from other regions of the country increase every year.

Region's industrial development is concentrated around food processing and light industry. Food industry includes mainly meat, dairy and beverages production. Light industry is focused on wood and textile production and handicraft industry. A number of export oriented carpet producers are operating here.

Rich deposits of minerals offer great opportunities for the production of construction materials.

In terms of agriculture, the region is mainly concentrated on the development of viticulture and cattle breeding. Despite considerable decrease in grape-growing in the past caused by the collapse of Soviet Union, the region implements quite serious reforms focused on the revival of this sector. Along with that, cereal crop is cultivated across the region and total grain area has increased rapidly in the recent years. Daglig Shirvan offers attractive conditions for the cultivation of grape, grain, fruits, vegetables and apiculture. It is, in its turn, a pre-requisite for business opportunities in food processing sector.

## GANJA-GAZAKH

Ganja-Gazakh economic region is the second largest industrial region of Azerbaijan. Favourable geographic location and natural resources support the development of agriculture, industrial production and tourism. Main international trade routes pass through this region.

Mild climate, beautiful natural attractions, mineral waters are the major determinant factors for the development of recreation tourism in this region. The region is the only place in the world producing medicinal crude oil. This has led to the development of crude oil recreation tourism facilities.

Extraction and processing of ferrous and non-ferrous metals constitute a significant part of the region's industry. Engineering enterprises specialized in car assembly and repair works as well as production of agricultural machinery operate in the region. The light industry is developed with cotton and wool fabric and textile production.

Despite being industrial area, the Ganja-Gazakh economic region is known for its agricultural products such as cotton, potato, grape, grain, fruits and vegetables. Animal breeding is another rapidly developing segment of agriculture.



	Daglig Shirvan	Ganja-Gazakh
Admin units	Agsu, Ismailli, Gobustan and Shamakhi	Ganja, Agstafa, Dashkasan Gadabay, Goranboy, Naftalan, Goygol, Gazakh, Samukh, Shamkir, Tovuz districts
Total area	6.06 thousand sq km	12.48 thousand sq km
Population	295,9 thousand	1216,1 thousand
Natural resources	Construction materials, mineral waters	Construction materials, hydro energy and natural – recreation recourses
Investment opportunities	Cattle-breeding, fruit-growing, viticulture, poultry farming, tourism, apiculture	Wool and leather processing, meat and milk products, apiculture, potato processing, refrigerator storehouse, tourism
General production	648.7 mln USD	3255.5 mln USD
Industry	16.7 mln USD	413 mln USD
Agriculture	274.4 mln USD	1063.8 mln USD
Investments into fixed capital	189.3 mln USD	965.6 mln USD
Number of new enterprises	60	309
Number of new jobs	4419	17432

## GUBA-KHACHMAZ

Located on the edge of the Northern Caucasus Mountains and the Caspian Sea, the region is a favourite destination of tourists. Guba-Khachmaz economic region is the leading carpet manufacturer and known as the “Orchard of the Caucasus” thanks to its well-developed fruit production sector.

Main sectors of region’s economy are agriculture and food processing. Production and processing of fresh fruits and vegetables, grain-growing, manufacturing of dairy products are the key components. This region is one of the biggest exporters of agricultural and food products in Azerbaijan.

Different enterprises specialized in industrial production such as oil and gas, chemistry, machinery, metallurgy operate here as well. Guba-Khachmaz is also known for its traditional handicraft industry which has been developing since ancient times. In general, industry of the region is growing yearly with average rate of 18%. Still, its share in region’s GDP is modest and makes up around 7%.

Guba-Khachmaz economic region is a gateway to huge market of Russia. It is one of the major transport hubs of the country.

## LANKARAN

Ancient and unspoiled forests of the Lankaran economic region are the real natural treasure of Azerbaijan. The region is surrounded by Caspian Sea on one side and Talish Mountains on another. This makes region’s nature very diverse. It is represented with 7 climatic zones, which in their turn play a significant role for establishing agricultural and tourism business.

Agrarian industry is driving force of the region’s economy. Humid subtropical climate, productive soils and sufficient water reserves create good opportunities for the development of agriculture. Agricultural output mainly includes fresh fruits and vegetables, grape, grain and tea production. Animal husbandry and fishing are developed as well which speaks about the government’s purpose on achieving overall growth in the region’s agriculture. This region is well-known for its black tea that has been recognized as the high quality product at several international tea competitions. Along with that, this region is a big producer of citrus fruits.

Agriculture related food processing constitutes more than 90% of industrial output. Manufacturing of canned fruits and vegetables, dairy, meat and fish products, tea, wine and tobacco are mostly developed components of food industry in the region. Natural resources used for construction purposes are very important for the operation of enterprises specialised in production of construction materials. The region is famous for its furniture industry which manufactures export-oriented high quality products.

Well-developed transportation system is very important for conveyance of cargo and passengers. Existence of international airport with direct flight to Russia paves the way for movement of goods between two countries. This region is a South route transport hub of Azerbaijan.

There are great investment opportunities for the development of almost all types of tourism industry in the region due to the glorious nature with forests and mountains, thermal and cold mineral waters.

	Guba-Khachmaz	Lankaran
Admin units	Shabran, Khachmaz, Guba, Gusar and Siyazan districts	Astara, Jalilabad, Lerik, Masalli, Yardimli, Lankaran districts
Total area	6 .96 thousands qk m	6.07 thousand sq km
Population	511,7 thousand	868,1 thousand
Natural resources	Oil and gas, construction materials, water resources, Rich natural-recreation reserves	Construction materials, thermal waters
Investment opportunities	Fruit and vegetable processing, wine-making, viticulture, construction materials, fishery, greenhouses, tourism	Viticulture, subtropics, fruit-growing, tea-growing, cattle-breeding
General production	1641.6 mln USD	1423 mln USD
Industry	102.1 mln USD	83.8 mln USD
Agriculture	640.1 mln USD	629.1 mln USD
Investments into fixed capital	747.5 mln USD	285.6 mln USD
Number of new enterprises	106	256
Number of new jobs	5376	9087

## NAKHCHIVAN

Nakhchivan economic region is located on historical routes connecting East and West and borders with Turkey, Iran and Armenia. The region has autonomous status within Azerbaijan with a local government and parliament. The fact that the region is surrounded by the mountain chains has great impact on the climate. The region is rich of ferrous and non-ferrous metal deposits and very famous with its mineral waters.

Nakhchivan is the first among the regions of the country for the growth rates of industry and share of private sector in the region's total economy. Major part of industrial output comes from food processing which mainly includes production of wine, dairy and meat products, canned fruits and vegetables, bakery products and beverages. Metallurgy, machinery, production of construction materials, textile manufacturing demonstrate significant growth in the recent years.

Majority of the region's workforce is engaged in agriculture and this sector is developed in different directions. Nakhchivan places first in growing of drupaceous fruits such as apricot and peach and second in growing of tobacco in the country. Rapid growth is observed in cattle, sheep and silkworm breeding. Nakhchivan is very famous for its honey which is also used for medical and cosmetic purposes.

Favourable natural conditions and resources stimulate development of tourism sector in the region. Various forms of tourism such as recreation, religious, spa tourism are popular in Nakhchivan.

International airport and developed road connection offer good logistics capacity. Nakhchivan is the only region in Azerbaijan that has direct border with a huge market of Turkey.

## SHEKI-ZAGATALA

Sheki-Zagatala economic region is an ancient land with rich historical past and many remarkable cultural centres. The region is located between Georgia and Russia in the north part of Azerbaijan. Traditional delicious sweets cooked according to old and secret recipes, are the symbol of this region. Natural beauty and historical sites make it very attractive tourist destination.

The region is rich in a number of minerals such as copper, sulphur pyrites, lead and zinc reserves, which are considered ones of the biggest in Europe. There are also deposits of construction materials such as stone, gravel, sand and clay in mountainous areas and foothills.

Humid climate is specific to Sheki-Zagatala economic region. There are many rivers and dense forests in the region which contribute to the land quality.

The key sector of the region's economy is agriculture. Fertile lands, abundance of water and workforce are the basic factors for development of agriculture in the region. Main segments of agriculture are tobacco, fruits, grain and grape growing as well as cattle, sheep and silkworm breeding. The region places first in production of tobacco, nuts and chestnuts in the country. Its climate allows paddy growing and this fact is considered a good investment opportunity in agriculture sector.

Industrial production accounts for 7% of total regional output and has increased almost 11 times since 2000. Existing industrial enterprises in the region are mainly engaged in processing of agricultural products such as fruits, vegetables, tobacco and dairy products. Although the region has rich reserves of construction materials, their production is not developed enough.

	Nakhchivan	Sheki-Zagatala
Admin units	Nakhchivan city, Julfa, Sharur, Ordubad, Babek, Shahbuz, Sadarak and Kangarli districts	Shaki, Zagatala, Gabala, Oguz, Gakh, Balakan districts
Total area	5.5 thousands qkm	8.96 thousand sq km
Population	427,2 thousand	587,7 thousand
Natural resources	Construction materials, mineral water reserves	Non-ferrous metals, construction materials, water reserves
Investment opportunities	Industry, agriculture	Fruit-growing, viticulture, poultry farming, tourism, apiculture, bread-making plants
General production	3435.2 mln USD	1906.7 mln USD
Industry	1025 mln USD	93.7 mln USD
Agriculture	416.1 mln USD	576.2 mln USD
Investments into fixed capital	1259.3 mln USD	956.6 mln USD
Number of new enterprises	21	249
Number of new jobs	8069	5545

## YUKHARI GARABAG AND KELBAJAR-LACHIN

Yukhari Garabag and Kalbajar-Lachin economic regions are presently under Armenian military occupation.

The key sector of economy is agriculture. Major sectors in agriculture are grain, fruits, vegetables and grape growing as well as animal husbandry.

Mineral resources include large deposits of precious metals (gold), thermal springs, mercury, marble, building stone and copal.

Yukhari Garabag and Kelbajar-Lachin	
Admin units	Agdam, Tartar, Khojavand, Khojali, Shusha, Jabrayil, Fizuli districts, Khankendi town and Kalbajar, Lachin, Zangilan, Gubadli districts
Total area	13.65 thousand sq km
Population	873.3 thousand
Natural resources	Construction materials, mineral waters
Investment opportunities	Milk and meat products, poultry farming, bread-making plants, agriculture, tourism
General production	574.3 mIn USD
Industry	16.92 mIn USD
Agriculture	325.2 mIn USD
Investments into fixed capital	87.4 mIn USD
Number of new enterprises	83
Number of new jobs	6456



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## Living and working in Azerbaijan

I am currently the Chairman of the British Business Group and have been so for the last six years however I have spent 13 years of my near 15 years in Azerbaijan as a Committee Member and as such have seen many changes to Azerbaijan in that time. For more information about the British Business Group in Azerbaijan, please visit [www.britishbusinessgroupazerbaijan.com](http://www.britishbusinessgroupazerbaijan.com).

I arrived in Azerbaijan in April 1998. The collapse of a whole way of life (the Soviet Union) coupled with the effects of the Nagorno Karabakh conflict had left Azerbaijan in a state of neglect (an understatement). On top of this the oil price went to \$8 a barrel and the Russian Rouble collapsed (Russia was Azerbaijan's largest trade partner).

There was little in the way of a state budget and as such power cuts, lack of water supply etc was common. The repair of the "Northern Route" pipeline to Russia and the construction of the Western Route pipeline to Georgia helped to stem the financial problems however and the Azerbaijan International Oil Company (by then a BP operated company) started to put 120000 barrels through the Western Route and slowly things began to change.

