

**BUSINESS PRACTICES  
NEW INVESTMENT OPPORTUNITIES  
LEGAL ENVIRONMENT**

# **Doing Business in Azerbaijan 2005**



**Azerbaijan Investment Promotion  
and Advisory Foundation**

**IMPORTANT NOTICE:** This information is provided for general guidance only. Specific legal advice shall 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.

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## FOREWORD



*Farhad Aliyev  
Minister  
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After re-establishment of independence of the Republic of Azerbaijan the National Leader Heydar Aliyev launched a series of democratic reforms that included promotion of political stability and dialogue, adoption of new Constitution as well as other vital pieces of legislation. Today the Government headed by the President Ilham Aliyev successfully continues this policy. As a result the country is gradually emerging as one the most rapidly developing trade and industrial regional hubs.

Azerbaijan is one of the leading economic reformers in the CIS. Its liberal economic system is founded on institutional development, privatization, support for businesses, co-operation with the international financial institutions and large scale international oil & gas projects. Azerbaijan is among leaders in the Central and Eastern Europe in respect of inward foreign investments per capita.

Today's priorities include enhancement of the legal framework, diversification of the economic growth and improvement of the general business environment and people's welfare. State developmental Programmes backed by international financial institutes are currently underway to support these goals.

The "open door" policy for foreign businesses is intended to take advantage of the great potential for international economic co-operation in such areas as manufacturing, agriculture, infrastructural development and services, among others. As part of this strategy we are happy to provide newcomers to the Azerbaijani market with all kinds of support and information.

This publication, "Doing Business in Azerbaijan 2005", is supported by the Ministry of Economic Development of the Republic of Azerbaijan and has been prepared with this very purpose in mind. It contains a wealth of important information on the Azerbaijani economy and investment climate. I hope that you will find it a useful and practical guidebook to starting up your business in Azerbaijan.

Looking forward to seeing you in Azerbaijan!



**COUNTRY  
INFORMATION**



## 1.1 Azerbaijan: Political, Geographical and Historical Overview

- *Establishment date - 28 May 1918*
- *Independence Day - 18 October 1991 (II republic)*

The country is well placed on the south eastern border of Europe on the shores of the energy resources rich Caspian Sea (see map above). It has direct access to the extensive and speedily emerging markets of the Central Asian states, Caucasus as well as Middle East.

### *Territory:*

86.6 thsd. square km, (11.5% of area covered with forests, 1.6% water, 50% agricultural lands, of which 27% pastures, 36.9% other lands).

The territory also includes Azerbaijani sector of the Caspian Sea.

The country is situated in 44° and 52° of east longitude, 38° and 42° of north latitude, Baku is situated in 40° parallel.

### *Neighbours:*

State borders in the south with Iran (765) km and Turkey (15 km) in the south, Russia in the north (390 km), Georgia in the north-west (480 km), Armenia in the west (1007 km).

The length of the widest area of the Azerbaijan section of the Caspian Sea is 456 km.

The country by now is well integrated in the international cooperation system via participation in various international organizations such as OSCE, Council of Europe, Commonwealth of Independent States, GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan and Moldova alliance), Black Sea Economic Cooperation as well as a system of multilateral and bilateral treaties on security and economic affairs. Azerbaijan has stakes and is actively engaged with the European Bank for Reconstruction and Development, Asian Development

Bank, World Bank, International Monetary Fund, Black Sea Trade & Development Bank etc. all of which have running projects portfolios in the country.

The country declared the policy of openness for international business. It has an excellent record of co-operation with private international businesses.

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

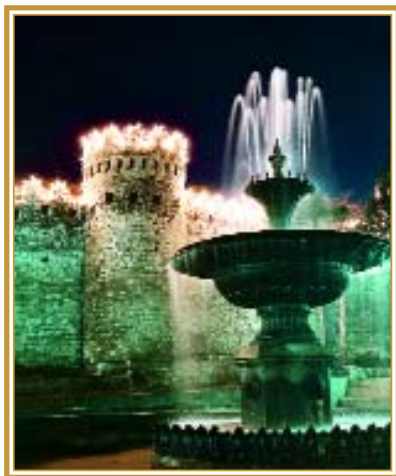
- Executive headed by the President;
- Legislature: unicameral National Assembly (Milli Majlis) with 125 deputies;
- Judiciary topped by the Supreme Court of the Republic.

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 Presidency, Parliament constituencies and municipalities. A well developed electronic and paper media community exists.

The foreign policy of Azerbaijan is complimentary and is directed at establishment of peaceful and mutually beneficial cooperation with all international partners. One of major foreign priorities of the republic is integration into common European space. Relations with the former USSR (now CIS) countries are also important, first of all due to the vitality of the economic cooperation with them and need for restoration of traditional trade.

|   |                         |
|---|-------------------------|
| <i>Capital</i>  | Baku                    |
| <i>Official language</i>  | Azerbaijani             |
| <i>Currency</i>   | Azerbaijani manat (AZM) |
| <i>Weighted annual exchange rate set of AZM to US \$ (2004)</i> | 4913                    |



Azerbaijan is an extremely positive model of a peaceful co-existence of religious communities. Predominantly Moslem populated the country traditionally served as a safe haven for adepts of various cults, religions and cultural traditions. Large communities of Christians and Jews traditionally live here. Secularism and non involvement of the State in religious affairs is the strong local tradition supported by law.

Azerbaijan is the largest and the fastest growing economy in the South Caucasus. It is the best transport link that connects South Eastern Europe with the vast regions of growing importance which are the Central Asia and the Caspian Sea. Increasing number of professional shipping companies is engaged in transportation of goods by this link during the last decade.



*Climate: Azerbaijan's climate varies from an arid subtropical and humid subtropical to a mountainous tundra climate. Average annual precipitation is between 200 to 300 mm (8 to 12 inches) in the lowlands and 300 to 900 mm (12 to 35.5 inches) in the highlands, although precipitation is distributed unevenly throughout the year. On the southern slopes of the Greater Caucasus average annual precipitation ranges from 1,000 to 1,300 mm (39 to 51 inches). Average temperature ranges in the lowlands between 25 and 27 degrees C (77 and 80 F) in July and 0 to 3 degrees C (32 to 37 degrees F) in January and between minus 3 to minus 6 degrees C (27 to 21 degrees F) in January in the highlands.*

Below are some useful basic statistics on Azerbaijan:

| Population                              | 2003    | 2004  |
|---|---------|-------|
| Number of population, thsd. person      | 8,265.7 | 8,318 |
| Urban                                   | 51.5%   | 51.5% |
| Rural                                   | 48.5%   | 48.5% |
| Population density, per km <sup>2</sup> | 95.5    | 96    |

|                                 |  |
|---------------------------------|--|
| <i>Administrative division:</i> |  |
| Autonomous Republics            | 1 (Nakhichevan AR)   |
| Districts                       | 65   |
| Towns                           | 69   |
| Districts of cities             | 13   |
| Settlements                     | 130  |
| Rural settlements               | 4  |
| Capital                         | Baku   |
| <i>Major products</i>           | Oil, natural gas, oil machinery, steel, chemicals, cement, a/c products, textile |

There are extensive opportunities for tourism development due to the terrain peculiarities and geography.

Azerbaijan has a number of major natural attractions such as warm sea, mountainous resorts, mineral springs and medicinal mud recreation centres.

The historical background of the country which was on the crossroads where civilizations met for many centuries makes it even more attractive as a place to visit and do business.

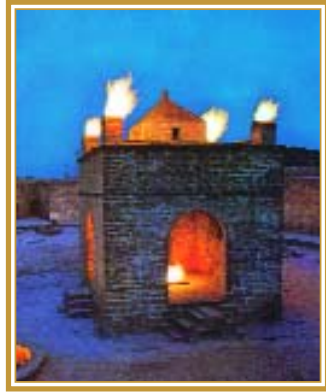
### ***History***



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 block. The independence was regained only in 1991 at the price of thousands of lives of Azerbaijanis lost in the Nagorno-Karabakh conflict and the Soviet aggression against Azerbaijan in January 1990.

Yet Azerbaijan has a long lasting and rich history of statehood and civilization.

Today's Republic of Azerbaijan is the successor of the Azerbaijan Democratic Republic (ADR) declared on 28<sup>th</sup> May 1918 by the first Azerbaijani parliament - National Assembly (Milli Majlis). Though short lived (was occupied by Bolshevik Russia in 1920), ADR remained the very first democratic government in the whole Islamic world. Such measures as electoral rights for women, quotas in the Parliament for the ethnic minorities and others that would long remain ahead of their time not only in the Middle East and Eurasia but in the old democracies of Europe as well were the undoubted achievements of the First Azerbaijani Democratic Republic.



Historically Azerbaijan is one of the oldest cradles of civilization globally. The oldest dated proofs of human cultural activities in Azerbaijan were discovered in Gobustan (a location not far from capital city Baku). This civilization apparently goes back to the 12<sup>th</sup> millennium B.C.



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 formed the country's today. It is the mix of Turkic, Caucasian, European and other cultural influences.

As per the conventional historical tradition the word "Azerbaijan" descends from the personal name or official title of the local ruler Atropat, IV century B.C., contemporary to the Alexander the Great. Other historians refer to Turkic and Sanskrit languages to trace down the origins of the country name. Anyhow, the country bore name "Atropatan" and later "Aderbagan" for many centuries to come. The name was used to describe territories that include the nowadays Republic of Azerbaijan and the province with similar name within the Islamic Republic of Iran. The first recorded states on the territory that is now known as Azerbaijan date back to 9<sup>th</sup> Century B.C. A few states such as Manna, Maday and Albania succeeded one another in the period to follow.

In the 4<sup>th</sup> century A.C. Christianity is spread in the northern part of the country while the South remains largely Zoroastrian. In the 8<sup>th</sup> 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 the Islamic rule for circa 3 hundred years with the short period of 20 years when a large scaled Hurammi freedom movement led by popular leader Babek overtook 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 in the Islamic Renaissance of 9<sup>th</sup> - 13<sup>th</sup> centuries.

The Middle Ages were the period of several large regional empires, predominantly Turkic. Some of the mightiest dynasties were of Azerbaijani origin e.g. Karakoyunlu, Agkoyunlu, Safavis. Despite the dominance of large states on the regional political arena the northern Azerbaijan (Shirvan) managed to sustain independent or at least semi independent status throughout the whole period including hectic times of the Mongolian invasion and Teymurids.

By the XVIII century the country consists of a few independent Khanliqs (principalities). The new regional dominant - Russian Empire has eventually overtaken Northern Azerbaijan and as per the Turkmanchay Peace Treaty with Persia of 1828 the country was divided: the 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 are the period of cultural and economic rehabilitation of Azerbaijan. In 1860-s the industrial exploitation of the Azerbaijani oil fields commenced which brought about international businesses including such notorious names as Nobel brothers, Rothschild, Siemens and others. Quite a few of them made their start up in Baku from a small engineering company to a giant transnational corporation of today.

The economic rise led to cultural revival. The traditional Islamic cultural stratum was enriched by the ever growing European and Russian influence. The XIX and XX centuries are the period of a few major advancements in the Azerbaijani social life. The first Islamic opera, newspapers and national dramatic theatre, discussion on the adoption of a "modern" Latin alphabet, first university, schools for Moslem girls etc. were the cornerstones of the further development.

After the short lived Azerbaijani Democratic Republic (mentioned above) the 11<sup>th</sup> Soviet Red Army occupied Azerbaijan in late April 1920. The occupation did not go through without resistance. The remnants of the ADR National Army units together with the local militia retreated in 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 and elite in 20-s and 30-s XX century followed the defeat of the independent Azerbaijani Democratic Republic.

Thus until 1990 the Azerbaijani Soviet Socialist Republic (AzSSR) was an integral part of the USSR as one of the "founding" republics of the Union, a major industrial and cultural centre of the Empire.

The collapse of the Soviet block brought about independence along with a serious economic and political crisis.

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 had launched a separatist movement in the Western Azerbaijan (Nagorno-Karabakh). A long lasting and bloody military conflict started in 1988. The conflict was further complicated by civil confrontation within Azerbaijan. Few political groups were competing for power in the country.



A succession of weak, largely incapable governments ended in 1993 when a veteran politician and popular leader Heydar Aliyev was elected President. A decade of rehabilitation and growth started. Aliyev's government re-established peace and stability in the country, reinforced state infrastructure and civil rule throughout the country, launched active foreign policy campaign aimed at political integration of Azerbaijan internationally. In 1994 major oil & gas contracts with the consortia of oil giants such as BP, Amoco, Total and others started. From circa 1997 onwards major political reforms aimed at bringing Azerbaijan to the international standards in the areas of rule of law, democracy, human rights and freedoms started as well.

The "Heydar Aliyev's epoch" ended in December 2003 with the demise of the national leader. However, the policy decisions taken by him including integration into European common space, democratization, liberal economy and socially oriented policies remain the undisputed development vectors for the current government too.

## 1.2 Azerbaijan's Economy

□ *Azerbaijan is among fastest growing economies globally*

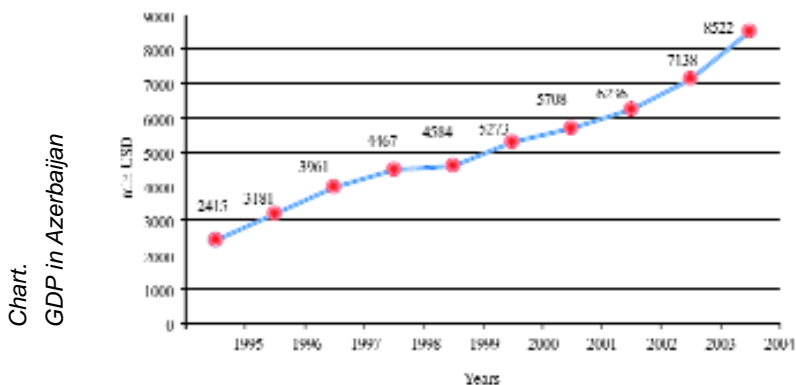
Following sharp decline in early 90-s of the last century Azerbaijan achieved stable and rapid growth for several consecutive years starting from 1996 (see chart).

| Some useful macroeconomic indicators: |               |                   |
|---------------------------------------|---------------|-------------------|
| GDP in 2004                           |               | - 8,521.8 mln USD |
|                                       | Annual growth | - 10.2 %          |
| GDP per capita as of 1 January, 2005  |               | - 1,041 USD       |
|                                       | Annual growth | - 9.2 %           |
| Inflation in 2004                     |               | - 6.7 %           |
| Average wage                          |               | - 98.38 USD       |
|                                       | Annual growth | - 26.2%           |
| Investments in Azerbaijan in 2004     |               | - 4,924.4 mln USD |
|                                       | Annual growth | - 36.1 %          |
| Domestic investments                  |               | - 1,295.4 mln USD |
| Foreign investments                   |               | - 3,629 mln USD   |

Now the country is one of the most rapidly recovering economies in the world. The GDP annual surplus in 2003 was above 11%. The growth for the year 2004 is 10.2%. A record growth of circa 14% is expected in the year 2005. It is highly probable that the country

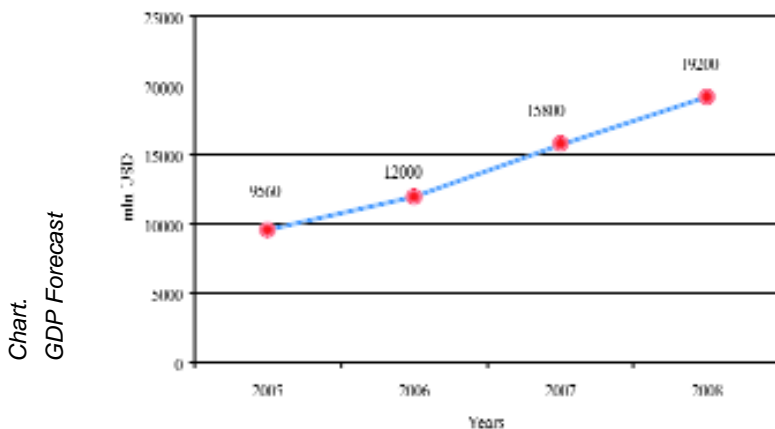
will be the global leader in economic growth this year. Nominal wages grew by 26% in the year 2004. Almost all other major economic indicators point out a similar growth pattern.

The country is the regional leader not only in the overall economic growth but in direct foreign investment attraction as well (see chart). This is mainly due to the favorable environment created in the lead sector of the economy i.e. the oil & gas industry. It had been opened for the international business in 1994. Since then a number of international contracts for the oil and gas fields were signed with the principal oil businesses such as BP, Statoil, Total, Exxon, Itochu, Lukoil and others.



The "jewel in the crown" of the economy is the Baku-Tbilisi-Ceyhan oil pipeline connecting the Caspian offshore fields with the Mediterranean Turkish port. It is projected to take crude from the ACG (Azeri, Chirag, Guneshli) project led by British Petroleum. The pipeline will become operational in mid 2005 with transport capacity of over 1 million barrel per day. Azerbaijan adopted the policy of construction of a network of oil & gas pipelines throughout the region to promote international cooperation and trade. The oil & gas projects will bring substantial cash inflow in the country from the year 2006 onwards.

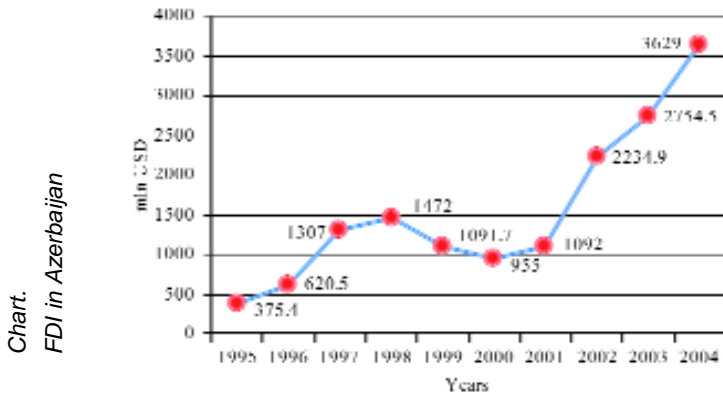
The GDP growth forecast for the years to come look even brighter (see chart). As illustrated the Gross Domestic Product is expected to nearly double in the next four years.



It is noteworthy that Azerbaijan managed to sustain stable growth even in the environment of global economic downfall of early 2000-s. Neither was the economy badly affected by the fluctuations of the oil price in late 90-s of the XX century. This may be attributed to the conservative economic policies of the government. For example it has established the Stabilization Fund which accumulates extra budgetary revenues from the oil sales due to current high prices for crude. The money would be spent should the international oil price fall below threshold provided for in the state budget law.

Notwithstanding this apparently bright prospective the government of the country took a number of steps aimed at the reduction of the country's dependency on the oil revenues and evasion of the so called "Dutch disease". The State Oil Fund, a transparent state agency under public scrutiny is accumulating the oil revenues from the international contracts thus preventing possible Azeri manat deflation which would potentially be damaging for the local manufactur-

ing and export as well as other possible negative economic trends. The regional development and non-oil economy development strategies aimed at the diversification of the economy are also underway.

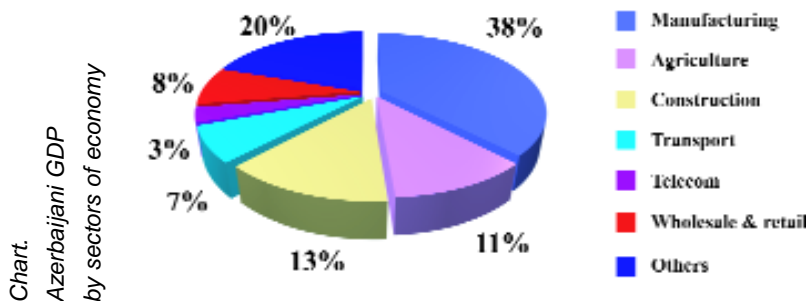


The main source countries of FDI for Azerbaijan are currently the United States, UK and Turkey. The cumulative FDI in the year 2003 amounted for 2,755 mln USD. Annual growth of FDI inflow in 2004 was circa 32%. Foreign direct investments outside the oil & gas sector currently are mainly in construction, services, transport, telecom and manufacturing.

