MARKET ANALYSIS
AZERBAIJAN 2019
About AHK Azerbaijan

The German-Azerbaijani Chamber of Commerce (AHK Azerbaijan), based in Baku, is part of the worldwide AHK network promoting German foreign trade. The AHK Azerbaijan supports companies with business services such as market research, market entry and business partner search. It represents the interests of the German economy and its partners towards politics, administration and the public. The AHK Azerbaijan was founded in 2012 and with 130 members as of March 2019 is the strongest European business association in the country.

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About GTAi

Germany Trade & Invest is the economic development agency of the Federal Republic of Germany. The company helps create and secure extra employment opportunities, strengthening Germany as a business location. With more than 50 offices in Germany and abroad and its network of partners throughout the world, Germany Trade & Invest supports German companies setting up in foreign markets, promotes Germany as a business location and assists foreign companies setting up in Germany.

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MARKET ANALYSIS

AZERBAIJAN 2019
Dear readers,

We are gratified to introduce you our brand-new “Market Analysis Azerbaijan 2019” publication. This guide to the Azerbaijani economy is published by the German-Azerbaijani Chamber of Commerce (AHK Azerbaijan) and was developed in close cooperation with Germany Trade & Invest (GTAI). The publication provides a comprehensive overview of the 14 priority sectors of the Azerbaijani economy, analyses current trends and projects as well as presents opportunities for the German economy in the respective industries.

The economy of Azerbaijan has received new impetus through the reform policy of the government in the last three years. Investments in the sectors other than the energy industry are enhancing. Production and exports are expected to grow. Not only the agriculture and food, plastics and textile industries, but also other domains of the economy offer opportunities for equipment suppliers and investors. The foundation thus has been laid. Now it is important to consolidate the initiated projects and to substantiate the strategic decisions on structural changes.

Energy industry remains the main growth driver of the economy. However, it is essential to develop new business models and to gradually reduce reliance on this sector. This can help to cushion the blow of oil price shocks and to keep the economy, growth and currency stable. How are the sectors currently developing? What are the positive trends? Where are the opportunities? This study aims to provide you with answers to these questions and is intended as a guide for those interested in the Azerbaijani market.

In addition, we have invited the managing directors and senior representatives of German and Azerbaijani companies to provide us with an assessment of the business climate and with the current situation of their companies and projects. The result is an overall representative picture of the economy in Azerbaijan and its players. We would like to cordially express our thanks to the companies supporting this issue with their insightful statements.

On behalf of the AHK Azerbaijan, we also extend our utmost gratitude to GTAI and to Dr. Uwe Strohbach, the representative for the South Caucasus, for this valuable and productive cooperation. We are looking forward to further joint informative products, which will facilitate orientation and foster the exchange between our countries.

We are happy to be your partner on site and provide assistance for your business success in Azerbaijan!

Tobias Baumann
Executive Director
AHK Azerbaijan

Nigar Bayramli
Head of Market Analysis & Communication
AHK Azerbaijan
A market with much unrealised potential

New development projects in the pipeline

Renewable and green electricity projects prioritised

Focus on the North-South and East-West corridors

Opportunities for revived and new projects

A sector with multiple opportunities for expansion

Agriculture and the food industry - markets for the future

The oil and gas equipment sector seeks partners

Several assembly projects planned

An industry gaining new momentum

A sector in upheaval

First projects in Pirallahi pharmaceutical industry park

Double-digit growth expected in the IT sector

Demand for investment remains high

New strategy establishes a project framework
A Market With Much Unrealised Potential

The Republic of Azerbaijan, with a population of about ten million, is the largest country in the South Caucasus. The economy of this resource-rich country is going through a period of great upheaval: the golden age of effervescent revenues from the export of hydrocarbons is already over. The bells rang in 2015 when the rapid fall in prices for crude oil, the country’s main source of revenue, led to a massive devaluation of the currency and a profound economic and financial crisis. Gross domestic product (GDP) in 2018, measured in US dollars (US$), amounted to 62.4% of that in 2014.

In a drive towards a stable and sustainable economic development, Azerbaijan needs to accelerate the development of the non-oil industry. In 2018, the non-oil sector accounted for 58.5% of GDP. In fact, excluding companies directly involved in oil and gas production - primarily representing the construction and transport sectors - the contribution of the non-oil sector in the overall economy is significantly lower.

Many companies in the non-oil sector need to update their technology. The number of small and medium-sized (SMEs) enterprises has declined significantly. Exports other than crude oil, natural gas and oil products accounted for only 8.8% of the total in 2018. They amounted to a modest $1.7 billion and were largely funded by state-owned enterprises.

Strategies for reform and the main economic sectors

The necessity of creating an efficient, diversified and more market-oriented economic structure is increasingly urgent in Azerbaijan. In response, the government adopted Strategic Roadmaps for the National Economy and Main Economic Sectors at the end of 2016. The documents, developed in cooperation with the consulting firm McKinsey & Company, include action plans for the years to 2020 and strategic plans for the period to 2025 and beyond. The aim of the strategic roadmaps is to develop key sectors of the economy with state promotion.

Today, every second Azerbaijani Manat spent by the government comes from the State Oil Fund. The Fund accumulates revenues generated from the sale of oil and gas. Increased expansion of the non-oil sector is expected to reduce the Oil Fund’s contribution to the public-sector budget to 15% by 2025.

The main economic sectors in the strategy include:

- oil and gas, including petrochemicals,
- agri-food,
- heavy industry and mechanical engineering,
- tourism,
- logistics and trade,
- residential construction,
- financial services,
- ICT, and
- municipal economies (electricity, heat and water supply and waste management).
The strategy includes projects of modernisation and expansion in the sectors of the economy targeted and improvements to the business climate. The latter includes reforms in taxation, customs and competition law, increased support for small and medium-sized enterprises, enhanced public-private cooperation, privatisations of non-strategic state-owned enterprises and greater involvement of the private sector in the educational system. In terms of production volume, state-owned enterprises still shape the chemical and electronic sectors, as well as the transportation equipment industry.

High capital requirement for planned projects

By 2020 the strategy is expected to cost $16 billion. The difficult budgetary situation, the continuing banking crisis and the weak inflow of foreign investment to the non-oil sector cast doubt on the likelihood of a timely realisation of these projects. However, there is less doubt that many reforms and projects, albeit delayed, will be implemented.

Over the past two years Azerbaijan has registered economic successes; these include the implementation of reforms in public administration, including customs, industrial and agricultural development, business development and the formation of trade associations. The latter were founded, among others, in the packaging industry and the production and export of fruit and vegetables, as well as in the dairy industry.

Promotion in the World Bank’s business-friendly rankings

The World Bank’s latest “Doing Business 2019” report acknowledges progress in Azerbaijan’s reforms. The country rose from 57th to 25th (out of 190 countries) in the annual ranking of most business-friendly states, based on eleven criteria. The country was among the leading nations for Protecting Minority Investors (ranked 2nd), Starting a Business (9th) and Registering Property (17th). Mid-range rankings were recorded in Dealing with Construction Permits (61st), Getting Electricity (74th) and Trading across Borders (84th).

The need for reform remains high

A detailed view of the in-depth assessments included in the World Bank’s Business Climate Index shows that the government’s reduction of official bureaucracy is overestimated. There is still a lot of catching up to do in terms of market-compliant and socially-oriented regulation, as well as the internationally accepted framework of conditions for global competitiveness. “The World Economic Forum’s Global Competitiveness Report 2018” objectively placed Azerbaijan only in the middle range, ranking the country 69th of the 140 countries evaluated. Weaknesses include general legal uncertainty, bureaucracy that remains excessive in many areas, an imbalance in regional development, a large shadow economy, rather underdeveloped compliance culture, and serious deficits in competition.

Despite the difficult business conditions for foreign companies, Azerbaijan remains the most important economic partner in the South Caucasus for Germany and many other EU countries. The present publication indicates the unexploited potential for investment and trade in individual economic sectors. Without doubt, the Azerbaijani market promises profitable business.

Dr. Jens Uwe Strohbach
Representative for Central Asia and South Caucasus
Germany Trade & Invest (GTAI)
The oil and gas industry remains by far the most important sector for investment in Azerbaijan. Declining hydrocarbon prices in the world market led to a slump in gross fixed capital formation in the sector after 2015. Projects to support and initially upgrade the oil and gas sector, as well as the implementation of new Production Sharing Agreements (PSAs) for the development of oil and gas fields are planned. They promise a wide range of sales opportunities for foreign suppliers of equipment and industry-related services.

**Billions of dollars invested in the development of the Azeri-Chirag-Gunashli oil field**

According to the research and consultancy group Wood Mackenzie, almost $20 billion will be invested in the oil and gas industry from 2018 to 2025. Projects include further industrial development of the large offshore Azeri-Chirag-Gunashli (ACG) deep-water oil field by the Azerbaijan International Operating Company (AIOC) international consortium. The envisaged construction of two oil platforms for the Azeri Central East project is regarded as one of the most investment-attractive individual projects.

In autumn 2017, Azerbaijan and the consortium extended the PSA signed in 1994 until 2050 to cover the development of oil fields. The contractors expect production of about 500 million tonnes of oil and investments in excess of $40 billion over the next 32 years. $44 billion were invested in the development of ACG deposits by the end of 2018.

Oil production from 1994 to 2018 amounted to some 470 million tonnes. The AIOC consortium expects to produce 30.9 million tonnes of oil and 29.7 billion cubic metres of gas in 2019.

Signatories to the most economically significant Azerbaijani PSAs are the State Oil Company of the Azerbaijan Republic (SOCAR, share in the consortium: 25%) and foreign companies BP (United Kingdom, 30.37%), Chevron and ExxonMobil (US, 9.57% and 6.79%), Inpex and Itochu (Japan, 9.31% and 3.65%), Equinor (Norway, 7.27%), TP (Turkey, 5.73%) and ONGC Videsh (India, 2.31%). Chevron and ExxonMobil are seeking to sell their shares. BP heads the consortium and is the project operator. Proven oil and gas reserves of the ACG block amount to 1.2 billion tonnes of crude oil and 350 billion cubic metres of natural gas.

**Table 1. Development of gross fixed capital formation in the oil and gas industry**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total investment (US$ bln)</td>
<td>7.6</td>
<td>6.9</td>
<td>5.4</td>
<td>4.9</td>
</tr>
<tr>
<td>Share of total investment in Azerbaijan (%)</td>
<td>33.8</td>
<td>44.7</td>
<td>54.8</td>
<td>41.3</td>
</tr>
<tr>
<td>Foreign investments (US$ bln)</td>
<td>5.4</td>
<td>5.3</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Share of total foreign investments (%)</td>
<td>85.3</td>
<td>80</td>
<td>73.3</td>
<td>72.6</td>
</tr>
<tr>
<td>Domestic investments (US$ bln)</td>
<td>2.2</td>
<td>1.6</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Share of total domestic investments (%)</td>
<td>13.7</td>
<td>17.7</td>
<td>27</td>
<td>24.1</td>
</tr>
</tbody>
</table>

Source: State Statistical Committee of the Republic of Azerbaijan (SSC)

**Shah Deniz 2 project targets gas exports to Europe**

The exploration of the Shah Deniz 2 gas field, including the construction and development of gas export pipelines to Europe, is the second major project in Azerbaijan’s hydrocarbon sector. SOCAR and BP, operators of the Shah Deniz gas field, signed an agreement on the second stage development of the gas field at the end of December 2013. From 2020, 6 billion and 10 billion cubic metres of gas respectively are to be supplied annually to Turkey and other European countries.
Total investments in the Southern Gas Corridor are estimated to exceed $40 billion. The Azerbaijani company Southern Gas Corridor CJSC (Partners: State of Azerbaijan and SOCAR) invested $9.8 billion of the $11.5 billion planned for the project by the end of 2018. In 2019, a further $1.4 billion will be invested.

New exploration and development projects boost investment

New or renewed PSAs for the exploration and industrial exploitation of hydrocarbon deposits help to trigger investments in the oil and gas industry. The reason that foreign oil and gas companies are highly interested to develop the new hydrocarbon reservoirs must be seen not least in connection with the construction of the Southern Gas Corridor, the new export route to Europe.