In 2000/2001 construction began on the Baku Tblisi Ceyhan Pipeline as well as the full field development of the Azeri Chirag Guneshli Oil field. Coupled with the development of the Shah Deniz gas field, foreign investment in the Oil sector boomed. This led to major growth in the non oil construction sector as can now be seen via the numerous high rise residential apartment blocks that have appeared all around the city.

With this expansion came a return to normal infrastructural deliveries and the Baku City authorities began to improve and clean the city.

I would say that so much has changed in the last ten years or so that I cannot fully comprehend what may well happen in the next ten years. One major change has seen the construction of

major office and residential projects for example Port Baku and the soon to be finished Flame Towers that are or have been constructed under the management of two of our member companies. It is very interesting to note that not only have the projects been designed by Western Architects but they are also having the construction managed by Western based companies as well.

With the Oil price 1000% higher than when I first arrived in Baku, money is definitely no longer an object (this is a major understatement) and modern state of the art designs are now being planned, authorised and built. The new Heydar Aliyev Foundation Building at the beginning of the Heydar Aliyev Prospekt is the first new building on this road that will transform this road into quite an amazing thoroughfare similar to the Sheikh Zayid Road of Dubai.

The tourism sector has seen the construction and completion (again under the project management of Western or British Companies) of the Absheron JW Marriott hotel, the Four Seasons Hotel, the Shahdag Ski Resort, a Rixos Hotel and Golf Complex - the first golf course in Azerbaijan (these are to the North East of the country in Qusar and Guba respectively) which complement the recently opened Kempinski Hotel and Hilton Hotel and the Jumeirah Bilgah Beach Resort. There is also the ongoing construction of the Crescent Hotel a 1200 room hotel complex. The Old City continues to be cleaned up and renovated with the reopening of Hamams, the renovation of Mosques and the Maidens Tower being prominent.

Away from the construction sector I can also see a push from the likes of AZPROMO to develop the Agriculture sector. I have seen British Agricultural Experts arrive to work on projects for Azerbaijani Companies.

Azerbaijani companies produce wine of a vastly improved quality. They produce fruit juices, nicely tetrapacked in modern designed cartons. In other words there are companies here that want to do better, produce more, develop their food processing capabilities and as such there are opportunities for companies

to operate here in partnership with these Azerbaijani companies.

Training is another area that has major potential in Azerbaijan, in fact the potential in Azerbaijan is immense in every sector and with more infrastructure improvements occurring all the time then there is an ability to deliver that potential. Clearly there are obstacles along the way to achieving that potential, however the main ingredients are certainly here.

The Arts, Entertainment and Sporting arenas of Baku have been transformed with a new National Football Stadium almost complete on the aforementioned Heydar Aliyev Prospekt, the recent World FIFA U17 Womens World Cup, the announcement of the European Olympics to be held in Baku, concerts by Jennifer Lopez, Shakira and Rihanna at the newly built Crystal Hall, a venue originally built for this year's Eurovision Song Cost.

Motor Racing arrived in Baku with the City Challenge GT3 race with the likes of former World F1 Champion Jacques Villeneuve competing, as well as a historic F1 race with cars that had been driven in anger by Ayrton Senna, Michael Schumacher and James Hunt reverberating and roaring around the streets of Baku – Dom Soviet (Government House) has certainly never seen anything like it.

These are certainly exciting and interesting times in Baku.

I would like to wish everyone a wonderful 2013.

—John Patterson, Chairman, British Business Group Azerbaijan  
Member of Advisory Board to the European Azerbaijan Society

## Labour market

One of the major comparative advantages for selecting Azerbaijan as a place to do business is its competitive labour market. The workforce in Azerbaijan accounts for 4.7million people. Below are some statistics figures on local labour in dynamic between 2005 and 2012.

Year	Employed, thsd	Average wage, AZN	Unemployed
2005	3,850	123.6	56,343
2006	3,973	149.0	53,862
2007	4,014	215.8	50,651
2008	4,056	274.4	44,481
2009	4,072	298	41,100
2010	4,329	331.5	38,966
2011	4,375	356.6	38,330
2012	4,688	391.4	36,800

The literacy level of circa 99.6% and number of people with higher and professional education undoubtedly add up to the point of Azerbaijan being an extremely competitive employment market.

Azerbaijani labour is multilingual. Apart from Azerbaijani one can expect a local employee to speak Russian and Turkish. Azerbaijan is also one of the most successful examples of how English is spreading in the working environment. English is slowly but surely becoming the "office" language at least in Baku.

There are 36 thousand officially registered unemployed with apparently more unemployment being unregistered by statistic authorities.

## VISAS & WORK PERMITS

### How to apply to obtain a visa

According to requirements of current legislation, foreign citizens and stateless persons can travel to Azerbaijan on the basis of their valid personal passports and official permission – visa, with exception of nationals of countries defined in the agreements on visa-free regime. CIS country nationals (except for Turkmenistan) do not require a visa. In order to enter Azerbaijan they need to present a valid passport at the border. All other foreign nationals will need a visa. Visas shall be applied for in the embassies and consulates of Azerbaijan abroad with application-form clearly indicating the purpose and of their travel (see the list of Azerbaijani embassies and consulates abroad in the chapter of Useful contacts).

Foreign citizens and stateless persons can apply for and obtain a visa at the appropriate visa divisions of the Ministry of the Foreign Affairs of the Republic of Azerbaijan operated in the international airports only in the cases defined by the Decree of the President of the Republic of Azerbaijan (dated 13 September 2010, No: 326.) "On certain issues dealing with the granting visas to the foreigners and stateless persons travelling to the Republic of Azerbaijan":

- \* visa divisions of the Consular Department of the Ministry of Foreign Affairs operated in Heydar Aliyev International Airport
- \* visa divisions of the Consular Department of the Ministry of Foreign Affairs operated in Ganja International Airport;
- \* visa division of the Department of the Ministry of Foreign Affairs of the Republic of Azerbaijan in the Nakhchivan Autonomous Republic operated in Nakhchivan International Airport.

The Ministry of the Foreign Affairs of the Republic of Azerbaijan and the diplomatic representations and consulates of Azerbaijan examine the applications within 1 month following their acceptance.

In case of the urgent medical treatment or death of the closest relatives living in Azerbaijan, foreign citizens and stateless persons can obtain a visa by presenting documents approving these facts. In such case their application is examined within 48 hours.

### Documents required for granting a visa

For visa granted by the diplomatic representations and consulates of the Republic of Azerbaijan abroad:

- \* 1 application form;
- \* Double colored photos (3x4 cm, in white background);
- \* Foreigner's passport and stateless person's identification card;
- \* Invitation letter from receiving part (in 2 copies);
- \* Receipt of state fee for granting visa.

For visa granted by the visa divisions of the Consular Department of the Ministry of Foreign Affairs operating at the international airports of the Republic of Azerbaijan:

- \* 1 application-form;
- \* Double colored photos (3x4 cm, in white background);
- \* Foreigner's passport and stateless person's identification card;
- \* Invitation letter from receiving part (in 2 copies);
- \* Receipt of state fee for granting visa (only in cash).

Attention! If there is less than 3 months for expiry of foreigner's passport and stateless person's identification document visa is not granted.

### Types of visa

Two types of visa - entrance and transit visa granted to the foreigners and stateless persons is formalized as below:

- \* Entrance visa is valid from three days up to three months. One time (ordinary) entrance visa allows entering and exiting the country only one time during its validity period. Multiple entrance visa is valid from 1 year up to 2 years. This visa allows person for multiple entrance-exit to the country during the appropriate period. If the visa is not used during these periods it expires.
- \* Transit visa, one time or multiple, is granted to foreigners and stateless persons traveling to third countries via the territory of the Republic of Azerbaijan. Transit visa allows person to stay in the Republic of Azerbaijan maximum 5 days.

## BUSINESS ETIQUETTE

Please see Annex 6 for consular fees payable for Azerbaijani visas.

### Who needs work permits and how to obtain it

A foreign national who travels to Azerbaijan to take employment here, has 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 for another year, but no more than 4 times in succession.

The following categories of foreign nationals do not require work permits: permanent residents, entrepreneurs, management of companies established through international agreements, staff of diplomatic missions, staff of international organizations, businessmen (no more than for 3 month period), persons employed by relevant executive authorities, persons engaged in religious activities provided by religious organizations registered by the Government, accredited staff of mass media, sailors, sportsmen and artists, researchers and professors at the universities.

The following documents must be submitted to obtain a work permit from the Ministry of Labour and Social Protection of Population (MLSPP):

- \* Application (can be received from the MLSPP);
- \* Copy of the license issued to the Employer;
- \* Copy of the document verifying that foreign employee is able to undertake activities envisaged in the work contract.

### 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 Ramazan (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 2012 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
- \* August 8-9 – Ramadan Bayram\*
- \* October 18 – Independence Day
- \* October 15-16 – Gurban Bayram\*
- \* November 9 – State Flag Day

- \* November 12 – Constitution Day
- \* November 17 – The Day of Revival
- \* December 31 – The Solidarity Day

*\* to be confirmed by Cabinet of Ministers*

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 Kurban 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 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.

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. Shorts are not advisable either at work or socially.

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 is 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 gage 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

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.

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 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 HINTS

### Weights & measures

Azerbaijan uses metric system

### Time

Greenwich + 4 hour

### Currency

The national currency is Azerbaijani manat (AZN). 1US\$ = approximately 0,79 AZN in 2012. Exchange of any currency is carried out in banks or numerous bureau de change. Banks usually work from 10.00 to 17.00-18.00.

### Credit Cards

In hotels, big trade centres and supermarkets, international credit cards are accepted. In small stores and restaurants cash is paid (as a rule in local currency).

### Communication

The telephone communication system is effective and mobile coverage is extensive. Hotels have direct international dialling codes in addition to related business facilities; fax, computers, internet etc. Internet services are also rendered in numerous internet cafes in Baku and main cities. Public phones are rare.

### Mass Media

Along with Azerbaijani newspapers and magazines local newspapers in English and Russian are available. Foreign English press is available in large hotels and by subscription.

### Electricity

The power standard is 220/240 V, 50 Hz.

### Water

Tap water is safe for drinking, but in the hotels and restaurants spring water is mainly used in plastic bottles or boiled water.

### Medical Service

The first medical aid is usually free. There are also private medical

clinics and services, doctors that can speak foreign languages. A wide range of medicines are available in pharmacies, some of which are open 24 hours a day.

### Transport

Public transport in Baku is provided by the Baku underground system and buses. One can use taxis round the clock. It is better to negotiate a price in advance.

### Customs Rules

The import quota allows bringing three litres of spirits and three boxes of cigarettes. Technical passport is necessary for the owner of imported transport mean. Export of black caviar must not exceed 125 gr. Goods and objects of art with cultural and historical value should be accompanied by a permit from according authority.

### Work Hours

The weekend is usually considered to be Saturday and Sunday (mainly for civil servants), though many stores and supermarkets work every day. The beginning of the workday is at 8.00-9.00 and trade closes between 21.00-23.00. Restaurants and bars close considerably late.

### Trade deals

It is allowed to bargain about prices in the markets; it is a usual phenomenon. The salesperson may compromise in certain cases.

### Living cost

Azerbaijan has become a highly popular destination, and thousands of foreigners have settled happily, enjoying the country's combination of high living standards and low living costs.

Although in most respects life in Azerbaijan is approaching Western standards of living, the cost of living remains substantially lower than in Western Europe.

### Shopping

Retail in Baku has undergone a revolution in the past decade with

many big shopping centres now located in the different parts of the city. Concepts of shopping and customer service are now comparable to those of Western countries.