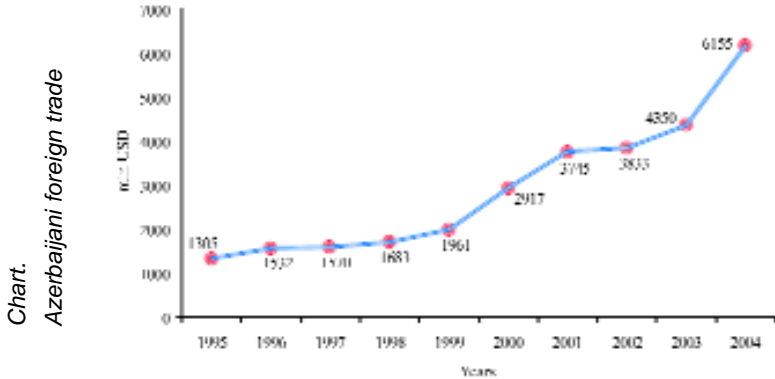
*Production value and share in GDP in 2004 (by sectors):*

|                        |                                    |
|------------------------|------------------------------------|
| - industry             | - 15,949.6 bln man (38.1 % of GDP) |
| - agriculture          | - 4,789 bln man (11.4 % of GDP)    |
| - construction         | - 5,438.5 bln man (13 % of GDP)    |
| - transport            | - 2,939.2 bln man (7 % of GDP)     |
| - communication        | - 1,026.9 bln man (2.5 % of GDP)   |
| - wholesale and retail | - 3,166.1 bln man (7.6 % of GDP)   |
| - social services      | - 5,224.4 bln man (12.5 % of GDP)  |

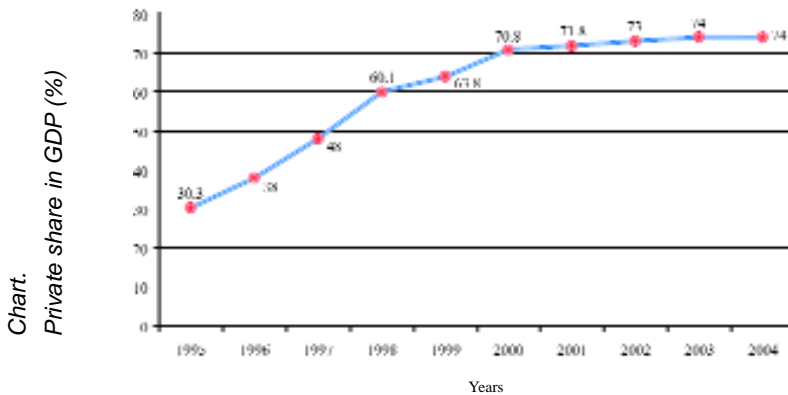
Despite the oil & gas sector's leading role Azerbaijan is a diverse economy (see chart) with a number of traditional and emerging sectors.



Azerbaijan is consistently expanding the international trade as well (see chart). This is mainly due to two factors: export of ever increasing amounts of Azerbaijani crude and oil products and the expanding internal market which resulted in rise in import of manufacturing equipment and consumer goods in the country. At the moment EU is the main export destination for Azerbaijan, with Russia and CIS countries remaining the main source of import.



The country's domestic product is largely contributed by private business. Its share constituted 74% of GDP in 2004. This is the result of several stages of privatization of the formerly state owned property. However, a number of key industries are still state controlled. Many of them are now "open for privatization" by the Presidential Decrees which creates substantial investment opportunities. The government uses several methods of privatization with the most popular being the acquisition by a "strategic investor" or via "investment tender".





The Government also uses the "management contract" system for the transfer of the state owned enterprises into private hands. For example, electricity distribution networks of Baku and some regions (for 25 years) as well as the aluminum producing industry were transferred into management by private foreign companies.

Azerbaijan has one of the lowest external debt/GDP ratios in the region and has a sound financial system. The National Bank has been pursuing the "stable manat" (local currency) policy consistently for last 10 years with the annual inflation not exceeding 2-3%. The fiscal system is further characterized by low deficit of state budget not exceeding 1% of GDP in 2004. The Government envisages a state budget with a very low deficit in 2005 too.

For more information on current trends in the Azerbaijani economy please refer to the website of the Ministry of Economic Development at [www.economy.gov.az](http://www.economy.gov.az).

The commercial banking system of Azerbaijan consists of 46 banks (mostly private, some with participation of foreign capital) with the domination of the International Bank of Azerbaijan (IBA), the strongest bank in the region. The sector is developing at a very high pace. E.g. the total deposits in the banks grew by more than half in 2004 only. Broad range of financial services is available and a liberal foreign exchange regime is applied.

The securities market started to develop in Azerbaijan fairly recently. The Azerbaijani Accounting Standards (AAS) introduced by the recent changes in the legislation have substantial similarities to the International Accounting Standards (IAS) though they also contain specific national features.

It is once again necessary to emphasize that Azerbaijani Government consistently pursues the policy of stimulating economic growth and achievement of continuous and sustainable development based on principles of liberalism and open market.



**INVESTMENT  
CLIMATE**

## 2.1 Foreign Investment Framework and Business Climate



The Republic of Azerbaijan is the leading FDI destination in the region. In the last decade the total FDI stock in Azerbaijan exceeded 20 bln USD. Azerbaijan has achieved gradual improvement in the overall legal framework for the investment activities in the country for last several years with a number of practical regulations liberalizing

conduct of business and reducing red tape obstacles. It carried out a revolutionary legal reform several years ago with adoption of new Tax code, Civil and Civil Procedure Codes, Land Code, Labor Code, Customs Code, Foreign Exchange Law and Law on International Arbitration as well as Anti-monopoly Law which made the system a way more transparent and friendly for local and foreign businesses.

The Government managed to open up economy for the international business and introduce investments friendly laws and regulations. Generally, the Azerbaijani legislation establishes a very permissive national regime for FDI (which means that FDI are welcome in any sectors where the local investor is allowed to invest). Such regime also basically exists for the privatization of the state owned property. There are no special permissions or specific registration requirements for foreign investment. The licensing was substantially simplified with foreign investors' interest in mind.

As of now a foreign investor in Azerbaijan enjoys a non-discrimination regime. The major economic policies are FDI element inclusive. E.g. the Government lifted limitations for foreign participation in the banking sector. Privatization process is open for foreign investors as well. Few sector based restrictions for FDI are limited to those of national security considerations.

The major factors that turned Azerbaijan into a leading FDI destination and provide for justification to do business here are:

### *- Abundant resources*

Azerbaijan is rich in mineral resources. The Caspian Sea oil & gas reserves are one of the major deposits globally. Azerbaijani proper has also substantial explored deposits of precious metals (including gold and silver), ferrous and non-ferrous metals, various construction materials etc.

One of the major resources the country has is its natural diversity. Despite relatively small size the Azerbaijani territory due to complex terrain and geographic location has a number of climatic zones: from humid subtropical climate to semi-arctic. This creates unique opportunities in agriculture and tourism.



*- Favorable location*

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

*- Competitive cost of production*

Azerbaijan has long lasting industrial and trade traditions. The industrial revolution has taken place here in the late XIX century due to expanding and advanced oil production and processing sector. Further industrial development led to growing R&D base.

The country is rich in engineering skills yet the wages are still very competitive. Azerbaijani government is cautious of the importance of such area as utilities tariffs and the policies introduced are manufacturer friendly.

*- FDI friendly laws*

Azerbaijani legislation is evolving in accordance with the strategic goal of the Government which implements the "welcoming policy" for foreign businesses.

Foreign investments are protected by certain guarantees provided by the government and legislation, including:

- I. Guarantee against deterioration of legislation - the general rule is that legislation in force at time of making an investment continues to apply for subsequent 10 years;
- II. Guarantee against nationalization and requisition - foreign investments are not subject to nationalization (except in cases of harm to population and state) and requisition (except in cases of natural disaster, epidemics, accidents, emergencies). Foreign investors are guaranteed immediate, adequate and effective compensation in case of nationalization and req-

uisition. Compensation should be commensurate to the amount of the investment at time of nationalization or requisition, payable in foreign currency and may be freely transferred abroad;

- III. Guarantee of compensation of damages - foreign investors are entitled to compensation of damages, including lost profits, incurred as a result of unlawful acts of state authorities;
- IV. Guarantee of repatriation of profits - foreign investors are entitled to repatriate profits derived from foreign investments subject to payment of applicable taxes and duties.

The new Foreign Investment Bill that is being discussed in the Parliament at the moment is expected to reinforce the above guarantees as well as to introduce new legal instruments to protect foreign businesses.

The Government will continue the policy of expansion of industries with the domination of privately held enterprises including those owned by foreigners.

There are no general trade barriers or prohibitions for import of any types of goods in Azerbaijan and a minimum non trade barriers level for international trade exists. The country is not a member of WTO yet, though the Government started the accession process. The export is 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.

A foreign investor is particularly welcome to enter the Azerbaijani market with a so called green-field project. 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.

The Government has an extensive portfolio with the major international financial institutions such as the World Bank Group, European Bank for Reconstruction and Development (EBRD), Asian Development Bank (ADB), Black Sea Trade and Development Bank (BSTDB) and others who apart from the cooperation with the government support the private sector development in the country.



The Government has introduced a number of initiatives recently aimed at the improvement of the dialogue with the business community. Apart from the usual ways of policy lobbying and communication with the government via its ministries and agencies the avenues exist for a foreign investor to deliver

the messages via such structures as the Entrepreneurs' Council under the aegis

of the President of the Republic of Azerbaijan and the Azerbaijan Investment Promotion and Advisory Foundation (AIPAF) aimed at the promotion of investments mainly in the non-oil sector (*for more information please refer to [www.azerinvest.com](http://www.azerinvest.com)*).

Steps aimed at the simplification of the process of business start up were undertaken recently. Azerbaijani legislation is extremely permissive in respect of expatriate staff employment.

Other substantial comparative advantages of doing business in Azerbaijan include such important factors as macroeconomic stability and political predictability and Baku being the only metropolitan and capital on the Caspian Sea.

## 2.2 Privatisation in Azerbaijan

Azerbaijan to the moment has undergone long process of getting from a state dominated economy to the current situation with 75% of economy being in private hands. This became possible largely thanks to de-nationalization of the state owned enterprises and property. Privatization went in two stages. Denationalization of small sized enterprises was carried out within the First Stage Privatization Program (1995-1998). 26,000 enterprises as well as 1.3 million hectares of land were sold and distributed to private persons and legal entities. Few large enterprises were also sold to investors as part of the Program. They include, among others, brewery, cement and steel plants transferred to foreign investors.



At the moment the Second Stage Privatization Program adopted in 2000 is underway. It stipulates privatization of mainly medium and large enterprises. The enterprises are declared "open for privatization" by special Decrees signed by the President containing lists of entities. The list of enterprises currently open for privatization is publicly available.

The law also contains the list of exemptions, i.e. enterprises that can not be denationalized. Such enterprises include military and other facilities of strategic importance. Railways, radio and TV stations, irrigation systems are excluded from the privatization as well.

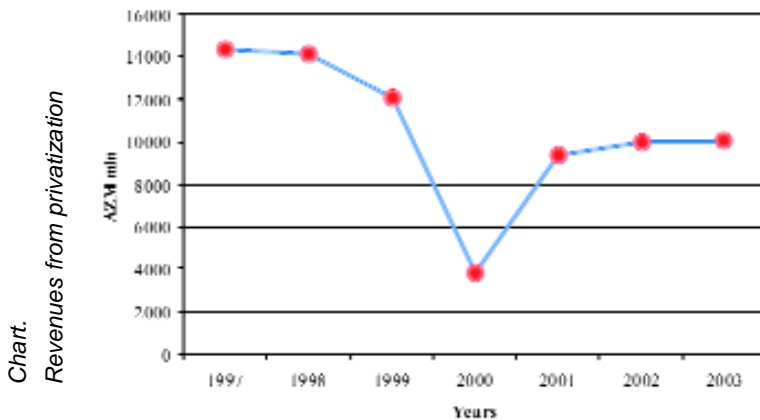
The programs explicitly do not mention any difference as regards to who may participate in privatization, i.e. foreign national takes part in the process on a non discrimination basis.

Privatization process is managed by the Ministry of Economic Development of the Republic of Azerbaijan. There are few privatization methods legally adopted in Azerbaijan:

- *direct sale to strategic investor;*
- *sale at the investment tender;*
- *specialized cash and voucher auctions;*
- *general auctions;*
- *sale to employees on preferential terms.*

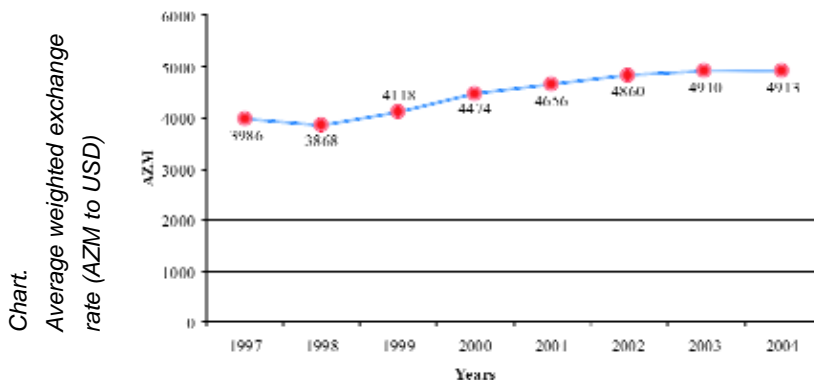
The Government also practices long term transfer of management to a private operator in accordance with an obligatory investment program.

To the moment the number of medium and large enterprises privatized within both Privatization programs is over 1,000. There are, however, still very substantial opportunities in privatization as a mode of entry to the market.

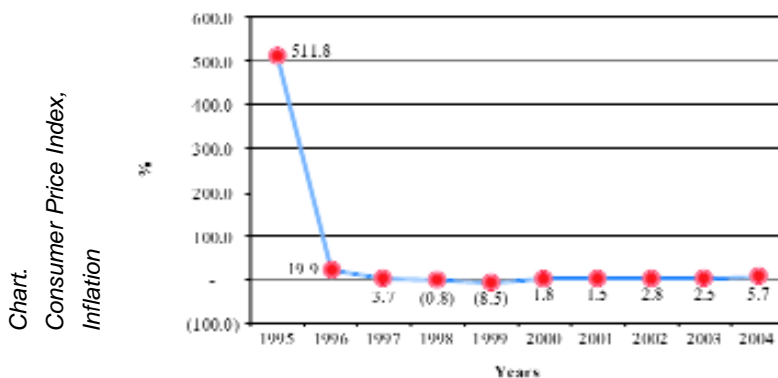


### 2.3 Finances

Azerbaijan has a solid track of financial stability and growth. The financial system of Azerbaijan is characterized by large capital inflows due mainly to large international projects. The government has been running a budget with modest fiscal deficit for last few years. It is expected that the 2005 budget may be with a small deficit or even profit.



Azerbaijani manat is stable for several consecutive years now. There was a trend of slight appreciation of AZM to the US dollar in 2004. The exchange rate policy is based on two factors: stable currency and favorable conditions for external trade.



The Government's debt level is low with total public debt at 1.5 bln USD or circa 18.1% of GDP as of 1 January 2005. Bulk of this amount is owed to IMF and WB on the soft loans terms.

The Government continues to pursue reforms of the financial sector. It is stimulating financial services including insurance (see further), securities market and leasing.

The securities market in Azerbaijan has evolved fairly recently. The Baku Stock Exchange is at the stage of consolidating its business at the moment. However, the Governmental policy, including establishment of a special governmental agency responsible for the market, State Securities Committee has led to growth of the market segment.





Recent liberalization and tax relief for the leasing services has led to doubling of the portfolio of the companies on this market in few months and further development is expected.

Azeri banks have been raising their capital base. From 2004, the NBA required banks to increase their cumulative capital to \$3.5 million by January 1, 2005 latest.

According to the schedule adopted by the NBA early 2004, the minimum level of cumulative capital should increase to \$5 million by January 1, 2006.

At the moment there are 110 credit organizations operating in the country of which 43 are banks. Effective end 2003 all limits for participation of foreign capital in the Azerbaijani banks was abolished. At the moment there are 15 banks with foreign participation.

The deposit and savings base is growing very rapidly. The growth in deposits & savings between 01.10.2003 and 01.10.2004 was as much as 56.9%. The actual authorized capital of the Azerbaijani banks grew in the same period by 26.4%

The reliability of the sector is another factor of the development of the banks in Azerbaijan. The ratio of low risks actives of the Banks to the moment grew substantially and now account for 89% of total.

|                          | 01.01.03 to<br>01.10.03 | 01.01.04 to<br>01.10.04 | Growth<br>% |
|--------------------------|-------------------------|-------------------------|-------------|
| Interest rate            | 216.8                   | 361                     | 66.5        |
| Interest rate costs      | 91.5                    | 144                     | 57.9        |
| Non interest rate profit | 233.9                   | 276.6                   | 18.3        |
| Non interest rate costs  | 197.4                   | 242.7                   | 22.9        |
| Operational profit       | 161.8                   | 250.9                   | 55.1        |
| Profit after taxation    | 101.7                   | 134.3                   | 32.1        |

The incomes in the banking sector are growing rapidly as well. The profit announced as of 01.10.2004 has grown by 32.1% in comparison with the same period of the last year.

Another indicator of the strengthening banking system is the decreasing liquidity indicator for the Banking sector. At the moment the indicator is 69.5% (compared to 84.1% on 01.10.2003).

The forecast for the monetary indicators remain very optimistic.

| Date               | 01.10.2003 | 01.10.2004 |
|--------------------|------------|------------|
| Currency           | AZM bln    | AZM bln    |
| Deposits & savings | 3,088.4    | 4,844.6    |

As of July 1, 2004, the total amount of authorized capital of 43 banks operating in Azerbaijan was 811.5 billion manat (\$165.5 million). Consolidation of the banking sector continues.

The implementation of corporate governance standards in the banking system enters its determinant phase.

A new law on Microfinance Institutions is being drafted to further strengthen micro-credit institutions, which play important role in small and medium enterprise development. At the moment the National Fund for Support of Entrepreneurship financed by the state operates as a revolving account established in order to provide for the source of finance for SMEs in particular.

|   | 2005 | 2006  |
|---|------|-------|
| Inflation, %                                  | 5    | 5     |
| Manat exchange rate to USD (average annual)   | 4925 | 4950  |
| Foreign exchange reserves, mln. USD           | 950  | 1100  |
| Broad money (M-3), bln. manat                 | 9600 | 12500 |
| <i>growth rate, %</i>                         | 37   | 30    |
| Broad manat money (M-2) bln. manat            | 4600 | 5800  |
| <i>growth rate, %</i>                         | 31   | 26    |
| Refinancing rate, %                           | 5-7  | 5     |
| Total deposits in the bank system, bln. manat | 6600 | 8800  |
| <i>growth rate, %</i>                         | 37.5 | 33    |
| Individual's savings, bln. manat              | 3200 | 5400  |
| <i>growth rate, %</i>                         | 60   | 69    |
| Credits to economy, bln. manat                | 6100 | 8200  |
| <i>growth rate, %</i>                         | 36   | 34    |

Mortgage lending that has recently paved way to the Azerbaijani markets continues to develop, creation of a mortgage Investment Fund is expected very soon.

The reforms to be implemented in 2005-2006 will aim at preserving the banking system's sustainability, ensuring effective mobilization of financial resources and expanding the opportunities for their transformation into investments and loans to the economy.

## 2.4 Company Incorporation

There are few 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 usual legalization and translation requirements. Foreign business normally chooses between opening a representative office and registering a local company.

One may start his 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 element in a company and investment.

A company may start operations in Azerbaijan from the moment of state registration. Currently, registration authorities are carried out by the Ministry of Justice of the Republic of Azerbaijan.

There are no additional general business licenses or permissions for the start up of a business.



Certain but limited number of documents is required for submission to the Ministry of Justice for registration purposes (for foreign participants / shareholders, these documents include, inter alia, extract from the companies' register, constituent documents, decision on foundation of a company). Azerbaijan has only recently acceded to the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents and notarization and legalization requirement exists in respect of documents produced and executed abroad. It is expected that an appropriate administrative procedure abolishing obligatory legalization for foreign document originating from the participating country is adopted soon.

The new Law On State Registration of Legal Entities and State Register firmly determined the timeframe of the entire process. The basic term for state registration is set at 40 working days. The state registration authority shall review all submitted documents within 30 working days of their submission and, if required, provide 20 additional days for correcting any defects in documents. Following review of the documents / correction of defects the state registration authority shall register or refuse to register a legal entity within 10 working days. In case of failure of the Ministry of Justice to issue a certificate of registration within the statutorily prescribed term or to issue a letter refusing registration, a company shall be considered registered, in which case the Ministry of Justice is obliged to issue a registration certificate within the following 10 business days.

The state register of legal entities includes general information on a legal entity and founders of a legal entity. Any interested party is entitled to request extract from a register and copies of documents submitted for registration.

The state duty for registration of a local company is around 11 USD, and that in respect of branches / representative offices of foreign legal entities is around 225 USD.