Among other targets are the exploration and development of Absheron (foreign partner: Total), Muradkhanly-Jafarly-Zardab (Zenith Energy), Govsany-Zykh (Global Energy) and Block D230 / North Absheron (BP), as well as the Ashrafi-Dan Ulduzu-Aypara and Karabakh (Equinor) oil and gas fields. In addition, the Russian petroleum company Rosneft is eager to cooperate with SOCAR in further geological exploration of the Goshadash oil and gas block.

Gas production from the Absheron deposit is expected to commence in the third quarter of 2020. At first, 1.5 billion cubic metres of gas and 700,000 tonnes of gas condensate will be produced annually. From 2022/2023, annual gas production is expected to increase to at least 4 billion cubic metres of gas. The reservoirs hold up to 350 billion cubic metres of gas and 108 million tonnes of gas condensate.

First production from the Karabakh oil and gas deposit is scheduled for 2021. Recoverable reserves in the deposit are estimated to be at least 16 million tonnes of oil and 28 billion cubic metres of gas. Equinor intends to commence seismic surveys of the Ashrafi-Dan Ulduzu-Aypara block in mid-2019. BP plans to initiate similar work in the D230 block in the first half of 2019. Further, BP has announced that drilling will start in the Shafag-Asiman contract area in 2019. Reserves in this deposit amount to 500 billion cubic metres of gas and 65 million tonnes of condensate. At the turn of 2018 / 2019, Zenith Energy intensified oil drilling work in the Muradkhanly-Jafarly-Zardab block.

Azerbaijan has high expectations of the implementation of the Umid-Babek project. Both deposits have a capacity of 600 billion cubic metres of gas and 120 million tonnes of gas condensate. The Umid deposit has been producing gas for several years. In spring 2018, SOCAR and the UK company Nobel Upstream signed a Risk Service Agreement and other agreements for the appraisal, exploration and development of onshore deposits. The exploration and production company established by the two project contractors is interested in attracting additional foreign partners.

Table 2. Development of oil and gas production

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude oil and gas condensate (mln t)</td>
<td>41.6</td>
<td>41.1</td>
<td>38.7</td>
<td>38.8</td>
<td>38.5</td>
<td>38.9</td>
<td>39.1</td>
<td>39</td>
</tr>
<tr>
<td>Natural gas (bcm)</td>
<td>29.2</td>
<td>29.3</td>
<td>28.6</td>
<td>30.5</td>
<td>36.9</td>
<td>39.9</td>
<td>43.4</td>
<td>45</td>
</tr>
<tr>
<td>Marketable gas</td>
<td>19.2</td>
<td>18.7</td>
<td>18.2</td>
<td>17.4**</td>
<td>24.7</td>
<td>29.8</td>
<td>36.2</td>
<td>38.5</td>
</tr>
</tbody>
</table>

*Government forecasts 2019-2022; ** January-November
Source: SSC, the Government of Azerbaijan
Uniper is a leading international energy company with operations in more than 40 countries and around 12,000 employees. Uniper’s business is to provide a reliable supply of energy and related services. Its main operations include power generation in Europe and Russia and global energy trading. With its balanced portfolio and its technical and commercial expertise, Uniper is able to offer flexible, attractive and customized products and services at competitive prices. The company is headquartered in Düsseldorf, Germany.

In 2013, in the framework of the Southern Gas Corridor project, Uniper and the Shah Deniz Consortium signed a long-term contract for the supply of natural gas from the giant Shah Deniz field in the Caspian Sea to Europe. The 40 billion cubic meter contract spans a period of 25 years. This contract represents a significant step in the development of our global growth strategy and is a significant step in forging our partnership with Azerbaijan. The entire project of the Southern Gas Corridor secures supplies to Europe from a new supply region for decades, thereby increasing the diversification of the European and German energy supply. After the completion of the final pipeline segments of the Southern Gas Corridor the deliveries of Azerbaijani gas will start in 2020.

Based on this long-term energy partnership with Azerbaijan, Uniper and SOCAR established a joint venture in 2016 with the aim to develop and to implement energy efficiency projects in the country. The first project of this joint venture is currently being realised in the north of Baku.
Azerenerji, the state-owned power generation and transmission company, and Azerishiq, the national distributor of electrical energy, plan to modernise their technical infrastructure over the next three years. A number of projects represent potential opportunities for foreign suppliers of equipment and electricity industry know-how. The investment of $6.1 billion in the industry from 2006-2017 was far from sufficient to ensure a stable and, above all, effective electricity supply for the country. After two sluggish years, investment in the electricity sector has been on the increase since 2017.

The government expects 25.5 billion kilowatt hours of electricity to be generated in 2019. This is expected to increase in subsequent years by an average of 2% per annum, reaching around 27.1 billion kWh in 2022.

**New programmes and initiatives set frameworks for investments**

The modernisation and expansion projects underway or envisaged up to 2020/2021 are incorporated in the following documents, programmes and initiatives:

- Strategic Roadmap for the Development of Utilities in Electricity and Thermal Energy, Water and Gas Supply (action plan for 2017-2020 and future plans for the years thereafter),
- General plan for the rehabilitation of infrastructure at the Azerbaijan Thermal Power Plant, capacity 2,400 MW, in Mingachevir, including modernisation of substations,
- Programme for the optimisation of power generation and recommissioning of unutilised capacity in all modular power plants and the larger Shimal (400 MW), Janub (780 MW), Sumgayit (525 MW) and Sangachal (300 MW) thermal power plants,
- Construction of three, 220 kV substations in Baku within the framework of the State Investment Program,
- Three phase modernisation programme for Azerishiq, operator of the electricity grid, in cooperation with the Asian Development Bank (ADB) (total costs: approximately $1 billion. Phase 1 ($325 million) to be completed in 2019, Phase 2 expected to commence in 2020/2021),
- Construction of an efficient energy corridor between Azerbaijan, Iran and Georgia including construction of new power lines, and
- Construction of a second international power line between Yashma / Azerbaijan and Derbent / Russia (330 kV).

Among the projects included in long-term plans for the expansion of power generation is the construction of at least one large 1,000 MW power plant on the Absheron Peninsula, envisaged by the end of 2030. This project is an essential element in the Ministry of Energy’s long-term strategy for the country’s electricity supply.

**Privatisation planned for less strategically important electricity producers**

The implementation of the Strategic Roadmap for the Development of Utilities also provides for the privatisation of power plants, which are of lesser importance for the nation’s power supply. Properties suitable for privatisation are currently under assessment. According to the Ministry of Energy, the six small hydroelectric power stations previously operated by the power generating company Azerenerji are most likely to be sold to private investors.

Azerenerji states that it operates eleven thermal power plants, seven hydroelectric power stations (with an installed capacity of 18 to 424 MW each), a few small hydroelectric power stations, 7,880 kilometres of high voltage power lines and 93 substations at voltage levels of 110-500 kV. Despite increasing its revenue to $589 million in 2017, 25% more than in 2016, Azerenerji continued to work at a loss ($350 million). Investments in the company’s infrastructure amounted to $88 million.
Azerishiq is responsible for power distribution across Azerbaijan, except for the Nakhchivan exclave. It has branches in some 70 cities and regions for electricity sales and supply. It supplies electricity to more than 2.3 million households, as well as to almost 200,000 organisations and companies. It operates around 700 substations (power levels of 110 and 35 kV), 52,000 transformer stations and about 38,000 kilometres of network line of 6.1-110 kV. In 2017 and 2018, most investment was in modernisation projects supported financially by the ADB.

As of 1 July 2018, the total installed generating capacity in Azerbaijan amounted to 8,174 MW. Of this, 6,749 MW is generated by thermal power plants, 1,060 MW by large hydroelectric power stations. The remaining capacity (365 MW) is accounted for by plants using renewable energy sources (including small hydropower plants) and block power plants.

<table>
<thead>
<tr>
<th>Installed capacity (MW)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thermal power stations</td>
<td>6,233.4</td>
<td>6,652.8</td>
<td>6,726.8</td>
<td>6,748</td>
</tr>
<tr>
<td>Hydroelectric power station</td>
<td>1,077.9</td>
<td>1,103.4</td>
<td>1,105</td>
<td>1,106.4</td>
</tr>
<tr>
<td>Investments (US$ mln)</td>
<td>543.2</td>
<td>279.9</td>
<td>231.4</td>
<td>331.2</td>
</tr>
<tr>
<td>Electricity generation (bln kWh)</td>
<td>24.7</td>
<td>24.7</td>
<td>25</td>
<td>24.3</td>
</tr>
<tr>
<td>Azerenerji</td>
<td>22.7</td>
<td>22.5</td>
<td>22.6</td>
<td>22.2</td>
</tr>
<tr>
<td>Thermal power stations</td>
<td>21.4</td>
<td>20.9</td>
<td>20.7</td>
<td>20.5</td>
</tr>
<tr>
<td>Hydroelectric power stations (10 MW each and more)</td>
<td>1.3</td>
<td>1.6</td>
<td>1.9</td>
<td>1.7</td>
</tr>
<tr>
<td>Other capacities</td>
<td>2</td>
<td>2.2</td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Electricity consumption (bln kWh)</td>
<td>16.9</td>
<td>17.7</td>
<td>17.6</td>
<td>17.1</td>
</tr>
<tr>
<td>Self-consumption by the electricity industry (bln kWh)</td>
<td>4</td>
<td>3.9</td>
<td>4</td>
<td>3.8</td>
</tr>
<tr>
<td>Losses (bln kWh)</td>
<td>3.4</td>
<td>2.9</td>
<td>2.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Imported (bln kWh)</td>
<td>124.1</td>
<td>107.5</td>
<td>114.4</td>
<td>107.8</td>
</tr>
<tr>
<td>Exported (bln kWh)</td>
<td>489.3</td>
<td>265</td>
<td>1,095.5</td>
<td>1,282.5</td>
</tr>
</tbody>
</table>

SOCAR relies on foreign partners for energy efficiency

Among the industrial companies, which generate their own energy, SOCAR, is especially prominent. Over the next few years, the company plans to implement several projects to increase energy efficiency in the production and processing of oil and gas. In August 2018, SOCAR and the German energy supplier Uniper SE, Düsseldorf signed an agreement on the implementation of further joint projects to increase energy efficiency in the oil and gas sector. The companies have cooperated for several years in the development of energy efficiency projects in gas processing in Sumgayit.
On the threshold - a law on renewable energy

Azerbaijan’s energy sector is at a turning point: a law on renewable energy (RE) and an investor-friendly tariff policy are in sight and are soon likely to ensure a significant upswing in the RE industry. Azerbaijan is drafting a law with DNV GL, an international consulting company headquartered in Norway. This should be up for discussion in April 2019. Several foreign investors, including some from China, Canada, Turkey, the USA and Norway, as well as Arab and EU countries, have declared their interest in entering the market. Principal targets are projects for the use of wind power.

Graph 1. Potential for renewable energy (%)

![Graph showing potential for renewable energy]

**Source:** The State Agency on Alternative and Renewable Energy Sources (AREA)

Due to a lack of renewable energy legislation, Azerbaijan’s RE projects have so far been mainly publicly initiated and funded. Given the shrinking foreign exchange earnings from the oil exported by this country bordering the Caspian Sea and the lack of green energy expertise in the domestic market, foreign investments and technologies are urgently required.

**Large-scale wind power projects taking shape**

The first outlines are emerging of large-scale wind power projects: the Azalternativenerji company is currently appraising a wind power project at Baku International Sea Trade Port. In addition, a feasibility study is being prepared for a first offshore wind farm in the Caspian Sea (Wind Island-1 project). It is expected to have an installed capacity of 200 MW and will be built at a location between Pirallahi settlement and Chilov island.