## **Sport**

In keeping with its reputation as a successful sporting nation, Azerbaijan provides a wealth of sporting opportunities. The most popular sports are football (soccer), wrestling, boxing, martial arts, volleyball etc. Recently a significant number of Olympic sport centres, swimming pools and sport schools for children have been established. As a result of active sport policy, Azerbaijan displayed remarkable achievements in 2012. First time in the history since its first Olympic appearance at the 1996 Atlanta Games, Azerbaijani sportsmen won 10 medals (two gold, two silver and six bronze medals) at the 2012 London Games and finished Games 30th among all participating countries, 15th among European and 3rd among Muslim countries in terms of medal count. Along with that, the General Assembly of the European Olympic Committee passed a decision at the end of 2012 to conduct the inaugural 2015 European Olympic Games in Baku.



Azerbaijan and its Caspian coastline are home to nearly 400 mud volcanoes, more than half the total throughout the continent





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## PUBLIC ADMINISTRATION

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Parliament of the Republic of Azerbaijan (Milli Majlis)	1, Parlament Avenue, Baku, AZ1152	Tel.: (+99412) 498 97 48 Fax: (+99412) 498 97 22 E-mail: azmm@meclis.gov.az Web-site: www.meclis.gov.az
Ministry of Economic Development	"The Government House", 40, Uzeir Hajibeyov Street, Baku, AZ1000	Tel.: (+99412) 493 88 67 Fax: (+99412) 492 58 95 E-mail: office@economy.gov.az Web-site: www.economy.gov.az
Ministry of Culture and Tourism	"The Government House", 3 floor, 40, U.Hajibayov Street, Baku AZ1000	Tel.: (+99412) 493 43 98; 493 30 02 Fax: (+99412) 493 56 05; 493 65 38 E-mail: mct@culture.gov.az Web-site: www.mct@mct.gov.az
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Consular Department		Tel.: (+99412) 492 96 92 (ext. 2037; 2041)
Ministry of Taxes	16, Landau Street, Baku, AZ1073	Tel.: (+99412) 403 89 70 Fax: (+99412) 403 89 71 E-mail: office@taxes.gov.az Web-site: www.taxes.gov.az
Ministry of Youth and Sport	4, Olimpiya Street, Baku, AZ1072	Tel.: (+99412) 465 84 21 Fax: (+99412) 465 64 38 E-mail: mys@mys.gov.az Web-site: www.mys.gov.az
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Ministry of Ecology and Natural Resources	100A, Bahram Agayev Street, Baku, AZ1073	Tel.: (+99412) 538 04 81/85 08 (+99412) 539 18 63 /538 13 35 Fax: (+99412) 592 59 07 E-mail: ekologiya.nazirliyi@eco.gov.az Web-site: www.eco.gov.az
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Ministry of Justice	1, Inshaatchylar Avenue, Baku, AZ1073	Tel.: (+99412) 430 09 77; 537 05 54 Fax: (+99412) 430 09 77 E-mail: contact@justice.gov.az international@justice.gov.az Web-site: www.justice.gov.az
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State Committee on Property Issues	20, Y. Safarov Street, Baku AZ1025	Tel.: (+99412) 490 24 08 Fax: (+99412) 490 33 59 E-mail: office@emdk.gov.az Web-site: www.stateproperty.gov.az
State Committee for Securities	19, Bul-Bul Avenue, Baku, AZ1000	Tel.: (+99412) 493 50 58 Fax: (+99412) 598 25 59 E-mail: office@scs.gov.az Web-site: www.scs.gov.az
State Committee for Town Planning and Architecture	65, Fizuli Street, Baku, AZ1014	Tel.: (+99412) 493 34 67 Fax: (+99412) 498 14 14 E-mail: memar@arxkom.gov.az Web-site: www.arxkom.gov.az
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State Civil Aviation Administration	11, Azadlig Avenue, Baku, AZ1095	Tel./Fax: (+994 12) 598 51 91 Email: hq@caa.gov.az Web-site: www.caa.gov.az
The Copyright Agency	"The Government House", 40, Uzeir Hajibeyov Street, Baku, AZ1000	Tel.: (+994 12) 493 39 44 (+994 12) 498 22 32 Fax: (+994 12) 498 10 28 E-mail: mha@copag.gov.az Web-site: www.copag.gov.az
Public Procurement Agency	"The Government House", 40, Uzeir Hajibeyov Street, Entrance 4, 2nd floor, Baku, AZ 1000	Tel.: (+994 12) 498 24 01 (+994 12) 493 86 79 (+994 12) 493 76 95 Fax: (+994 12) 493 20 15 E-mail: mail@tender.gov.az admin@tender.gov.az Web-site: www.tender.gov.az
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State Agency on Alternative and Renewable Energy Sources	"The Government House", 40, U. Hajibayov Street, Baku, AZ1000	Tel.: (+99412) 493 15 26 Fax: (+99412) 493 16 97 E-mail: info@abemda.az Web: www.abemda.az
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State Oil Fund	24, Neftchilar Avenue, Dalga Plaza, Baku, AZ1000.	Tel.: (+99412) 498 77 53 Fax: (+99412) 498 77 53 (ext. 135) E-mail: office@oilfund.az Web-site: www.oilfund.az

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Embassy of the Republic of Azerbaijan in the Kingdom of Belgium (also accredited in Luxemburg, Mission to European Communities)	Bruxelles, 464, Av. Moliere, 1050 BXL	Tel.: (322) 345 26 60 735 98 80 (consular section) Fax: (322) 345 91 58; 735 92 70 (consular section) E-mail: office@azembassy.be Web-site: www.azembassy.be
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Embassy of the Republic of Azerbaijan in Croatia	Srebrnjak 104, Zagreb 10 000.	Tel.: 00 385 1 643 89 00 Fax: 00 385 1 643 89 29 E-mail: zagreb_mission@mfa.gov.az Web-site: www.azerbaijan-embassy.hr
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Embassy of the Republic of Azerbaijan in Georgia	Tbilisi, Kipshidze str. Bloc 2/1	Tel.: (99532) 225 35 26 Fax: (99532) 225 00 13 E-mail: tbilisi@mission.mfa.gov.az Web-site: www.azembassy.ge

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Embassy of the Republic of Azerbaijan in Germany	Berlin, 14193, Hubertusallee 43	Tel.: 49(30) 219 16 13 206 48 063 (consular section) Fax: 49(30) 219 16 152 E-mail: office@azembassy.de Web-site: www.azembassy.de
Honorable Consulate in Stuttgart	Kriegsbergstrasse 32 70174 Stuttgart	Tel: (49711) 12848519/18 Fax: (49711) 12848300 E-mail: info@otto-hauser.com
Embassy of the Republic of Azerbaijan in Greece (also accredited in the Republic of Albania)	25,Vasilissis Sofias Ave. 10674, Athens	Tel.: (30210) 363 27 21 724 82 36 (consular section) Fax: (30210) 363 90 87; 724 82 37 (consular section)
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Embassy of the Republic of Azerbaijan in Kazakhstan	Diplomatic city, Residence B-6, Astana	Tel.: (73172) 24 15 81/10 97 Fax: (73172) 24 15 32 E-mail: astana@mission.mfa.gov.az Web-site: www.azembassy.kz
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Embassy of the Republic of Azerbaijan in Libya	Tripoli, ben Ashur, Craba str.Villa Madrid N5	Tel.: (21821) 360 81 92 (21821) 360 81 49 Fax: (21821)361 35 63 E-mail: azseftripoli@ltnet.net
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Embassy of the Republic of Azerbaijan in Islamic Republic of Pakistan (also accredited in Afghanistan)	Plots 1E/1D, Diplomatic Enclave II	Tel.: (9251) 260 07 /04/06/20, (9251) Fax: (9251) 260 07 07 E-mail: islamabad@mission.mfa.gov.az Web-site: www.azembassy.com.pk
Embassy of the Republic of Azerbaijan in Poland	Zwyciencow 12, 03-941 Warsaw	Tel.: (4822) 616 21 88, 617 67 28 Fax: (4822) 616 19 49 E-mail: warsaw@mission.mfa.gov.az Web-site: www.azer-embassy.pl
Embassy of the Republic of Azerbaijan in Qatar	West Bay-Dafna, str. 66, Saha 41 P.O. Box 23900	Tel.: (0974) 493 24 50 Fax: (0974) 493 17 55 E-mail: azembassy@qatar.com.qa doha@mission.mfa.gov.az
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Embassy of the Republic of Azerbaijan in the Kingdom of Saudi Arabia (also Permanent Representative to the OIC, accredited in Bahrain, Yemen and Oman)	Er-Riyadh city, Al Worood Quarter, Amir Faysal Bin Saud Abdurahman str	Tel.: +966 (1) 419 23 82 Fax: +966 (1) 419 22 60 E-mail: riyadh@mission.mfa.gov.az Web-site: www.azembriyadh.org
Office of the Embassy in Jeddah	Al-Horma D-1 Iskanderriya str.2474, apt.10	Tel/Fax: (96026) 644 41 93
Embassy of the Republic of Azerbaijan in Kingdom of Spain (also accredited in Andorra)	28043 Madrid Ronda de Avutarda 38, Prague Conde de Orgaz	Tel.: (3491) 759 60 10 Fax: (3491) 759 70 56 E-mail: madrid@mission.mfa.gov.az Web-site: www.azembajada.es
Embassy of the Republic of Azerbaijan in Sweden (also accredited in Finland and Norway)	Karlavagen 60, SE-114 49	Tel.: (468) 411 24 55 Fax: (468) 411 24 58 E-mail: stockholm@mission.mfa.gov.az Web-site: www.azembassy.se
Embassy of the Republic of Azerbaijan in Switzerland (also accredited in Liechtenstein)	Dalmaziquai 27, CH 3005 Bern	Tel.: +41 (22) 350 50 40 Fax: +41 (22) 350 50 41 E-mail: bern@mission.mfa.gov.az Web-site: www.azembassy.ch
Permanent Mission to the UN Office in Geneva and other International Organizations at Geneva	237, route des Fayards, 1290 Versoix	Tel.: +41 (22) 901 18 15/21 Fax: +41 (22) 901 18 44 E-mail: geneva@mission.mfa.gov.az Web-site: www.azmission.ch
Embassy of the Republic of Azerbaijan in Serbia	25 Pere Velimirovic, 11000 Belgrade	Tel.: (381) 11 351 51 01 (381) 11 351 51 02 Fax: (381) 11 351 51 03 E-mail: belgrade@missionl.mfa.gov.az
Embassy of the Republic of Azerbaijan in Slovakia	80101 Klobucnika 4, 80101 Bratislava	Tel.: (4212) 546 490 41/42 Fax: (4212) 546 490 43 E-mail: bratislava@mission.mfa.gov.az Web-site: www.azconsulate.sk
Embassy of the Republic of Azerbaijan in Slovenia	Mesarska cesta 22 Lublyana 1000	Tel.: (386) 303 212 31 Fax: (386) 59 141 572 E-mail: ljubljana@mission.mfa.gov.az