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

- I General partnership
- II Limited partnership
- III Limited liability company ("LLC")
- IV Joint-stock company (open type and close type)

LLCs and joint stock companies are most popular choices of legal entities. The table below provides a brief comparative analysis of these two types of legal entities:

|   | JSC   | LLC   |
|---|---|---|
| 1. Minimum number of Founders                         | At least 1 founder. Closed-type JSC - maximum number of shareholders may not exceed fifty. If such limit is exceeded, such close-type JSC must either be reorganized into an open-type JSC, or be judicially liquidated   | At least 1 founder. However, there is a statutorily set maximum (which is yet to be defined) for participants. If such limit is exceeded, such LLC must either be reorganized into a JSC within a year, or be judicially liquidated.  |
| 2. Liability of Founders                              | The participants/shareholders are not personally liable for the obligations/liabilities of JSC/LLC. Liability of founders is limited to the amount of their equity (capital) contribution.  |   |
| 3. Capital Requirements                               | Open Type - 20 mln. manats (circa 4,080 USD). / Closed Type - 10 mln manats (circa 2,040 USD).<br>Charter capital must be paid in full prior to state registration.<br>Capital contributions in kind must be valued by an independent auditor. Value of in-kind contributions of a newly founded company and existing company is determined by a foundation meeting and 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. Capital contributions in kind must be valued by an independent auditor. |
| 4. Securities   | Shares must be registered at the State Securities Committee. Placement of securities can be public (offer to public at large) or close (offer to a limited group of investors). Open joint-stock companies can place securities only through public offering (except for establishment and reorganization of a company and conversion of shares) and close joint stock companies can place securities only through close offerings. | 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 interest | Open type - no restriction on transferability of one's shares to another. Closed type - shareholders have the right of first refusal.   | Unless provided otherwise in the Charter, a participant may alienate (sell/transfer) his shares to third persons. However, the 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 Charter and to the Capital Fund, any decision on liquidation, reorganization,   | Same as JSC, except there is no requirement for a Supervisory Board, which can be established if so desired by the participants.  |

|                                 | JSC   | LLC  |
|---------------------------------|---|--|
| 6. Management structure         | etc.). The law does not allow delegation of such powers to other inferior governing bodies.<br>A JSC which has more than 50 shareholders must create a Supervisory Board.<br>The management body can be either in the form of a board or individual director. |  |
| 7. Accountability               | A JSC must make public its annual report and balance sheet.   | At least 1 founder. However, there is a statutorily set maximum (which is yet to be defined) for participants. If such limit is exceeded, such LLC must either be reorganized into a JSC within a year, or be judicially liquidated. |
| 8. Liquidation & Reorganization | A voluntary liquidation or reorganization is upon a decision of a general shareholders' meeting. A JSC may be reorganized into a LLC.   | A voluntary liquidation or reorganization is upon the decision of a general meeting of participants. A LLC may be reorganized into a JSC.  |
| 9. Tax                          | Identical tax treatment (except in case of distribution of net profits).  |  |

## 2.5 Taxation

Tax policy and collection of taxes in Azerbaijan is carried out by the Ministry of Taxes. For the purposes of this review we will concentrate on the corporate taxation.

Currently, there are two different types of tax regimes in Azerbaijan. The companies that work predominantly in the oil & gas sector under the Production Sharing Agreements (PSA) are subject to the oil consortia tax regime which will be looked at below in this publication. The statutory tax regime is applicable to all other legal entities. The statutory tax regime is regulated by the Tax Code 2000 and numerous normative legal acts. The tax legislation in force is regarded as one of the best pieces of legislation among the transition economies.

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

| RATE   | PAYERS  | TAXABLE BASE  | EXEMPTIONS   |
|--|---|---|--|
| Profit Tax<br>Generally - 24%<br>Lower rates are applied to certain activities and | All enterprises (resident and non-resident). Resident enterprises are subject to tax on its total profit. Non-resident enterprises operating in Azerbaijan through permanent establishments ('PE') are subject to tax | 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. | <input type="checkbox"/> profit of charity organizations (except from entrepreneurial activity);<br><input type="checkbox"/> grants, membership fees and donations received by non-commercial organizations; |

| RATE  | PAYERS  | TAXABLE BASE   | EXEMPTIONS  |
|---|---|--|---|
| companies operating in Azeri regions  | on profit from such operations.   |  | <input type="checkbox"/> income of international, interstate and intergovernmental organizations (except from entrepreneurial activity) etc.  |
| 2. Withholding Taxes from income of non-residents<br>4%, 6% and 10% depending on type of income | Enterprises or entrepreneurs making payments to non-residents.<br>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 the non-resident in the territory of Azerbaijan are subject to taxation at the source of payment, without deduction of expenses. |   |
| 3. Income Tax of Employees<br>Sliding scale (0% - 35%)  | 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.   | <input type="checkbox"/> income of diplomats or consular employees who are not citizen of Azerbaijan;<br><input type="checkbox"/> 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;<br><input type="checkbox"/> gifts, material aid and inheritance up to certain limits;<br><input type="checkbox"/> compensation for damage caused etc. |
| 4. Value Added Tax (VAT)<br>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.<br>Persons importing goods to which VAT applies are considered payers of VAT on goods so imported. | Value of goods, works, services provided and value of taxable import.  | <input type="checkbox"/> the cost of property purchased from state enterprises in the course of privatization;<br><input type="checkbox"/> the provision of financial services (including a financial lease);<br><input type="checkbox"/> contributions to a Charter Fund etc.<br>The following are subject to '0' (zero) rate:<br><input type="checkbox"/> the purchase of goods or services, or importation thereof, with the proceeds of foreign grants;<br><input type="checkbox"/> exports etc.  |

| RATE  | PAYERS   | TAXABLE BASE   | EXEMPTIONS  |
|---|--|--|---|
| 5. Excise Tax<br><br>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 excise goods into Azerbaijan.<br><br>Excise goods are spirits, beer and all kinds of alcohol, tobacco products, petroleum products. | <input type="checkbox"/> transit transportation of goods through the territory of Azerbaijan;<br><input type="checkbox"/> temporary imports of goods into Azerbaijan except for goods intended for re-export;<br><input type="checkbox"/> goods that are intended for re-export and secured under a pledge etc.   |
| 6. Assets Tax<br><br>Different rates depending on type of assets. (up to 1%)  | All persons having assets (buildings or their part, vehicles, fixed assets etc.) in ownership.   | Any salaries, payments or benefits received by an employee in respect of employment.   | <input type="checkbox"/> income of diplomats or consular employees who are not citizen of Azerbaijan;<br><input type="checkbox"/> 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;<br><input type="checkbox"/> gifts, material aid and inheritance up to certain limits;<br><input type="checkbox"/> compensation for damage caused etc. |
| 7. Land Tax<br><br>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.   | <input type="checkbox"/> land plots of residential area of common use;<br><input type="checkbox"/> national border zones and land designated for defense purposes etc.  |
| 8. Mining Tax (Royalty)<br><br>3% - 26%   | All persons engaged in extraction of commercial minerals from subsoil strata (including Azerbaijan sector of the Caspian Sea)  | Commercial minerals extracted from subsoil strata in the territory of Azerbaijan (including Azerbaijan sector of the Caspian Sea).   |   |
| 9. Road Tax<br><br>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 this territory for passenger and cargo transport. | Vehicles of foreign states entering the territory of Azerbaijan.   |   |
| 10. Simplified System Tax<br><br>4% for taxpayers operating in Baku and<br>2% for taxpayers operating in other regions    | Enterprises and individuals with a quarterly turnover not exceeding certain limit (currently 125 mln. manats - around 25,000 USD)  | Total proceeds realized by a taxpayer from sale of goods or services and from activities non-related to sales.   | Exempt from payments of VAT, assets and profit taxes.   |

A 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.

## 2.6 Accounting

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

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 independent auditor to audit their annual financials (in addition, joint-stock companies are required to publish their annual accounting reports and balance sheets). Any legal entity with the value of balance sheet exceeding 5 bln AZM (1,020,000 USD) or annual revenues exceeding 2.5 bln AZM (510,000 USD) shall perform audit of its balance-sheet. Legal entities with balance-sheet value of below 5 bln AZM or annual revenues below 2.5 bln. AZM are allowed to prepare simplified balance sheet.

Tax Code 2000 also contains certain provisions dealing with accounting matters, such as depreciation. Depreciation is made 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 life time is not defined or in accordance with life time when life time is defined;*
- *other fixed assets - up to 20%.*

Actual capital expenditures for production purposes made in a current tax year in form of buildings, facilities, installations, machines, equipment, computers vehicles and other assets may be depreciated at a rate of up to 2 times of standard rates, i.e. depreciated in an accelerated manner. An accelerated depreciation rate was recently also introduced for the leased equipment in order to stimulate this financial service.

As mentioned above separate chart of accounts based on western accounting principles has been adopted for the commercial banks few years ago.



## 2.7 Labor Market, Employment Law

One of the major comparative advantages for selecting Azerbaijan as a place to do business with is its competitive labor market. The total workforce in Azerbaijan accounts for approximately 4 million people. Below are some statistics figures on local labor in dynamic between 2002 and 2004:

### *Labor Market:*

|                         | 2002      | 2003      | 2004                   |
|-------------------------|-----------|-----------|------------------------|
| Employed, thsd          | 3,726.5   | 3,747     | 3,817                  |
| -in private enterprises | 2,534.5   | 2,567     | 2,707.5                |
| Average wage in AZM     | 315,406.7 | 383,059.3 | 472,700 (circa USD 97) |

The literacy level of circa 98% and number of people with higher and professional education (exceeding 1.2 million) undoubtedly add up to the point of Azerbaijan being an extremely competitive employment market.

There are 55.9 thousand officially registered unemployed with apparently more unemployment being unregistered by statistic authorities.

The main legislative act regulating labor issues is the Labor Code adopted in 1999 that codified the legislative acts adopted in the early years of independence and number of lower tier normative legal acts that expand certain provisions of the Labor Code.

A standard working week is 40 hours. Overtimes and work during days-off (which are Saturdays, Sundays, public holidays and a mourning day) are compensated in the manner provided for in law.

Employment relations are established by virtue of execution of an employment contract, which is made without a fixed term in most cases. In limited cases (such as seasonal nature of work, work under a fixed term project or assignment, agreement of employer and employee) employment contract can be made for a fixed term. Probation period of up to 3 months is allowed in most cases and the contract can be terminated by either party upon giving a 3-day notice.

Fixed-term contract will be deemed to be extended unless terminated by a notice within 7 days of the expiration of the original term of the contract.

A contract without a fixed term can be terminated by employer in cases specified such as gross violation of labor duties by an employee, redundancies, determination of an employee's qualification as inadequate for performance of his duties, change of labor conditions etc.

An employer is under a duty to give a termination notice. The general term of such a notice is 2 months (e.g. redundancies). However, certain exclusions are available (e.g. in case of gross violation of labor duties). An employee can terminate a contract at any time upon giving a 1-month notice. In certain cases

when employment is terminated by the employer, the employer shall allocate to an employee a fixed number of days in a working week to allow an employee look for a different workplace.

Termination of employment with certain categories of employees (e.g. pregnant women, women with children below 3 years of age) is prohibited.

In cases of termination of employment due to redundancy, termination of work place or liquidation of an enterprise employer shall pay to the employee severance payment, which may total to up to three months of employee's salary.

Generally, legal entities are required to make monthly social insurance contributions in the amount of 25% of the salary fund of its employees. Legal entities are also under an obligation to withhold employees' social insurance contribution in the amount of 2% of employees' gross salaries and transfer same on behalf of the employees to the state fund.

Individual entrepreneurs are, generally, required to pay social insurance contributions in the amount of 20% of the average statistical monthly salary for the previous year. Different rates are provided for certain categories of individual entrepreneurs (such as auditors, private notaries, auditors, accountants etc.)

Azeri law also provides for obligatory medical insurance procured by Employers.



## 2.8 Import and Export

Azerbaijan has started negotiations with WTO on accession to the organization.

| Imports by country groups in 2003 (thsd. USD) |           |          |
|---|-----------|----------|
| Total   | Import    |          |
|   | thsd USD  | ratio, % |
|   | 2626427.3 | 100.0    |
| Europe  | 1439272.2 | 54.8     |
| Asia  | 1004421.1 | 38.2     |
| America                                       | 167458.2  | 6.4      |
| Africa  | 1517.6    | 0.1      |
| Oceania                                       | 13758.2   | 0.5      |

The government has undertaken a number of steps to liberalize foreign trade regime. As of end 2004 the weighted average import tariff in Azerbaijan was 6.7% i.e. a way below the international average. Import and export is one of the most rapidly developing business segment in Azerbaijan. The average annual growth in the foreign trade for last few years is approximately 15%.

Azerbaijan is developing trade relations with a number of countries. In 2004 there were trade operations with more than 100 partners. European Union remained the major destination for export of Azerbaijani goods. Russia and CIS are the major importers.

The main export commodities are oil and petrochemicals, a/c products. The import includes machinery and luxury goods, constructions materials etc.

Azeri law recognizes several customs regimes applicable to goods imported in Azerbaijan, of which most important to foreign investors being transit, cus-

| Exports by country groups<br>in 2003 (thsd. USD)                  |           |          |
|---|-----------|----------|
| Total   | Export    |          |
|   | thsd USD  | ratio, % |
|   | 2591719.4 | 100.0    |
| Commonwealth of Independent States (CIS)                          | 333633.1  | 12.9     |
| European Union  | 1701494.8 | 65.7     |
| Black Sea Economic Cooperation Countries (BSECC)                  | 474664.1  | 18.3     |
| Economic Cooperation Organization                                 | 208853.3  | 8.1      |
| Countries of Central and Eastern Europe                           | 104974.5  | 4.1      |
| GUAM countries, Georgia, Ukraine, Uzbekistan, Azerbaijan, Moldova | 134280.0  | 5.2      |
| Organization of Petroleum Exporting Countries (OPEC)              | 58276.4   | 2.2      |
| Organization of the Islamic Conference                            | 230967.4  | 8.9      |
| Asia-Pacific Economic Cooperation (ESCAP)                         | 260672.7  | 10.1     |
| Organization for Economic Cooperation and Development             | 1829207.6 | 70.6     |

tom storage, bonded warehouse, temporary import, processing on and outside customs territories.

In case of temporary import, no duties are applied and the goods must be re-exported from Azerbaijan until the deadline established by the customs authorities. The goods brought under the temporary import regime should be re-exported without substantial changes in their nature.

Import of goods into Azerbaijan is subject to imposition of imports 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 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.

0.15% customs clearance fee is applicable to all imports/exports with certain minor exceptions.

Exports are exempt from customs duties, except for certain types of metals and metal products.

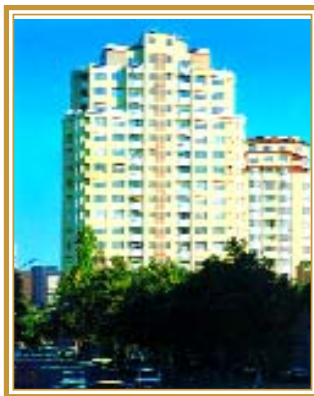
Under PSA regime, contractors, its agents and sub-contractors are entitled to import and re-export from Azerbaijan free from import duties and restriction goods employed for hydrocarbon activities. Imports under PSA regime are subject to zero rate VAT. Similar regime applies under HGAs.

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

## 2.9 Ownership of Land and Real Estate

A revolutionary land reform was implemented in Azerbaijan in the 90-s of XX century. 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 the large portion of land to the population. A lot of formerly state owned real estate was also either sold or distributed to population and businesses.

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 Baku. The 2004 growth in construction sector of 37% is largely attributed to the increasing opportunities on this market. It is increasingly competitive though there are certainly opportunities for newcomers in luxury apartments, guest houses management and international sales areas.



Azerbaijan does not discriminate foreigners in respect of sale or purchase of real estate. However, generally, a foreigner can not hold ownership title for land. But, a long lease contract for maximum 99 years is legal. Foreigners may acquire indirect ownership in land, through Azeri registered legal entities, or as mentioned earlier via lease land.

Azerbaijani law provides for the following basic rights in land: (I) ownership; (II) lease; (III) use.

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 ownership right in land is a privilege of (I) the Republic of Azerbaijan, (II) municipalities, and (III) Azeri individuals and legal entities. As it was mentioned earlier foreigners (individuals and legal entities) and stateless individuals cannot own land in Azerbaijan. Foreigners who acquired ownership rights in land through general legal procedures such as enforcement of security interest, grant or succession shall dispose of their ownership within one year; otherwise the land shall be acquired by the state or relevant municipality.

The real estate in the Azerbaijani legislation is best matching the term "immovable property". Further to recent adoption of the Law On State Register of Immovable Property, creation of rights in property (ownership and other rights), transfers and termination of rights are subject to state registration with the register of immovable property.



The Law recognizes registration of the rights in immovable property carried out by various state authorities prior to the date of the law and provides for data transfer to the Register from various state authorities engaged in registration of rights in immovable property in the past.

It appears that the Register will not be publicly available, as the law sets out a limited list of persons entitled to receive information on data maintained in the Register.

As a general rule, registration of property rights over immovable property shall be accomplished within 20 days.

The 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 right 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.

A new Mortgage Bill has gone through first reading in Milli Majlis. Adoption which is expected to boost the real estate market is expected in the first months of 2005.

## **2.10 Arbitration and Dispute Resolution**

### ***Courts***

Azerbaijan has a three tier court system - courts of first instance, appellate courts and cassation court. Courts of first instance are the district (city) courts of general jurisdiction, local economic courts and economic courts for disputes arising from international agreements.

It is necessary to emphasize that Azerbaijani courts are undergoing critical stage of transition and reforming from a soviet type "just courts" to an independent and modern judiciary. Vital steps such as re-appointment of judges and recent legal reforms are underpinning this process. It is safe to say that Azerbaijani system is getting more adequate and fit for the open market economic relations.

Courts of general jurisdiction consider 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 and where he does not have the status of an entrepreneur, or, if he has such status, the dispute arises other than in connection with the carrying out of his entrepreneurial activity.

The economic courts consider cases in respect of economic disputes arising from civil, administrative and other legal relations between legal entities and physical persons having the status of individual entrepreneurs.

The economic court for disputes arising from international agreements considers cases in respect of disputes arising out of international agreements between physical and legal persons of the Azerbaijan Republic and foreign legal entities, legal entities with foreign investments, international institutions, foreigners carrying out entrepreneurial activity and stateless persons.

All appellate and cassation courts are located in Baku.

The decisions of the appeal courts can be further appealed to the court of cassation. The appellate board for civil cases of the Supreme Court considers appeals brought in respect of the decisions of the Court of Appeal. The appellate board of the Supreme Court for economic cases reviews the decisions of the Economic Court (appeal instance).

### ***Obligatory enforcement***

Enforcement procedures set forth in Law On the Execution of Court Orders apply to judgments of Azeri 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 Azeri 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;*
- *execution notes of notaries;*
- *decisions of state bodies (officials) authorized to consider cases relating to administrative offences;*
- *decisions of other state bodies when provided by law.*

The documents should be submitted to a bailiff for execution within following periods:

- I. writs issued in accordance with courts decisions and courts orders - one month;
- II. writs issued in accordance with resolutions of courts on taking of measures related to provisional remedies - immediately;
- III. execution notes of notaries and decisions of bodies (officials) authorized to consider cases on administrative offences - ten days;
- IV. 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 obligatory execution. The following are obligatory execution measures:

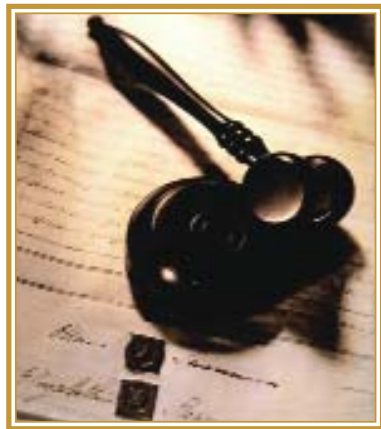
- I. foreclosure and subsequent sale of assets;
- II. garnishment of salaries and similar payments;
- III. foreclosure of debtor's assets in possession of third parties;
- IV. taking of debtor's assets with subsequent transfer to claimant.

Referral of a dispute to arbitration is a permitted dispute resolution mechanism. In general, matters over which courts have jurisdiction can be arbitrated in cases provided in law, international agreements and upon agreement of the parties.

Certain matters over which Azeri courts have exclusive jurisdiction cannot be arbitrated and include, inter alia, rights over immovable property located in Azerbaijan, cases concerning the recognition of patents, or other marks or rights, if such 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 cancellation of a decision taken by a legal person is sought.

Interestingly enough, civil procedure legislation does not set forth provisions regulating the conduct of domestic arbitration. Hence, one can naturally assume that the parties are at liberty to provide for these by their agreement.

Commendably, Azerbaijan has made significant progress as far as international arbitration is concerned. Azerbaijan has acceded to 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards



when ratification procedure was completed on 29 May 2000. 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 1998 Agreement on the Order of Reciprocal Enforcement of Arbitral Awards and Economic Court Judgments on the Territory of the country-members of the Commonwealth of Independent States.

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:

- I. an award contravenes legislation, offends public policy or sovereignty of the Republic of Azerbaijan;
- II. the principle of reciprocity is not adhered to;
- III. there is a valid judgment of an Azeri court relating to the same parties and same subject-matter;
- IV. an award has not entered into force in the country where it was made.

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

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

- I. the notice of the appointment of an arbitrator or arbitration proceedings were defective;
- II. the dispute does not fall within the scope of the arbitration agreement;
- III. the composition of the arbitration tribunal or the arbitration procedure was not in accordance with the agreement of the parties;
- IV. the subject-matter of the dispute is not capable of settlement by arbitration under legislation of the forum state;
- V. the arbitral award is in conflict with Azeri legislation.

## 2.11 Intellectual Property

Intellectual traditions of Azerbaijan and need to enforce the Intellectual Property (IP) rights resulted in inclusion of the institute in the 30<sup>th</sup> article of the Constitution.

Azerbaijani incorporeal law of today was enriched by the best achievements of Latin and Anglo-Saxon jurisprudence as well as international best practice.