**Table 4. Envisaged expansion of renewable electricity generation (MW)**

<table>
<thead>
<tr>
<th>Divisions</th>
<th>2018-2020</th>
<th>2021-2025</th>
<th>2026-2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>All divisions</td>
<td>430</td>
<td>840</td>
<td>925</td>
</tr>
<tr>
<td>Wind power</td>
<td>350</td>
<td>440</td>
<td>465</td>
</tr>
<tr>
<td>Solar power</td>
<td>50</td>
<td>150</td>
<td>190</td>
</tr>
<tr>
<td>Hydropower</td>
<td>10</td>
<td>220</td>
<td>220</td>
</tr>
<tr>
<td>Biomass</td>
<td>20</td>
<td>30</td>
<td>50</td>
</tr>
</tbody>
</table>


**Sources:** AREA, SSC
International credit institutions support green energy financially

A 300 kW floating solar power plant on Boyuk Shor Lake (Baku) is planned for March 2021. This pilot project is estimated to cost $100,000-200,000 with finance from the ADB. The ADB is also involved in the construction of biogas plants. Waste produced during cotton, cereal and hazelnut cultivation will be used as a source of energy in the future.

The World Bank and the Ministry of Energy have signed an agreement on projects to increase the efficiency of small hydropower plants significantly. The consulting company SNC-Lavalin Atkins, headquartered in Canada, was instructed to analyse the small hydropower market. The European Bank for Reconstruction and Development (EBRD) also intends to provide financial support for renewable energy projects in Azerbaijan.

Graph 2. Envisaged share of renewable energy in power generation (%)*

*Each including some large hydropower plants, 2017: 9.8% (2.38 bln kWh)
Sources: AREA, SSC

Additional 420 MW renewable energy planned by 2020

Projects to construct renewable energy plants with an installed capacity of 420 MW, or average annual electricity generation of about 1.2 billion kWh, are expected to be implemented from 2018 to 2020. Project value amounts to approximately $700 million.

Table 5. Envisaged investment in green energy in 2018-2020*

<table>
<thead>
<tr>
<th>Division/Project</th>
<th>Installed capacity (MW)</th>
<th>Project value (US$ mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total projects</td>
<td>420</td>
<td>678.4</td>
</tr>
<tr>
<td>Wind power</td>
<td>350</td>
<td>555.4</td>
</tr>
<tr>
<td>Solar power</td>
<td>50</td>
<td>63</td>
</tr>
<tr>
<td>Bioenergy</td>
<td>20</td>
<td>60</td>
</tr>
</tbody>
</table>

* excluding hydropower
Sources: Strategy of the Government of Azerbaijan for the development of utilities (December 2016), AREA
The history of Siemens in Azerbaijan goes back more than 150 years. Today Siemens focuses on the areas of electrification, automation and digitalisation. Stable economic growth and genuine economic reforms introduced in the last couple of years have led to a considerable increase of Siemens’ activities in Azerbaijan. This is particularly the case with regard to our customer-specific solutions and product business. Siemens together with local EPCs (Engineering, Procurement, and Production/ project partners in the planning and control, procurement and execution of construction and installation work) implemented high-voltage substations, like 110/35/10 kV substation Polymer and many other power supply stations for techno- and agricultural parks.

Siemens’ most important projects are currently being carried out in the manufacturing sector and in developing city infrastructure. Moreover, Siemens was awarded with a very complex order by Socar/Uniper for 36 MW steam turboset. Other ongoing key projects by Siemens are in partnership with Baku Metro CJSC, which include DEPO 1 s/s, electrification and tracking substation for the new B Line (purple line) as well as electrification of the substation Icheri Sheher (Old City).

A number of new programmes and initiatives set a short-term investment framework in the energy generation and distribution spheres of Azerbaijan: A long-term agreement with SOCAR, for example, envisages realisation of several projects to increase energy efficiency in production and processing of oil and gas in the coming years.
Despite lower revenues from oil and gas exports, the Government of Azerbaijan continues to implement priority projects in the transport sector. This applies primarily to the expansion of road and railway routes along the North-South and East-West corridors. The construction of modern logistics hubs and increased investment in the merchant fleet are also on the project agenda. All projects have one goal: to make the country an attractive hub for transit freight transport.

Large-scale road construction on international transport routes

Two large-scale projects particularly characterise current developments in road construction: the laying of a new route from Baku to the Russian border beyond Guba and upgrading the west Azerbaijani section of the East-West M-2 highway from Ganja, the country’s second largest city, to the Georgian border. Road construction is the responsibility of Azeravtoyol, the State Agency of Azerbaijan for Vehicular Roads.

Construction of the four-lane Baku (Haji Zeynal-Abdin Taghiyev settlement)-Guba-Russia border highway started in spring 2018. The road extends for 157 kilometres, including driveways, underpasses and bypass roads. The government allocated $150 million for the project in 2018. All four sections of the route are to be completed by the end of 2020 / beginning of 2021.

In the first half of 2019, a green light was given to the upgrading of the 130 km road from Ganja to the border with Georgia via Shamkir, Tovuz, Agstafa and Gazakh. The EBRD intends to provide financial support for the project. The funds are allocated from a road construction loan granted in 2011. A $250 million loan for the second and third tranches of an initially planned project remains unspent and is to be used for the new project. The route is scheduled for operation in 2021.

Railway projects closing the gaps on the North-South route

From 2019 to 2021, investments in the railways will focus on three sections of the North-South railway corridor:

- Rasht-Astara in Iran (approximately 170 km, co-financed by the Government of Azerbaijan with a $500 million loan),
- Baku-Yalama / border with Russia (192 km) and
- Baku-Astara / border with Iran (just over 300 km, modernisation and partial relocation of the line).
A small section of the corridor between the border cities of Astara (Iran) and Astara (Azerbaijan) was put into operation in spring 2018. Azerbaijan Railways (ADY) will operate the rail and cargo terminals in Astara, Iran, for a lengthy period and has announced investments in the terminals to the tune of $60 million.

The Rash-Astara line is still a missing link in the North-South Corridor INSTC (International North-South Transport Corridor). The corridor, which is more than 7,000 km long, connects Russia with a rail route across Iran to ports on the Persian Gulf and to India's railway network. This may become an important transport connection between China and the railway line from Baku to Kars (Turkey) via Tbilisi (Georgia), which has been in operation since autumn 2017. A report by ADY projects that after completion of the corridor up to 6 million tonnes, rising eventually to 20 million tonnes, of goods could be transported annually from Asia to Russia via Iran and Azerbaijan in the first phase.

Table 6. New large-scale international co-financed project in railway transport*

<table>
<thead>
<tr>
<th>Project description</th>
<th>Investments (US$ mln)</th>
<th>Period of realisation</th>
<th>Note/Contact organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernisation of the double-track railway line Yalama / border with Russia-Sumgayit (167 km)</td>
<td>325</td>
<td>2019 - 2022</td>
<td>ADY, co-financed by the ADB ($150 mln) and Agence Française de Développement (AFD) ($100 mln)</td>
</tr>
<tr>
<td>Railway reforms: Restructuring, tariff reform, implementation of an ERP System and International Financial Reporting Standards (IFRS) accounting</td>
<td>325</td>
<td>2019 - 2022</td>
<td>ADY, co-financed by the ADB ($250 mln) and AFD ($75 mln)</td>
</tr>
</tbody>
</table>

* Projects within the framework of the Azerbaijan Railway Sector Development Programme agreed between the Government of Azerbaijan and the ADB.

Source: Azerbaijan Railway Sector Development Programme

The project agenda for ADY also includes the construction of a railway line from Heydar Aliyev International Airport to the main railway station in Baku (preliminary project study completed), the construction of railway lines from Baku to the attractive tourist centres Gusar (Shahdagh) and Gabala (Tufandagh) (project planning is underway), as well as further development of local and regional transport in the Baku conurbation. ADY will invest about $4.9 billion in railway construction and rolling stock over the whole period 2010-2022.

Second expansion phase of the new Alat seaport planned for the medium term

In May 2018, a new international seaport was commissioned in Alat, a former fishing village about 65 km south of Baku. This will not only supersede the existing port in Baku but will also gradually develop into a central hub and the largest seaport on the Caspian Sea. The annual handling capacity is 15 million tonnes of freight, including 100,000 standard containers (TEU) after completion of the first phase expansion. It has twelve berths: seven for cargo vessels (annual handling capacity: 7 million tonnes), two for ferries (6.2 million tonnes), two for roll-on/roll-off (ro-ro) ships (1.8 million tonnes) and one for maritime maintenance. The annual handling capacity is to be expanded up to 25 million tonnes, including 500,000 standard containers at a later stage. The continuation of the project depends on the development of freight volumes in coming years.
Almost 4 million tonnes (excluding oil terminal) of cargo were handled at the port of Baku / Alat in 2018; this included some 21,000 standard containers, compared with 4.4 million tonnes and 15,300 standard containers in the previous year. In 2016 and 2017, the four Azerbaijani ports: Baku, Astara, Lankaran and Sumgayit handled 9.1 million and 10.8 million tonnes of freight respectively.

**About $1.5 billion to be invested in the merchant fleet by 2028**

The country’s Azerbaijan Caspian Shipping Company (CASPAR) intends to invest some $1.5 billion in fleet expansion between 2018 and 2027. Local and international procurement of 72 ships is to be financed from its own resources, as well as from state funds. Its ferries head for the Kazakh ports of Aktau and Kuryk and the Turkmen port of Turkmenbashi. Ro-ro ships operate on routes to Aktau and Turkmenbashi. Bulk carriers transport goods mainly from Russia and Kazakhstan to Iran. Sea transport from Turkey to Kazakhstan is on the increase.

**Investments in large logistics centres announced**

Among the activities planned to expand logistics capacities, two large-scale projects stand out. The Absheron logistics centre in Baku (Garadagh district), which began its operations in August 2018, plans to expand its capacities massively in the near future. Further container and cargo terminals are to be built on an area of 35 ha. The logistics centre, which was built primarily for the export of agricultural products, currently has an annual handling capacity of 11 million tonnes of goods.

Sumgait Chemical Industrial Park (SCIP), the state-owned operator of the chemical industrial park in Sumgayit, has announced a plan to build a modern logistics centre covering 10 ha. A number of companies in chemicals and other industries operate in the large industrial park.

**Table 7. Realised gross fixed capital formation in the transport sector (US$ mln)**

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total investments</strong></td>
<td>3,102</td>
<td>2,117</td>
<td>870</td>
<td>1,032</td>
</tr>
<tr>
<td>Storage and other transport services</td>
<td>2,284</td>
<td>1,092</td>
<td>614</td>
<td>659</td>
</tr>
<tr>
<td>Road, railway and pipelines</td>
<td>531</td>
<td>533</td>
<td>216</td>
<td>74</td>
</tr>
<tr>
<td>Shipping</td>
<td>182</td>
<td>109</td>
<td>33</td>
<td>65</td>
</tr>
<tr>
<td>Aviation</td>
<td>105</td>
<td>383</td>
<td>7</td>
<td>234</td>
</tr>
</tbody>
</table>

*Source: SSC*
The past couple of years marked a significant transition phase for Azerbaijan due to the rather challenging economic situation. Some key infrastructure projects moved forward, whilst others, in particular some industrial projects, were temporarily suspended.

The outlook for the transport sector is positive in 2019, as the benign economic trends set to continue. Some of the biggest infrastructure projects, i.e. the Baku-Tbilisi-Kars railway line, as well as the relocation and gradual expansion of the port of Baku, were successfully completed in 2018. These recent developments create the basis for positioning Azerbaijan as a key North–South and East–West nodal point. Furthermore, the ongoing simplification of transit formalities and customs procedures at the borders of the country continue facilitating transport within the Caucasus region. These notable improvements help to establish reliable and faster transport services in the country. Ongoing and expanded development of major road, rail and maritime projects also contributes to an overall optimistic outlook for the transport industry of Azerbaijan in the coming years.

HHLA (Hamburger Hafen und Logistik AG) Project Logistics is a company specialised in forwarding and transportation services in Georgia, Azerbaijan and countries of Central Asia. We are convinced that the availability of this modern infrastructure, as well as the completion of the key industrial projects throughout the region will provide an opportunity for sustained development of the country and the region overall.
Oil, gas and transport industries dominate civil engineering

The oil and gas sector, the core of Azerbaijan’s economy, also impacts construction activities. About two-fifths of the capital invested annually in the country goes to that sector, with construction and installation works accounting for the lion’s share. And those works in the oil and gas sector are mainly conducted by foreign investors engaged in developing the oil and gas fields. This explains the high proportion (>40%) of foreign companies in current construction activities. Investment in the transport sector supports projects to expand international rail and road corridors.