Face Pattern of the Momine Khatun  
Mausoleum in Nakhchivan, Azerbaijan

Embassy	Address	Contacts
Embassy of the Republic of Azerbaijan in South Africa	258, Jupiter Street, Waterkloof Ridge, 0181, Pretoria	Tel: (002712) 374 79 69 Fax: (002712) 374 90 19 E-mail: pretoria.az@gmail.com Web-site: www.azembassy.org.sa
Embassy of the Republic of Azerbaijan in Syria	West-Willa, Mezzeh-Al Ghazzawi 25, Damascus	Tel.: (963) 11 612 61 71/68 71 Fax: (963) 11 612 68 70 E-mail: damascus@mission.mfa.gov.az
Embassy of the Republic of Azerbaijan in Tajikistan	Parkharskaya str. 1, Dushanbe	Tel.: (992 37) 227 11 90/91 227 11 92 (consular section) Fax: (992 37) 227 66 51 E-mail: dushanbe@mission.mfa.gov.az
Embassy of the Republic of Azerbaijan in Turkey (also accredited in Macedonia)	Ankara, Oran district, Baki str. 1	Tel.: +90 (312) 491 16 81/ 82/ 83 Fax: +90 (312) 492 04 30 E-mail: ankara@mission.mfa.gov.az Web-site: www.azembassy.org.tr
Embassy of the Republic of Azerbaijan in Tunisia	5 rue Apulee, Notre Dame Tunis1002	Tel: (216) 718 924 84 Fax: (216) 7189 25 94 E-mail: azembassytunis@gmail.com
Consulate General in Istanbul (also accredited to BSEC)	Levent mahallesi, Karanfil sokak N 5, Beşiktaş/İstanbul	Tel.: +90 (212) 325 80 42/43/44/45 Fax: +90 (212) 284 95 79 E-mail: istanbul@mission.mfa.gov.az Web-site: www.azconsulateistanbul.org.tr
Consulate General in Kars	Yusuf Pasha mahallesi, Ordu str.9, Kars/Centre	Tel.: +90 (474) 223 64 75 223 13 61 Fax: +90 (474) 223 87 41 E-mail: qars@mission.mfa.gov.az Web-site: www.azconsulatekars.org.tr
Embassy of the Republic of Azerbaijan in Turkmenistan	Ashgabat, 2062, Prosvesheniye str. Villa 44	Tel.: +993 (12) 36 46 08/09 Fax: +993 (12) 36 46 10 E-mail: azsefir_ashg@online.tm Web-site: www.azembassy-tm.org
Embassy of the Republic of Azerbaijan in Ukraine (also permanent Representative in GUAM)	Glubochiska 24, Kiev 04050	Tel.: (38044) 484 69 40/486 58 59/57 Fax: (38044) 484 69 46 E-mail: kiev@mission.mfa.gov.az Web-site: www.azembassy.org.ua
Embassy of the Republic of Azerbaijan in United Arab Emirates	P.O.Box 45766- Abu Dhabi- United Arab Emirates	Tel.: +971 (2) 666 28 48 Fax: +971 (2) 666 31 50 E-mail: azembasy@eim.ae abudhabi@mission.mfa.gov.az Web-site: www.azembassyuae.org

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Consulate in Dubai	Deira, Salahuddin road, Star Metro Hotel Building	Tel.: +9714 235 52 32 Fax: +9714 235 52 34 E-mail: azconsul@eim.ae
Embassy of the Republic of Azerbaijan in UK (also accredited in the Republic of Ireland, Iceland and Denmark)	4 Kensington Court, London W8 5DL	Tel.: (44207) 938 34 12 Fax: (44207) 937 17 83 E-mail: london@mission.mfa.gov.az Web-site: www.azembassy.org.uk
Embassy of the Republic of Azerbaijan in USA (Permanent observer to American States Organization)	2741 34th Str., N.W., Washington, D.C, 20008, USA	Tel.: +1 (202) 337 35 00 337 59 12 (consular section) Fax: +1 (202) 337 59 11; 337 59 13 (consular section) E-mail: azerbaijan@azembassy.us Web-site: www.azembassy.us
Consulate General in Los Angeles	11766 Wielshire Blvd., Suite 1410, C.A. 90025	Tel.: 1 310 444 9101 Fax: 1 310 477 4860 E-mail: losangeles@mission.mfa.gov.az office@azconsulatela.org Web-site: www.azconsulatela.org
Honorable Consulate in Santa Fe	2220 Wilderness Meadow Road Santa Fe, NM 87505 USA	Tel.: (1505) 986 60 74 E-mail: ermchaffie@msn.com
Permanent Mission at the UN, New York (also accredited in Cuba, Venezuela, Nicaragua and Jamaica)	866 UN Plaza, Suite 560, New-York, 10017	Tel.: +1 (212) 371 25 59; Fax: +1 (212) 371 27 84; E-mail: newyork@mission.mfa.gov.az ; azerbaijan@un.int Web-site: www.un.int/azerbaijan
Consulate General, Los-Angeles	11766 Wielshire Blvd., Suite 1410, C.A. 90025	Tel.: (1310) 444 91 01 Fax: (1310) 477 48 60 E-mail: losangeles@mission.mfa.gov.az consul@azconsulatela.org office@azconsulatela.org Web-site: www.azconsulatela.org
Embassy of the Republic of Azerbaijan in Uzbekistan	Sharg Tongi 25	Tel.: +998 (71) 273 61 67 Fax: +998 (71) 273 26 58 E-mail: tashkent@mission.mfa.gov.az Web-site: www.azembassy.uz

## EMBASSIES OF FOREIGN COUNTRIES IN THE REPUBLIC OF AZERBAIJAN

Embassy	Address	Contacts
Embassy of Austria	The Landmark III, 7 th. Floor, Baku, AZ 1010	Tel.: (99412) 465 99 33 Fax: (99412) 465 99 94 E-mail: baku-ob@bmeia.gov.at
Honorary Consulate of the People's Republic of Bangladesh	40, Gulu Guliyev str, Baku, AZ1007 8	Tel: (99412) 497 30 53 Fax: (99412) 497 34 35 E-mail: vusal@hayat.az
Embassy of the Republic of Belarus	Gandjlik, 64 Kral Huseyn str., Baku, AZ 1069	Tel: (99412) 436 46 38 Fax: (99412) 436 46 37 E-mail: azerbaijan@mfa.gov.by Web-site: www.azerbaijan.belembassy.org
Royal Belgium Embassy	19, Suleyman Dadaşev str., Baku, AZ 1073	Tel.: (99412) 437 37 70 (99450) 301 85 59 Fax: (99412) 437 37 71 E-mail: embassy.baku@diplobel.fed.be
Embassy of the Federative Republic of Brazil	7, Bulbul Ave., Apt.12/13, Baku, AZ 1000	Tel.: (+99412) 598 20 46/47 (+99412) 598 20 64 Fax: (99412) 598 20 37 E-mail: brasemb.baku@itamaraty.gov.br
Embassy of the Republic of Bulgaria	13, Huseyn Javid Str., Baku, AZ 1073	Tel.: (+99412) 538 69 71, 538 69 72 Fax: (+99412) 538 09 85 E-mail: embassy.baku@gmail.com Trade representative: (99412) 598 31 42
Embassy of the People's Republic of China	67, Khagani str., Baku, AZ 1010	Tel.: (99412) 498 62 57, 493 65 87 Fax: (99412) 498 00 10 E-mail: chinaemb_az@mfa.gov.cn
Honorary Consulate of the Republic of Croatia	37, Oqtay Karimov str., Baku, AZ1069	Tel.: (99412) 5640834 / 564 0716 Fax: (99412) 564 07 78 / 564 08 72 E-mail: hr.consul.az@gmail.com
Embassy of the Republic of Cuba	10, Cafar Handan str., Baku, AZ 1130	Tel.: (99412) 569 24 74/54 Fax: (99412) 568 07 21 E-mail: embajada@az.embacuba.cu Web-site: www.cubadiplomatica.cu/azerbaijan
Embassy of the Czech Republic	44, Jafar Jabarli str., "Caspian Plaza", Baku, AZ 1065	Tel.: (99412) 436 85 55/54 Fax: (99412) 436 85 57 E-mail: baku@embassy.mzv.cz
Honorary Consulate of Kingdom of Denmark	3001, Tbilisi Ave., OSCAR Business Center, 1st floor, Baku, AZ-1102	Tel.: (+99412) 447 0172 Fax: (+99412) 4310588 E-mail: arnoud.govaert@dkconsulate.az Web-site: www.dkconsulate.az



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Honorary Consulate of the Republic of Finland	65A , Kral Huseyin str., Narimanov district, Baku, AZ-1069	Tel.: (+99412) 562 66 14/15 Fax: (+99412) 562 66 23 Mob: (+99450) 220 60 04 E-mail: faig.jabiyev@socar-uge.com socaruge@gmail.com
Embassy of the Republic of France	7, Rasul Rza str., P.O.Box 36, Baku, AZ-1000	Tel.: (+99412) 490 81 00 Fax: (+99412) 490 81 28 E-mail: presse.bakou-amba@diplomatie.gouv.fr
Embassy of Georgia	13-15, Yashar Huseynov str., Baku	Tel.: (+99412) 497 45 59/60 (+99412) 497 45 57 (consular section) Fax: (99412) 497 45 61 E-mail: baku@geoemb.az Web-site: www.az.mfa.gov.ge
Embassy of the Federal Republic of Germany	69, Nizami str., İSR-Plaza, 7th and 10th floor, Baku, AZ-1000	Tel.: (+99412) 465 41 00 Fax: (+99412) 465 41 28 E-mail: info@baku.diplo.de
Embassy of the Hellenic Republic	Jafar Jabbarli str, Caspian Plaza 3, floor 9, Baku AZ 1065	Tel.: (+99412) 492 01 19 492 01 75 492 46 80 Fax: (+99412) 492 48 35 E-mail: gremb.bak@mfa.gr grcon.bak@mfa.gr (for consular affairs) Web-site: www.mfa.gr/baku
Embassy of Hungary	72, Icheri Sheher, Mirza Mansur str., Baku	Tel.: (+99412) 492 86 26 492 47 50 Fax: (+99412) 492 12 73 E-mail: mission.bku@kum.hu
Honorary Consulate of the Republic of Hungary	4, Teymur Elchin str., Baku, AZ 1001	Tel.: (+99412) 492 25 67 497 07 73 Fax: (+99412) 497 07 72 E-mail: office@vr.in-baku.com
Embassy of India	Gandjlik, 31/39 Oktay Karimov str., Baku AZ1069	Tel.: (+99412) 564 63 44/54 Fax: (+99412) 447 25 72
Embassy of the Republic of Indonesia	Academic Hasan Aliyev street, Passage 15, Building N 19, Baku AZ 1078	Tel.: (+99412) 596 01 50 Fax: (+99412) 596 01 50 Email: indonesianembassy.baku@gmail.com

