## **Azerbaijan Country Presentation**



#### **Basics**

O Establishment: 28 May 1918

Independence: 18 October 1991

O Area: 86.6 thsd km2

O Population: 9.37 million

Official Language: Azerbaijani

O Government system: Presidential Republic

Membership in: UN (Non-permanent member

of UN Security Council for

2012-2013), Council of

Europe, OSCE, Non-Aligned

Movement, OIC

O Highlights:

O 1st democratic republic in the Islamic world

1st Opera in the Islamic world

Women voting right in 1918

(while in Italy - 1946; Switzerland - 1971; France - 1944)

O Currency: Manat: 1 AZN = 1.27 USD



## **Stable economy**

## 2013

GDP	•Total: •Per capita: •Growth rate:	73.5 bln USD 7912.5 USD 5.8%
Non-oil GDP	•Total: •Share in total GDP: •Growth rate:	41.6 bln USD 56.6% 10%
Investments	•Total: •Domestic: •Foreign:	27.9 bln USD 17.5 bln USD 10.4 bln USD
Trade	<ul><li>Trade turnover:</li><li>Export:</li><li>Import:</li></ul>	34.7 bln USD 24 bln USD 10.7 bln USD
Other macroeconomic figures	<ul><li>Inflation:</li><li>Strategic currency reserves:</li><li>Budget balance*:</li></ul>	2.4% 50 bln USD +3.6% of GDP
Social statistics	<ul><li>Average monthly wage:</li><li>Unemployment:</li><li>Population income growth:</li></ul>	539.2 USD 5% 8%

Source: State Statistics Committee, \* - 2012

### **Competitive economy**

#### **Global Competitiveness Report 2013-2014**

Economy	Rank
Azerbaijan	39
Poland	42
Turkey	44
Czech Republic	46
Kazakhstan	50
Slovenia	62
Russia	64
Georgia	72
Armenia	79
Iran	82
Ukraine	84

The report assesses the ability of countries to provide high levels of prosperity to their citizens. This in turn depends on how productively a country uses available resources. Therefore, the Global Competitiveness Index measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

## 1<sup>st</sup> among CIS countries (5 times running), 39<sup>th</sup> among 148 countries

Other indicators:

Inflation – 1<sup>st</sup>
Macroeconomic environment – 8<sup>th</sup>
Government budget balance – 15<sup>th</sup>
General government debt – 13<sup>th</sup>
Labour market efficiency – 30<sup>h</sup>
Capacity for innovation – 35<sup>th</sup>
Technological readiness – 50<sup>st</sup>

## **Competitive economy**

## Sovereign debt ratings

Rating agency	Term	Rating	Outlook
STANDARD &POOR'S	Long Term – Foreign Currency	BBB-	Stable
	Short Term – Foreign Currency	А3	
	Long Term – Local currency	BBB-	
	Short Term – Local Currency	А3	
FitchRatings	Long Term – Foreign Currency	BBB-	Stable
	Short Term – Foreign Currency	F3	
	Long Term – Local currency	BBB-	
Moody's	Long Term – Foreign Currency	Ваа3	Stable
	Long Term – Local Currency	Baa3	

## **Business enabling environment**

Reformist business environment

Firm legal basis and continuous improvement of business legislation

Top-reformer of business regulations according to Doing Business Report 2009 Decrease of red tape, simplifying business permitting and licensing systems

One-stop-shop for business registration

One of the easiest startup procedures in the world

2 days for business registration

Internet registration of individual entrepreneurs and local commercial legal entities

Competitive tax system

E-filing and e-payment

Corporate tax – 20%; VAT – 18%; Simplified tax – 4% and 2%

No agriculture tax

Government eservices

426 e-services by 40 public authorities

Electronic portal on business permission and licenses (www.icazeler.gov.az)

B2B facilitation (www.b2b.az)

## **Business enabling environment**

#### **WB Doing Business Report 2014**

Economy	Rank	
Georgia	8	
Kazakhstan	50	
Bulgaria	58	
Italy	65	
Turkey	69	
Azerbaijan	70	
Romania	73	
Czech Republic	75	
Russia	92	
Serbia	93	
Iran	152	

#### 70th among 189 countries

15<sup>th</sup> among the 50 economies narrowing the distance to frontier the most since 2005. The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each Doing Business indicator since 2005.