Housing construction regains buoyancy

Housing construction provides the foundation for the construction industry’s resurgence. In 2018, the volume of completed residential space expanded to 2.08 million square metres, 3.3% more than the previous year. Investment in housing construction rose by about a third to $760 million; nonetheless, this is still far below previous levels. Total investments in 2018, denominated in US$, are only about half of those in 2014. Adjusted for inflation, the figure is a further 15% lower.

The prospects for housing construction are good. There are many factors producing the constant increase in housing demand. Azerbaijan’s population is growing significantly, by more than 80,000 in both 2017 and 2018. Territorial planning in Greater Baku is based on estimates that residential space will double to 97.8 million square metres by 2035, compared with 2016/17.

As well as rented apartments, the demand for condominiums is also increasing in Greater Baku. In the regions, the demand for affordable rental housing is particularly high now.

Government support for low-income earners in the housing market

The government supports the construction of housing for people on low incomes with several funding programmes. The State Housing Development Agency of the Republic of Azerbaijan (MIDA), established in 2016, launched two housing projects in Baku. Prices there are 20-25% lower than in the open market. One project in Yasamal is completed, while the second project, in Hovsan, envisages the construction of 2,202 apartments in 40 buildings. Settlements will also be built in Ganja and Sumgayit cities in the near future.

Since 2006, a state mortgage programme has supported Azerbaijani purchasers of residential real estate. As of 1 December 2018, banks cooperating with the Mortgage and Credit Guarantee Fund (until 2017 the Mortgage Fund) have issued some 24,500 such loans. In the first eleven months of 2018, these loans exceeded $136 million, compared with $118 million for the whole of 2017. In the same period, loans totalling $130 million were refinanced. The maximum subsidised loan is 150,000 AZN - about $88,000 (maximum interest rate: 8%). In addition, the state budget has contributed $59 million to finance special discounted mortgage loans for economically disadvantaged people. The maximum loan in these circumstances is 100,000 AZN - about $59,000 (4%).

Azerbaijan’s construction industry is recovering gradually. The civil and structural engineering sectors rely on technologies, building materials and know-how from abroad.

After several years of dramatic slump, investment in the construction sector is gradually back on the rise. Many construction projects that stalled have been, or soon will be, resuscitated. Initiatives to diversify the economic structure have also given a new impetus to the construction industry. However, there are no grounds for exhilaration. Investments in construction projects amounted to $10.2 billion in 2017, only 45% of the figure for 2014. Problems in the banking sector impede allocations of new loans.
Commercial construction benefits from diversification

Industrial construction focuses on projects in the five industrial parks, as well as in existing and planned regional industrial zones. Plants for the processing of agricultural goods are to be built in current and forthcoming agricultural parks. The construction and expansion of logistics centres also promise new business opportunities.

As for the construction of commercial buildings, the tourism infrastructure is a promising business sector. However, the country lacks mid-range hotels. Recreational and leisure facilities are currently in development in the Khizi-Nabran region by the Caspian Sea, as well as in Guba and Gusar in the northwest of Azerbaijan. Plans include the construction of several three- and four-star hotels.

Table 8. Key data on Azerbaijan’s construction industry

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of GDP (%)</td>
<td>12.6</td>
<td>12</td>
<td>10.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Implemented construction (US$ bln)</td>
<td>11</td>
<td>7.1</td>
<td>4.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Investment in construction projects (US$ bln)</td>
<td>22.5</td>
<td>15.4</td>
<td>10</td>
<td>10.2</td>
</tr>
<tr>
<td>In production</td>
<td>9.4</td>
<td>4.8</td>
<td>1.7</td>
<td>2</td>
</tr>
<tr>
<td>In the service sector</td>
<td>1.4</td>
<td>1</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Completed residential space (in 1,000 square metres)</td>
<td>2,197</td>
<td>1,932</td>
<td>2,121</td>
<td>2,017</td>
</tr>
</tbody>
</table>

Source: SSC
The Azerbaijani Government provided financial support worth $40 million with a soft loan. The company imports raw materials from Germany. Currently, 50 employees work at the plant, which has an annual production capacity of 60,000 square metres. The number of employees is due to rise to 200 in the future.

Several companies in the construction materials industry are eligible for, or planning to receive, a permit to set up in publicly-funded industrial parks and regional industrial zones. For example, the Swiss speciality chemicals group Sika commissioned a new factory to produce concrete admixtures and mortar products in the SCIP in November 2018. Investment in the plant, with an annual capacity of 40,000 tonnes, amounted to approximately $3.5 million. The products are intended for both the local market and for export to other CIS countries, Georgia and Iran.

Production expected to double by 2022

Despite significant growth, the value of construction materials production remains far below its potential. However, the trend is noticeably upwards. Production increased significantly throughout 2017 and the first three quarters of 2018 - compared with the same period of the previous year - by 50% and by 33% to $334 million and $262 million respectively.

High growth rates were recorded in the cement (+22% to 2.6 million tonnes) and asphalt (+89% to 220,000 tonnes) product groups in the first nine months of 2018. In addition, output of products from natural stone, plastic pipes, paints and varnishes as well as dry construction materials also increased markedly.

The government forecasts a 10% expansion in the annual production of construction materials for each of the years 2019-2022. Thus, output in 2022 is expected to reach $600 million.

State supports new projects to increase construction materials production

The upward trend is, inter alia, a result of the state’s intensified investment promotion. So far, some 20 manufacturers have benefited from preferential terms that include interest rate subsidies, as well as tax and customs incentives.

The German-Azerbaijani joint venture Deutsche Fassaden Technologien commissioned a plant in the Balakhani (Baku) settlement in May 2018. The company manufactures windows, doors and facades made of aluminium, steel and glass at this plant.

The Azerbaijani Government provided financial support worth $40 million with a soft loan. The company imports raw materials from Germany. Currently, 50 employees work at the plant, which has an annual production capacity of 60,000 square metres. The number of employees is due to rise to 200 in the future.

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Stone and sand pits are to be technically overhauled

In spring 2018, the Ministry of Ecology and Natural Resources studied the technical conditions at 208 stone quarries in Greater Baku. The results indicated that almost all stone and sand quarries required urgent modernisation. The Ministry, in cooperation with other state agencies, intends to develop a programme for renovation of equipment in the quarries. According to official statistics, in 2017, about 1.4 million tonnes of gravel, pebbles, grit and crushed stone, as well as 0.6 million tonnes of natural stone were produced in Azerbaijan. The actual output might be higher.
In 2017 and 2018, the construction and the construction materials sectors in Azerbaijan regained their stride. A notable upswing is marked in this field. Despite the strong dependence of the economy on the energy sector, there is a continued positive trend in 2019. The next milestone is the pre-crisis level that we may reach in 2020.

The positive signs are also attributed to the dynamic reconstruction of the capital Baku and the increase in purchasing power of the population. A new management in urban planning promises faster implementation of ambitious goals, particularly in housing construction. Several city quarters are being modernised or completely redesigned. The Government’s reform agenda and the ongoing diversification of the Azerbaijani economy are expected to have a positive impact on office buildings and industrial construction. However, the persistently high vacancy rates of apartments and offices should not be neglected. The construction and construction materials industries can also benefit from investments in infrastructure in the future. The public sector has refrained from this field in recent years and therefore, the demand for modernisation has increased.

For an energy-intensive company like Norm Cement, low energy prices are a location-specific advantage in a resource-rich country like Azerbaijan. However, energy prices are still much lower in Iran. The local production of numerous energy-intensive products is thus protected through import duties. Unfortunately, many production sites of construction materials in Azerbaijan do not comply with international standards. I, therefore, see good opportunities for German suppliers of process technology for environmentally friendly manufacturing of high-quality construction materials.
The modernisation and expansion of the agriculture and food industry is a leading priority in the Azerbaijani government’s diversification strategy. Recently launched reforms, initiatives and programmes for food production and processing, as well as the Roadmap for Developing Agribusiness, adopted in December 2016, are yielding early results.

**Reforms and expansion programmes boost investment**

For the first time in many years, gross fixed capital formation in the agriculture, hunting and fishing sectors increased significantly in 2017. Price-adjusted growth was 77% over the previous year; it is still, however, at a relatively low level - valued at $360 million. Double-digit growth continued in 2018. This trend is likely to solidify in the medium term.

**Reforms and initiatives started to boost agribusiness**

- Establishment of agricultural parks and larger agricultural cooperatives,
- Programmes to expand the product groupings raw cotton, cocoons, citrus fruits, pomegranates, wine, rice, hazelnuts, tea, tobacco, animal husbandry and fish farming (the latter two programmes are currently in preparation),
- Joint projects with the World Bank for the development of rural infrastructure and greenhouse farming,
- Establishment of phytosanitary and veterinary services and creation of efficient value chains (the Azerbaijan Rural Investment Project and Agricultural Competitiveness Improvement Project),
- Increased project funding via the Entrepreneurship Development Fund, and
- Establishment of state agricultural development centres as one-stop-shop service providers based on former regional branches of the Ministry of Agriculture.

**Government supports the establishment of new agricultural parks**

The project to establish agricultural parks, launched in 2016, has two main aims: the utilisation of fallow pasture and arable land for agricultural production, and the creation of effective value chains from food production and processing to distribution. 45 agro parks, on 192,200 hectares in total, are planned. 28 parks will focus on the production and processing of plant-based raw materials, while 17 will engage primarily in animal production.

In all, the state intends to invest more than $800 million in the parks’ infrastructure. The public finance provided by 1 October 2018, including allocations for specific entrepreneurial projects, amounted to about $200 million.

By the end of 2018, about 15 parks were in operation. Most of the existing agricultural parks are planning to invest in expansion. For example, Yalama Agropark (Khachmaz district) plans to build a dairy plant with a daily processing capacity of 50 tonnes of raw milk in a project valued at $7 million. The Aghjabadi Industrial Park’s agenda includes construction of a plant to produce vegetable oils. The Ulu Agro-industrial Park (Gakh district), launched in November 2018, plans to produce not only wheat, but also almonds, nuts and citrus fruits in the future.
Agricultural production is still not very efficient

Production in the agriculture, hunting and fishing sector increased by an annual average of approximately 4.6% from 2015-2018 to more than $4 billion in 2018. For the years 2019-2020, the government expects annual average growth of 4.7%. The food and beverage industry, with annual production worth around $2 billion, accounts for about one-third of the output from Azerbaijan’s manufacturing industry.¹

The agriculture, hunting and fishing sector contributed approximately 5.5% of the country’s added value in 2017 and employed 1.8 million people, two-fifths of the Azerbaijani workforce. This indicates low efficiency in agricultural production. A report by the World Bank asserts that Azerbaijan could more than triple its output of agricultural and processed food products with more efficient use of its resources.

Gradual progress in establishing larger production units

One of the main reasons for this lack of efficiency is the fragmentation of agricultural production due to the privatisation of the former 800 large sovkhozes and 600 kolkhozes. Currently, a number of small family businesses cultivate no more than one to three hectares of land. They require modern technology, expertise and better access to affordable financing.

There have recently been signs of a gradual turn towards new effective production structures in the agriculture industry and primary processing of agricultural products. The creation of agricultural parks and establishment of specialised agricultural enterprises and farms, as well as agricultural cooperatives, are gaining momentum.

New expansion programmes in many agricultural sectors

The programmes for expanding the manufacture and processing of agricultural products that have been adopted in recent years and those still at the planning stage should contribute to greater self-sufficiency in the food and beverage industry, as well as to increased exports from the non-oil sector. The expansion initiatives apply to product groups including nuts, citrus fruits, tea, rice, tobacco, wine, livestock production and the fishing industry.