IP in Azerbaijan performs is an independent legal institute treated as evolution and addition to "property" concept. It also includes rights in tangible expressed results of intellectual activity and by this keeps at all times actual and clear judicial link between the title holder and material object with protectable intellectual element.

Besides this the lawmakers establishing incorporeal right in Azerbaijan were accepting the dual nature of IP by not only setting out these rights and control over their observance but also by introducing minimal standards which must be adhered to by all parties related to IP in a form of certain social guarantees.

Incorporeal right in Azerbaijan is modernizing constantly due to expanding utilisation of its objects in the new high-tech areas, including digital networks, introduction of new categories of protected objects, such as products of multimedia and other objects of information technologies, introduction of special protection measures (non creative databases, folklore), protection amplification in connection with development of satellite, cable and web-broadcasting industries and rapidly growing significance of IP objects in electronic commerce.

Practically incorporeal law in Azerbaijan is embodied in 7 laws in force. Four of them are connected to copyright protection or protection associated with copyright, and the remaining three laws provide for protection of industrial property and achievements of breeding. The abovementioned laws protect title owners' exclusive rights and are the main legal tools in IP in Azerbaijan. The second largest set of tools is related to the Laws on unfair competition and information classified as commercial secret.

Legal framework of IP protection in Azerbaijan envisages protection of such traditional objects of IP as products, performances, phonograms, transfers of broadcastings, refers to adjacent rights, as well as inventions, industrial standards, operating models, trademarks, geographical nomenclature and breeding. Non-traditional objects of IP, such as non creative databases, layouts of integrated circuits and folklore materials are also protected by law. A number of these IP objects are protected for the first time in CIS countries.

Violation of protected rights entails civil, administrative and criminal measures provided both in the special law, Civil, Civil Procedure and Customs Codes as well as in the Administrative Offences and Criminal Code.

Azerbaijan is widely involved in the international protection and cooperation in IP sphere, being a member to the Steering Committee of WIPO and represented in the governing body of the Bern Convention. Azerbaijan also participates in the Paris Convention and circa dozen other international treaties in this area. It was among 5 pioneer countries engaged in corporate digital intranet of WIPO, and its regional coordination unit is located in the Author's Right Agency of the Azerbaijan Republic.

## 2.12 Living and Working in Azerbaijan

From the perspective of the expatriate, life in Azerbaijan has, for the past 12 years, been a tale of gradual but unwavering progress. As in all of the newly independent states of what had been the Soviet Union in the early '90's, conditions were tough and opportunities for successful business activity were few. In Azerbaijan economic collapse and growing instability were worsened by the war of Armenian aggression.

With the return to power of the late and much-loved President Heydar Aliyev in 1993, everything changed for the better. It was part of the genius of the former President that he pressed reforms and development only as fast as the fabric of Azerbaijani society would allow.

This commitment and understanding, tempered with compassion for the living conditions of many Azerbaijanis, especially in rural areas, has led the current President to accelerate the process of pro-business reform and to adopt policies which encourage investment and economic development in the provinces. The result has been an improving business climate in Baku



This brief and rather narrowly-focused review of Azerbaijan's recent history is intended to help the potential investor to better understand that the Azerbaijan of 2005 is just a snapshot in a 12-year history of consistent progress. My personal perspective begins in 1997 and is based on three years in Baku as an American diplomat and another four and a half as a private businessman. My initial snapshot of Baku did not include the bewildering rate of new construction, the streets filled with cars, the fine new shops filled with imported goods, the wide availability of Western foodstuffs or the other visible anecdotal evidence of the rapid growth of an indigenous middle class. I can remember when the airport terminal was an old mouldering Soviet-era building, when the road in from the airport was a darkened obstacle course of bumps and potholes, when there were many fewer fine parks and fountains in the city. I can remember when the print media was censored, when licenses were needed (but hard to come by) for almost any commercial activity, and when the first words on the lips of any official were, "Who gave you permission to do that"? But all that has changed - all that and very much more.

Today's snapshot for a newly-arrived businessman in Baku will be quite different from mine in 1997. But even today's much more attractive snapshot is merely a moment from a moving train of slow but consistent positive development: President Ilham Aliyev has named a new Minister of Telecommunications and Information Technology and the reforms underway by that ministry as well as the new pro-business attitude it displays have moved the ministry from a major obstacle to the vanguard of business reform in Azerbaijan. At present the Parliament is working on a rewrite of an investment law intended to liberalize the conditions for business investors - foreign and domestic. In an extraordinary victory for the rule of law, Azerbaijan's government and court system has transferred title to government land and property to a foreign company in support of a decision taken by a foreign arbitral panel. And the courts have authorized eviction of the Azerbaijani firm which had occupied this government property prior to the transfer of ownership. This is the first time that anything like this has ever happened in Azerbaijan and perhaps in all of the former Soviet Union. For the first time the legal protections of a production sharing agreement, which is approved by Parliament and takes precedence over Azerbaijani law, has been granted to a firm developing something other than an oil and gas field.

There is more - a lot more - but this should be enough to demonstrate that Azerbaijan really is in serious and, I believe, irreversible transition from the controlled and largely impenetrable business climate inherited from the Soviets and made worse in the early years of independence to a Western-style marketplace characterized by stability and greater transparency and predictability. Much remains to be done and the process will take years, perhaps a decade or more, before the country begins to approach European or American standards throughout.

Any investor coming to Azerbaijan and opening an office here will be in for a very pleasant living experience. Azerbaijanis are sharp businessmen and extremely entrepreneurial but they are also warm and hospitable to a degree seldom seen in the West. Today's Azeris are the inheritors of a proud cultural tradition. They revere their poets and routinely reach back hundreds of years to quote the works of Nizami and others. They are justifiably proud of their diverse and complex musical forms and their national dances, but their long exposure to Russia has overlain the strictly national so that opera and ballet are also widely appreciated in Baku. For the more adventurous the Trans-Caucasus mountains, beginning some two hours' drive northwest of Baku, offer magnificent scenery as well as fine hiking, climbing and hunting and the opportunity to explore the ruins of ancient castles and Alban period monasteries.

Baku itself is becoming increasingly comfortable. The walled Old City dates back to the 11<sup>th</sup> century and the city center boasts many buildings designed and built by European architects in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. These, with

their narrow cobblestoned streets, give Baku an element of Old World charm not found elsewhere in this region, although the city center is becoming choked with automobile traffic. Fine newly-constructed apartments, and rehabilitated Soviet and pre-Revolutionary apartments are available, as are fine Western-style villas, all at prices which will seem inexpensive to those coming from Europe. Baku boasts several fine hotels, among the best in this part of the world, and there are many outstanding restaurants offering local and international menus. There are several super markets offering a wide range of Turkish and other Western foodstuffs and the shops and bazaars market everything from the latest electronics and expensive designer clothes to discount imports from China. Many American, British and other TV news, sports and entertainment programs are available via satellite. There are two excellent international schools in Baku offering British and American curricula. Labor is still inexpensive in Azerbaijan and the ladies can easily find household help or experienced drivers to help negotiate the ideosyncracies of Bakuvian traffic. Airline connections are excellent to Dubai and to a number of the great cities of Europe.

Reading through all of this it begins to sound as if I am a cheerleader for Azerbaijan, and maybe I am. I don't mean to suggest that adjustments are not necessary in living here, but where are they not? I don't mean to suggest that there are no obstacles to doing business here or that profits are assured, but where is that ever the case? The fact is that I live here in Baku. My wife lives here. My sons live here. As a family we believe in the future of Azerbaijan and we enjoy living and doing business here or we would not stay. The future that I see for Azerbaijan is one of rapid economic development, of prosperity and continued stability, in which all will have an opportunity to share. I intend to be a part of that future. But there is plenty of room for others.

*Stanley T. Escudero*

Ambassador (retired), President

American Chamber of Commerce of Azerbaijan

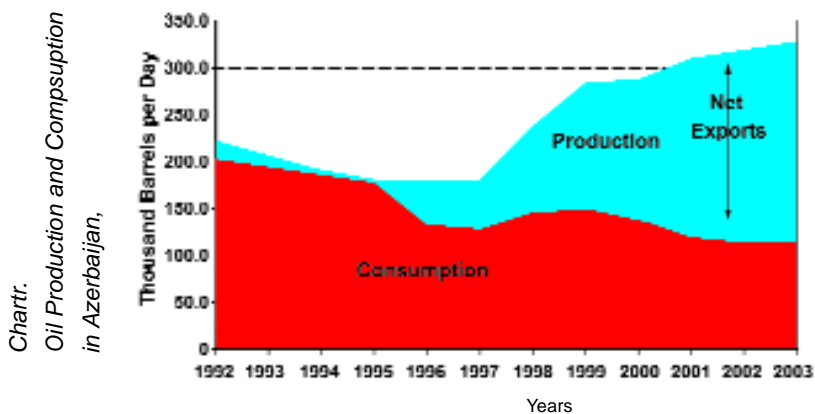


**SECTORS  
REVIEW**

### 3.1 Oil and Gas (including regulatory environment of the industry)

By the late XIX century with the discovery of huge oil reserves, Azerbaijan, which at that time was a part of tsarist Russia, quickly became one of the oil centres of the world, providing for circa half of the global oil supply. A number of foreign oil companies and powerful investors, including Shell, Rothschild, the Nobel brothers and many others had interests in Azerbaijan. Unfortunately, with the collapse of the Russian Empire in 1917 and appearance of a new state, the Union of Soviet Socialist Republics, the gates for foreign businesses to Azerbaijan closed for a substantial period of 74 years.

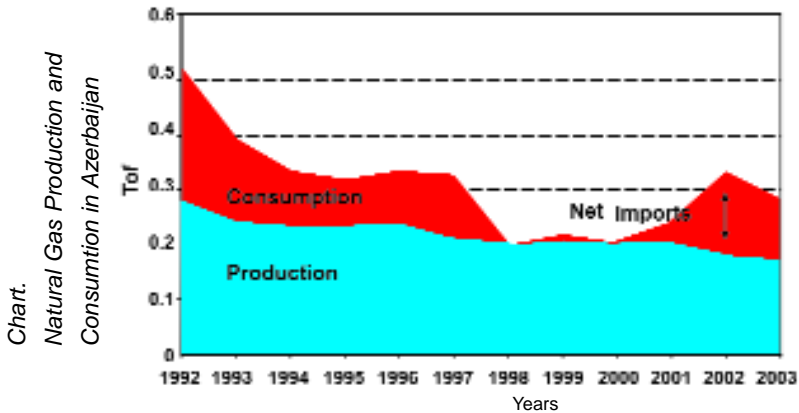
In late XX century the country again become the hot spot for the oilmen of the world. Azerbaijani government invited the largest international oil companies such as British Petroleum, Amoco, Total, Elf, Lukoil, Itochu and others to jointly develop the previously closed hydrocarbon reserves of the Caspian basin.



Now the country is on the verge of the second oil boom. Azerbaijan attracted a large number of foreign investors to operate in oil fields in accordance with Production Sharing Agreements between the government and the prominent western companies. By now most of the global oil & gas corporations either operate or present in Azerbaijan: They are active players on the Azerbaijani oil market. Azerbaijan's oil production (total liquids) averaged 327,700 barrels per day (bbl/d) in 2003 (SOCAR) and rest mainly from an international consortium - Azerbaijani International Operating Company (AIOC).

Around 60% of Azerbaijan's oil output comes from the State Oil Company. Its portion, however, will decrease as the international contracts are developed.

AIOC's main offshore field known as Azeri-Chirag-Gunashli (ACG) has proven crude oil reserves of 5.4 bln barrels (between 40%-70% of Azerbaijan's total reserves).



The exploitation of the hydrocarbons in Azerbaijan as well as similar projects in the neighboring countries led to the development of the regional system of pipelines. Two major pipelines were renovated in late 90-s: Azerbaijan-Georgia (Baku-Supsa) and Azerbaijan-Russia (Baku-Novorossiysk) and now transport bulk of the Azerbaijani oil. The new Baku-Tbilisi-Ceyhan (Azerbaijan-Georgia-Turkey) pipeline which is estimated to cost \$3 billion and become one of the largest energy projects globally will be the main oil pipeline in the region.

Parallel to the BTC a gas pipeline Baku-Tbilisi-Erzurum is envisaged. It is to take the natural gas from the recently discovered major Shahdeniz oil field to Turkey and possibly further to Greece and the south east of Europe.

Once the BTC pipeline is fully operational (mid 2005) and ACG developed, oil production and exports are expected to increase dramatically. The peak of Azerbaijan oil production is projected for 2009 with 1.3 mln bpd, roughly four times current production.

- To the moment 23 PSA were concluded between Azerbaijan and transnational oil corporations.
- The shareholders in the largest PSA (Azeri, Chirag, Guneshli) are: BP, Unocal, Inpex, Statoil, ExxonMobil, TPAO, Devon, Itochu, Delta Hess and SOCAR. The oil reserves in this field alone are 630 mln metric tons.

### ***State Oil Fund (SOFAZ)***

On December 29, 1999, the Azerbaijani President Heydar Aliyev issued a decree creating a State Oil Fund of Azerbaijan (SOFAZ). It is a mechanism whereby energy-related windfalls will be accumulated and efficiently managed. In so doing, the government is demonstrating its overriding desire and determi-

nation to avoid the inherent risks for any nation in the midst of an oil and gas boom to spend excessively and create macroeconomic distortions. In January 2005, SOFAZ reported \$970 million.

Azerbaijan has proven natural gas reserves of roughly 30 trillion cubic feet (Tcf), and the potential for even larger reserves.

The country's leading natural gas producer, the Bahar oil and gas field, is located off the southern tip of the Absheron Peninsula and currently accounts for slightly over half of the country's natural gas output. The Gunashli field accounts for approximately 67% of the oil and 50% of the natural gas produced in the country.

Azerbaijan opened the Caspian Sea region for international business. The oil & gas sector of the Azerbaijani economy is an excellent example of a successful cooperation between multinationals and the government of a country in transition.

The country's oil & gas policy proved extremely successful in opening it up for the international businesses in other sectors. At the moment a number of international service companies, engineers, shippers in the oil related industries successfully do business in Azerbaijan

### ***Production Sharing Agreements***

The Government of Azerbaijan in PSA is represented by the national oil company, the State Oil Company of the Azerbaijan Republic (SOCAR), which has been responsible for implementing Azerbaijan's state policy for the oil and gas industry. SOCAR has executed all of the PSAs concluded so far between the Government of Azerbaijan and foreign oil companies. Owing to the absence of any national legislation that covers the oil and gas industry and specifically addresses the need for sectoral growth, such PSAs have been enacted into the legislative system of the Republic of Azerbaijan as laws of the country. Each PSA does not only constitute a part of the Azerbaijani legal system: it also takes precedence over "general" Azerbaijani legislation in the event of any inconsistency between the PSA and any other Azerbaijani law of general application. To date 23 PSAs have been signed and adopted as laws of the Republic of Azerbaijan.

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 article 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.

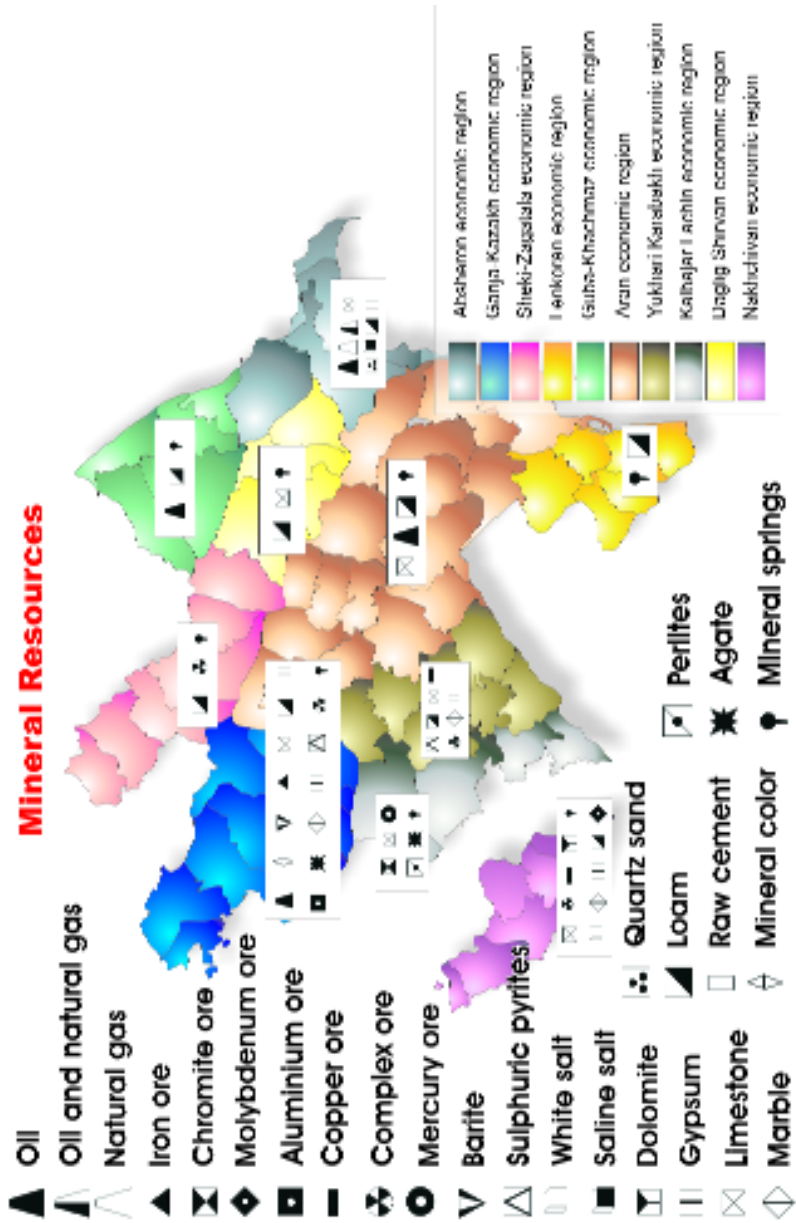
Value Added Tax is not applicable to any supplies and sales within the ambit of any PSA.

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 Sub-contractors) 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 Industrial Policy and Energy was established by Presidential Decree on 6 December, 2004. Although the full competencies of the new Ministry have not yet been defined, it is expected that the new Ministry will regulate issues related to the oil and gas industry.

### 3.2 Minerals and Mining



Azerbaijan is rich in mineral resources and natural diversity. Apart from major oil & gas deposits there are numerous mining sites for ferrous and non-ferrous 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.

Below is the indicative map of mineral resources distribution over the territory of the country.

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 let a foreign company to become a manager of the mining fields in Azerbaijan after conclusion of an appropriate agreement with the Government.

### 3.3 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 and consumption of electricity (million kWh)*

|                                      | 1990  | 1995  | 1999  | 2000  | 2001  | 2002  | 2003  |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Total production                     | 24904 | 17943 | 19812 | 19571 | 20612 | 21076 | 23722 |
| Total domestic consumption of which: | 18439 | 15001 | 16145 | 16423 | 17086 | 16317 | 18407 |
| industry                             | 8905  | 4442  | 2844  | 2671  | 3881  | 3041  | 4390  |
| construction                         | 872   | 175   | 60    | 36    | 75    | 25    | 37    |
| agriculture                          | 2142  | 2603  | 903   | 803   | 827   | 662   | 696   |
| transport                            | 807   | 663   | 632   | 537   | 551   | 503   | 657   |
| household                            | 1065  | 4075  | 9147  | 9902  | 10172 | 11139 | 12079 |
| other                                | 4648  | 3043  | 2559  | 2474  | 1580  | 947   | 548   |
| Losses                               | 3109  | 2443  | 2781  | 2770  | 2560  | 3834  | 4444  |
| Export                               | 3356  | 499   | 886   | 378   | 966   | 925   | 871   |

The development of the energy sector of the country towards modern and fuel-efficient standards is an important goal. New legislation and a wide-range of reforms have been introduced in order to satisfy the demands of an open economy. The Government has recently contracted out the management of several electricity distribution networks, including that of Baku, to foreign-owned

private companies. The term of management contracts is 25 years. The Government intends to continue commercialization of the industry. Small hydroelectric plants are being privatized now, and a law laying down the principles of future fair competition for private producers in power sector has come into force.

A medium and long-term strategy for the power sector was prepared recently. A Decree of the President dated October 21, 2004 mandating 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 Azerbaijan Republic in 2004-2015" was prepared and submitted to the Head of State recently.

A loan from the Japanese International Cooperation Bank in 2002 facilitated the construction of an oil-associate gas generating plant with capacity of 400 megawatt. An agreement to build another similar plant also reached.

Another off-gas processing plant with a capacity of 500 MW is under construction by Siemens in Sumgayit. The goals are to increase energy generation and to achieve higher environmental standards.

It is also expected that finance for 330-220 KV electric transmission lines designed to link the four national power systems of Azerbaijan, Russia, Iran and Georgia will be provided by international sources.

A project financed by KfW bank of Germany, aimed at replacement of some of equipment (transformers, switches etc.) in high-voltage (330-220 and 110 KV) sub-stations of the power supply system is underway.