Embassy	Address	Contacts
Embassy of the Islamic Republic of Iran	4, Buniad Sardarov str., Baku, AZ1001	Tel.: (+99412) 492 19 64, 492 44 07, 492 80 06, 492 64 53 Fax: (+99412) 498 07 33, 497 12 23 E-mail: <a href="mailto:press@iranembassyaz.org">press@iranembassyaz.org</a> Web-site: <a href="http://www.iranembassyaz.org">www.iranembassyaz.org</a>
Consulate General of the Islamic Republic of Iran in Nakhchivan	Nakhchivan, 13, Ataturk str.	Tel.: (994136) 50343, 57246, 57364 Fax: (994136) 56705
Embassy of the Republic of Iraq	Yasamal, Gizil Sherg 5, Baku	Tel.: (99412) 510 92 33, 510 19 49 E-mail: <a href="mailto:bakemb@mofaml.gov.iq">bakemb@mofaml.gov.iq</a> Web-site: <a href="http://www.mofamission.gov.iq">www.mofamission.gov.iq</a>
Embassy of State of Israel	1033, Izmir str., Hyatt Tower 3, Baku, AZ 1065	Tel.: (99412) 490 78 81/82 Fax: (99412) 490 78 92 E-mail: <a href="mailto:info@baku.mfa.gov.il">info@baku.mfa.gov.il</a> Web-site: <a href="http://www.baku.mfa.gov.il">www.baku.mfa.gov.il</a>
Embassy of the Republic of Italy	Icheri Sheher, 44, Kichik Gala str., Baku, AZ 1004	Tel.: (+99412) 497 51 33 /35 (+99451) 946 07 79 / 920 09 91(consular section) Fax: (+99412) 497 52 02 E-mail: <a href="mailto:ambasciata.baku@esteri.it">ambasciata.baku@esteri.it</a> Web-site: <a href="http://www.ambbaku.esteri.it">www.ambbaku.esteri.it</a>
Embassy of Japan	Izmir str., "Hyatt Tower III", 6-th floor, Baku, AZ 1033	Tel.: (+99412) 490 78 18 / 19 Fax: (+99412) 490 78 20 E-mail: <a href="mailto:info@embjapan.az">info@embjapan.az</a> Web-site: <a href="http://www.az.emb-japan.go.jp">www.az.emb-japan.go.jp</a>
Embassy of the Hashemite Kingdom of Jordan	44, Jafar Jabarli str., Caspian Plaza II, 15th floor, Baku, AZ 1065	Tel.: (+99412) 437 31 21/22 Fax: (+99412) 437 31 23 E-mail: <a href="mailto:baku@fm.gov.jo">baku@fm.gov.jo</a>
Embassy of the Republic of Kazakhstan	Hasan Aliyev str., passage 15, Building 8, Baku, AZ 1078	Tel.: (+99412) 465 62 47/48 Fax: (+99412) 465 62 49 E-mail: <a href="mailto:embassyk@azdata.net">embassyk@azdata.net</a>
Embassy of the Republic of Korea	12, Hasan Aliyev str., cross 1, Baku, AZ 1078	Tel.: (+99412) 596 79 01/03 Fax: (+99412) 596 79 04 E-mail: <a href="mailto:azeremb@mofat.go.kr">azeremb@mofat.go.kr</a>
Embassy of the State of Kuwait	6, Azer Aliyev str., Baku, AZ 1078	Tel.: (+99412) 596 81 72/73/74 Fax: (+99412) 596 81 75
Embassy of Kyrgyz Republic	S. Rahimiov, World Business Center 16/1601, Baku	Tel.: (+99412) 597 48 53/54, Fax: (+99412) 597 30 49 E-mail: <a href="mailto:embassy@embas-kyrg.msk.ru">embassy@embas-kyrg.msk.ru</a>
Honorary Consulate of the Republic of Kyrgyzstan	25, Nobel Ave., Baku	Tel.: (+99412) 598 82 59 Fax: (+99412) 598 82 60

Embassy	Address	Contacts
Embassy of the Republic of Latvia	"Caspian Plaza", 44, Jafar Jabbarli str., Baku, AZ-1065	Tel.: (+99412) 436 67 78 436 67 77 (consular section) Fax: (+99412) 436 67 79 E-mail: embassy.azerbaijan@mfa.gov.lv
Embassy of Libya	520, Huseyn Javid Ave., Building 20, Baku	Tel.: (+99412) 493 23 65 493 85 48 Fax: (+99412) 498 97 70 E-mail: libyan_embassy@hotmail.com
Embassy of the Republic of Lithuania	35, Suleyman Dadash str., Block 523, Baku, AZ 1073	Tel.: (+99412) 537 04 07 (+99412) 537 0408 (consular section) Fax: (99412) 510 86 88 E-mail: amb.az@urm.lt konsulinis.az@urm.lt Web-site: www.az.mfa.lt
Embassy of the Republic of Moldova	520 block, Huseyn Javid avenue 12, Baku, AZ 1073	Tel.: (+99412) 510 15 38 497 52 52 Tel/fax: (99412) 510 52 91 E-mail: emb.moldova.baky@azdata.net baku@mfa.md
Honorary Consulate of the Republic of Moldova	61 A , Tbilisi avenue, Baku, AZ 1122	Tel.: (+99412) 430 05 74 Fax: (+99412) 430 05 71
Embassy of the Kingdom of Morocco	2, Hasan Aliyev str., Apt. 228, Baku, AZ 1078	Tel.: (99412) 596 5130 Fax: (99412) 480 25 42
Royal Netherlands Embassy	The Landmark Building 1, 96, Nizami str., 3rd floor, Baku, AZ 1010	Tel.: (+99412) 465 99 22 Fax: (+99412) 465 99 72 E-mail: bak@minbuza.nl Web-site: www.azerbaijan.nlembassy.org
Royal Norwegian Embassy	ISR Plaza, 69, Nizami str. 11 floor. AZ-1005, Baku, AZ 1005	Tel.: (+99412) 497 43 25 /26/27 Fax: (+99412) 497 37 98 E-mail: emb.baku@mfa.no Web-site: www.norway.az
Embassy of the Islamic Republic of Pakistan	370069, Gandjlik, Ataturk Ave. 30, Baku	Tel.: (+99412) 436 08 39/40 Fax: (+99412) 436 08 41 E-mail: parepbaku-1@yahoo.com
Embassy of the State of Palestine	Caspian Plaza, J.Jabbarli 44, 5 th Floor, Baku, AZ1065	Tel.: (+99412) 436 74 26 /28 Fax: (+99412) 436 74 27 E-mail: palembaz@gmail.com azemb@mofa-gov.ps

Embassy	Address	Contacts
Embassy of the Republic of Poland	Icheri Sheher, 2, Kichik Gala str., Baku, AZ 1000	Tel.: (+99412) 492 01 14, 497 52 81, (+99412) 497 47 08 (consular section) Fax: (+99412) 492 02 14 E-mail: baku.amb.sekretariat@msz.gov.pl Web-site: www.baku.polemb.net
Honorary Consulate of the Portuguese Republic	65, Fizuli str., Baku, AZ 1014	Tel.: (+99412) 598 81 81 Fax: (+99412) 598 81 82 E-mail: mrahimov@bakisigorta.az
Embassy of the State of Qatar	70, Teymur Aliyev str., Baku	Tel.: (+99412) 564 58 22/24/44 Fax: (+99412) 564 58 25/26 E-mail: baku@mofa.gov.qa
Embassy of Romania	125A , Akademik Hasan Aliyev str., Narimanov dst., Baku	Tel.: (+99412) 465 63 78 Fax: (+99412) 465 60 76 E-mail: romania@ultel.net
Embassy of the Russian Federation	17, Bakikhanov str., Baku, AZ 1022	Tel.: (+99412) 597 08 70 597 44 58 597 44 26 Fax: (+99412) 597 16 73 E-mail: embrus@embrus-az.com Web-site: www.embrus-az.com
Royal Embassy of Saudi Arabia	44/2, Suleyman Dadashev str., Baku, AZ 1073	Tel.: (99412) 497 23 05 Fax: (99412) 497 23 02 E-mail: azemb@mofa.gov.sa
Embassy of Serbia	70, 1, Gesr Dongasi, Baku, AZ 1004	Tel.: (99412) 492 50 80/ 51 25 Fax: (99412) 492 51 72 E-mail: serbianembassy.baku@azeurotel.com Web-site: www.serbianembassy-baku.org
Honorary Consulate of the Republic of Slovenia	Icheri Sheher, Gasr str. 13/4, Baku, AZ1001	Tel.: (+99412) 497 57 05 Fax: (+99412) 492 82 17 E-mail: bmegusar@mac.com bmegusar@email.si
Honorary Consulate of Kingdom of Sweden	98, A.Quliyev str., Baku, AZ 1006	Tel.: (+99412) 596 84 78 Fax: (+99412) 497 12 22 E-mail: swedishconsulate@sweden.az Web-site: www.sweden.az
Embassy of Switzerland	Icheri Sheher, 9, Boyuk Gala str., Baku, AZ 1004	Tel.: (+99412) 437 38 50/55 Fax: (+99412) 437 38 51 E-mail: bku.vertretung@eda.admin.ch baku@sdsc.net

Embassy	Address	Contacts
Embassy of the Republic of Tajikistan	Badamdar district, Baglar 2s-str., B- 20, Baku	Tel/ Fax: (99412) 502 14 32 E-mail: embassy.rtra@gmail.com
Honorary Consulate of Kingdom of Thailand	10/33, Izmir str., "Hyatt Tower" 1st floor, Baku, AZ-1065	Tel.: (99412) 497 21 42 Fax: (99412) 497 21 43
Embassy of the Republic of Turkey	94, Samed Vurgun str., Baku	Tel.: (99412) 444 73 20/21 Fax: (99412) 444 73 55 E-mail: turkemb.baku@mfa.gov.tr Web: baku.be.mfa.gov.tr
Consulate General of the Republic of Turkey in Nakhchivan	17, Haydar Aliyev avenue, Nakhchivan	Tel: (994136) 499 11 00 Tel/fax: (994136) 45 73 30/26 60 E-mail: turkcons.nahchivan@mfa.gov.tr
Consulate General of the Republic of Turkey in Ganja	8A , M.A. Abbaszade str., Ganja, AZ2000	Tel.: (022) 266 29 33 Tel/fax: (022) 266 29 30
Embassy of Turkmenistan	85/266-266a D.Mammedquluzadeh str., Baku	Tel/fax: (99412) 496 35 27 E-mail: turkmen.embaz@gmail.com
Embassy of Ukraine	Gandjlik, 49, Yusif Vezirov str., Baku, AZ-1069	Tel.: (+99412) 449 40 95 441 27 06 (consular section) Fax: (99412) 449 40 96 E-mail: ukremb@azeurotel.com
Embassy of the United Arab Emirates	23A , Y.Safarov str., Crystal Plaza, Baku	Tel/fax: (99412) 490 80 92/93/94 E-mail: uaeembassy.baku@yahoo.com
Embassy of the United Kingdom of Great Britain and Northern Ireland	45A , Khagani str., Baku, AZ-1010	Tel.: (+99412) 497 51 88/89/90 Fax: (+99412) 437 78 78, (+99412) 497 74 34 E-mail: generalenquiries.baku@fco.gov.uk Web-site: www.ukinazerbaijan.fco.gov.uk British Council: Baku, Nizami str. 96, Landmark Building 3, 8 floor Tel.: (+99412) 497 20 13, 497 15 93 Fax: (+99412) 498 92 36
Embassy of the United States of America	83, Azadlig Ave., Baku, AZ 1007	Tel.: (+99412) 498 03 35/36/37 Fax: (+99412) 465 66 71
Embassy of the Republic of Uzbekistan	Batamdar, 1st highway, 9 th side str., 437, Baku	Tel.: (+99412) 497 25 49/52 Fax: (+99412) 497 25 48 E-mail: office@uzembassy.az Web-site: www.uzembassy@az
Delegation of the European Union	96, Nizami str., Landmark 3, floor 11, Baku, AZ 1010	Tel.: (99412) 497 20 63 Fax: (99412) 497 20 69 E-mail: delegation-azerbaijan @eeasc.europa.eu Web-site: www.eeas.europa.eu/delegations/azerbaijan