#### Some sub-indicators:

Registering property –  $13^{th}$ Starting a business–  $10^{th}$ Enforcing contracts –  $28^{th}$ Getting credit –  $55^{th}$ 

#### In Global Competitiveness Index 2013-2014 (rank/148):

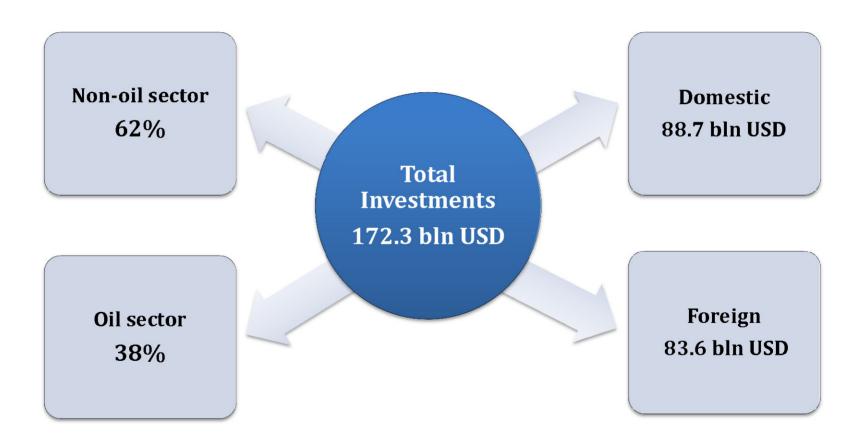
Hiring and firing practices – 8<sup>th</sup>
Burden of government regulation – 21<sup>st</sup>
Strength of investor protection – 25<sup>th</sup>

#### Liberal investment climate

No restrictions for any Welcoming National regime for Incentives for foreign type of foreign foreign investors investors policy investment Guarantee against Guarantee of adverse changes in the No discrimination compensation of Guarantees legislation, policy damages and nationalisation and repatriation of profits requisition 46 bilateral Law on Investment Party to New York Sophisticated investment treaties Activity and Law on (1958) and Protection of Foreign legal base Washington (1965) 44 double taxation Investments Conventions treaty Government Azerbaijan Export and National Fund for Investment Promotion Azerbaijan Investment institutional support of Foundation Company Entrepreneurship support (AZPROMO)

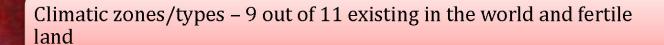
## Liberal investment climate

#### 1995-2013



Source: State Statistics Committee

# Cooperation opportunities: Food industry/agriculture



Tax breaks and subsidies for agricultural producers

Strong comparative advantage and access to regional markets

Supply of fresh fruits and vegetables to Hungary

Supply of fruit and vegetable juices, wine and spirits to Hungary

Joint ventures for greenhouse production of fresh vegetables and fruits

Joint ventures for production and processing of medical plants, combined feed, confectionary products, sauces, dried fruit and berries

#### **Tourism**

Unique geografic and climatic conditions

In 2013 number of tourists increased by 3.9 times in comparison with 2003

Well-known international hotel chains: Hilton, Four Seasons, JW Marriot, Jumeirah, Fairmont and Kempinski

Winter-summer tourism complex in Shahdag – to be completed in 2016 and able to welcome 10 000 tourists

Investment opportunities in construction of brand economy hotels

Increasing demand in construction of tourism complexes

Restoration of historical and cultural sites

## **Cooperation opportunities: ICT**

Average annual growth rate at 20-25% in the last 10 years

80% of income in ICT belongs to private sector, while mobile telephony and IT are completely private

Around 2.5 bln USD invested in ICT in the last 10 years, 72% of which accounts for private sector and foreign investments

First among CIS States on share on internet users according to the WEF Global Information Technology Report 2013

70% of population uses internet, 50% uses broadband internet

Opportunities for investors in the High Technologies Park in Baku

Joint ventures in hardware and software production

# **Cooperation opportunities: Industry**

Share in GDP: 58.4%

Intensive industrialisation policy: increase of 186% since 2005

Investment (2012): total \$7,7 bln – \$3,4 bln foreign, \$4,3 bln domestic

Supply of chemical products and chemical preparations, construction materials, electric equipment, oil and petrochemical equipment

Joint ventures for the production of electric appliances and equipment

Joint ventures for the production of construction materials

Joint ventures in the light industry (furniture, textiles)

## Cooperation opportunities: Sumgait Chemical Industrial Park (SCIP)

Total area: 168 ha

**Priority products:** chemicals used in agriculture, construction, packaging and automotive industries

**Infrastructure:** All utilities are provided provided by plug-and-play concept

**Tax holidays** (corporate, property and land taxes and VAT on imported equipment) **for 7 years** 

**Key advantages:** Availability of in-door raw materials, increasing domestic demand and close proximity to regional markets

Opportunities for investments in the production of chemical products and preparations, final plastic products, pharmaceuticals, fertilizers

Opportunities for investments in packaging production, automotive spare parts, chemicals and cleaners, industrial glues and adhesives

## Cooperation opportunities: Balakhani Eco-Industrial Park

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Total area: 7 ha

Priority areas: recycling of domestic waste

**Infrastructure:** Offices, training centers, laboratory, all utilities are provided provided by plug-and-play concept

**Tax holidays** (corporate, property and land taxes and VAT on imported equipment) **for 7 years** 

**Key advantages:** Proximity to city waste landfill site, Material Recovery (waste sorting) Facility and modern Waste-to-Energy Plant

Opportunities for investing in plastic recycling, tire/rubber recycling, WEEE recycling, lead batteries, non-ferrous metal and cable recycling

Opportunities for investing in municipal hazardous waste (battery pills, light tubes, mercury containing goods, etc.) recycling