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

The Azerbaijani government's priorities in respect of projects aimed at improvement of energy supply to households and industry are as follows:

- Rehabilitation of the Ali-Bayramli Electric Station (1050 MVt) which is inefficient, old and poor repair.
- Construction of new medium-sized generating stations (100 MVt) by private investors. These are intended to improve services to consumers, to promote competition and to enhance the sustainability of the system.
- Construction of small wind farms and hydro power stations. The expert opinion is that they may be very efficient. Private investments are welcome.
- Construction of new hydropower stations.
- Introduction on the Azerbaijani market (or domestic production) of the energy efficiency equipment and technology.

Private capital in the electricity sector is encouraged by legislation in order to support energy efficiency and to increase the confidence of investors.

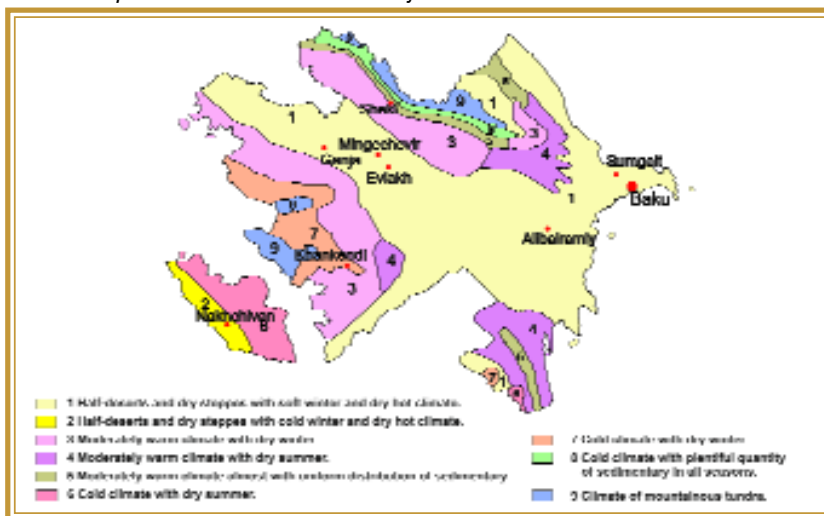
### 3.4 Agriculture

#### *Production of Azerbaijani a/c*

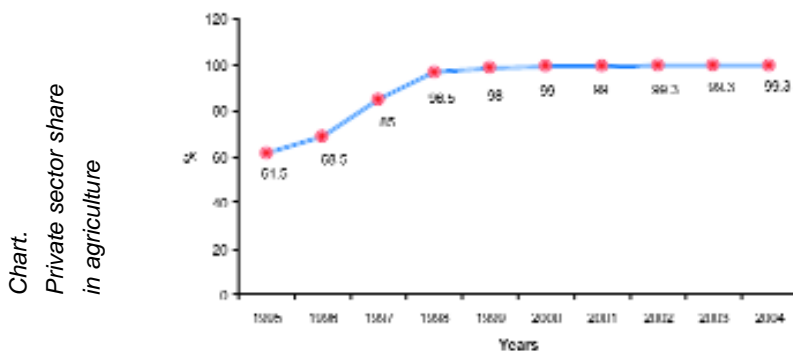
|                     | 1995  | 1996  | 1997  | 1998  | 1999  | 2000   | 2001   | 2002   | 2003   |
|---------------------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| Production, mln USD | 713.8 | 903.6 | 824.5 | 884.4 | 946.2 | 1060.7 | 1179.8 | 1270.5 | 1400.0 |
| Change, %           | -7    | 26.6  | -8.8  | 7.2   | 7.0   | 12.1   | 111.2  | 7.7    | 10.2   |

Azerbaijan is one of the world's oldest agricultural centres. The country's climatic diversity allows a very broad range of crops to be cultivated.

#### *Map. Climatic zones in Azerbaijan*



At the moment agriculture accounts for approximately 12% of the domestic product. The sector is growing rapidly. The annual average growth since 2000



in the sector has been 9.7 %, i.e. one of the highest sustained growth rates registered. Agriculture and related sectors are the principle employers in the country. 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.

| Product | Peak production<br>thsd tons | Year |
|---------|------------------------------|------|
| Grape   | 2,126.1                      | 1984 |
| Cotton  | 831.2                        | 1981 |
| Tobacco | 65.2                         | 1986 |
| Tea     | 34.5                         | 1988 |

In addition to meeting most of domestic demand with high quality products, the country's agricultural producers are traditional suppliers to a number of large regional markets. The most substantial one is the market of the former Soviet Union (including Russia).

Azerbaijani fruits, vegetables, wines and brandy are the trademark of Azerbaijan in the region.

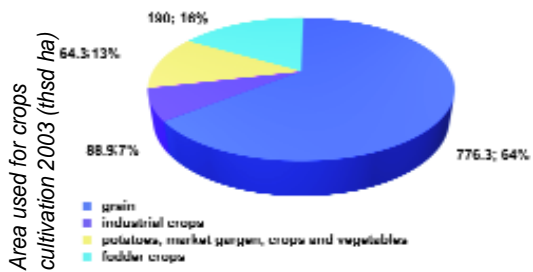
Apart from food products Azerbaijan is also traditionally strong in cultivating such non food crops and products as cotton, silk and tobacco.

The sector has already exceeded the best outputs of soviet times for a number of products, such as fresh fruits and vegetables, cattle and poultry. Azerbaijan is strong in such items as wine and brandy production, tea, tobacco and hazelnuts.

| Products                         | 1990   | 1991   | 1992   | 1993  | 1994  | 1995  | 1997   | 1998  | 1999  | 2000   | 2001   | 2002  | 2003   |
|----------------------------------|--------|--------|--------|-------|-------|-------|--------|-------|-------|--------|--------|-------|--------|
| Cereals<br>(after peeling ratio) | 1364.4 | 1291.4 | 1285.3 | 1100  | 988.3 | 881.5 | 1080.5 | 926.3 | 1075  | 1508.9 | 1970.4 | 2148  | 2010.6 |
| Cotton                           | 542.9  | 539.7  | 336.3  | 284.5 | 283.7 | 274.1 | 124.6  | 112.9 | 96.8  | 91.5   | 83.6   | 80.4  | 99.6   |
| Tabacco                          | 52.9   | 57.3   | 52.3   | 44.9  | 20.8  | 11.7  | 15.1   | 14.6  | 8.6   | 17.3   | 12.7   | 3.3   | 4.7    |
| Potatoes                         | 185.2  | 179.9  | 156    | 152.2 | 150.3 | 155.5 | 223.4  | 312.5 | 394.1 | 469    | 605.8  | 694.9 | 769    |
| Vegetable                        | 856.2  | 805.3  | 555.1  | 487.8 | 482.9 | 424.1 | 495.4  | 502.3 | 670.8 | 780.8  | 916.4  | 974.6 | 1046.3 |
| Market garden crops              | 67.5   | 61.9   | 50.1   | 46.9  | 44.9  | 41.9  | 57.1   | 78.8  | 206.3 | 261    | 290.9  | 330.3 | 356.7  |
| Grapes                           | 1196.4 | 1125.6 | 607    | 411.3 | 313.8 | 308.7 | 145.3  | 144.2 | 112.5 | 76.9   | 68.1   | 62.1  | 65     |
| Fruit and berries                | 367.4  | 498.3  | 400.9  | 346.4 | 323.5 | 324.4 | 330.9  | 390.6 | 436.5 | 477    | 497.5  | 516.8 | 572.1  |
| Tea leaves                       | 30.7   | 26.6   | 22.6   | 24    | 19.4  | 9.4   | 1.6    | 0.9   | 2.7   | 1.1    | 1.4    | 1.4   | 0.9    |

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, rehabilitation of existing facilities and development of green-field projects. Along with traditional agricultural products, substantial opportunities exist in export oriented segments.

It is definitely worth mentioning that the Government introduced tax holidays for the producers of a/c production that continues up to now. The measure has undoubtedly stimulated the growth in the sector.



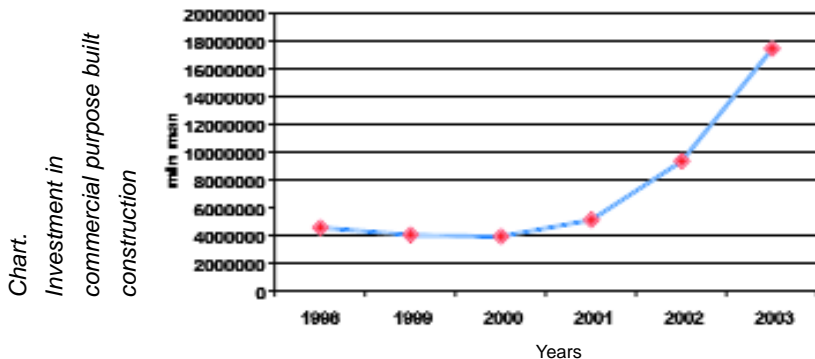
### 3.5 Construction

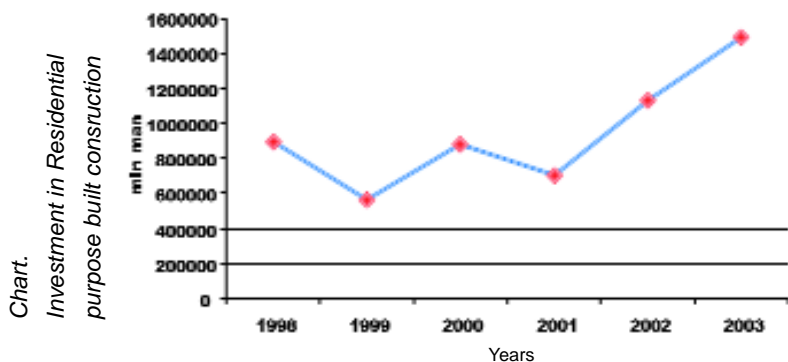
Azerbaijan is a booming construction market. There are several reasons behind the rapid development of the business in Azerbaijan in the last few years. The major one is the large capital investment in local infrastructure related to oil and gas projects.

|   |                               |
|---|-------------------------------|
| Total investment in construction sector in 2004 | - 6.7 trillion man            |
| Growth from 2003                                | - 57.5 %                      |
| Share of foreign capital                        | - 73.7 %                      |
| Growth from 2003                                | - 36.8 %                      |
| Total area built:                               |                               |
| in 2004   | - 1,156.1 thsd m <sup>2</sup> |
| in 2003   | - 1,254.5 thsd m <sup>2</sup> |

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 sector is growing year by year. 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.





In 2003 some three quarters of all capital construction was for commercial purposes with the rest being residential construction. In 2004 the trend changed in favour of residential development. It is highly likely that the proportion of residential construction will increase substantially as a result of increasing incomes of population.

The construction sector is a major employer.

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.

*Number of employees  
in the construction sector*

| Year        | 2001 | 2002 | 2003 |
|-------------|------|------|------|
| Thsd people | 155  | 178  | 180  |

### 3.6 Food and Beverages

The food processing industry in Azerbaijan consists of three main segments. These are meat processing, production of dairy products and 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.

*Retail sales of alcoholic beverages (thsd decalitres)*

| Alcoholic beverages | 1990 | 1995  | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------|------|-------|------|------|------|------|------|------|
| Vodka and liqueurs  | 2287 | 106.1 | 2032 | 2041 | 2088 | 2148 | 2198 | 2228 |
| Grape wine          | 721  | 18.7  | 969  | 971  | 970  | 975  | 994  | 1005 |
| Cognac              | 99   | 14.4  | 636  | 636  | 630  | 628  | 629  | 630  |
| Champagne           | 268  | 246   | 298  | 313  | 320  | 327  | 337  | 331  |
| Beer                | 941  | 614   | 684  | 716  | 752  | 785  | 846  | 850  |



### *Retail sales of foodstuffs*

| Food items   | 1990  | 1995  | 1998  | 1999  | 2000  | 2001  | 2002  | 2003   |
|--|-------|-------|-------|-------|-------|-------|-------|--------|
| Meat and meat products (calculated as meat), thsd ton  | 156.9 | 106.1 | 114.4 | 128.5 | 137.9 | 146.9 | 154.5 | 161.3  |
| Butter, thsd ton                                       | 52.1  | 18.7  | 27.4  | 30.4  | 34.2  | 37.6  | 40.9  | 42.6   |
| Vegetable oil, thsd ton                                | 4.5   | 14.4  | 16.2  | 16.2  | 18.3  | 20.2  | 21.2  | 23.5   |
| Milk and dairy products (calculated as milk), thsd ton | 394.6 | 247.7 | 239.8 | 272.8 | 303.4 | 318.3 | 326.8 | 349.7  |
| Cheese and white cheese, thsd ton                      | 16.0  | 27.0  | 21.6  | 23.5  | 26.1  | 27.5  | 29.4  | 32.5   |
| Eggs, mln  | 450.7 | 241.3 | 401.0 | 405.6 | 437.5 | 471.5 | 515.3 | 568.0  |
| Sugar, thsd ton  | 191.6 | 89.8  | 116.9 | 140.0 | 144.8 | 152.6 | 161.8 | 163.9  |
| Confectionary, thsd. ton                               | 75.4  | 39.5  | 27.7  | 35.8  | 39.4  | 44.0  | 45.7  | 47.9   |
| Cereal products (calculated as flour), thsd ton        | 905.3 | 854.3 | 851.5 | 868.3 | 893.9 | 924.1 | 956.8 | 1016.1 |
| Potatoes, thsd ton                                     | 170.1 | 154.5 | 175.7 | 224.4 | 231.5 | 255.7 | 280.2 | 300.2  |
| Vegetable, thsd ton                                    | 361.5 | 326.6 | 395.3 | 406.0 | 469.4 | 523.2 | 566.8 | 641.0  |

Several small businesses are engaged in processing of dairy products and a few medium and large companies undertake packaging and 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 privately owned. 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-orientated agricultural production and processing. Azerbaijan's pomegranate, feijoa and grape juices and its olives, hazelnuts and other produce are all extremely competitive in international terms. Azerbaijani wines and brandies are a traditional export product.

The former markets included Russia, Ukraine and other countries of the region.

### **3.7 Cotton and Textiles**

Azerbaijan has a long tradition of production, spinning and weaving of cotton and silk. Industrial weaving started in the late 19<sup>th</sup> century. Further industrialisation of Azerbaijan in the 20<sup>th</sup> century stimulated rapid development of light industries including textiles. The current situation of the textiles and weaving sector is shown in the following table:

| Item and measure unit  | Produced in 2003 | % of previous year |
|--|------------------|--------------------|
| Pure lanolin-free wool, tonn                                       | 171.5            | 3.6                |
| Cotton cloth thousand, m <sup>2</sup>                              | 275.8            | 9.8                |
| Woven carpet etc. knitted floor coverings, thousand m <sup>2</sup> | 4.1              | 75.9               |

The main raw materials for the domestic textile industry are cotton, wool, silk cocoons, leather and synthetic fibre. They are produced locally in abundance.

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 tonnes. More than half of the increase was derived from higher productivity, which reached 1.5 tonnes per hectare in 2003, over 13% more than the year before. The 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 2003, the local sheep stock reached 9.3 million head, and 12100 tonnes of wool (2.1% more than in 2002) were produced. This volume is equivalent 5600 tonnes of washed wool or 3420 tons of wool yarn. Weaving capacity is sufficient to produce 23.8 million square meters of woollen fabric from yarn, 34000 m<sup>2</sup> of handmade carpet and 43000 m<sup>2</sup> of machine-made carpets and carpet products.

There is potential to produce over 9000 tonnes of green cocoons annually by increasing the area of mulberry plantations to 25000 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 2600 tons or about 18 million m<sup>2</sup> of silk cloth (1 kg - 5-7 m<sup>2</sup>).

There are also great opportunities for hide and leather production and processing in Azerbaijan as livestock-breeding has been growing rapidly for the last few years. The number of livestock exceeded 9 million in 2003, of which 7 million were sheeps.

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. 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 labour and low production costs;*
- *Strong historical traditions in weaving;*
- *Local raw materials;*
- *Favourable 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 privatisation of state owned textile plants.*

### 3.8 Transport

Azerbaijan has a relatively developed transport infrastructure. It includes 25000 km of roads, over 2000 km of railroads, and 3 international airports, including the largest one in the region, as well as several regional airports. It also has the largest Caspian port.



The challenges for Azerbaijan include both upgrading of existing infrastructure, some of which was poorly maintained in 1990s, and construction of new infrastructure to reinforce its status as a transit point for goods from Central Asia to Europe.

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

The transport sector in Azerbaijan, comprising railway, aviation, roads and maritime shipping, amounts for about 10% of domestic output. 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 altered to achieve a clear differentiation between transport policy and transport operation. This was a significant step towards modernising the transport sector in Azerbaijan.

*Total goods transported (1990-2003)*

|           | 1990   | 1995   | 1998  | 1999  | 2000   | 2001   | 2002   | 2003   |
|-----------|--------|--------|-------|-------|--------|--------|--------|--------|
| Tonnes    | 565611 | 115282 | 83382 | 92993 | 105005 | 121818 | 127070 | 140393 |
| Change, % | -9.3   | -25.7  | -1.9  | 11.5  | 12.9   | 16.0   | 4.3    | 10.5   |

Particular focus is being given to the role of multi-modal transport to serve the needs of Euro-Asian logistics. This involves the establishment of a favourable 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 these help Azerbaijan in its effort to integrate into the global economy.

*Gross rate passenger turnover by various transportation modes (% to previous years)*

|   | 1990  | 1995 | 1998  | 1999  | 2000  | 2001  | 2002  | 2003  |
|---|-------|------|-------|-------|-------|-------|-------|-------|
| Total   | 97.2  | 96.1 | 108.4 | 100.2 | 101.7 | 102.6 | 99.9  | 103.1 |
| of which:   |       |      |       |       |       |       |       |       |
| By transport companies and persons- total of which: | 98.6  | 86.2 | 116.0 | 97.8  | 102.4 | 103.3 | 101.9 | 105.3 |
| railway   | 108.0 | 73.2 | 109.0 | 79.2  | 116.8 | 108.9 | 108.8 | 112.0 |
| sea   | 81.5  | 90.9 | 53.5  | 75.0  | 100.0 | 83.3  | 120.0 | 100.0 |
| air   | 93.4  | 85.5 | 81.4  | 71.1  | 95.6  | 103.6 | 106.9 | 125.9 |
| road  | 103.0 | 80.0 | 58.1  | 100.5 | 104.2 | 104.2 | 101.2 | 102.4 |

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

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)

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

European Union (EU) sponsors development of the transport sector through both TRACECA and national projects. The EU's 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.

Private investors are currently investigating opportunities for an international logistics centre close to Baku, with access to rail, road and water transportation. It is planned that this centre will be used for transport management, customs bonded warehousing and logistics services. Additional services including, among others, product finishing, sales support and equipment maintenance will be made available. The logistic centre will act as a bridge between transport and industry. Investments in the transport field are welcome in Azerbaijan and the country offers a variety of Public Private Partnership (PPP) investment models. The Ministry of Economic Development, in close cooperation with the Ministry of Transport, is the appropriate points of contact.



### 3.9 SME sector

Small and Medium sized enterprises play an increasing role in the economy. One of major developments for these size businesses was the 1<sup>st</sup> stage privatization in mid 90-s when overwhelming majority of small state owned entities were denationalized. This included retail, restaurants, plots of land, services etc. As a result the share of SME in domestic product grew substantially. This trend continues today when the small and medium sized enterprises expand activities and there are numerous business start ups.