Hazelnuts - Azerbaijan’s top exports after oil and gas

Hazelnuts are now among the country’s main export goods after oil and gas products. In 2017 exports rose by 30%, compared with 2016, to 20,800 tonnes. In the first half of 2018, exports increased by 34% to 6,700 tonnes. Exports in 2017 were worth $114.5 million. Industry experts expect annual exports worth $150-200 million in the near future. Areas under hazelnut cultivation are expected to increase to at least 80,000 hectares by 2022. The output is expected to be higher than in 2016 and 2017 given the high growth rates. In 2017, 45,500 tonnes of hazelnuts were produced in the country.

Wine exports to increase fivefold

Azerbaijan intends to rank among the wine nations once more and there are good opportunities to do that. The country has long-standing winemaking traditions, a climate favourable to viticulture and good export prospects. A new State Program for the Development of Winemaking in 2018-2025 provides for the creation of new value chains for wine production. 18.7 million litres of wine are expected to be produced in 2025, compared with 11.3 million litres in 2017. There are 23 winemakers in the country, and 18 of them are engaged in export.

¹Detailed information on the development of crop and animal production is available at www.gtai.de
The programme focuses particularly on the expansion of wine exports. International grape varieties are increasingly grown in the country. Exports are expected to increase at least fivefold by 2025 compared with 2017. To this end, recently launched wine houses are expected to contribute to high-quality Azerbaijani wines and reach promising foreign markets.

**Citrus fruit production expected to double**

The expansion programme for citrus fruit will double annual production to 100,000 tonnes by 2025, compared with 52,000 tonnes in 2017. A part of the future production is intended for export markets. Azerbaijan mainly produces tangerines (2017: 35,200 tonnes), feijoas (9,200 tonnes) and lemons (4,600 tonnes).

**Pomegranate processing complex planned**

The Caucasus Republic has ambitious plans for pomegranate production. The Azerbaijan Pomegranate Manufacturers and Exporters Association reports that construction of a processing complex is planned for 2019-2021; it will cost about $15 million. The project is for the construction of two factories to produce pomegranate concentrate and juices and two further plants to shell and process seed.

Pomegranate production almost doubled during 2012-2017, from 82,500 tonnes to 156,800 tonnes. Russia is currently the main market for Azerbaijani pomegranates. From 2019, producers also intend to increase exports of unprocessed pomegranates, mainly to EU countries.

**Striving for self-sufficiency in rice production**

The State Program for the Development of Rice Growing in 2018-2025 aims to double the area under cultivation to 10,000 hectares and to increase the harvest by 150% to 40,000 tonnes compared with 2017 (16,200 tonnes). Thus, by 2025, domestic demand for rice could be satisfied almost entirely by local production.

**Programmes to expand tea and tobacco production underway**

The development programme for the tea industry in 2018-2027 envisages expansion of the area under cultivation to 3,000 hectares and annual production to 8,500 tonnes. From 2015-2017, an average of just 800 tonnes of tea were harvested annually. During Soviet times, the annual volume exceeded 30,000 tonnes. Recent successful projects in this sector include the Astarachay Tea Production and Processing Complex, established in 2015. The company’s daily capacity is 12 tonnes of black and green teas. An increase to 24 tonnes is planned.

The implementation of the expansion programme for the tobacco industry in 2017-2021 is making relatively rapid progress. By 2017, production had already increased to 5,300 tonnes, compared with around 3,500 tonnes in the two previous years. However, during the period of the Soviet Union, annual production was much higher, at 45,000-65,000 tonnes. The government expects production to be worth $45 million in 2019 and to increase by 20% annually by 2022.

**Programme for intensive livestock production in preparation**

With an expansion programme for livestock production, the government intends to foster sustainable and intensive animal husbandry. Pastoral farming and feed manufacture are to be massively expanded. Plans are underway to construct flagship livestock facilities in several regions. The country intends to eventually meet all domestic demand for poultry meat and 90% of domestic demand for beef from local production.

In autumn 2018, the Food and Agriculture Organisation of the United Nations (FAO) announced two new projects for livestock production in Azerbaijan: the creation of a value chain in sheep farming and the implementation of a programme for the development of efficient animal husbandry based on modern breeding methods (artificial insemination), as well as efficiency of feed supply.
The history of Gilan Holding goes back to the beginning of privatisation in Azerbaijan during the “perestroika” of the Soviet system. Since 1987, Gilan has been one of the experienced companies active in the modernisation of Azerbaijan and diversification of its economy.

In addition to the construction, tourism, industry, finance, logistics and consumer goods industries, Gilan is also one of the biggest players in the agro-food sector. Gilan Agriculture has over 200,000 hectares of arable and grazing lands with about 4,600 people being employed in many of its farms and processing plants.

The strategic prioritisation of the agro-food sector within the government’s reform policy will lead to steady and sustainable growth of 4 to 5% annually over the next few years. Gilan invests not only in the expansion of existing structures, but also in the assurance of quality and food safety. Given the limited capacity of the Azerbaijani market, the focus is also on export growth and opening new markets for Gilan Holding.

Gilan Agriculture unites the entire value chain in one hand. Field cultivation, plantation, livestock and dairy farming, storage, processing, marketing and sales come from the single source. With fruit and pomegranates, vegetable processing and dairies, meat processing and viticulture, we have efficient operations as the basis for our expansion plans.

Gilan Holding is an ideal partner for joint projects and ventures in all of the abovementioned sectors. Contact us if you are interested in the Azerbaijani market and want to cooperate with us in raising the potential for country’s development.

Dr. Michael Gerlich
HEAD OF STRATEGIC PARTNERSHIPS
Gilan Holding
The Republic of Azerbaijan is striving to expand its capacity in mechanical engineering and improve the technology used. Projects are based on the implementation of two documents: a programme for industrial expansion from 2015-2020 and the Strategic Roadmap adopted at the end of 2016 for the development of heavy industry and mechanical engineering up to 2020, with a longer-term overview to 2025.

In line with the strategy, several obsolete factories are to be shut down and new mechanical engineering companies are under construction, in cooperation with foreign partners. The country is pursuing ambitious targets set for the production of equipment to assemble agricultural machinery, as well as for drilling equipment for the oil and gas industry. By 2020, imports of parts for agricultural machinery and drilling equipment are expected to fall by 65% and 45% respectively, compared with 2016. However, the implementation of these expansion projects has stagnated.

Today, Azerbaijan’s mechanical engineering capacity is a fraction of previous levels. During the Soviet period, there were some 160 mechanical engineering companies and industry-related research and design institutes employing more than 110,000 staff in the Republic. Two-thirds of the total production of oil and gas equipment for the maintenance, overhaul and repair of oil and gas production facilities came from the former Azerbaijan SSR. More than 20 manufacturers of this equipment exported a considerable proportion of their production to more than 30 countries.
Table 9. Key data on the production of machinery and equipment

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production (US$ mln)</td>
<td>191.7</td>
<td>96.9</td>
<td>114.4</td>
</tr>
<tr>
<td>Share of total industrial output (%)</td>
<td>0.7</td>
<td>0.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Gross fixed capital formation (US$ mln)</td>
<td>95</td>
<td>61.3</td>
<td>57.8</td>
</tr>
<tr>
<td>Share of total investment in the country (%)</td>
<td>0.2</td>
<td>0.1</td>
<td>0</td>
</tr>
<tr>
<td>Number of registered companies</td>
<td>59</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>State-owned companies</td>
<td>17</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Number of individual entrepreneurs (small entrepreneurs)</td>
<td>71</td>
<td>65</td>
<td>70</td>
</tr>
</tbody>
</table>

Source: SSC

Only a few manufacturers of oil and gas equipment are currently active. Notable among those is a project in cooperation with the Belarusian MTZ, a manufacturer of agricultural machinery, to assemble tractors in the Ganja automobile plant (annual output 1,000-1,500 units) and companies under the Ministry of Defence. The value of machinery and equipment output, including spare parts, was a very modest $114 million in 2017. According to the State Statistical Committee, there are about 4,000 employees producing machinery and equipment today.

Most manufacturers of supplies for the oil and gas industry still operate under the state-owned Azneftkimyamash JSC. They mainly produce more than 100 technologically less sophisticated items of equipment, primarily to meet demand from the mining industry, as well as for the petrochemical and chemical industries. Their machinery and equipment park is generally worn out and technically outdat- ed. Oil and gas companies operating in Azerbaijan source more than 99% of their equipment from abroad.

Favourable opportunities for a new start in the oil and gas equipment sector

Opportunities for a revival of the mechanical engineering sector are basically not bad. This view is supported by the great demand for oil and gas equipment from Azerbaijan and other countries bordering the Caspian Sea - Iran, Kazakhstan, Russia and Turkmenistan. In 2017 and 2018, the government launched new initiatives to privatise all companies producing oil and gas equipment. There are several new companies in the country today that produce a wide range of metal products according to internationally recognised standards and thus recommend themselves as suppliers of oil and gas equipment.

A new mechanical engineering company planned in Zira seaport complex

The government has also announced the construction of a modern factory to produce oil and gas equipment and high-quality metal products for the marine industry. The plant is to be built on a 127,900 square metres site in the east Azerbaijani settlement of Zira (Khazar district) and will be designed and construct- ed by the ADO-G Construction, Equipment and Installation company. The project is to be financed, inter alia, the government says, with a loan amount- ing to $18 million. The plant is one of the sub-projects envisaged for expansion of the new Zira Sea Port marine industrial complex.
A more promising economic outlook paves the way for a revival of the local production of machinery and equipment in Azerbaijan.

Sumgait Technologies Park (STP), founded in 2009, is a unique industrial complex comprised of 12 specialised factories with more than 30 production sites. It is one of the key suppliers of international projects in Azerbaijan. Increasing demand from oil and gas, agriculture, construction, and mining industries in Azerbaijan opens up enormous opportunities for entities like us. STP intends to particularly benefit from the opportunities in the oil and gas and machinery sectors available both, locally and regionally.

We have one of the most advanced technical facilities in the world, including a fleet of different types of CNC turning and milling machines. Our team has been seriously concentrated on attaching more value to STP’s engineering and production capabilities, bringing those to the best international standards. Along with improving internal processes and obtaining necessary production certifications, we significantly strengthened our technical and engineering teams. One of the key elements of our strategy is the creation of manufacturing partnerships with sophisticated foreign entities. Within the framework of those partnerships, STP will soon offer diversified range of high-quality products used in upstream and downstream oil and gas production.

The process is underway and its pace is encouraging. Today, STP actively bids for complex domestic and regional projects, winning some of them. Demand is high, thus the future we see is bright and inspiring.
Foreign vehicle manufacturers are heading for Azerbaijan’s assembly lines. The small local plants also intend to manufacture spare parts and automotive components with foreign partners.

Azerbaijan’s minor automotive manufacturing is regaining momentum. Impetus comes from the Strategic Roadmap for the Development of Heavy Industry and Mechanical Engineering, adopted by the government in 2016. Key points are expansion of automotive assembly and the cooperation with foreign partners to develop new capacities for the components industry. State statistics forecasts a value of production in the automotive assembly industry reaching almost $20 million in 2019. Whereas at least $70 million is targeted by 2022.

A massive decline in domestic demand and the ongoing banking crisis made 2017 a particularly arduous year for Azerbaijani automotive constructors: according to official statistics, only 30 automobiles were manufactured. In the two previous years, this figure was around 300 or 700, compared with 1,900 units in 2014. Truck production fell from 709 in the previous year to seven units in 2017. 2018 saw the return of an upward trend; about 969 vehicles rolled off the assembly line.

A new joint venture with Iran Khodro assembles vehicles

The joint venture AzKron, Baku, has been producing automobiles in Neftchala Industrial Park since spring 2018. Partners in the company are the Azerbaijani AzEuroCar, a subsidiary of Azermash, and the vehicle manufacturer Iran Khodro (IKCO). The joint venture’s maximum annual capacity is to be 10,000 units in the first phase of the project. Up to 3,000 and 5,000 units are expected to be assembled in 2019 and the following two years respectively. Investment in the assembly project stands at $14 million.

Commercial vehicle assembly with Russian GAZ Group expected

From the end of 2019 / beginning of 2020, Azermash intends to assemble small commercial vehicles and minibuses in the Hajigabul Industrial Park (East Azerbaijan) in cooperation with the Russian automotive group GAZ Group. The GAZelle Next, GAZon Next, GAZelle Business and Sobol Business vehicles will be assembled in the project’s first phase. Investment in the project is projected to be approximately $10 million. Manufacturing of up to 1,000 units is expected annually. In the medium term, Azermash is also seeking cooperation on commercial vehicle assembly with GM Uzbekistan (the Ravon model).