## INTERNATIONAL ORGANIZATIONS

Organization	Address	Contacts
Asian Development Bank, Azerbaijan Resident Mission East and Asia Department	45A, Khagani str., "Landmark II" - 3rd floor, Baku, AZ1010	Tel.: (+99412) 437 34 77 Fax: (+99412) 437 34 75 E-mail: adbazrm@abd.org
Council of Europe, Special Representative of the Secretary General to Azerbaijan	Icheri Sheher, 39-41, Boyuk Gala str., Baku, AZ1004	Tel.: (+99412) 497 54 89/93 497 31 56 / 497 23 34 Fax: (+99412) 497 23 95 E-mail: fieldbaku@coe.int
European Bank, European Bank for Reconstruction and Development, EBRD	96, Nizami str., the Landmark 1, 4 th floor, Baku, AZ1010	Tel.: (+99412) 497 10 14 Fax: (+99412) 497 10 19 E-mail: aliyevae@ebrd.com
Office of the Resident Representative of the Organization for Security and Cooperation in Europe	96, Nizami str., Landmark 3, 2nd floor, Baku, AZ 1010	Tel.: (+99412) 497 23 73 Fax: (+99412) 497 23 77 E-mail: office-az@osce.org
Permanent Secretariat of the Intergovernmental Commission "Traceca"	8/2, General Aliyarbekov str., Baku, AZ 1005	Tel.: (+99412) 598 27 18 498 92 34 498 72 47 Fax: (+99412) 498 64 26 E-mail: office@ps.traceca-org.org
United Nations Resident-Coordinator's Office	3, UN 50 th, Anniversary str., Baku, AZ1001	Tel.: (+99412) 498 98 88/ 498 76 72 498 16 29 / 498 16 37 Fax: (+99412) 492 24 91 498 32 35 E-mail: registry.az@undp.org
United Nations Development Programme (UNDP)	3, UN 50 th, Anniversary str., Baku, AZ-1001	Tel.: (+99412) 498 98 88 498 76 72 498 16 29 498 16 37 Fax: (+99412) 492 24 91 498 32 35 E-mail: registry.az@undp.org registry@un-az.org
United Nations Population Fund (UNFPA)	3, UN 50 th, Anniversary str., Baku, AZ 1001	Tel.: (+99412) 492 24 70 / 498 98 88 Fax: (+99412) 492 24 91/ 492 23 79 E-mail: unfpa_registry@un-az.org
World Bank	Icheri Shahar, 91-95, Mirza Mansur str., Baku, AZ1004	Tel.: (+99412) 492 19 41 Fax: (+99412) 492 68 73 E-mail: jowen@worldbank.org
International Monetary Fund (IMF)	83, Samed Vurgun str., Baku, AZ 1022	Tel.: (99412) 497 01 88/89 Fax: (99412) 497 01 87 E-mail: agadirli@imf.org

## HOTELS

Hotel	Address	Contacts
Park Hyatt Baku	1033, Izmir Street, Baku, AZ1065	Tel.: (+99412) 4961234 Fax: (+99412) 4961235 E-mail: baku.hotels@hyatt.com Web-site: www.baku.hyatt.com
Hilton Baku	Azadliq avenue. 1: AZ1000	Tel.: (+99412) 4645000 Fax: (+99412) 4645001 E-mail: baku.reservation@hilton.com Web-site: www.hilton.com/baku
Kempinski Hotel Badamdar Baku	1c M.Mushvig Str. AZ1006	Tel.: (+99412) 5389090 Fax: (+99412) 5399091 E-mail: reception.badamdar@kempinski.com Web-site: www.kempinski.com
JW Marriott Absheron Baku	674 Azadliq Square · Baku, AZ-1010 Azerbaijan	Tel.: (99412) 499 88 88 Fax: (99412) 499 88 89 Web-site: www.marriott.com
Park Inn Azerbaijan	1, Azadliq Avenue Baku AZ1000	Tel.: (+99412) 4906000 Fax: (+99412) 4968900 Email: reservations.baku@rezidorparkinn.com Web-site: www.baku.rezidorparkinn.com
Sheraton Baku Airport Hotel	Heydar Aliyev International Airport AZ1044	Tel.: (+99412)437 49 86 Fax: (+99412) 437 49 98 E-mail: salesbaku@sheraton.com Web-site: sheraton.com/bakuairport
Grand Hotel Europe Baku	1025/30, Tbilisi Avenue, Baku, AZ1078	Tel.: (+99412) 4907090 Fax: (+99412) 4907096 E-mail: info@grand-europe.com Web-site: www.grand-europe.com
Radisson SAS	ISR Plaza, 340, Nizami Street, Baku, AZ1000	Tel.: (+99412) 4982402 Fax: (+99412) 4972451 E-mail: reservations@isrplaza.com Web-site: www.radisson.com/bakuar
Excelsior Hotel Baku	2, Heydar Aliyev Avenue, Baku, AZ1154	Tel: (+99412) 4968000 Fax: (+99412) 4968008 E-mail: info@excelsiorhotelbaku.az Web-site: www.excelsiorhotelbaku.az
The Crown Hotel	7, Neftchi Gurban Abbasov str., Baku, Azerbaijan AZ 1003	Tel: (+994 12) 4910227, 4910228 Fax: (+994 12) 4910229 E-mail: sales@crownhotelbaku.com Web-site: www.crownhotelbaku.com

Hotel	Address	Contacts
The Boutique Palace Hotel	9, Aziz Aliyev Street, AZ1000 Baku, Azerbaijan	Tel.: (+99412) 492 22 88, Fax: (+994-12) 497 75 10 E-mail: info@boutique-palace.com
Meridian Hotel	Old City, 39, A.Zeynally Street, Baku, AZ1000	Tel.: (+99412) 4970809 Fax: (99412) 4970702 E-mail: info@meridianhotel.az Web-site: www.meridianhotel.az
Delfin Hotel	9-th km of Sumgayit highway, Baku, AZ1024	Tel.: (+34) 971 031 031 Fax: (+34) 971 696028 Email: info@delfinhotel.az Web-site: www.delfinhotel.az
Irshad Hotel	11, Vagif Avenue, Baku, AZ1007	Tel.: (99412) 4410132; 4410133 Fax: (99412) 4410134 E-mail: hotel@irshad.az Web-site: www.irshad.az
AZCOT Guest House	7, Husi Hajiyev Str., Lane 1 Baku, AZ1001	Tel.: (99412) 4925477; 4972507 Fax: (99412) 4925477 E-mail: request@azcothotel.com Web-ste www.azcothotel.com
Diplomat Hotel Baku	185, Suleyman Rahimov Street, Baku, AZ1000	Tel.: (99412) 5961127 Fax: (99412) 5961128 E-mail: sales@diplomathotelbaku.com Web-site: www.diplomathotelbaku.com
The Crescent Beach Hotel & Leisure Resort	Shikhov settlement, Salyan highway, Baku, AZ1003	Tel.: (99412) 4974777 Fax: (99412) 4974780 E-mail: cbh@azeronline.com Web-site: www.crescentbeachhotel.com
Ambassador Hotel	934, Samad Vurgun street, Baku, AZ 1078	Tel: (994 12 ) 449 4933 Fax: (99412) 449 4956 E- mail: sm1@hotelambassador.az
Austin Hotel	58, Nizami st, Baku, Azerbaijan	Tel.: (99412) 598 08 12 Fax: (99412) 598 08 17 E-mail: office@austinhotel.az
Ramada Baku Hotel	Salyan Highway 32, Baku , AZ1023	Tel. (99412) 491-73-03 Fax. (99412) 491-73-13 Web-site. www.ramadabaku.com
Caucas Point Hotel	188, K.Kazimzade Str.	Tel.(99412) 510 78 78 Fax: (99412) 537 08 02 E-mail: info@qafqazpointhotel.com Web-site.www.caucaspointhotel.net



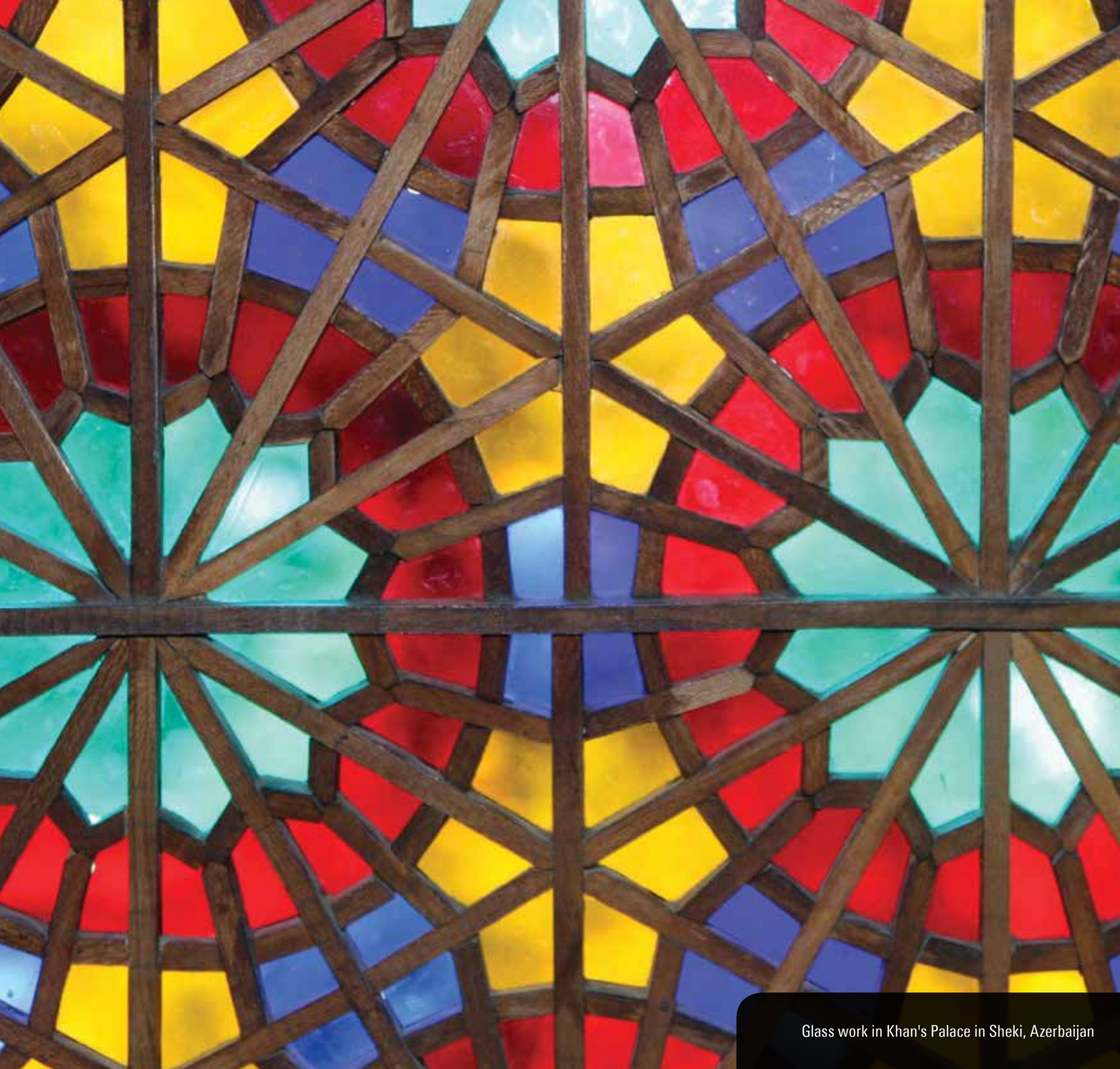
Hotel	Address	Contacts
Museum Inn	3, G.Mahammad street, Icheri Sheher	Tel.(99412) 497 15 22 Fax: (99412) 497 08 22 E-mail: hotel@baku.az Web-site:www.museum-inn.az
Chirag Plaza Hotel	49/C, Tbilisi avenue, AZ1065	Tel.: (99412) 404 51 51 Fax: (99412) 404 51 52 Web-site: www.chiragplaza.az
Atropat Hotel	Icheri Sheher, 11-13-79, Magomayev str. AZ1000	Tel.: (99412) 4978950/52/54 Fax: (99412) 4978951 E-mail: gm@atropathotel.com Web-site: www.atropathotel.com
HaleKai Hotel	18, Mirza Ibrahimov Str., AZ1000	Tel.: (99412) 596 50 56/57 Fax: (99412) 596 50 58 E-mail:reservation@hotelhalekai.com Web-site: www.hotelhakekai.com
Genceli Plaza Hotel	48, Uzeyir Hajibeyov Str.	Tel.: (99412) 4989290 Fax: (99412) 4989290 E-mail:reservation@genceliplaza.az Web-site: www.genceliplaza.az