Below are some figures to illustrate the structure of the Azerbaijani SME sector in 2004

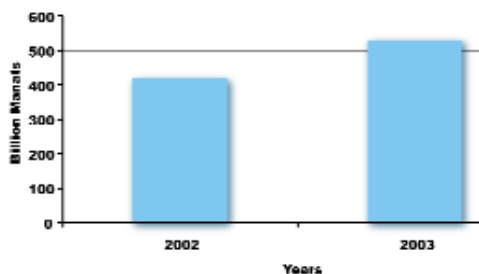
Support to small business is one of the top priorities for the Government. The incentives to this type of businesses include tax and reporting measures. The Government launched the Entrepreneurship Support Fund, a revolving account aimed at provision of predominantly small businesses with soft loans to develop business.

| Type of Activity   | Number of enterprises |
|--|-----------------------|
| TOTAL  | 47211                 |
| including:   |                       |
| Agriculture, hunting & forestry  | 8007                  |
| Processing industry  | 4695                  |
| Mining industry  | 349                   |
| Electric power, gas and water supply   | 183                   |
| Construction   | 4830                  |
| Wholesale and retail; automotive, motorcycles, household goods and maintenance | 19743                 |
| Hotels and restaurants   | 623                   |
| Transport, warehouses and telecommunication                                    | 987                   |
| Financial services (brokerage)   | 383                   |
| Real estate, rent (lease), commercial activity                                 | 4742                  |
| Education  | 171                   |
| Healthcare and social services   | 661                   |
| Other communal, social and individual services                                 | 1837                  |

### 3.10 Telecommunications Market

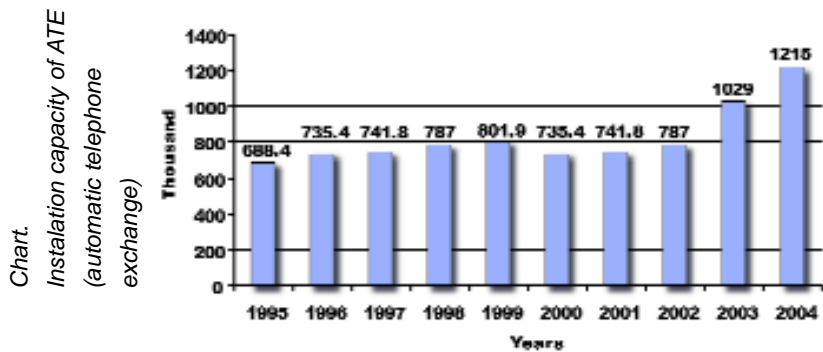
Azerbaijani telecommunications is the second largest recipient of foreign investment after the oil industry. The first wave of liberalization took place in 90-s when a number of foreign investors entered the market. The largest FDI stock is in the mobile telephony, followed by a number of enterprises with the foreign capital in land

Incomes of telecom enterprises

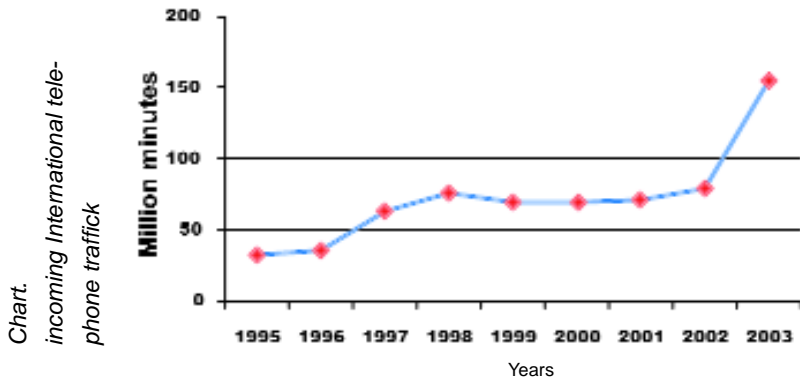


lines operating companies, internet providers and cable TV companies. Foreign investors are represented by Turkish, Israeli, UK, Russian, US etc. capital. The sector now on the verge of further restructuring. One of the major steps taken is continuing privatization of the state shares in the telecom and IT enterprises.

The Azerbaijani telecom market is expanding rapidly. It is one of the leading sectors contributing to the economy growth. Total capacity of the land line telephone network reached 1029000 lines in 2003. Extra 125 thousand lines were installed in 2004 only which is above 10% growth. Number of mobile telephone subscribers exceeded 1.3 million and in 2004 and continues to grow rapidly.



Share of digital lines in the telephone network of the Republic reached 48.4 % in 2003 (54.1% in Baku). International incoming traffic nearly doubled from 78.9 to 155.2 million minutes as compared to 2002. Outgoing traffic increased by 30% in the last year.



At present there are 13 telephone sets per 100 inhabitants. The similar indicator is 18.8 for urban areas and 3.8 for rural areas. There are about 400000 Internet users in Azerbaijan with a network of service providers throughout the country. Further development of the telecom services is underpinned by the construction of Trans-Asia-Europe fiber-optic cable. It will give an impetus to introduction of new internet related services, international traffick etc.

The two mobile operators in the country are Bakcell and Azercell. By the end of 2003 the number of subscribers of Azercell reached 1077558 and is expected to exceed 1200000 by early 2005. Coverage area of the network is 71% of Azerbaijan's territory. The capital investments made by Azercell only exceeded 270 mln USD.

All the above as well as the developing legal framework aimed at liberalization of the market undoubtedly provides for substantial business opportunities for foreign companies with technologies and skills.

### 3.11 Tourism & Hotel Management

Azerbaijan is aiming at promoting itself as a new tourist destination as opposed to traditional "tourist" countries. It just recently reentered the maps of global tour operators. Though a comparatively new this business in Azerbaijan proved to be particularly successful.

This is mainly due to substantial natural potential of Azerbaijan in respect of tourism development. 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 Decree "On

Tourism" (June 4, 1999) the number of inward tourists increased significantly. As number of tourists visited Azerbaijan in 2002 was three and a half times the number of tourists that visited in 2001.

Total number of visitors to the country is increasing year by year.

|                          | 1998   | 2000   | 2002   | 2003    | 2004    |
|--------------------------|--------|--------|--------|---------|---------|
| Total number of visitors | 483163 | 681000 | 793345 | 1066290 | 1350000 |

Business visits account for the majority of trips to Azerbaijan at the moment (the so called business tourists). Simultaneously, there is at the same time substantial growth in the outward tourism as well.

Opportunities exist for the development of regional tours (the so called Silk Way Tours including countries of the Central Asia & Caucasus).

A number of internationals such as Hyatt and Radisson SAS already have substantial operations in Azerbaijan.

The Azerbaijani tourism industry as such was estimated to be worth 60 mln USD income per annum in 2003. 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 Naphtalan therapeutic oil, fascinating sceneries etc.

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.



### 3.12 Insurance

Insurance market is one of the most important 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. Currently, there are 29 companies operating in the market.

There are two public organizations established to satisfy demands of the market: Union of Azerbaijani insurers and Union of insurance societies of Azerbaijan. Activities of such establishments are directly contributing to the insurance market development and to revive activity of the companies. The seven insurance majors are the members of the Insurance Council established by the Ministry of Finance of Azerbaijan.

Existence of such companies as Ingosstrax, Aon, Heath Lambert, Marsh McLennon, Willis and others shows increased interest of foreign insurers, reinsurers, brokers to local market.

It should be noted that since 1993 Azerbaijan is a transit member of international system of automobile owners liability insurance - 'Green Card' and cargo transporters' liability insurance 'TIR Carnet'. Currently work on fulfillment of normative requirements for completing Azerbaijan's full membership is conducted.

There are 35 types of insurance products on the Azerbaijani insurance market. 9 of them are mandatory insurance and 26 are voluntary insurance products. Here is a list of products putted in line beginning from the product which is most common and in popular demand:

1. Motor vehicle insurance (automobile)
2. Property insurance
3. Cargo insurance
4. Accident insurance
5. Third parties liability insurance
6. Health insurance
7. Life insurance
8. Financial risks insurance

This list doesn't contain types of mandatory insurance as they indicate the care of the government for financial assurance security of the population rather the degree of increased public interest in insurance.

During the last five years legal framework for standard operation of the market has been created. In particular Law of the Republic of Azerbaijan 'On Insurance', Law 'On mandatory insurance of motor vehicle owner's liability', Law 'On mandatory fire insurance of property', Law 'On mandatory ecological insurance' and etc. should be noted.

Analysis of the insurance market conducted on a regular basis brings to light the need for further reforms and innovations. Several amendments and modifications are being made to rules and norms in order to satisfy these needs.

Periodical increase of regulatory value of authorized capital of insurance companies brings to rational decrease of their quantity.

As beginning of 2005 total authorized capital of Azerbaijani insurance companies raised for 12.1 billion AZM making up 97.1 billion AZM. Share of Azerbaijani insurance companies within the structure of the insurer's authorized capital volume is 82%, share of joint ventures is 18%. Currently there are 29 insurers operating in Azerbaijan, 7 of them are joint ventures.

There are still new opportunities in Azerbaijan for insurers as total number of signed contracts by all insurers are far from meeting potential of the market. In compare with 2003 bonuses of all insurance companies increased for 30% in 2004. It should be noted that total sum of insurance payments also increased for 30% in compare with last year.



**OVERVIEW  
OF SOME REGIONS  
OF AZERBAIJAN**

|   | Absheron                                | Aran   | Daglig Shirvan   |
|---|---|--|--|
| Administrative districts within economic district | Sumgait city, Absheron, Khizi districts | Agdash, Aghjabadi, Barda, Beylagan, Bilasuvar, Geokchay, Hajigabul, Imishly, Kurdamir, Neftchala, Saatli, Sabirabad, Salyan, Ujar, Zardab districts, Mingachevir, Yevlakh, Ali-Bayramli cities | Agsu, Ismayilli, Gobustan and Shamakhi                                     |
| Total area of the economic district               | 3.34 thsd km <sup>2</sup>               | 21.43 thsd km <sup>2</sup>   | 6.06 thsd km <sup>2</sup>  |
| Share in country's total area                     | 3.9%                                    | 24.7%  | 7%   |
| Population  | 387.9 thsd people                       | 1667.1 thsd people   | 387.9 thsd people  |
| Share in total population of Azerbaijan           | 4.8%                                    | 20.5%  | 3.2%   |
| Workforce   | 162.9 thsd people                       | 918.3 thsd people  | 141.2 thsd people  |
| Popul. density                                    | 116 person per km <sup>2</sup>          | 78 person per km <sup>2</sup>  | 43 person per km <sup>2</sup>  |
| Most populated areas                              |   |  |  |
| Key sectors of economy                            | manufacturing and a/c production        | manufacturing & agriculture  | Agriculture, food processing, industry                                     |
| Major products                                    | olives, cattle breeding                 | cotton, grain-growing, wine-making, arid sub-tropical fruits   | Agriculture, viticulture, vegetables, winemaking, fruits, animal husbandry |

|   | Ganja-Gazakh   | Guba-Khachmaz   | Lenkaran  |
|---|--|---|---|
| Administrative districts within economic district | Ganja, Akstafa, Dashkesan, Gedebe, Goranboy, Naftalan, Khanlar, Gazakh, Samukh, Shemkir, Tovuz districts | Devechi, Khachmaz, Guba, Gusar and Siyazan administrative districts | Astara, Jalilabad, Lerik, Masalli, Yardimli, Lenkoran districts |
| Total area of the economic district               | 12.49 thsd km <sup>2</sup>   | 7.66 thsd km <sup>2</sup>   | 6.08 thsd km <sup>2</sup>                                       |
| Share in country's total area                     | 14.4%  | 8.8%  | 7%  |
| Population  | 1103.3 thsd people   | 453.1 thsd people   | 753.7 thsd people   |
| Share in total population of Azerbaijan           | 13.6%  | 5.6%  | 9.3%  |
| Workforce   | 632.421 thsd people  | 257.2 thsd people   | 365.6 thsd people   |
| Popul. density                                    | 88 person per km <sup>2</sup>  | 59 person per km <sup>2</sup>                                       | 124 person per km <sup>2</sup>                                  |
| Most populated areas                              | Valley zone  | Flat country  | Lenkoran Valley   |
| Key sectors of economy                            | processing and manufacturing   | a/c production & tourism  | a/c production  |
| Major products                                    | potatoes, viticulture, grain, fruits   | vegetables, fruits, grain   | fruits & vegetables, tea, citrus, viticulture                   |

|   | Nakhchivan  | Sheki-Zagatala  | Yuxari Garabagh & Kelbajar Lachin  |
|---|---|---|--|
| Administrative districts within economic district | Nakhchivan city, Julfa, Sharur, Ordubad, Babek, Shahbuz, Sadarak and Kangarli districts | Sheki, Zagatala, Gabala, Oguz, Gakh, Balaken                  | Agdam, Terter, Khojavend, Khojali, Shusha, Jebrayil, Fuzuli. Including city as Khankendi, Kelbejar Lachin, Zangilan, Gubadli |
| Total area of the economic district               | 5.5 thsd km <sup>2</sup>  | 8.96 thsd km <sup>2</sup>                                     | 15.08 thsd km <sup>2</sup>   |
| Share in country's total area                     | 6.3%  | 10.3%   | 17.6%  |
| Population  | 369.8 thsd people   | 531.9 thsd people   |  |
| Share in total population of Azerbaijan           | 4.5%  | 6.5%  |  |
| Workforce   | 198 thsd people   | 293.395 thsd people   |  |
| Popul. density                                    | 66 person per km <sup>2</sup>   | 59 person per km <sup>2</sup>                                 |  |
| Most populated areas                              |   |   |  |
| Key sectors of economy                            | agriculture, a/c processing   | a/c, tourism  | a/c, animal breeding, sheep breeding, bee-keeping  |
| Major products                                    | tobacco, fruits, grain, viticulture, silkworm breeding                                  | tobacco, silkworm, fruits, grain, viticulture, meat and dairy | viticulture, grain fruits, tobacco   |

## Overview of the Absheron Economic Region

Absheron economic region is the largest contributor to country's domestic production. It is situated very favorably on the territory of the strategic Absheron peninsula. Terrain consists of hills, sub-mountain plain and low mountains. Arid subtropical climate is typical. Another major factor is that Baku with 2.5 million population is located here.



The region is rich with brick, lime, cement raw material, quartz and mason's sand reserves. Absheron peninsula is also rich with balneal resources. It is supplied with water by artificial channels from Samur and Kura rivers.

Gas extraction and petroleum production, petrochemicals and chemicals, ferrous and non-ferrous metallurgy, energy, light and food industry, R&D are the dominant sectors in the economy of Absheron. Construction, transport and services are well developed too.

Construction enterprises of the region produce glass, polymeric and other materials. Agriculture of Absheron is of suburban type and includes cattle and poultry, vegetables, wine-making, flowers and arid subtropical fruits cultivation. Climate of the district allows for growing of olives, saffron, pistachio and other produce.

Infrastructure is well developed. All major railways and highways as well as sea and air connections pass through the region. Northern shores of the peninsula are a major health resort area with a number of popular beaches.

### Overview of the Aran Economic Region



Aran is centrally located in Azerbaijan. More than half of the territory of the district consists of a plain below sea level. Mainly arid subtropical climate is typical. The region is the traditional area of settlement of population.

The main resources are oil, natural gas, iodide-bromine ore, construction materials. Abundant solar energy, water reserves of Kura and Araz rivers, large land resources are also among natural advantages of Aran.

Manufacturing mainly conglomerates in the south-west (Ali-Bayramli, Salyan, Neftchala) and north-west (Mingachevir and Yevlakh). Chemicals, machinery, light industry and food processing, construction materials form the major portion of the economy of the district. There is a number of chemicals production plants in Mingechaur, Salyan and Neftchala. Ali-Bayramli and Salyan are machinery centres. Produce of cotton mills is substantial. Cotton weaving (Mingechaur), pre-processing of wool (Yevlakh), leather production (Ali-Bayramli), carpet weaving (Gazi Mammad) are the key sectors of “light” manufacturing. Agriculture is mostly based on irrigated farming.

Aran is situated on the vital transport routes (railways and highways). Major connections from Baku to Georgia, Iran and Turkey are passing through the territory of the district. Yevlakh-Baku air connection is operating. Alet-Astara four-strip highway is under construction. It is expected to accelerate economic growth and stimulate trade and services.

There are great opportunities for organisation of various production including organic honey, tobacco, fruits, green tea, silk cocoon, juices, tinned goods, leather, asphalt covering, mineral waters, silk, furniture, woodworks, ferro-concrete materials and constructions, furnishings etc.

### Overview of the Dagliq Shirvan Economic Region

Dagliq Shirvan economic region is situated in the central part of Azerbaijan. Shirvan plain occupies territory of Agsu, Ismayilli, Qobustan and Shamakhi administrative divisions.

The terrain of the economic region splits into the plain and mountains. Climate of the region is very diverse. Mountainous part has moderately cold climate with plain being hot and dry.

There are brick, bank stone, sand, loam, detritus and other construction materials deposits. The mountains are rich with mineral water springs some of them are thermal.

Region's beautiful natural attractions, diverse climate, hot medicinal springs, wealth of local traditions in cuisine create favorable conditions for development of recreation and tourism businesses. Mountainous tourism can also be developed. There are also numerous trade, services and public health enterprises in the region.

Dagliq Shirvan is specializing in viticulture, winemaking, animal husbandry. Main emphasis in animal husbandry is cattle breeding. Traditional handcrafting (carpets) is also popular.

There are great opportunities in cultivation and processing of a number of products such as grape, grain, fruits and vegetables, meat, dairy products, organic honey, as well as various types of juice and other preserved food, construction materials, leather, asphalt, mineral waters, spinning and sewing consumer goods, confectionary, furnishings, woodworks etc. Opportunities within tourism industry should be emphasized.

## Overview of the Ganja-Qazakh Economic Region

Mild climate, beautiful natural attractions, mineral waters create favourable conditions for development of recreation and tourism business in this region. There are magnificent Goy-Gol and Hajikend resorts 1500 m above sea level. Naftalan is world famous for natural medicinal oil.

Ganja-Qazakh is the second largest economic power in the country. The region gives 12-13% of the total output. Industry consists of processing and manufacturing. Metallurgy is largely located in Ganja and Dashkesan. Heavy manufacturing holds leading position. Other sectors are automotive, agricultural machinery services, telecom. Agricultural produce forms the supply base of the region's "light" industry.

This region gives 13-14% agricultural production, 80-85% of potato, 28% of grape and 15% of animal husbandry of Azerbaijan. In Ganja and Qazakh the major sectors in agriculture are potato, viticulture, grain, gardening and fruits.



Cotton is cultivated in Goranboy, Qazakh and Akstafa. Shemkir and Samukh are specializing in grape. Gedebey, Shemkir and Tovuz are leaders in potato and Goranboy is specializing in grain. Gardening, fruits and animal husbandry are also the rapidly growing segments of the local economy.

### Overview of the Guba-Khachmaz Economic Region



The region is located in the north east of the country and borders Russia in the north. It has long coastal line with the Caspian Sea.

The main sectors of the region's economy are agriculture and manufacturing. Tinned fruits and vegetables production (Khachmaz, Guba), fish processing (Khudat), carpet weaving (Guba, Gusar, Khachmaz) are the region's specialties. Grain and dairy products constitute major products in Khachmaz and Devechi. "Heavy" industries are represented by oil and gas production (Siyazan), electronics plant (Guba), swarf processing (Khachmaz).

Main resources of the region include oil, natural gas, shale oil, sand, gravel, clay. The region has dense river network and large water reserves. As the region is one of the significant sanatorium-and-spa areas the recreation potential is substantial. Regionally famous Nabran recreation area is located here.

Communication lines connecting Azerbaijan with Russian Federation pass through this region.

### Overview of the Lenkoran Economic Region



Lenkoran economic district is situated in South-East of Azerbaijan with territories of Yardimli and Lenkoran administrative districts included. The economic district borders Caspian Sea in the east, Iran in the west and south. Territory of the district consists of two major parts: Lenkoran valley and Talish Mountains. The district stands out among other economic districts due to the fact that 7 climatic zones from overall 11 are present here.

The region is rich in brick, bank stone, sand, loam, detritus and other construction materials. It also has plentiful thermal medicinal springs. The main natural resource of the district are forests along the flank of hills and fertile land.



There are few unique and rare specimen of flora such as 'shumshad', 'damiragaj' (iron tree), oak with chestnut leaves and others. 26% of the district's area is covered with forests.

Processing of the a/c products is one of the principal sectors of Lenkoran's economy. Humid subtropical climate, fertile lands, water and sufficient workforce amount for great opportunities to develop agriculture up to the mostly up to date standards. Priority is with vegetables, tea, citruses & fruits as well as winemaking.

Baku-Astara railway and Baku-Astara highway parallel to the former are the major transport routes. The North-South Transport initiative that is expected to boost regional trade along Iran-Azerbaijan-Russia-Northern Europe route will pass through the region.

It is possible to develop ecotourism, restaurant business, fitness & entertainment centres Mountainous tourism can also be developed. Bearing in mind that neighbouring Iran with 60 million population has no modern tourist resorts it is appropriate to develop all sectors of tourism locally.

## Overview of the Nakhchivan Economic District

Nakhchivan economic district consists of the territory of the Nakhchivan Autonomous Republic surrounded by Turkey, Iran and Armenia. The main trademark of Nakhichevan is its location on the historical trade routes connecting East and West. 32% of the territory is 600-1000 meters above sea level, 48% is above 2000 meters above sea level. Climate is continental and arid. The region has the autonomous status within Azerbaijan with a local government and parliament.



Nakhichevan is rich in molybdenum, complex ore, rock salt, dolomite, marble, construction materials. Also there are more than 200 valuable mineral water springs such as Badamli, Sirab, Vaykhir and others.

The key sector of the economy of the district is production and processing of farming produce. Famous sheep breed "Balbas" is the local specialty. Bee-keeping is also developing.

The transport system of the economic region allows freight through the territory of Iran, road connection with Turkey and via international Nakhchivan Airport.

There are unique tourism attractions on the territory of the region such as Ilandag, Ashbulkef, Nahajir blister (volcanic) cones.

## Overview of the Sheki-Zagatala Economic Region



Sheki-Zagatala economic region is located on the South flank of the Great Caucasus, in the north-west part of Azerbaijan. This is one of the most beautiful parts of the country. The district borders with Russia in the north-east and Georgia in the north-west. Height varies from 100 m to 4,466 m (Bazarduzu peak) and the climate is diverse.

Copper mines, 90% of sulfur-pyrites, 97% of lead, 99% of zinc are in this economic region. Filizchay ore considered to be a unique field in the Caucasus. It may boost metallurgy and chemical industry locally. There are also raw construction materials such as sand, gravel, stone, loam, etc.

The key sector of the economy of the district is agriculture. Fertile land, abundance of water and workforce create great opportunities for development. Agriculture consists of tobacco, silkworm breeding, fruits, grain, viticulture, sheep breeding and dairy production. “Light” and food industries are dominant. Business opportunities in tourism should be noted in particular. Sheki and Zagatala are also major tourist attractions due to historical and natural attractions.