NAZ plans production of electric vehicles with Chinese partners

NAZ Lifan, automobile manufacturer in Nakhchivan Autonomous Republic, intends to produce electric vehicles with its Chinese partners. From 2019, ambulances are also expected to be assembled at the basis of supplies from China. NAZ has been manufacturing automobiles since 2010 in cooperation with the Chinese Chongqing Lifan Industry (Group) Imp. & Exp. Co. Ltd. The maximum annual capacity is 5,000 units, however, utilisation is low. During the whole period from 2010 to mid-2018, only about 5,000 vehicles were assembled.
Tatra trucks expected to roll off the line in Ganja

Azerbaijan’s oldest vehicle factory, the Ganja Automobile Plant, began its operations in 2004 in the country’s second-largest city. The plant produces MAZ (BelawtoMAZ, Belarus), KamAZ (KAMAZ, Russia) and Ural (UralAZ, Russia) trucks and the Belarus tractor (MTZ). By mid-2017, more than 10,000 tractors and 4,000 trucks had rolled off Ganja’s assembly line (including 3,500 MAZ trucks).

In December 2017, the Ganja Automobile Plant and Tatra Truck, a.s., Koprivnice, the Czech automobile manufacturer, signed an agreement on the assembly of various models of Tatra heavy duty trucks. Distribution to Germany and other countries is being planned, with Central Asia expected to be the main export market. However, the project has been delayed. In September 2018, the Ministry of Economy of Azerbaijan announced that assembly would only start within the next two years. Tatra Truck has delivered more than 500 trucks to Azerbaijan in recent years. The main customer is Azeravtoyol, the State Agency of Azerbaijan for Vehicular Roads.

Table 10. Development of vehicle imports into Azerbaijan

<table>
<thead>
<tr>
<th></th>
<th>2012*</th>
<th>2013*</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total vehicles</td>
<td>101,255</td>
<td>104,385</td>
<td>63,368</td>
<td>26,785</td>
<td>5,746</td>
<td>13,098</td>
<td>28,876</td>
</tr>
<tr>
<td>Automobiles</td>
<td>89,652</td>
<td>94,879</td>
<td>57,615</td>
<td>23,765</td>
<td>4,991</td>
<td>11,610</td>
<td>26,147</td>
</tr>
<tr>
<td>Trucks</td>
<td>9,433</td>
<td>7,823</td>
<td>5,054</td>
<td>1,961</td>
<td>571</td>
<td>1,227</td>
<td>2,300</td>
</tr>
<tr>
<td>Special vehicles</td>
<td>1,132</td>
<td>856</td>
<td>354</td>
<td>343</td>
<td>88</td>
<td>74</td>
<td>132</td>
</tr>
<tr>
<td>Buses</td>
<td>1,038</td>
<td>827</td>
<td>345</td>
<td>816</td>
<td>96</td>
<td>187</td>
<td>297</td>
</tr>
</tbody>
</table>

* Previous record years (annual average vehicle imports 2008-2011: 65,606 units)
Source: SSC
Like other business sectors, the passenger vehicle market in Azerbaijan largely depends on the economic situation in the country. It is not surprising that the vehicle market grew up to 6,415 cars in 2017 following a short decline. 2018 was marked by a record growth rate of 59% with 10,191 cars acquired by their final customers.

Autocapital-Azerbaijan LLC has been a general distributor of Daimler AG in Azerbaijan since December 2012. Autocapital-Azerbaijan LLC proudly offers its customers the world-famous Mercedes-Benz cars. The company is focused on the sale of Mercedes-Benz cars, as well as development of after-sales service and dealer network. Today we can say with confidence that Mercedes-Benz sale holds the lion’s share in the market growth. This brand remains the market leader in the premium segment for the second consecutive year and ranks 4th place in sales among all brands, with the share of more than 5% in 2018.

Currently, the dealer network of Autocapital-Azerbaijan LLC has two official dealers engaged in the sale and after-sales service of cars in Baku. This is the only car brand in the premium segment, which is represented by two retail outlets. Our company pays great attention to the training of dealership personnel. The training centre provides training for the service staff, employees of the spare parts warehouse, as well as sellers of dealerships with subsequent certification and familiarisation with the latest Mercedes-Benz technology.

Eldaniz Mammadov
DEPUTY GENERAL DIRECTOR
Autocapital-Azerbaijan LLC
AN INDUSTRY GAINING NEW MOMENTUM

Azerbaijan is implementing a number of projects in the chemical industry. Most of the planned investments are earmarked for petrochemicals.

Azerbaijan will carry out two major projects in the petrochemical industry in coming years. Many smaller projects are also planned in the chemical and plastics industries.

Construction of new petrochemical complex in Baku expected

There is marked momentum in the long-planned construction of a new production complex for gas processing and petrochemicals. The complex is to be built by SOCAR in the Garadagh district of the capital Baku. The project, for which planning began in 2016, was suspended for a time due to low oil prices. Construction is now due to start in the first half of 2019.

In the future, 10 billion cubic metres of natural gas will be processed into 9.1 billion cubic metres of industrial gas in Garadagh. The production of propylene, polyethylene and benzene is also planned. Project value of the complex is over $4 billion. About 50% of future output is intended for the Turkish market.

Baku Oil Refinery to be modernised for $1.7 million

The second large-scale project in the petrochemical industry is the comprehensive modernisation and expansion of the Heydar Aliyev Oil Refinery in Baku. The project will be implemented in three phases by 2021 and annual production of gasoline and diesel fuel will be increased to 2.2 million tonnes (2016: 1.1 million tonnes) and to 2.9 million tonnes (1.9 million tonnes) respectively.

The first phase was completed at the end of December 2018, rising the annual capacity for the production of bitumen from 250,000 to 400,000 tonnes. In 2017, the Heydar Aliyev Oil Refinery produced a total of around 4.6 million tonnes of oil products.

Table 11. Key figures for petrochemical, chemical and plastics industries (US$ mln)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petrochemistry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▼ Production</td>
<td>3,637.3</td>
<td>2,385.1</td>
<td>1,546.2</td>
<td>1,486.6</td>
</tr>
<tr>
<td>▼ Investments</td>
<td>42.2</td>
<td>15.8</td>
<td>55.3</td>
<td>48.8</td>
</tr>
<tr>
<td>Chemical Industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▼ Production</td>
<td>315.2</td>
<td>340.6</td>
<td>234</td>
<td>299</td>
</tr>
<tr>
<td>▼ Investments</td>
<td>2.7</td>
<td>6.6</td>
<td>11.7</td>
<td>50.9</td>
</tr>
<tr>
<td>Plastics and rubber industry</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>▼ Production</td>
<td>157.5</td>
<td>151.8</td>
<td>158.3</td>
<td>177</td>
</tr>
<tr>
<td>▼ Investments</td>
<td>20.9</td>
<td>21.4</td>
<td>10.7</td>
<td>17.9</td>
</tr>
</tbody>
</table>

Source: SSC
New chemical companies provide impetus

The key player in the industry is the Azerikimya Production Union of SOCAR. The company will modernise its ethylene and propylene production by the beginning of 2020. This will increase the annual output of ethylene from current about 100,000 tonnes to prospective 192,000 tonnes. Propylene production is planned to rise from approximately 50,000 tonnes to 187,000 tonnes.

Gilan Holding has been the operator of the Aqrokimya Azerbaijan plant since the end of 2017. The company’s annual capacity is set to increase from 10,000 tonnes today to as much as 20,000 tonnes in the second phase of expansion. The China National Electric Engineering Company (CNEEC) plans to build a car tyre factory in cooperation with the Azerbaijan Investment Company. Project value is estimated at $500 million.

The SOCAR Polymer company built plants to produce polypropylene and HD polyethylene from 2015-2018 at a cost exceeding $800 million. The plants have an annual capacity of 184,000 tonnes of polypropylene (homopolymer and copolymer) and 120,000 tonnes of HD polyethylene. Polypropylene production began in July 2018. The official commissioning of the HD polyethylene plant is scheduled for the first half of 2019. Recent SOCAR projects include a urea plant at a cost of $800 million and with a daily capacity of 1,200 tonnes of ammonia and 2,000 tonnes of urea.

The plants newly established or modernised in 2018 and 2019 are expected to at least double the annual value-added output of chemical and plastics industry from today’s $500 million.

SOCAR Polymer focuses on building a new value chain

SOCAR Polymer is aiming at annual sales of $350 million in the future. About 20 to 25% of the output is to be delivered to domestic customers and 75 to 80% to customers abroad. In a later expansion phase, SOCAR Polymer plans to increase its annual polyolefin production capacity from 300,000 tonnes to 570,000 tonnes.

As a supplier of polyolefins, the company intends to build a value chain in the plastics industry. A cluster for innovative plastic solutions is to be created in Sumgayit to meet demand from all economic sectors. SOCAR Polymer has already signed cooperation agreements with around 20 companies, including SMEs, in particular for the manufacture of various plastic products.
<table>
<thead>
<tr>
<th>Project Title</th>
<th>Investments (US$ mln)</th>
<th>Project Status</th>
<th>Note</th>
<th>Contact organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complex for gas processing and petrochemical industry, Baku</td>
<td>4,200</td>
<td>Front End Engineering Design (FEED): completed: EPC contract in process, start of construction: expected in the first half of 2019</td>
<td>Annual output of 9.1 bcm of industrial gas, 130,000 tonnes of propylene, 42,000 tonnes of benzene and 600,000 tonnes of HD and LD polyethylene</td>
<td>SOCAR GPC, Project of SOCAR; Co-financed by foreign banks</td>
</tr>
<tr>
<td>Petrochemical Complex, Izmir/Turkey</td>
<td>About 1,600 to 2,200</td>
<td>Feasibility study: completion in April/May 2019, possible project realisation: mid-2019 to 2022/2023</td>
<td>Production of diesel fuel, kerosene, LPG, polypropylene and naphtha: details under appraisal</td>
<td>SOCAR/Subsidiary SOCAR Turkey Enerji, Turkey</td>
</tr>
<tr>
<td>Petrochemical complex, Aliaga/Turkey</td>
<td>Not specified</td>
<td>Project in process (detailed study), final investment decision: 2019, planned completion: 2023</td>
<td>Annual production of 1.25 million tonnes of purified terephthalic acid, 840,000 tonnes of paraxylene and 340,000 tonnes of benzene</td>
<td>Cooperation between SOCAR and BP</td>
</tr>
<tr>
<td>Modernisation of the Heydar Aliyev Baku Oil Refinery</td>
<td>At least 1,700</td>
<td>Realisation: 2016/17 until the end of 2021</td>
<td>Increasing annual processing capacity from 6 million to 8 million tonnes</td>
<td>SOCAR; main EPC contractor: Tecnimont/Kinetics Technology (Italy, contract value for new plants: $850 million) and Tecnicas Reunidas (Spain/USA, contract value for modernisation of existing plants: $800 million)</td>
</tr>
<tr>
<td>Construction of a methanol production plant in Russia</td>
<td>Not specified</td>
<td>Project under appraisal</td>
<td></td>
<td>SOCAR in cooperation with the subsidiary company AzMeCo (methanol producer)</td>
</tr>
</tbody>
</table>

Source: GTAI, Press Releases
At BASF, we create chemistry for a sustainable future. Our portfolio is organised into six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care, Agricultural Solutions. BASF Caspian LLC, 100%-owned subsidiary of BASF group, carries out operational activities in Azerbaijan, providing the industrial and construction sector of the country with high-quality materials produced in Azerbaijan using advanced German technologies. Construction chemicals division represented here can be divided into two: admixtures and powder products.