## NOTARY'S OFFICES

Organization	Address	Contacts
Notary's Office 1	17, U.Hajibayov Street, Baku, AZ1000	Tel.: (+99412) 493 45 14
Notary's Office 2	29, Khanlar Street, Baku, AZ1000	Tel.: (+99412) 491 00 28
Notary's Office 3	42/9, A.Alizada Street, AZ1104	Tel.: (+99412) 496 14 45
Notary's Office 4	4, A.Mammadaliyev Strret, AZ 1034	Tel.: (+99412) 450 23 61
Notary's Office 5	15, Sh.Kurbanov Strret, AZ 1122	Tel.: (+99412) 596 04 14
Notary's Office 6	24/A Xojali Avenue, AZ 1027	Tel.: (+99412) 490-21-61
Notary's Office 7	39, A.Ildirim Street, AZ 1044	Tel.: (+99412) 454 22 71
Notary's Office 8	Lokbatan settlement, 1, 28 May Street, AZ 1063	Tel.: (+99412) 445 10 34
Notary's Office 9	72, H.Aliyev Avenue, AZ 1104	Tel.: (+99412) 514 09 21
Notary's Office 10	Amircan settlement, 7a M.Mustafayev Street, AZ1042	Tel.: (+99412) 458 39 30

## EMERGENCY PHONE NUMBERS

Service	Contacts
Fire Station	101; 4910734
Police	102; 4934265; 4958817
Ambulance	103
Gas Emergency	104
Speaking clock	106
International telephone services	107
Info Service	109



Glass work in Khan's Palace in Sheki, Azerbaijan



# EXLES & MAPS

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## ANNEX 1. BILATERAL INVESTMENT TREATIES

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

Country	Date of signature	Ratification Date
Qatar	28 August 2007	19 October 2007
Romania	29 October 2002	5 December 2003
Saudi Arabia	9 March 2005	10 May 2005
Serbia	8 June 2011	30 September 2011
Syria	8 July 2009	30 September 2009
Switzerland	23 February 2006	10 April 2007
Tajikistan	15 March 2007	5 June 2007
Turkey	25 October 2011	30 December 2011
UAE	20 November 2006	10 April 2007
Ukraine	24 March 1997	6 June 1997
United Kingdom	4 January 1996	15 March 1996
USA	1 August 1997	14 April 1998
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	Open JSC – AZN 4,000 (circa USD 5,130)/ Closed JSC – AZN 2,000 (circa USD 2,560). Share capital must be paid in full prior to state registration. 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 foundation meeting and the general meeting of shareholders, respectively.	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. 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). Open joint-stock companies can place securities only through public placement (except for establishment and reorganization of a company and conversion of shares) while closed joint-stock companies place their securities only through private placement.	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. A JSC which has more than 50 shareholders must create a Supervisory Board. The management body can be either in the form of a board of directors or an individual director.	Same as JSC. Still there is no requirement to create a Supervisory Board, which can though be established if so desired by the participants.
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 shareholders’ general meeting. A JSC may be reorganized into an LLC.	A voluntary liquidation or reorganization is performed by a decision of a general meeting of participants. An LLC may be reorganized into JSC.
8. Tax	Identical tax treatment (except in case of distribution of net profits).	



**ANNEX 3. THE LIST OF TYPES OF ACTIVITIES REQUIRING SPECIAL PERMISSIONS (LICENSES) AND AMOUNT OF STATE DUTY TO BE PAID FOR ISSUE OF SPECIAL PERMISSIONS (LICENSES) FOR SUCH ACTIVITIES**

Name of type of activity	Executive organ to issue a license	Amount of state duty, AZN
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
Cartographic activities	State Committee of the Republic of Azerbaijan on Land and Cartography	1100
Storage and disposal of radioactive and ionized waste	Ministry of Emergency Situations of the Republic of Azerbaijan	1100
Utilization and neutralization of toxic waste	Ministry of Ecology and Natural Resources of the Republic of Azerbaijan	1100
Purchase, processing and sale of non-ferrous metals and industrial waste, including precious metals and stones	Ministry of Economic Development of the Republic of Azerbaijan	2200
Sale of oil products	Ministry of Fuel and Energy of the Republic of Azerbaijan	5500
Sale of gas products	Ministry of Fuel and Energy of the Republic of Azerbaijan	5500
Medical activities	Ministry of Health of the Republic of Azerbaijan	5500
Pharmaceutical activities	Ministry of Health of the Republic of Azerbaijan	5500
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 the Republic of Azerbaijan):		
Production	Ministry of Agriculture of the Republic of Azerbaijan	5500
Import		11000
Sale	City and region executive organs (with the exception of city districts)	220
Tobacco goods:		
Production	Ministry of Agriculture of the Republic of Azerbaijan	5500
Import		11000
Sale	City and region executive organs (with the exception of city districts)	220
Seafaring trade:		
Carriage of passengers and cargo by sea	State Maritime Administration of the Azerbaijan Republic	5500
Carriage of passengers and cargo by air	Civil Aviation Public Administration of the Azerbaijan Republic	5500
Communication services:	Ministry of Communications and Information Technologies of the Republic of Azerbaijan	
Telephone (wire)		5000
Cellular (mobile)		11000
Radio trunk and wireless		5000
Arrangement of internal telecommunication channels		5000
Arrangement of international telecommunication channels		11000
Ip-telephony		8000
Data communications		6000
Express postal services		2500
Mobile communication service of 3rd generation (3G)		11000

Name of type of activity	Executive organ to issue a license	Amount of state duty, AZN
Activities in the field of projection and production of data protection facilities	Ministry of National Security of the Republic of Azerbaijan	2200
Educational activities:	Ministry of Education of the Republic of Azerbaijan	
preschool educational institutions		2500
general education (including lyceums and gymnasiums), vocational schools and professional lyceums, colleges)		4000
Various organizations, enterprises, labor exchanges, employment institutions and other appropriate establishments providing primary professional education		3000
higher education institutions		5500
Professional development and preparatory organizations, and other organizations providing continuing education		3000
secondary-special religious education institutions		4000
higher religious education institutions		5500
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
Banking activities	Central Bank of the Republic of Azerbaijan	
Banks		22000
Non-bank credit institutions		1100
National postal operator	Central Bank of the Republic of Azerbaijan	1000
Activities of non-governmental social funds	Ministry of Finance of the Republic of Azerbaijan	11000
Activities in the insurance sector:	Ministry of Finance of the Republic of Azerbaijan	
Insurance activities		22000
Reinsurance activities		22000
Insurance broker activities		
Insurance brokers - legal entities		22000
Insurance brokers - natural persons		1000
Insurance agent activities:		
Insurance agents - legal entities		1000
Insurance agents - natural persons		200
Auditing activities	Chamber of Auditors of the Republic of Azerbaijan	2200
Activities of the commodity exchange	Ministry of Economic Development of the Republic of Azerbaijan	11000
Activities of the stock exchange	State Committee for Securities of the Republic of Azerbaijan	11000
Activities of stock investment funds	State Committee for Securities of the Republic of Azerbaijan	11000

Name of type of activity	Executive organ to issue a license	Amount of state duty, AZN
Activities of professional participants on 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
Activities on production and sale of all types of securities forms	State Committee for Securities of the Republic of Azerbaijan	5500
Manufacturing of strict accounting blanks	Ministry of Finance of the Republic of Azerbaijan	2200
Preparation of various seals and stamps	Ministry of Internal Affairs of the Republic of Azerbaijan	2200
Tourism activities	Ministry of Culture and Tourism of the Republic of Azerbaijan	5500
Customs broker activity	Azerbaijan State Customs Committee	11000
Establishment of bonded warehouses, short term storehouses, free warehouses	Azerbaijan State Customs Committee	11000
Broadcasting:	National Council of Television and Radio Broadcasting	
republican TV broadcasting		11000
Baku city TV broadcasting		5500
regional TV broadcasting		3000
republican radio broadcasting		5000
Baku city radio broadcasting		2500
regional radio broadcasting		1000
auxiliary information broadcasting		1000
cable network broadcasting with up to 5000 subscribers		3000
cable network broadcasting with over 5000 subscribers		5000
Satellite broadcasting		1000
activity on ensuring satellite broadcasting of foreign radio and television channels by means of coding devices		1000
Gathering of raw material of wild medicinal plants	Ministry of Ecology and Natural Resources of the Republic of Azerbaijan	550
Passenger and cargo transportation by motor transport:	Ministry of Transport of the Republic of Azerbaijan	
Intercity (local) passengers transportation		150
Long-distance (interregional) passengers transportation		150
International passengers transportation		150
Passengers transportation by motor cars - taxis:		150
Local cargo transportation		150
International cargo transportation		200

Name of type of activity	Executive organ to issue a license	Amount of state duty, AZN
Production, export-import, transit traffic of precursors	Ministry of Public Health of the Republic of Azerbaijan	550
Activity of hotels and hotel type objects	Ministry of Culture and Tourism of the Republic of Azerbaijan	1500
Transportation of hazardous cargo by transport facilities	Ministry of Emergency Situations of the Republic of Azerbaijan	550
Installation and exploitation of the liquid and natural gas plants	Ministry of Emergency Situations of the Republic of Azerbaijan	2200
Field operations, mining and drilling works	Ministry of Emergency Situations of the Republic of Azerbaijan	2200
Installation and repair of elevators	Ministry of Emergency Situations of the Republic of Azerbaijan	550
Installation and repair of attractions	Ministry of Emergency Situations of the Republic of Azerbaijan	2500
Installation, set-up and repair of power plants, equipment and facilities	Ministry of Emergency Situations of the Republic of Azerbaijan	2500
Production, installation and repair of hoisting facilities, metallurgical plants, boilers, vessels operating under pressure	Emergencies Ministry of the Republic of Azerbaijan	2500
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
Fire protection on the basis of agreement of the companies and settlements	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
Production and purchase of fire-fighting equipment and conducting of tests	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
Installation of fire protection systems and facilities, their repair and maintenance	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
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
Construction, reconstruction and repair of fire protection buildings, constructions and premises	Ministry of Emergency Situations of the Republic of Azerbaijan	3600
Precious metals and stones:		
Production (extraction of precious metals from ore, concentrates)		5000
processing and use (production and repair of jewelry and other items from precious metals and stones)	Ministry of Finance of the Republic of Azerbaijan	500
Turnover (retail and wholesale, purchase of precious metals and stones, jewelry and other items produced from them from the population)		500
Engineering-prospecting works as per buildings and structures with I and II level of responsibility according to the state standards	Ministry of Emergency Situations of the Republic of Azerbaijan	1100
Building and structures design 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

Name of type of activity	Executive organ to issue a license	Amount of state duty, AZN
Civil and erection works as per 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):	Ministry of Emergency Situations of the Republic of Azerbaijan	
height up to 40 meters		1100
height up to 65 meters		2200
height up to 65 meters and higher		3300
Activities for the private veterinary medicine	Ministry of Agriculture of the Republic of Azerbaijan	150
Veterinary medicines:		
Production	Ministry of Agriculture of the Republic of Azerbaijan	3000
Sale		220
Creation of biometric technologies and maintenance of such technologies	Ministry of Communication and Information Technologies of the Republic of Azerbaijan	2200
Creation of information resources of personal data and information systems, their maintenance	Ministry of Communication and Information Technologies of the Republic of Azerbaijan	2200