## Yukhari Qarabag and Lachin-Kelbajar Economic Regions



Territories of Lachin, Kelbajar, Zangilan, Gubadli, Khojavend, Khojali, Shusha, Jebrayil and Khankendi are completely, territories of Agdam and Fuzuli are partially under armenian occupation.

In both regions the key sector of economy is agriculture. Major sectors in agriculture are viticulture, grain growing, fruits and tobacco raising as well as as pastoral cattle breeding. Animal husbandry also develops in this economic region.

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

*This information has been prepared by the*

*Secretariat of the State Programme on Regional Development within the Ministry of Economic Development of the Republic of Azerbaijan was established in accordance with the State Programme on Accelerating Regional*

*Development in February 2004. The central Regional Development Department is situated in the HQ of the Ministry and 8 Regional Offices throughout the country in Absheron, Ganja-Gazax, Sheki-Zagatala, Lenkoran, Guba-Khachmaz, Aran, Upper Kharabagh and Mountainous Shirvan economic districts. The Regional Development Department was also established within Ministry of Economic Development of Nakhichevan Autonomous Republic.*

*For further information on Secretariat of the Programme please refer:*

[www.economy.gov.az](http://www.economy.gov.az)



**USEFUL CONTACTS  
&  
INFORMATION**

## Ministries, State Committees and Agencies

| No | Organization  | Address   | Contacts   |
|----|---|---|--|
| 01 | Office of the President of the Republic of Azerbaijan   | 19, Istiglaliyyat Street, Baku, AZ1066                      | Tel.: (99412) 4923155; 4924053<br>Fax: (99412) 4926859; 4923543<br>E-mail: office@apparat.gov.az<br>www.president.gov.az/office                          |
| 02 | Cabinet of Ministers of the Republic of Azerbaijan      | 68, Lermontov Street, Baku, AZ1000                          | Tel.: (99412) 4926623; 4928183<br>Fax: (99412) 4989786   |
| 03 | Parliament (Milli Majlis) of the Republic of Azerbaijan | 1, Parlament Avenue, Baku, AZ1152                           | Tel.: (99412) 4926675; 4922884<br>Fax: (99412) 49899722<br>E-mail: azmm@meclis.gov.az<br>www.meclis.gov.az   |
| 04 | Ministry of Economic Development                        | 23, Niyazi Street, Baku, AZ1066                             | Tel.: (99412) 4924110<br>Fax: (99412) 4925895<br>E-mail: office@economy.gov.az<br>www.economy.gov.az   |
| 05 | Ministry of Culture                                     | "The Government House" 40, U.Hajibayov Street, Baku, AZ1016 | Tel.: (99412) 4934398; 4931681<br>Fax: (99412) 4935605<br>E-mail: mugam@culture.gov.az   |
| 06 | Ministry of Internal Affairs                            | 7, Husu Hajiyev Street, Baku, AZ1005                        | Tel.: (99412) 4909222<br>Fax: (99412) 4924590  |
| 07 | Ministry of Foreign Affairs<br><br>Consular Department  | 4, Sh.Gurbanov Street, Baku, AZ1009                         | Tel.: (99412) 4929692; 4923401<br>Fax: (99412) 4988480<br>E-mail: secretariat@mfa.gov.az<br>www.mfa.gov.az<br>Tel.: (99412) 4929692<br>(ext. 2037; 2041) |
| 08 | Ministry of Taxes                                       | 16, Landau Street, Baku, AZ1073                             | Tel.: (99412) 4931907<br>Fax: (99412) 4988559<br>E-mail: mednet@mednet.az<br>www.mednet.az   |
| 09 | Ministry of Youth, Sport and Tourism                    | 4, Olimpiya Street, Baku, AZ1072                            | Tel.: (99412) 4656442<br>Fax: (99412) 4656438<br>E-mail: myst@myst.gov.az  |
| 10 | Ministry of Health                                      | 4, Kichik Daniz Street, Baku, AZ1014                        | Tel.: (99412) 4931907<br>Fax: (99412) 4988559<br>E-mail: mednet@mednet.az<br>www.mednet.az   |
| 11 | Ministry of Finance                                     | 83, Samed Vurgun Street, Baku, AZ1022                       | Tel.: (99412) 4938103; 4933012<br>Fax: (99412) 4987969; 4939648<br>E-mail: office@minfin-az.com<br>www.maliyye.gov.az                                    |
| 12 | Ministry of National Security                           | 2, Parlament Avenue, Baku, AZ1006                           | Tel: (99412) 4950491<br>Fax: (99412) 4924369   |
| 13 | Ministry of Transport                                   | Block 1054, Tbilisi Avenue, Baku, AZ1000                    | Tel.: (99412) 4314636; 4339940<br>Fax: (99412) 4316022<br>E-mail: office@mintrans.az<br>www.mintrans.az  |
| 14 | Ministry of Agriculture                                 | "The Government House" 40, U.Hajibayov Street, Baku AZ1016  | Tel.: (99412) 4932892; 4939331<br>Fax: (99412) 4930884<br>E-mail: agru@azerin.com  |

| No | Organization   | Address   | Contacts  |
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| 15 | Ministry of Defence  | 3, Guseyn Javid Avenue,<br>Baku, AZ1073                           | Tel.: (99412) 4394189; 4393108<br>Fax: (99412) 4394189<br>E-mail: dmicfpf@asumo.baku.az   |
| 16 | Ministry of Ecology and Natural Resources  | 100A, Bahram Agayev Street,<br>Baku, AZ1033                       | Tel.: (99412) 4924173; 4381521<br>Fax: (99412) 4925907<br>E-mail: mineco@eco.baku.az<br>www.eco.gov.az  |
| 17 | Ministry of Industrial Policy and Energy   | 88, Zardabi Street,<br>Baku, AZ1112                               | Tel.: (99412) 4318012; 4470584<br>Fax: (99412) 4319005<br>E-mail: mfe@azdata.net  |
| 18 | Ministry of Communications and Information Technologies  | 33, Azerbaijan Avenue,<br>Baku, AZ1000                            | Tel.: (99412) 4930004<br>Fax: (99412) 4987912<br>E-mail: info@mincom.gov.az<br>www.mincom.gov.az  |
| 19 | Ministry of Justice<br><br>Department on State Registration of Legal Entities                    | 1, Inshaatchylar Avenue,<br>Baku, AZ1073                          | Tel.: (99412) 4939785; 4300116<br>Fax: (99412) 4300981<br>E-mail: contact@justice.gov.az<br>www.justice.gov.az<br>Tel.: (99412) 4301156<br>Fax: (99412) 4986837 |
| 20 | Ministry of Education  | 49, Khatai Avenue,<br>Baku, AZ1008                                | Tel.: (99412) 4963515; 4963311<br>Fax: (99412) 4963483<br>E-mail: office@min.edu.az<br>www.min.edu.az   |
| 21 | Ministry of Labour and Social Protection of Population   | "The Government House"<br>40, U.Hajibayov Street,<br>Baku, AZ1016 | Tel.: (99412) 4931203; 4939310<br>Fax: (99412) 4939472<br>E-mail: mlsp@azerin.com<br>www.azerin.com/members/mlsp  |
| 22 | State Oil Fund of the Republic of Azerbaijan   | 20, Bul-Bul Avenue,<br>Baku, AZ1014                               | Tel.: (99412) 4905730<br>Fax: (99412) 4905731<br>E-mail: office@oilfund.az<br>www.oilfund.az  |
| 23 | State Customs Committee  | 2, Inshaatchilar Avenue,<br>Baku, AZ1073                          | Tel.: (99412) 4388080; 4397780<br>Fax: (99412) 4981836<br>E-mail: externall@az-customs.net<br>www.az-customs.net  |
| 24 | State Statistical Committee  | Inshaatchilar Avenue,<br>Baku, AZ1136                             | Tel.: (99412) 4386498; 4389376<br>Fax: (99412) 4382442; 4380577<br>E-mail: ssc@azstat.org<br>www.azstat.org   |
| 25 | State Committee for Securities under the Auspices of the President of the Republic of Azerbaijan | 19, Bul-Bul Avenue,<br>Baku, AZ1000                               | Tel.: (99412) 4935058<br>Fax: (99412) 4982559<br>E-mail: azstatecom@yahoo.com<br>www.scs-az.com   |
| 26 | State Committee on Affairs with Azerbaijanis Living in the Foreign Countries                     | 24, Samed Vurgun Street,<br>Baku, AZ1000                          | Tel.: (99412) 4931054<br>Fax: (99412) 496187<br>E-mail: info@diaspora.gov.az<br>www.diaspora.gov.az   |
| 27 | State Committee for Construction and Architecture  | 67, Fizuli Street,<br>Baku, AZ1014                                | Tel.: (99412) 4933467; 4983823<br>Fax: (99412) 4981414<br>E-mail: khanlarov@bakililar.az  |
| 28 | National Olympic Committee   | 5, Olimpiya Street,<br>Baku, AZ1072                               | Tel.: (99412) 4901323; 4908438<br>Fax: (99412) 4904225<br>E-mail: noc-aze@noc-aze.org<br>www.noc-aze.org  |

| No | Organization   | Address   | Contacts   |
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| 29 | State Committee of Land and Cartography  | 93A, Shafayat Mekhtiyev Street, Baku, AZ1141                | Tel.: (99412) 4977048; 4322052<br>Fax: (99412) 4977048<br>E-mail: Garib@azdata.net                                   |
| 30 | Supreme Certifying Committee under the President of the Republic of Azerbaijan       | 9, Fikret Amirov Street, Baku, AZ1009                       | Tel.: (99412) 4989637; 4988422<br>Fax: (99412) 4988422<br>E-mail: info@ak.ab.az                                      |
| 31 | State Committee for Refugee and Displaced Persons Problems                           | 57, Tbilisi Avenue, Baku, AZ1122                            | Tel.: (99412) 4300921; 4300925<br>Fax: (99412) 4315136   |
| 32 | State Committee for the Work with Religious Associations                             | 12, Akhmad Javad Street, Baku, AZ1001                       | Tel.: (99412) 4929333; 4926747<br>Fax: (99412) 4929333<br>E-mail: addk@azdata.net<br>www.addk.net                    |
| 33 | State Agency on Standardization, Metrology and Patents of the Republic of Azerbaijan | 124, Mardanov Gardashlari Street, Baku, AZ1078              | Tel.: (99412) 4405224; 4405124<br>Fax: (99412) 4405224<br>smp@azerin.com<br>azstand@azerin.com<br>www.azstand.gov.az |
| 34 | Chamber of Accounts of the Republic of Azerbaijan                                    | "The Government House" 40, U.Hajibayov Street, Baku, AZ1000 | Tel.: (99412) 4936920<br>Fax: (99412) 4932025<br>E-mail: office@ach.gov.az<br>www.ach.gov.az                         |

## Embassies of the Republic of Azerbaijan abroad

| No | Organization   | Address   | Contacts  |
|----|--|---|---|
| 01 | Embassy of the Republic of Azerbaijan in Austria (also accredited to OSCE, UNOV, NIDO, IAEA, CTBTO)    | Hugelgasse 2, A-1130 Wien                         | Tel.: (431) 403 13 22<br>Fax: (431) 403 13 23<br>E-mail: office@azembvienna.at<br>www.azembvienna.at                  |
| 02 | Embassy of the Republic of Azerbaijan in the Kingdom of Belgium  | Av. Moliere 464, 1050 IXELLES Brussels            | Tel.: (322) 345 26 60<br>Fax: (322) 345 91 58<br>E-mail: embassy@azerbaijan.be<br>www.azerbaijan.be                   |
| 03 | Embassy of the Republic of Azerbaijan in the People's Republic of China                                | Beijing, Qijiayuan Diplomatic Compound, Villa B-3 | Tel.: (8610) 65 32 46 14<br>Fax: (8610) 65 32 46 15<br>E-mail: mailbox@azerbembassy.org.cn<br>www.azerbembassy.org.cn |
| 04 | Embassy of the Republic of Azerbaijan in Arab Republic of Egypt (also accredited in Syria and Lebanon) | Zamalek, Hassan Asem Street, 22                   | Tel.: (202) 735 12 30<br>Fax: (202) 736 12 28<br>E-mail: alakhv@link.com.eg   |
| 05 | Embassy of the Republic of Azerbaijan in France  | 209, rue de l'Universite 75007 Paris              | Tel.: (331) 44 18 60 20/22/23<br>Fax: (331) 44 18 60 25<br>E-mail: ambazer@wanadoo.fr<br>www.amb-azerbaidjan.fr       |
| 06 | Embassy of the Republic of Azerbaijan in Georgia   | Nutsubidze Street, 47 Tbilisi                     | Tel.: (99532) 25 26 39<br>Fax: (99532) 25 00 13<br>E-mail: azembassy@internet.ge                                      |

| No | Organization  | Address   | Contacts  |
|----|---|---|---|
| 07 | Embassy of the Republic of Azerbaijan in Germany (also accredited in Netherlands, Switzerland and Luxemburg)      | Axel-Springer str. 54 A, Berlin 10117   | Tel.: (4930) 206 294 71/73/75/76<br>Fax: (4930) 206 294 82/81<br>E-mail: azerembgermany@aol.com<br>www.botschaft-aserbajdschan.de   |
| 08 | Embassy of the Republic of Azerbaijan in Hungary  | Budapest, Szabadsag ter. 7, Bank Center, Platina Tower, 5th floor                     | Tel/Fax: +36 (1) 302 35 35<br>E-mail: bakybudapest@azerembassy.hu   |
| 09 | Embassy of the Republic of Azerbaijan in India  | New Delhi, Vasant Marg, Vasant Vihar E-70   | Tel.: +91 (11) 26 15 22 28<br>Fax: +91 (11) 26 15 22 27<br>E-mail: azembassy@touchtelindia.net  |
| 10 | Embassy of the Republic of Azerbaijan in Islamic Republic of Iran (also accredited to ECO)                        | Shahid Levasani khiyabani, Shahid Doctor Saleh Khiyabani, Vatanpur street 30          | Tel.: (9821) 221 25 54; 221 51 91; 228 65 80<br>Fax: (9821) 221 75 04<br>E-mail: azaremb@neda.net<br>www.azembassy.ir   |
| 11 | Embassy of the Republic of Azerbaijan in Italy  | Via Savoia 78, piano 3, Roma 00189  | Tel.: (3906) 852 372 35/38/41/42/43<br>Fax: (3906) 852 372 46<br>E-mail: azerb.roma@azembassy.it<br>www.azembassy.it  |
| 12 | Embassy of the Republic of Azerbaijan in Kazakhstan   | Astana, Diplomatic city, Residence C-14   | Tel.: +7 (317) 24 15 81<br>Fax: +7 (317) 24 16 90<br>E-mail: astana@azembassy.kz<br>www.azembassy.kz  |
| 13 | Honorey Consulate of the Republic of Azerbaijan in the Republic of Lebanon  | Beirut, Jdeidel el Mein, Bourj Hammoud, Ghossoub Center, Area 7, Str. 2, Bld. 120     | Tel.: +961 (1) 48 20 00, 49 29 90<br>Fax: +961 (1) 49 86 30<br>E-mail: freka@dm.net.lb  |
| 14 | Embassy of the Republic of Azerbaijan in Islamic Republic of Pakistan   | Islamabad, Ataturk Avenue, G-6/3, Str. 87, House 14                                   | Tel.: +92 (51) 282 93 45, 282 34 55<br>Fax: +92 (51) 282 08 98, 282 91 65 (consular section)<br>E-mail: azeremb@isb.paknet.com.pk<br>www.azembassy.com.pk   |
| 15 | Embassy of the Republic of Azerbaijan in Poland   | Warszawa, Zwyciencow 12   | Tel.: +48 (22) 616 21 88, 617 67 28<br>Fax: +48 (22) 616 19 49<br>E-mail: info@azer-embassy.pl  |
| 16 | Embassy of the Republic of Azerbaijan in Romania  | Bucharest, Grigore Gafencu 10, Sector 1   | Tel.: +40 (21) 233 24 66/84 (788) 43 25 45/46<br>Fax: +40 (21) 233 24 65<br>E-mail: azsefroman@pcnet.ro<br>www.azembassy.ro   |
| 17 | Embassy of the Republic of Azerbaijan in Russian Federation   | 16, Leontiyevskiy pereulok, Moscow  | Tel: +7 (095) 229 43 32, 229 16 49<br>+7 (095) 229 55 46, 202 45 83 (consular section)<br>+7 (095) 229 27 92, 202 45 72 (press service)<br>Fax: +7 (095) 202 50 72<br>E-mail: azerirus@cmt.ru<br>www.azembassy.msk.ru |
| 18 | Consulate General in St. Petersburg   | 73, Ulitsa Marata, St. Petersburg, 191119   | Tel: +7 (812) 311 29 44<br>Fax: +7 (812) 311 29 45<br>E-mail: azconsul@svs.ru.az  |
| 19 | Embassy of the Republic of Azerbaijan in the Kingdom of Saudi Arabia (also accredited in Bahrain, Oman and Qatar) | Riyadh, Al Worood Quarter St. of Amir Feysal Bin Saud Abdul Alrahman 59, Aloroba Road | Tel.: +966 (1) 419 23 82<br>Fax: +966 (1) 419 22 60<br>E-mail: asim67@awalnet.net.sa  |



| No | Organization  | Address  | Contacts   |
|----|---|--|--|
| 20 | Embassy of the Republic of Azerbaijan in Switzerland (also accredited to UNOG)              | Geneva, Rue de Lausanne 67, 1202                             | Tel.: +41 (22) 901 18 15<br>Fax: +41 (22) 901 18 44<br>E-mail: az.mission.unog@iprolink.ch<br>www.azerbaijan-un-geneva.az/mission.php                            |
| 21 | Embassy of the Republic of Azerbaijan in Turkey   | Diplomatic Site, Baku sokaki 1, Oran                         | Tel.: (90312) 491 16 81/-82/-83<br>Fax: (90312) 492 04 30<br>E-mail: azer-tr@tr.net<br>www.azembassy.org.tr  |
| 22 | Consulate General in Istanbul   | Istanbul, Sumbul Sokak 17, Levent 1                          | Tel.: +90 (212) 325 80 42/45<br>Fax: +90 (212) 284 95 79<br>E-mail: azkonsul@kablonet.com.tr<br>www.azconsul.web.tr  |
| 23 | Consulate General in Kars   | Sukapi mahallesi, Eski Erzurum caddesi, Dostluq sitesi N 123 | Tel.: +90 (474) 223 64 75, 223 13 61<br>Fax: +90 (474) 223 87 41   |
| 24 | Embassy of the Republic of Azerbaijan in Turkmenistan                                       | 62A, M.Kosayev Street, Ashkhabad                             | Tel.: +993 (12) 39 11 02, 35 00 95<br>Fax: +993 (12) 39 14 47<br>E-mail: azsefir_ashg@online.tm  |
| 25 | Embassy of the Republic of Azerbaijan in Ukraine (also accredited in Belarus and Moldova)   | 24, Glubochiska, Kiev  | Tel.: +380 (44) 244 69 40<br>Fax: +380 (44) 244 69 46<br>E-mail: embass@faust.kiev.ua  |
| 26 | Office of the Ukraine Embassy of the Republic of Azerbaijan in Belarus                      | 17, Varvasheni Street, Minsk                                 | Tel.: +375 (17) 288 25 77<br>Fax: +375 (17) 288 25 77<br>E-mail: azoffice_minsk@avilink.net  |
| 27 | Office of the Ukraine Embassy of the Republic of Azerbaijan in Moldova                      | Kishinyov, Mateyevich Str. 27/1                              | Tel.: +373 (2) 22 88 27<br>Fax: +373 (2) 24 40 33<br>E-mail: azerbadjan@moldova.md   |
| 28 | Embassy of the Republic of Azerbaijan in United Arab Emirates                               | Abu Dhabi, Al-Bateen Area, Villa Sector W/16, Plot N-297     | Tel.: +971 (2) 666 28 48<br>Fax: +971 (2) 666 31 50<br>E-mail: azembassy@emirates.net.ae<br>www.azembassyuae.org   |
| 29 | Embassy of the Republic of Azerbaijan in UK (also accredited in Ireland, Norway and Sweden) | 4 Kensington Court, London W8 5DL                            | Tel.: (44207) 938 34 12<br>Fax: (44207) 937 17 83<br>E-mail: sefir@btinternet.com  |
| 30 | Embassy of the Republic of Azerbaijan in USA (also accredited in Mexico)                    | Washington D.C. 2741 34th Str.                               | Tel.: +1 (202) 3373500, 3375912 (consular section)<br>Fax: +1 (202) 3375911, 3375913 (consular section)<br>E-mail: azerbaijan@azEmbassy.com<br>www.azembassy.com |
| 31 | Embassy of the Republic of Azerbaijan in Uzbekistan   | Tashkent, Shark Tongi 25                                     | Tel.: +998 (71) 173 61 67<br>Fax: +998 (71) 173 26 58<br>E-mail: sefir@tps.uz<br>www.azembassy.uz  |
| 32 | Mission to NATO (also accredited to OPCW)   | Brussels, NATO HQ, Bd. Leopold 3                             | Tel.: +32 (2) 707 27 97<br>Fax: +32 (2) 707 27 98<br>E-mail: azerbaijan@hq.nato.int<br>www.nato.int/ppp/azerbaijan   |
| 33 | Permanent Mission to the Council of Europe, Strasbourg                                      | 2, rue Westercamp, 67 000 Strasbourg                         | Tel.: +33 (390) 22 20 90<br>Fax: +33 (390) 22 20 99<br>E-mail: azrepcoe@wanadoo.fr   |

| Nr | Organization                              | Address                                       | Contacts   |
|----|---|---|--|
| 34 | Permanent Mission to the UN, New York     | 866 UN Plaza, Suite 560, New-York N.Y., 10017 | Tel.: +1 (212) 371 25 59, 371 28 32, 371 27 21<br>Fax: +1 (212) 371 27 84, 371 26 72<br>E-mail: azambassador@un.int<br>www.un.int/azerbaijan |
| 35 | Mission to European communities, Brussels | Av. General Lartigue 78, 1200 WSL, Brussels   | Tel.: (322) 735 98 80<br>Fax: (322) 735 92 70<br>E-mail: Az.MissionEU@chello.be  |