As a globally leading company being active also in the agricultural industry, continuous growth of the Azerbaijan’s agricultural sector surely gives a great impetus to us for further development of the relationship with our customers and farmers. Besides agrochemicals, innovative solutions to the petrochemicals, performance materials and monomers, industrial solutions, like dispersions and pigments, performance chemicals, surface technologies, as well as catalysts and coatings, nutrition and care chemicals and solutions for industrial structures are offered to our customers. We have very strong partnership with main petrochemical companies like SOCAR Polymer and Azerikimya. We expect new joint projects in the implementation of which we will be able to work on exceptional challenges arising in the activities of high-profile chemical enterprises.

Today we are proud of helping Azerbaijani companies remain competitive and develop successfully. BASF’s main aim is to bring a wide range of innovative and sustainable solutions to support the growth of Azerbaijan’s strategic industries. We are well-informed about the market.
Health insurance will soon be compulsory for all citizens in Azerbaijan. This is likely to stimulate demand for medical technology and healthcare consulting services.

Significant changes are expected in Azerbaijan’s health market. The long-planned introduction of compulsory health insurance could become reality in 2020, at the latest in 2021. There is also a possibility that investment in medical supplies, which is currently at a very low level, will be stimulated. Beneficiaries will exclusively be foreign suppliers since there is virtually no domestic production. Demand for consulting services is expected to increase in both public and private health sectors.

Pilot phase for compulsory health insurance to be extended

Compulsory insurance was introduced by the government in 2007, the year when the State Agency for Compulsory Health Insurance was established. However, the project only began to function in 2016. By the end of 2018, the state had invested $42 million in three pilot projects in Mingachevir city, as well as in the Yevlakh and Aghdash regions. The funds were used to restructure local medical facilities, create a GP-based healthcare system, introduce automated control systems, purchase medical equipment and improve salaries for healthcare professionals.

It is planned to extend the project to other parts of the country in 2019, for which a budget of $132 million has been earmarked. The government has instructed the consulting company McKinsey & Company to develop a concept for the introduction of the insurance on a nationwide basis.

Contributions for health insurance should amount to 3% of gross income for employees subject to social insurance contributions in the first phase. Of this, the employee contributes 2% and the employer 1%. For all other employees, an annual contribution of 120 AZN (about $70) is envisaged initially. In the future, all citizens will be entitled to the basic package of medical services covered by compulsory insurance.

The public health system is chronically underfunded

The current situation in the health sector is less than pleasing. The officially free public healthcare system suffers from serious funding bottlenecks, is inefficient and has a backlog in the provision of services. For years, expenditure on public healthcare has been at only about 1% of GDP.

In the World Health Statistics 2017 report by the World Health Organisation, Azerbaijan ranks among the ten countries in the world allocating the lowest proportion of government expenditure to public health - less than 5%. In the budget for 2019, only $616 million is allocated to the healthcare sector. The lack of medical specialists is another major problem facing the health industry.

Private health sector expands its market share

Independent experts state that from 2015 to 2017 health expenditure by the population fell by more than one third of that in 2014. According to the Russian market research company BusinesStat, the number of visits to (registered) clinics and doctors declined from 76.3 million in 2013 to 70.7 million in 2017. This trend is expected to continue until at least 2020/21. About 70% of the visits in 2017 were to the private medical sector. This figure could rise to 75% by 2021/22. The cost of private, and unofficial payments for public health services are not compatible with the incomes of most of the population.
The public health sector has two levels. The Ministry of Health is responsible for general state regulation of healthcare, as well as for state and specialist medical clinics. Some other authorities, in particular those in the transport, defence and customs sectors, run their own hospitals and polyclinics.

Regional and local hospitals, as well as most polyclinics are responsible to municipal and local authorities. In 2019 and 2020, state hospitals under the Ministry of Health will become legal entities under public law. They will thus be officially entitled to offer paid services. This transition is intended to facilitate the complete integration of medical facilities into the forthcoming compulsory health insurance system.

The 600-plus private clinics, including branches, are better technically equipped than the public facilities. The State Agency on Compulsory Health Insurance and the Ministry of Health are currently working on a scheme to include private medical facilities into the system of compulsory health insurance.
LABSERVIS LTD is the first professional IVD (In Vitro Diagnostics) company active in the healthcare industry of Azerbaijan since 1991. We introduce new world technologies in the field of laboratory diagnostics and represent more than 20 well-known IVD product manufacturers in the country. The majority of these is accounted for by German producers. Roche Diagnostic GmbH is one of the main partners of our company.

Azerbaijan has undergone significant transformation and rapid development in many areas of the economy - including the healthcare sector - since the country’s independence. The government’s current intentions to address existing gaps in the healthcare sector by establishing and supporting new state and private clinics and creating modern diagnostic laboratories in line with international standards drive the positive outlook for the sector in the coming years. These, coupled with the introduction of compulsory health insurance nationwide in the near future is expected to stimulate the demand for medical equipment and consulting services. LABSERVIS was successfully involved in a pilot phase for compulsory health insurance introduced in Mingachevir, Yevlakh, and Agdash, and is ready to support this project further with its complex laboratory equipment and professional support services.

Considering these recent progress, LABSERVIS will remain open for innovative ideas and new projects in the country. We will continue optimising our cooperation with international manufacturers to ensure high quality products and services to our end users.
The government of Azerbaijan is developing its own pharmaceutical industry in order to become more independent of imports. The establishment of an industrial park for domestic and foreign manufacturers of pharmaceuticals and medical consumables in Pirallahi, near Baku, will make a significant contribution to this.

To date, the country has relied almost entirely on imports for supplies of pharmaceutical products, of which domestic production is insignificant. According to the State Statistical Committee, domestic production amounted to about $600,000 in the years 2016-2018. Market experts believe that annual output rarely reaches $1.5 million, including the manufacturing of pharmaceutical products that is not officially recorded.

**Seven-year tax exemptions lure investors**

The government currently intends to at least reduce the level of imports in domestic pharmaceutical sales. So far, three companies are implementing projects for the production of pharmaceuticals and medical consumables at the new industrial park. These companies are investing almost $100 million. The government estimates that pharmaceutical production, including that in the new factories, could reach approximately $22 million in 2019. In the medium term, a total of up to $50 million seems realistic.

Investors registered at the industrial park benefit from generous public funding. They are exempt from income, property and wealth taxes for seven years. Equipment imported for personal use will not be subject to VAT or customs duties.

The following factors encourage engagement in Azerbaijan’s pharmaceutical industry: the size of a market with ten million population, the sustained momentum in demographic development, the general increase in typical widespread diseases in the country and a large network of pharmacies with more than 2,000 units.

**Several pharmaceutical plants about to be launched**

Of the total investments envisaged in the Pirallahi Industrial Park, about $74 million is accounted for Hayat Pharm, a Russian-Azerbaijani joint venture. The joint venture’s annual capacity is likely to amount to 22.5 million packages or 500 million tablets for various indications.

The Iranian Tamin Pharmaceutical Investment Company (TPICO) and the Azerbaijani companies Azersun Holding and AIC are investing approximately $21 million in a new pharmaceutical plant. The joint venture, in which the Iranian partner owns 49% of the shares, also intends to launch production in 2019. The project is to be implemented in three phases. The first phase is envisaged to begin production of tablets and capsules to an annual capacity of 200 million units. Lines for the production of ampoules, flacons and antibiotics will be installed in the second and third phases.

The local investor Diamed Co, in cooperation with AIC, is investing approximately $4 million to build a plant to produce disposable syringes. Several pharmaceutical manufacturers, including some from Belarus, Bulgaria, Ukraine and India, are currently exploring opportunities for direct engagement in Azerbaijan: the Ukrainian company JSC Indar, for example, is considering the production of infusion and injection solutions.
Pharmaceutical imports become resurgent

Pharmaceutical imports have been remarkably resurgent since 2017 after a sharp decline. This trend is likely to continue in 2019. Turkey (2016-2017: on average $20 million), Germany and Switzerland (both $18 million) are among the most important suppliers of pharmaceutical products in terms of value. In terms of volume, imports came mainly from Russia (2016/2017: on average 3,240 tonnes) and Ukraine (2,790 tonnes). More than 50 companies import pharmaceutical medications. The Zeferan and Zeytun companies operate the country’s largest pharmacy chains.

Graph 3. Development of officially registered imports of pharmaceutical products

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (mln. US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>225,9</td>
</tr>
<tr>
<td>2015</td>
<td>270,7</td>
</tr>
<tr>
<td>2016</td>
<td>195,4</td>
</tr>
<tr>
<td>2017</td>
<td>249</td>
</tr>
<tr>
<td>2018</td>
<td>290,2</td>
</tr>
</tbody>
</table>

Source: SSC
Azerbaijan’s telecommunications and information industry has overcome its previous stagnation. There have been signs of growth since 2018. In the first nine months of 2018, $132 million were spent on the sector, 70% more than in the same period in 2017. Market observers expect capital inflows of $550-$600 million over the period from 2019 to 2022. Expansion plans in the telecommunications sector, the restructuring of the banking system, IT projects for social reforms (unemployment and health insurance), initiatives to boost the non-oil sector and the digitalisation of public institutions fuel the upswing.

**IT sector to grow at a double-digit rate in the medium term**

Azerbaijan’s IT sector is expected to grow by an average of 12.3% annually from 2018 to 2022, according to the international market research and consulting company International Data Corporation (IDC). In the IT services and software sectors, an average growth of 16% per year is expected. IDC forecasts a corresponding increase of 11.3% in IT equipment. The whole IT industry market could reach $1.6 billion in 2022, compared with approximately $0.9 billion in 2018, IDC estimates.

In the telecommunications sector, however, growth prospects are rather subdued. Market experts expect average growth of 3% per year by 2022. The lack of liberalisation in the sector, especially in the fixed network, and a decline in the population’s purchasing power in recent years are hampering higher growth.

**Projects and initiatives in the ICT sector include, inter alia, the following:**

- Expanding the fibre optic broadband network (FTTx); cost $80 million, by 2020,
- Increasing the coverage by fibre optic cables to 70% by 2020 and to 95% by 2025,
- Expanding broadband connections by 2020: to 70% in the fixed network (2016: 55%) and to 70% in the mobile network (2016: 30%),
- Granting further licences for backbone internet providers with access to the international internet gateway (So far, only two providers in the country supply access to international data traffic: Delta Telekom and AzerTelekom),
- Privatising the telecommunications companies Baku Telephone Communications (BTC) (the fixed network operator in Baku), Aztelekom (the fixed network operator in all other regions except the Nakhchivan Autonomous Republic) and AzInTelecom (the main shareholder in the mobile operator Azercell Telecom) provider of cloud services, operator of a data centre and certifier of imported telecommunications equipment),
- Expanding digital administrative procedures and services via the portals www.e-gov.az (government portal) and www.asan.az (one-stop shop service for citizens),
- Gradually introducing an electronic document management system by state authorities, and
- Establishing an electronic health infrastructure (including introduction of electronic medical records).

**Major state programmes define investment goals**

Mobile operators are major investors

The most significant investors in Azerbaijan’s ICT industry are still in mobile communications. The main players in the sector are Azercell Telecom (approximately 4.5 million subscribers), Bakcell (3.1 million subscribers) and Azerfon / Nar Mobile (2.1 million subscribers).

In the next few years, Azercell Telecom will invest primarily in high-speed, mobile internet, expansion of the LTE network, modernised and improved customer services as well as in innovative B2B solutions for corporate customers. The Azerbaijani state-owned company AzInTelecom, after acquiring 51.3% of the shares in Azercell Telecom from former shareholder Fintur Holdings B.V. (TeliaCompany, Sweden and Turkcell, Turkey), is the major shareholder in the company.

The mobile operator Bakcell invested heavily in 2018. On the project agenda for the years 2019 and 2020 are, among other things, the expansion of the LTE network and the implementation of digital payment systems based on NFC technology. Both Azercell Telecom and Bakcell are promoting the development of innovation, digitalisation and IT start-ups through various programmes and projects.

The operators of the fixed network, Aztelekom and BTC, will invest primarily in expanding the broadband network in 2019 and 2020. Many of the approximately 40 internet service providers are also planning to invest in their infrastructure and services. The Delta Telecom company claims to have the largest internet backbone network in the South Caucasus. This company is investing in the expansion of the DWDM, Carrier Ethernet, Metro Ethernet, IP / MPLS, WiMAX and IMS infrastructure.