### The list of the types of activities to be granted special permissions (licenses) by the executive organs of the Nakhchivan Autonomous Republic

Name of type of activity
Cartographic activities
Sale of oil products
Sale of gas products
Medical activities
Pharmaceutical activities
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):
Production
Import
Tobacco goods:
Production
Import
Communication service:
Telephone (wire)
Cellular (mobile)
Radio trunk and wireless
IP-telephony (Internet-telephony)
Data communication

Name of type of activity
Express postal service
Mobile communication service of 3rd generation (3G)
Educational activities:
Infant schools
General education schools (including lyceums and gymnasiums), vocational schools and professional lyceums, colleges)
Various organizations, enterprises, labor exchanges, employment institutions and other appropriate establishments providing primary professional education
Higher educational institutions
Professional development and preparatory organizations, and other organizations providing continuing education
Secondary-special religious education institutions
Higher religious education institutions
Activities in the field of assistance in employment in foreign countries for the citizens of Azerbaijan
Auditing activities
Manufacturing of strict accounting blanks
Production of various seals and stamps
Tourism activities
Customs brokering and broker carrying activity
Establishment of customs warehouses, temporary warehouses
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)
Gathering of raw material of wild medicinal plants
Passengers and cargo transportation by motor transport:
Intercity (intradistrict) passengers transportation
Long-distance (interregional) passengers transportation
Passengers transportation by motor cars - taxis
Local cargo transportation
Production, export-import, transit traffic of precursors
Activity of hotels and hotel type objects
Transportation of hazardous cargo by transport facilities
Installation and exploitation of the liquid and natural gas plants
Field operations, mining and drilling works
Installation and repair of elevators
Installation and repair of attractions
Installation, set-up and repair of power plants, equipment and facilities
Production, installation and repair of hoisting facilities, metallurgical plants, boilers, vessels, operating under pressure
Diagnostics and other maintenance inspection of the equipment and technical plants, using at the potentially hazardous facilities
Production and purchase of the fire fighting equipment and conducting of tests

**Name of type of activity**

Installation of fire protection systems and facilities, their repair and maintenance

Repair and servicing of fire protection equipment, primary fire fighting appliances, restoration of fire fighting appliances performance

Construction, reconstruction and repair of fire protection buildings, constructions and premises

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)

Engineering-prospecting works as per buildings and structures with I and II level of responsibility according to the state standards

Building and structures design with I and II level of responsibility according to the state standards

Civil and erection works as per 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):

height up to 40 meters

height up to 65 meters

height up to 65 meters and higher

Activities for the private veterinary medicine

Veterinary medicines:

Production

Sale

Creation of biometric technologies and maintenance of such technologies

## ANNEX 4. DOUBLE TAXATION TREATIES

State	Signature date	Coming into force date	Application date
Austria	04.07.2000	23.02.2001	01.01.2002
Belarus	08.08.2001	29.04.2002	01.01.2003
Belgium	18.05.2004	12.08.2006	01.01.2007
Bulgaria	12.11.2007	25.11.2008	01.01.2009
Bosnia and Herzegovina	18.10.2012		
China	17.03.2005	17.08.2005	01.01.2006
Croatia	12.03.2012		
Czech Republic	24.11.2005	16.06.2006	01.01.2007
Estonia	30.10.2007	27.11.2008	01.01.2009
Finland	29.09.2005	29.11.2006	01.01.2007
France	20.12.2001	01.10.2005	01.01.2006
Georgia	18.02.1997	01.12.1997	01.01.1998
Germany	25.08.2004	28.12.2005	01.01.2006
Greece	16.02.2009	11.03.2010	01.01.2011
Hungary	18.02.2008	15.12.2008	01.01.2009
Islamic Republic of Iran	10.03.2009	25.01.2010	01.01.2011
Islamic Republic of Pakistan	10.04.1996	01.07.1997	01.01.1998
Italy	21.07.2004	28.04.2010	01.01.2011
Japan	30.05.2005	11.04.2008	28.12.1991
Canada	07.09.2004	23.01.2006	01.01.2007
Kazakhstan	16.09.1996	07.05.1997	01.01.1998
Korea	19.05.2008	25.11.2008	01.01.2009
Kuwait	10.02.2009		
Latvia	03.10.2005	19.04.2006	01.01.2007
Lithuania	02.04.2004	13.11.2004	01.01.2005
Luxemburg	16.06.2006	02.07.2009	01.01.2010
Moldova	27.11.1997	28.01.1999	01.01.2000
Montenegro	12.03.2013		
Nederland	22.09.2008	18.12.2009	01.01.2010
Norway	24.04.1996	19.09.1996	01.01.1997
Poland	26.08.1997	20.01.2005	01.01.2006
Qatar	28.08.2007	11.03.2008	01.01.2009
Romania	29.10.2002	29.01.2004	01.01.2005
Russian Federation	03.07.1997	03.07.1998	01.01.1999
Slovenia	09.06.2011	10.09.2012	01.01.2013
Serbia	13.05.2010	01.12.2010	01.01.2011



State	Signature date	Coming into force date	Application date
Switzerland	23.02.2006	13.07.2007	01.01.2008
Tajikistan	13.08.2007	11.02.2008	01.01.2009
The Hashemite Kingdom of Jordan	05.05.2008		
Turkey	09.02.1994	01.09.1997	01.01.1998
Ukraine	30.07.1999	03.07.2000	01.01.2001
United Arab Emirates	20.11.2006	25.07.2007	01.01.2008
United Kingdom	23.02.1994	29.09.1995	18.10.1991
Uzbekistan	27.05.1996	02.11.1996	01.01.1997

## Free Trade Agreements

Countries	Date	Place of Signing
Agreement on Free Trade between the Republic of Azerbaijan and the Russian Federation	30 September 1992	Baku
Agreement on Free Trade between the Republic of Azerbaijan and Moldova	26 May 1995	Minsk
Agreement on Free Trade between the Republic of Azerbaijan and Ukraine	28 July 1995	Baku
Agreement on Free Trade between the Republic of Azerbaijan and Georgia	8 March 1996	Tbilisi
Agreement on Free Trade between the Republic of Azerbaijan and Turkmenistan	18 March 1996	Baku
Agreement on Free Trade between the Republic of Azerbaijan and Uzbekistan	27 May 1996	Baku
Agreement on Free Trade between the Republic of Azerbaijan and Kazakhstan	10 June 1997	Alma-Ata
Agreement on Free Trade between the Republic of Azerbaijan and Kyrgyzstan	12 January 2004	Moscow
Agreement on Free Trade between the Republic of Azerbaijan and Belarus	31 March 2004	Minsk
Agreement on Free Trade between the Republic of Azerbaijan and Tajikistan	13 August 2007	Baku

**ANNEX 5. THE TABLE BELOW SUMMARIZES SOME OF THE CHARACTERISTICS OF AZERBAIJANI TAXES**

Rate	Payers	Taxable Base	Exemptions
1. Profit Tax  Generally - 20%	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.	Difference between income and deductible expenses. In case of a PE, gross income generated from Azerbaijani sources through a PE less the amount of expenses incurred with respect to such income.	profit of charity organizations (except from entrepreneurial activity); grants, membership fees and donations received by non-commercial organizations; income of international, interstate and intergovernmental organizations (except from entrepreneurial activity) etc.
2. Withholding Tax from the income of non-residents  4%, 6%, 10% and 14% depending on type of income	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.	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.	
3. Income Tax of Employees  14% for up to 2500 AZN (3205 USD)  25% for over 2500 AZN (350 AZN+ 25% of the amount of exceeding 2500 AZN)	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.	Any salaries, payments or benefits received by an employee in respect of employment.	Income of diplomats or consular employees who are not citizens of Azerbaijan; 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; gifts, material aid and inheritance up to certain limits; compensation for damage caused etc.
4. Value-Added Tax ('VAT')  0 and 18%	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.  Persons importing goods to which VAT applies are considered payers of VAT on goods so imported.	Value of goods, works, and services provided and value of taxable import.	The cost of property purchased from state enterprises in the course of privatization; the provision of financial services (including a financial lease); contributions (except for imported property) to a Charter Fund etc.  The following are subject to '0' (zero) rate:  The purchase of goods or services, or importation thereof, with the proceeds of foreign grants; Exports, etc.

5. Excise Tax  Various rates (per unit, volume, etc)	All persons engaged in the production of excisable goods in Azerbaijan or importation of such goods into Azerbaijan.	Release of excise goods produced in Azerbaijan and import of excisable goods into Azerbaijan.  Excisable goods are spirits, beer and all kinds of alcohol, tobacco products, and petroleum products.	Transit transportation of goods through the territory of Azerbaijan; temporary imports of goods into Azerbaijan, except for goods intended for re-export; goods that are intended for re-export and secured under a pledge etc.
6. Property Tax  Different rates depending on type of assets.  0.1% of property worth more than AZN 5,000 - for individuals  1% of the value of fixed assets - for legal entities; Other rates are applicable for possession of watercrafts and aircrafts	All persons and legal entities having assets (buildings or their parts, fixed assets etc.) in ownership.	For individuals, buildings owned by resident and non-resident individuals in the Republic of Azerbaijan, plus watercraft and aircraft owned by resident individuals; For resident enterprises – average annual value of fixed assets on the balance sheet of the enterprise; 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	facilities that are used for environmental preservation, fire protection or civil defense purposes; pipelines carrying products, rail and motorways, communication, power transmission lines, irrigation system facilities etc.
7. Land Tax  Different rates depending on location and type of land plots	All persons owning or using land in Azerbaijan.	Land plots granted for use or ownership.	Common use residential land plots; national border zones and land designated for defense purposes etc.
8. Mining Tax (Royalty)  3% - 26%	All persons engaged in extraction of commercial minerals from subsoil strata (including in the Azerbaijani sector of the Caspian Sea)	Commercial minerals extracted from subsoil strata in the territory of Azerbaijan (including in the Azerbaijani sector of the Caspian Sea).	
9. Road Tax  Different rates depending on type and capacity of the vehicle, number of seats, distance traveled etc.	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	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	
10. Simplified System Tax  4% for taxpayers operating in Baku and 2% for taxpayers operating in other regions	Enterprises and individuals with a yearly turnover not exceeding a certain limit (currently 120,000 manats – around USD 154,000)	Total proceeds realized by a taxpayer from the sale of goods or services and from non-sales related activity.	Exempt from payments of VAT, assets and profit taxes.

## ANNEX 6: CONSULAR FEES FOR AZERBAIJANI VISAS

According to “Law of the Republic of Azerbaijan on states fees” foreigners and stateless persons visiting Azerbaijan should pay following fees for obtaining visa:

Activity	Duty
For one time entrance visa (from 3 days up to 3 months)	50 US dollars
For double entrance visa (from 3 days to 3 months)	100 US dollars
For multiple entrance visa (for 1 year validity)	350 US dollars
For touristic visa - 20 USD (Only for persons presenting touristic/travel voucher and students)	20 US dollars
For ordinary transit visa - 20 USD	20 US dollars
For double entrance transit visa - 40 USD	40 US dollars

\*If the amount of visa fees determined by the relevant bodies of foreign countries for citizens of Azerbaijan differs from that listed in the “Law of the Republic of Azerbaijan on states fees”, same amount shall be charged for processing visa applications by citizens of these countries (article 17.8 of the Law).



Ilan Dag mountain. Nakhchivan region. Azerbaijan

MAP OF AZERBAIJAN





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Music: Azerbaijani folk song "Sari Gelin", performed by Alihan Samadov