## AIPAF Trustees

| Nr | Organization   | Address                                     | Contacts   |
|----|--|---|--|
| 01 | Ministry of Economic Development                             | 23, Niyazi Street, Baku, AZ1066             | Tel.: (99412) 4924110<br>Fax: (99412) 4925895<br>E-mail: office@economy.gov.az<br>www.economy.gov.az             |
| 02 | Ministry of Foreign Affairs                                  | 4, Sh.Gurbanov Street, Baku, AZ1009         | Tel.: (99412) 4929692; 4923401<br>Fax: (99412) 4988480<br>E-mail: secretariat@mfa.gov.az<br>www.mfa.gov.az       |
| 03 | Ministry of Taxes  | 16, Landau Street, Baku, AZ1073             | Tel.: (99412) 4970611, 4389155<br>Fax: (99412) 4985407<br>Email: info@taxes.gov.az<br>www.taxes.gov.az           |
| 04 | Ministry of Finance  | 83, Samed Vurgun Street, Baku, AZ1022       | Tel.: (99412) 4938103; 4933012<br>Fax: (99412) 4987969; 4939648<br>E-mail: office@minfin-az.com                  |
| 05 | Ministry of Justice  | 1, Inshaatchylar Avenue, Baku, AZ1073       | Tel.: (99412) 4939785; 4300116<br>Fax: (99412) 4300981<br>E-mail: contact@justice.gov.az<br>www.justice.gov.az   |
| 06 | State Customs Committee                                      | 2, Inshaatchilar Avenue, Baku, AZ1073       | Tel.: (99412) 4388080; 4397780<br>Fax: (99412) 4981836<br>E-mail: Externall@az-customs.net<br>www.az-customs.net |
| 07 | National Bank  | 32, R.Behbudov Street, Baku, AZ1014         | Tel.: (99412) 4931122;<br>Fax: (99412) 4930952<br>E-mail: mail@nba.az<br>www.nba.az                              |
| 08 | UN Development Program Resident Representative in Azerbaijan | 3, UN 50th Anniversary Street, Baku, AZ1001 | Tel.: (99412) 4989888<br>Fax: (99412) 4922491<br>E-mail: office@un-az.org  |
| 09 | German Embassy in Baku                                       | 15, Y.Mammadaliyev Street, Baku, AZ1005     | Tel.: (99412) 4654100<br>Fax: (99412) 4985419<br>E-mail: post@bakudiplo.org                                      |
| 10 | French Embassy in Baku                                       | 7, R.Rza Street, Baku, AZ1000               | Tel.: (99412) 4931286; 4937180<br>Fax: (99412) 4989253<br>E-mail: ambafranbakou@azerin.com<br>www.ambafrance.az  |

| No | Organization   | Address  | Contacts   |
|----|--|--|--|
| 11 | British Embassy in Baku  | 45, Khagani Street,<br>Baku, AZ1010                                  | Tel.: (99412) 4975188/89/90<br>Fax: (99412) 4977434<br>E-mail: office@britemb.baku.az<br>www.britishembassy.az       |
| 12 | Office of the European Commission, Special Envoy to Azerbaijan         | ISR Plaza, 3-rd floor, 340,<br>Nizami Street,<br>Baku, AZ1000        | Tel.: (99412) 4982402; 4972063<br>Fax: (99412) 4972069<br>E-mail:office@europahouse-az.org<br>www.europahouse-az.org |
| 13 | International Finance Corporation in Baku                              | 91/95, Mirza Mansur Street, "Old City",<br>Baku, AZ1004              | Tel.: (99412) 4921941, 4922807<br>Fax: (99412) 4921479; 4926873<br>E-mail: anuriyeva@ifc.org                         |
| 14 | Azerbaijan Mission of European Bank for Reconstruction and Development | Landmark Building, 96,<br>Nizami Street,<br>Baku, AZ1004             | Tel.: (99412) 4971014<br>Fax: (99412) 4971019<br>E-mail: suprunv@baku.ebrd.com<br>www.ebrd.com                       |
| 15 | Azerbaijan Representative of US Agency for International Development   | Landmark Building, 96,<br>Nizami Street,<br>Baku, AZ1007             | Tel.: (99412) 4981835<br>Fax: (99412) 4936839<br>www.usaid.gov/locations/europe_eurasia/countries/az                 |
| 16 | US Chamber of Commerce of Azerbaijan                                   | ISR Plaza, 6th floor, 340,<br>Nizami Street,<br>Baku, AZ1000         | Tel.: (99412) 4971801; 4982480;<br>Fax: (99412) 4971805<br>E-mail: chamber@azchamaz.org                              |
| 17 | National Bureau of TACIS   | "The Government House",<br>40, U.Hajibayov Street,<br>Baku, AZ1000   | Tel.: (99412) 4939514; 4936018<br>Fax: (99412) 4937638<br>E-mail: aalakbarov@ncu.gov.az                              |
| 18 | German Technical Cooperation Society (GTZ)                             | 10, Nizami Street,<br>Baku, AZ1000                                   | Tel.: (99412) 4978068;<br>Fax: (99412) 4978069<br>E-mail: marcel.schwickert@gtz.de                                   |
| 19 | Taurus Capital Partners Ltd.   | 117A, Hasan Aliyev Street,<br>Baku, AZ1000                           | Tel.: (99412) 4982994<br>Fax: (99412) 4982995<br>Email: sorosinv@azdata.net  |
| 20 | Baku Stock Exchange  | 19, Bul-Bul Avenue,<br>Baku, AZ1000                                  | Tel.: (99412) 4989820; 4932570<br>Fax: (99412) 4937793<br>E-mail: info@bse.azwww.bse.az                              |
| 21 | Azerbaijan Enterprise Centre   | 99, Mirza Mansur Street,<br>"Old City",<br>Baku, AZ1003              | Tel.: (99412) 4979624<br>Fax: (99412) 4979654<br>E-mail: office@ecbaku.com<br>www.ecbaku.com                         |
| 22 | "Ernst&Young" Company  | Hyatt Tower1033, Izmir Street,<br>Baku, AZ1065                       | Tel.: (99412) 4907020<br>Fax: (99412) 4907017<br>E-mail: baku@az.ey.com<br>www.ey.com                                |
| 23 | "Baku-Castel" Company  | 1 / Shamakha highway,<br>Khirdalan settlement,<br>Baku, AZ0100       | Tel.: (99412) 4421280; 4421737<br>Fax: (99412) 4421281<br>E-mail:<br>comptabilite-bakucastel@azdata.net              |
| 24 | "BakFEM" Company   | 12, Bunyatov Street,<br>Bakikhanov settlement,<br>Baku, AZ1040       | Tel.: (99412) 4260084<br>Fax: (99412) 4474149<br>E-mail: office@bakfem.com<br>www.bakfem.com                         |
| 25 | "Barmek Holding" Company   | "Caspian Business Centre",<br>40, J.Jabbarli Street,<br>Baku, AZ1065 | Tel.: (99412) 4992532<br>Fax: (99412) 4402123; 4951970<br>Email: zafer.arabul@barmek.az<br>www.barmek.az             |

| No | Organization                                | Address   | Contacts  |
|----|---|---|---|
| 26 | "AtaHolding" Joint-Stock Company            | 102, Sh.Badalbeyli Street, Baku, AZ1010                                   | Tel.: (99412) 4446060<br>Fax: (99412) 4446161<br>E-mail: ataholding@ataholding.az<br>www.ataholding.az                  |
| 27 | "Azeraluminium" Joint-Stock Company         | 1, Metallurqlar Street, Sumgayit, AZ5000                                  | Tel.: (994164) 52421<br>(99412) 4978359<br>Fax: (994164) 29890<br>E-mail: Ali.Ozkurt@azeral.com                         |
| 28 | "Azersun Holding" Company                   | 90, H.Aliyev ave., Baku, AZ1029   | Tel.: (99412) 4966614; 4966267<br>Fax: (99412) 4966888<br>E-mail: info@azersun.com<br>www.azersun.com                   |
| 29 | "Azerigazbank" Joint-Stock Investment Bank  | 16, Landau Street, Baku, AZ1073   | Tel.: (99412) 4975017; 4030650<br>Fax: (99412) 4989615<br>E-mail: azerigazbank@azerigazbank.com<br>www.azerigazbank.com |
| 30 | "Azpetrol" Group of Companies               | 37, Boyuk Gala Street, "Old City" Baku, AZ1004                            | Tel.: (99412) 4976974; 4976975<br>Fax: (99412) 4976864<br>E-mail: azpetrol@azpetrol.az<br>www.azpetrol.az               |
| 31 | "Bakond" Company                            | 18A, A.Rajabli Street, Baku, AZ1052                                       | Tel.: (99412) 4651030; 4651060<br>Faks: (99412) 4651010<br>E-mail: office@bakond.baku.az<br>www.bakond.com              |
| 32 | "European Tobacco-Baku" Joint-Stock Company | 21, 1st Kondalan Street, Nizami district, Keshla settlement, Baku, AZ1031 | Tel.: (99412) 4903022; 4903023<br>Fax: (99412) 4903017<br>Email: office@eurotobacco.com                                 |
| 33 | "Azercell" Joint Ventures                   | 61A, Tbilisi Avenue, Baku, AZ1122   | Tel.: (99412) 4967007<br>Fax: (99412) 4300568<br>E-mail: musterixidmetleri@azercell.com<br>www.azercell.com             |
| 34 | "Bakcell" Company                           | 24, U.Hajibayov Street, Baku, AZ1000                                      | Tel.: (99412) 4989444; 4981818<br>Fax: (99412) 4989255<br>E-mail: bakcell@bakcell.com<br>www.bakcell.com                |

## Useful information

### *Hire and rental of cars*

| No | Organization                      | Address                            | Contacts  |
|----|-----------------------------------|------------------------------------|---|
| 02 | AVIS Rent a Car Set-Auto Ltd.     | 528A, H.Javid Avenue, Baku, AZ1006 | Tel.: (99412) 4975455;<br>4419926<br>Fax: (99412) 4975553<br>E-mail: avis@azeronline.com  |
| 03 | "AzerAvtonaglyyyat" State Concern | 7, H.Mammadov street, Baku, AZ1000 | Tel.: (99412) 4983819;<br>4936623<br>Fax: (99412) 4983819<br>E-mail: az@autotrans.baku.az |

| No | Organization        | Address   | Contacts   |
|----|---------------------|---|--|
| 04 | BTI Azerbaijan      | 34, Khagani Street,<br>Baku, AZ1000                   | Tel.: (99412) 4934300; 4986500<br>Fax: (99412) 4937253<br>E-mail: bti@aittravel.com<br>www.aittravel.com |
| 05 | HERTZ International | 1033, Izmir Street,<br>Hyatt Regency,<br>Baku, AZ1065 | Tel.: (99412) 4978757<br>Fax: (99412) 4978757<br>E-mail: office@hertz.co-az.net<br>www.hertz.com         |

## *Hotels*

| No | Organization            | Address  | Contacts  |
|----|-------------------------|--|---|
| 01 | Park Hyatt Baku         | 1033, Izmir street,<br>Baku, AZ1065                                  | Tel.: (99412) 4901234<br>Fax: (99412) 4907878<br>E-mail:<br>reservations.hhbaku@hyattintl.com<br>www.baku.hyatt.com       |
| 02 | Grand Hotel Europe Baku | 1025/30, Tbilisi Avenue,<br>Baku, AZ1078                             | Tel.: (99412) 4907060<br>Fax: (99412) 4907096; 4907084<br>E-mail: sm@grand-europe.com<br>www.europehotel-baku.com         |
| 03 | Radisson SAS            | ISR Plaza,<br>340, Nizami Street,<br>Baku, AZ1000                    | Tel.: (99412) 4982402<br>Fax: (99412) 4972451<br>E-mail:<br>sales.radissonsas@isrplaza.com<br>www.radissonsas.com         |
| 04 | Meridian Hotel          | "Old City",<br>39, A.Zeynally Street,<br>Baku, AZ1000                | Tel.: (99412) 4970809<br>Fax: (99412) 4970702<br>E-mail: meridianhotel@azeurotel.com                                      |
| 05 | Delfin Hotel            | 9 <sup>th</sup> km of Sumgayit high-<br>way,<br>Baku, AZ1024         | Tel.: (99412) 4306400<br>Fax: (99412) 4306009<br>E-mail: reception@delfinhotel.az<br>www.delfinhotel.az                   |
| 06 | City Mansion            | 153, Azadlig Avenue,<br>Baku, AZ1106                                 | Tel.: (99412) 4658041; 4658078<br>Fax: (99412) 4658089<br>E-mail: office@felsbaku.com<br>www.felsbaku.com                 |
| 07 | Hotel Absheron          | 674, Azadlig Avenue,<br>Baku, AZ1010                                 | Tel.: (99412) 4932236; 4932013<br>Fax: (99412) 4937275<br>E-mail:<br>hotelabsheron@bakinter.net<br>www.hotelabsheron.com  |
| 08 | Irshad Hotel            | 11, Vagif Avenue,<br>Baku, AZ1007                                    | Tel.: (99412) 4410132; 4410133<br>Fax: (99412) 4410134<br>E-mail: hotel@irshad.baku.az<br>www.irshad.in-baku.com          |
| 09 | OASIS Hotel             | Zagulba settlement, terri-<br>tory of ITC "Ganjlik",<br>Baku, AZ1090 | Tel.: (99412) 4534957; 4534854<br>Fax: (99412) 4534856; 4534908<br>E-mail: oasis@box.az<br>www.interservice.azeriland.com |
| 10 | CASPIAN Guest House     | 8, Zorge Street,<br>Baku, AZ1000                                     | Tel.: (99412) 4987809; 4989855<br>Fax: (99412) 4985287<br>E-mail: rcaspian@intrans.az                                     |

| No | Organization                                 | Address  | Contacts  |
|----|--|--|---|
| 11 | AZCOT Guest House                            | 7, Husu Hajiyev Street,<br>Baku, AZ1001                | Tel.: (99412) 4925477; 4972507<br>Fax: (99412) 4925477; 4926273<br>E-mail: request@azcot.com                      |
| 12 | Diplomat Hotel Baku                          | 185, Suleyman Rahimov<br>Street,<br>Baku, AZ1000       | Tel.: (99412) 4991127<br>Fax: (99412) 4991128<br>E-mail: sales@diplomathotelbaku.com<br>www.diplomathotelbaku.com |
| 13 | The Crescent Beach Hotel &<br>Leisure Resort | Shikhov settlement,<br>Salyan highway,<br>Baku, AZ1003 | Tel.: (99412) 4974777<br>Fax: (99412) 4974780<br>E-mail: cbh@azeronline.com<br>www.crescentbeachhotel.com         |

### ***Notary's offices***

| No | Organization        | Address                                 | Contacts              |
|----|---------------------|---|-----------------------|
| 01 | Notary's Office # 1 | 17, U.Hajibayov Street,<br>Baku, AZ1000 | Tel.: (99412) 4934514 |

### ***Translation services***

| No | Organization                             | Address                                  | Contacts  |
|----|--|--|---|
| 01 | VneshExpertService Consulting<br>Company | 3, Inshaatchilar Avenue,<br>Baku, AZ1073 | Tel.: (99412) 4929277 /4 lines/<br>Fax: (99412) 4929288<br>E-mail: vescc@vescc.com<br>www.vescc.com<br>www.vneshexpertservice.com |

### ***Emergency phone numbers***

|   |                         |
|---|-------------------------|
| <i>Fire Station</i>                     | - 101; 4910734          |
| <i>Police</i>                           | - 102; 4934265; 4958817 |
| <i>Ambulance</i>                        | - 103                   |
| <i>Gas Emergency</i>                    | - 104                   |
| <i>Correct time service</i>             | - 106                   |
| <i>International telephone services</i> | - 107                   |
| <i>Service</i>                          | - 109                   |

### ***Visas***

They are short-term (from 3 days to 3 month) and long-term (up to one year). A visa can be obtained in one of the Diplomatic Missions of Azerbaijan abroad or upon arrival in the Heydar Aliyev Airport of Baku. Transit visas are available.

### ***Language***

The official language is Azerbaijani, however, the majority of the population also speaks Russian. Turkish and Persian are common. In the international hotels, bars and offices English is widely used.

### ***Work Hours***

The weekend is usually considered to be Saturday and Sunday, though many stores and supermarkets work every day. Beginning of the workday is at 8.00-9.00 o'clock, trade objects close at 21.00-23.00 o'clock, restaurants and bars considerably late (often last customer served principle).

### ***Currency***

The national currency is Azerbaijani manat (AZM). 1US\$ = approximately 4,900 AZM in 2004. 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 the hotels, big trade centers and supermarkets, international credit cards and US dollars are accepted. In small stores and restaurants cash is paid (as a rule in local currency).

### ***Communication***

Telephone communication is not a problem. Mobile coverage is extensive. Hotels have direct international dialling code as well as the accompanying business facilities; fax, computers, internet etc. Internet service are also rendered in numerous private shops. Public phones are rare.

### ***Mass Media***

Along with Azeri 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.

### ***Medical Service***

The first medical aid is usually free. There are also private medical clinics and services, doctors that can speak foreign languages. Wide range of medicins is available in pharmacies some of them open 24 hours a day.

### ***Transport***

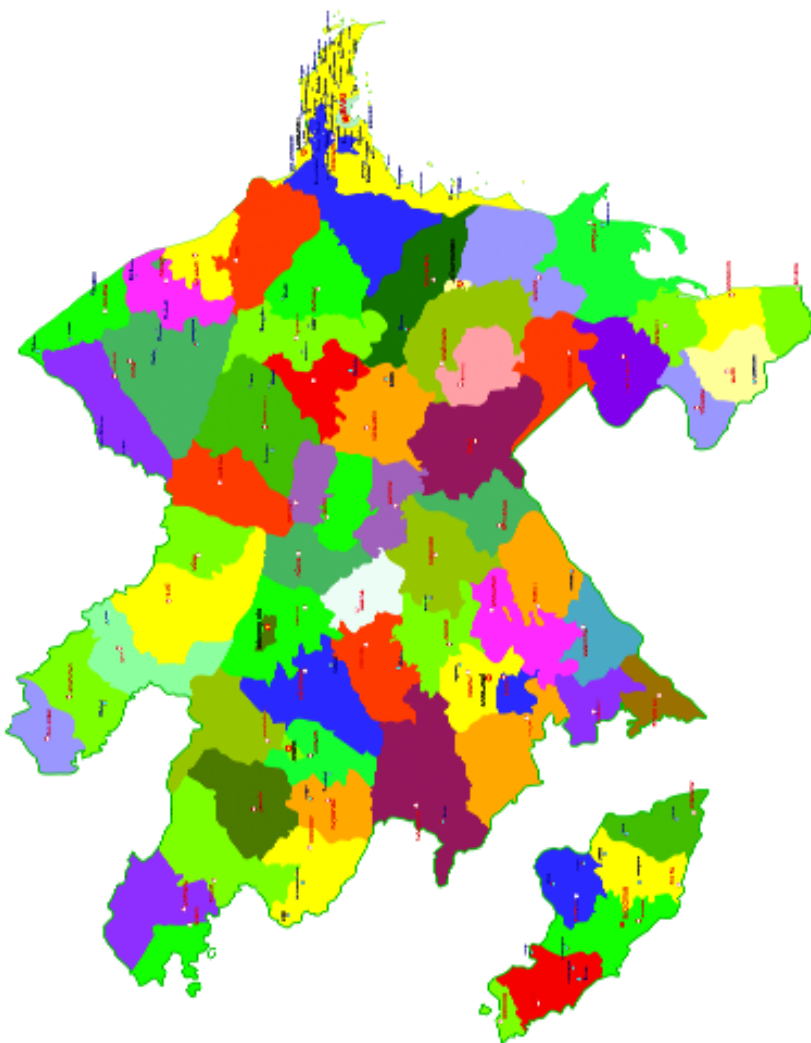
Public transport in Baku is Baku underground and minibuses. One can use taxis round the clock. It is better to negotiate price in advance.

### ***Customs Rules***

The import quota allows to bring three liters 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 600 gr. Goods and objects of art with cultural and historical value should be accompanied by a permit from according authority.

## Maps

*Administrative Map of Azerbaijan*





*Map of Motorways of Azerbaijan*