New initiative for digitalised payments

Banks, companies and state authorities are likely to invest significantly more than ever in innovative payment solutions in coming years. Cash payments should fall from the recent 74% to 40% by 2020, which is the objective of the State Program on Expansion of Digital Payments for 2018-2020. Cashless payments are expected to increase by at least 7% annually.

In the course of restructuring, Azerbaijan’s banks and credit organisations will invest more in their IT infrastructure over the next few years. From 2013-2017, banks spent about $230 million on their IT, half of which was accounted for by software.

Table 13. Key indicators of Azerbaijan’s communications industry

<table>
<thead>
<tr>
<th>Services provided (in US$ mln)</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile communications</td>
<td>1,771.4</td>
<td>1,330.1</td>
<td>825.5</td>
<td>809.3</td>
</tr>
<tr>
<td>Active telephone connections in the fixed network (in mln)</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>per 100 population</td>
<td>17</td>
<td>16</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Mobile subscribers (in mln)</td>
<td>10.1</td>
<td>10.7</td>
<td>10.2</td>
<td>10.1</td>
</tr>
<tr>
<td>per 100 population</td>
<td>107</td>
<td>112</td>
<td>106</td>
<td>104</td>
</tr>
<tr>
<td>Internet users (in mln)</td>
<td>7.1</td>
<td>7.3</td>
<td>7.4</td>
<td>7.5</td>
</tr>
<tr>
<td>per 100 population</td>
<td>75</td>
<td>77</td>
<td>78</td>
<td>79</td>
</tr>
<tr>
<td>Households with PC (%)</td>
<td>58.3</td>
<td>62.4</td>
<td>63.1</td>
<td>63.8</td>
</tr>
<tr>
<td>Households with internet access (%)</td>
<td>75.2</td>
<td>76.7</td>
<td>77.2</td>
<td>77.6</td>
</tr>
<tr>
<td>Investments (in US$ mln)</td>
<td>185.8</td>
<td>320.7</td>
<td>115.5</td>
<td>91.4</td>
</tr>
</tbody>
</table>

Source: SSC
Following economic difficulties and subsequent devaluation in 2015-2016, the telecom industry of Azerbaijan recorded slight growth in 2017 and 2018. Bakcell profited over-proportionally and is now returning to its good revenue and profitability levels: We observed 5% growth in revenue in 2018. With over 3 million subscribers, we are increasingly optimistic that growth will continue in 2019 against the background of several reform measures taken by the government to support the purchasing power of the population. Moreover, in line with firming oil prices the overall economy of Azerbaijan is expected to grow this year.

As a leading mobile internet provider in the country, we have particularly invested into our state-of-the-art network and into the expansion of our LTE network, which meet all the relevant international standards. We are planning to increase our investments into our network in 2019. Bakcell envisages providing at least 98% of country’s population with 4G network by the end of this year.

Many internationally renowned companies in the field of telecommunications, including the world famous P3 Communications and Ookla, have confirmed that we have the best network quality and speed in Azerbaijan, which outperform even some of the networks in many western European countries. Along with that, we will implement many other smaller projects to provide additional connectivity, video, music and other services to our customers. A number of new services are to be launched in the middle of 2019.
DEMAND FOR INVESTMENT REMAINS HIGH

Azerbaijan’s water and wastewater industry has much catching up to do. Lack of investment is also observed in the soil irrigation system. International financial institutions are providing support.

Azerbaijan needs a lot of capital in the long term for its water, wastewater and irrigation industry. A number of modernisation and expansion projects have already been completed successfully. Nevertheless, there is still much to be done to achieve a stable and efficient nationwide water supply.

Azersu invests hundreds of millions of dollars annually

The national water supplier, Azersu OJSC, invests hundreds of millions of dollars annually in water and wastewater projects. In 2017 and 2018, the state-owned company implemented about 200 water supply projects in villages and several dozen modernisation and development projects in cities. It supplies some 1.4 million customers with drinking water in more than 1.3 million households and small businesses, as well as about 60,000 legal entities.

Table 14. Gross fixed capital formation in the water and wastewater industry (US$ mln)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water supply</td>
<td>679.6</td>
<td>289.9</td>
<td>281.8</td>
<td>282</td>
</tr>
<tr>
<td>Wastewater treatment</td>
<td>109</td>
<td>248</td>
<td>72.5</td>
<td>101.1</td>
</tr>
</tbody>
</table>

Source: SSC

About half of the projects were financed by loans and funds from international institutions during 2015-2018. The remaining funds are received from the state budget and the State Oil Fund. In future, Azersu intends to rely more on the know-how of foreign companies. A long-term cooperation project with the French SUEZ Group is planned from 2019. The two companies aim to jointly manage the drinking water supply and wastewater management of Sumgayit city. The purpose is to make the local water and wastewater management system more efficient and cost-effective, streamline administrative structures, reduce water losses, ensure the high quality of drinking water and make more efficient use of investment.
Financial support from international donors and development banks

The Islamic Development Bank is providing financial support of $200 million for water supply to 320,000 people in six areas of the country from 2012-2019/20. One project is currently underway in Dashkasan and another is in preparation in Gazakh. The ADB provides $150 million for development projects in Aghjabedi and Nakhchivan cities. From 2010-2021, the Japan International Cooperation Agency is supporting financially the renewal and expansion of the water and wastewater industry in several small towns. Project value amounts to $300 million.

The Korean Eximbank has provided a $43.5 million loan for the construction of a wastewater treatment plant at a total cost of $64 million in Pirshagi. The plant will commence its operations in 2019. With funds totalling over $60 million, the Saudi Fund for Development supports the water and wastewater industry in Baku city and Khirdalan district (project value: $138 million). Both projects are scheduled to be completed in 2019. From 2019-2022, the Korean agency KOICA will provide almost $5 million for water projects in areas inhabited by IDPs.

Irrigation to be considerably expanded

Investments in the irrigation industry are financing several medium-term programmes to develop the production of raw cotton and other agricultural crops in coming years, as well as to expand existing agricultural parks and establish new ones. In 2019 and 2020, the Azerbaijan Amelioration and Water Management OJSC plans to renovate irrigation systems or expand irrigated soils on a total area of 100,000 hectares per year.

Over the same period, approximately $150 million is expected to be spent annually on the modernisation and development of irrigation channels, drainage systems, pumping stations, drainage channels and other water management facilities. The lion’s share of irrigation projects is financed by the state budget and State Oil Fund, while international loans and funds constitute a smaller part.

Irrigated agricultural land in Azerbaijan currently covers a total area of 1.4 million hectares of arable land and pasture. Channel and drainage systems extend for 51,700 and 29,600 kilometres respectively.

Table 15. Key figures of Azerbaijan’s water industry (mln cbm)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water extraction from natural water reservoirs</td>
<td>12,123</td>
<td>12,285</td>
<td>12,504</td>
<td>12,781</td>
</tr>
<tr>
<td>▼ Water consumption</td>
<td>8,115</td>
<td>8,567</td>
<td>8,824</td>
<td>9,154</td>
</tr>
<tr>
<td>▼ Agriculture/Irrigation</td>
<td>5,572</td>
<td>6,057</td>
<td>6,342</td>
<td>6,570</td>
</tr>
<tr>
<td>▼ Industry</td>
<td>2,144</td>
<td>2,117</td>
<td>2,108</td>
<td>2,224</td>
</tr>
<tr>
<td>▼ Households</td>
<td>313</td>
<td>323</td>
<td>308</td>
<td>291</td>
</tr>
<tr>
<td>▼ Other sectors</td>
<td>86</td>
<td>70</td>
<td>66</td>
<td>69</td>
</tr>
<tr>
<td>▼ Water loss during transport and distribution</td>
<td>4,008</td>
<td>3,718</td>
<td>3,680</td>
<td>3,627</td>
</tr>
</tbody>
</table>

Source: SSC
As one of the world’s leading manufacturers of pumps and pump systems, Wilo is one of the few main manufacturers in this segment that has been operating its office in Azerbaijan in different formats for more than 15 years. We have very productive and efficient distribution network with substantial stock and after-sales service capacities.

Following the financial turmoil in 2015, the waste and wastewater market had moved towards low and middle-end market segments. The number of large-scale projects had decreased as the economy was suffering from scarcity of liquidity. Starting from the last quarter of 2017, however, the economy started to recover and the market players started to feel the positive effects of the immediate anti-crisis measures by the government. The most important is that since the general financial situation has been stabilised, the currency ratio is more predictable and reliable now. The construction sector is reviving again following a sharp plunge in 2016 and the government stimulates the private sector to invest in agriculture. Azersu resumes the main water supply and wastewater treatment projects that were delayed previously.

All these improvements are new challenges for us that also create important opportunities. Thus, we are concentrating our efforts and resources on being a part of all upcoming projects in the building services, water management and industrial segments. Wilo plans to expand its presence in Azerbaijan in the future and to contribute to the local economy by further increasing its investments in the country.
The government of Azerbaijan has declared sustainable waste management to be one of its priorities in economic policy. Despite the projects already implemented in this sector, the country still has a long way to go in building a nationwide waste management system. The industry’s legal framework is not very mature. There is no recycling law that clearly defines a framework for the collection and recycling of materials.

The opportunities for foreign companies in supply and cooperation in the waste management industry are potentially huge due to the immense but actually manageable backed-up demand. There are several reasons for this: funding from the state, as the main contractor, is not sufficient today due to lower oil export revenues. Thus, less money is allocated to the industry. The situation in the banking sector and loans to private companies remains strained.

Azerbaijan intends to expand the collection and treatment of waste significantly. The EBRD plans to allocate $39 million for this purpose.
Projects to expand waste management expected

New investments in waste collection and treatment will be triggered by the implementation of the National Solid Waste Management Strategy adopted in autumn 2018 for the period until 2022.

The document lays out the following goals and initiatives:

- Creating a more market-driven waste management system based on subsidy reductions and higher waste collection fees,
- Involving all settlements in Baku in waste collection and disposal,
- Establishing new environmentally-friendly regional landfills,
- Expanding significantly the collection of hazardous waste in the Baku region and its temporary storage and incineration,
- Creating additional capacity for recycling municipal waste, and
- Implementing innovative projects in Balakhani Industrial Park for waste management.

Tamiz Shahar is the main contact point for waste projects in Baku region

The municipal enterprise Tamiz Shahar, established in 2009 under the Ministry of Economy, is responsible for Greater Baku. It transports, sorts, deposits and partly utilises municipal waste. Tamiz Shahar has operated a waste sorting and treatment plant in Balakhani, the country’s largest landfill site, since 2012. The plant has an annual processing capacity of 200,000 tonnes of solid waste.

In the same year, a waste incineration plant (Waste-to-Energy Plant) commenced its operations. It can burn up to 500,000 tonnes of municipal waste and 10,000 tonnes of medical waste, producing 231.5 million kWh of energy annually. The French technology supplier CNIM S.A. is to operate the plant for a period of 20 years.

A new larger project for the collection, sorting and treatment of household waste in Greater Baku was prepared long ago. The EBRD has allocated a $39 million loan for the project.

Preferential terms for investment in a recycling industrial park

A project by Tamiz Shahar of interest to potential foreign investors in the recycling industry is the Balakhani Industrial Park for waste management and green and innovative technologies. It was established in late 2011 and officially opened in September 2017. There are benefits for investors in the park: exemption from income, property and wealth taxes (for a period of seven years from the date of project registration) and from import turnover tax on the import of facilities, equipment and other goods for direct use in the company’s business activities.

By the end of January 2019, about one dozen companies have been settled in the park on an area of 8.3 hectares. The companies produce plastic and carton packages, recyclable PET bottles, lubricants and furniture. So far, they have invested more than $20 million in the projects.

Several companies have announced the commencement of their production. For example, from the beginning of 2019, the Oreon Commerce company intends to produce high-resistant magnesite composite boards, using wood flour as a filler and later, briquettes made of sawdust. The Bioropean company plans investments in the recycling of used cooking oil in the catering sector. Production of alternative fuel from scrap tyres is also envisaged.
Stay tuned for further updates

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