

Chapter 1: Doing Business in Azerbaijan

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

Azerbaijan's economy continues to grow but the rate of growth has leveled off compared with previous years. Oil and gas remain the drivers of economic activity in Azerbaijan and are responsible for most of the country's GDP. While other sectors have grown over the last year they represent much smaller percentages of Azerbaijan's economy and are dwarfed by revenues from in the energy sector. These non- oil sectors: agriculture, information/communication technology, transport, and tourism have been deemed priority sectors because the government of Azerbaijan sees dependence on oil and gas as a long term liability and is aware that it must diversify the economy. To accomplish this, the government of Azerbaijan is working to attract investment in these priority economic sectors through a combination of incentives, reforms, and a push for greater international recognition of Azerbaijan. Despite work on reform, Azerbaijan's business climate remains challenging. The informal economy is large but statistics relating to its scope are difficult to verify. Still, signs of economic growth abound and construction of new roads, bridges, luxury hotels, and shopping malls are widespread. However, under the shiny surface, Azerbaijan continues to suffer from a lack of transparency and politically connected monopolies.

Widespread corruption in Azerbaijan impedes the country's development. In Transparency International's 2012 report on corruption perceptions worldwide, Azerbaijan ranked 139th, while in 2011 it ranked 143rd. The most corrupt spheres in Azerbaijan are considered to be law enforcement agencies, organs of the executive power (including customs and safety inspectors), medicine, and education. Customs corruption is a serious concern for most businesses. However, the government of Azerbaijan has taken concrete steps to improve this situation by establishing one-stop public service centers for many basic business needs, like registering companies, property, etc. The centers, called ASAN service centers, are transparent, efficient and have been embraced enthusiastically by the general public. The government of Azerbaijan established four ASAN service centers in Baku already. The goal is to establish centers in each region of Azerbaijan by the end of 2014.

Money generated by the oil and gas sector is popularly perceived as the source of much of the corruption within the country. Despite this perception, in 2009 Azerbaijan became the first participating country to achieve "fully compliant" status in the Extractive Industries Transparency Initiative (EITI), which it joined in 2004 to promote more transparent management of oil revenues. As part of its obligations under EITI,

Azerbaijan issues annual and semi-annual reports on the status of its oil revenues. These oil revenues enter the State Oil Fund of Azerbaijan (SOFAZ) transparently. It is when money from SOFAZ is transferred to Azerbaijan's budget that it becomes opaque.

Lack of transparency is not only a problem in government budgets but across public and private sectors. Americans considering doing business in Azerbaijan are advised to carefully conduct due diligence and seek out businesses that regularly comply with third party audits by reputable international firms.

According to a report on the banking system published in August 2012 by Moody's Investors Service, the outlook on Azerbaijan's banking system remains stable. Moody's says that over a 12-18 month period steady macroeconomic conditions will prevail in the banking sector. According to the report, the banks' asset quality will improve moderately over the period, and capital levels will likely remain stable for most banks in Azerbaijan.

The national currency, the manat, remained stable throughout 2012. The Central Bank played a very active role in ensuring this stability. According to data from the Central Bank, the manat rate strengthened against the U.S. dollar by 0.19 percent (2012) and decreased by 0.013 percent in the first quarter of 2013.

Key parameters of Azerbaijan's economy – according to official government sources:

Real GDP growth: 2.2% in 2012

Inflation: 1.1% in 2012

Unemployment rate: approx. 5.2 %

Poverty level: 6.0 %

Azerbaijan's strategic currency reserves increased in 2012 by \$ 5.5 billion or 14% to over \$ 46 billion.

Cooperation with international financial institutions has been very important for Azerbaijan's economic development. Azerbaijan is a member of the International Bank for Reconstruction and Development (IBRD), the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Azerbaijan is not yet a member of the World Trade Organization but made progress in 2012 toward accession through its bilateral meetings.

According to preliminary data, the Azerbaijani population increased by 121,400 (1.3%) in 2012. Most of the population, 52.9 percent, lives in cities. Azerbaijan's population has reached 9.356 million.

According to the Azerbaijan State Customs Committee Azerbaijan's main trading partners are Italy, France, USA, Russia, Turkey and Germany. See below:

Country		Import	Export	Total
Italy	1	5.54 billion	261.6 million	5.80 billion
Russia	2	1.37 billion	959.83 million	2.33 billion
U.S.	3	715.66 million	1.60 billion	2.31 billion
Turkey	4	1.50 billion	600.02 million	2.10 billion
France	5	185.8 million	1.77 billion	1.96 billion
India	6	69.7 million	1.89 million	1.960 million

By contrast, US figures for 2012 shows exports to Azerbaijan at 492.6 million USD with imports from at 1.1 billion USD. Source: These figures can be found at the following link: <http://www.census.gov/foreign-trade/balance/c4632.html#2012>

Market Challenges

[Return to top](#)

Rule of law:

- Court system is weak, inconsistent and unreliable.
- Enforcement of judgments is extremely difficult.
- Alternative dispute resolution (arbitration) is a new and undeveloped concept.
- System is not transparent; decisions appear to be made on the basis of political power more often than on the basis of law.

Public and private sector corruption:

- Azerbaijan ranked 139 out of 176 countries in the 2012 Transparency International Corruption Perceptions Index.
- Due diligence as part of any deal is extremely important.
- Competition in some sectors is not tolerated if interests of well-connected elites are threatened.
- Personal relationships remain critical in business.
- Private sector is widely monopolized in many spheres.

Government services:

- Bureaucracy is often difficult to navigate and can take significant time, while decision-making is slow and concentrated at the highest levels of organizations.
- The Tax Ministry; the State Customs Service; the Ministry of Health; the State Committee on Standardization, Metrology, and Patents; and the State Migration Service; are the government bodies with the most direct effect on foreign businesses. The State Migration Service and the State Customs Service in particular have a reputation for being difficult to work with.
- Persistence is critical to success..

Competition from other foreign firms:

- Turkish, Russian, Iranian, Chinese, Korean, and European firms are very active in the market. U.S. firms find it especially difficult to compete in the market for cheap products. High-end U.S. products tend to have a better ability to compete.

Market Opportunities

[Return to top](#)

Market opportunities seem to be most prolific in the following sectors:

- Telecommunications/IT
- Tourism
- Transportation
- Agriculture
- Oil and gas

See Chapter 4 for descriptions of opportunities in these sectors.

Market Entry Strategy

[Return to top](#)

For companies interested in establishing a presence in the Azerbaijani market:

- Relationships are key; whether finding a partner or working with a client.
- Plan to spend a significant amount of time, perhaps over several visits, building trust and understanding with your partner. Establishing trust is critical to seal the deal.
- Properly document the legal responsibilities of all parties.
- When establishing terms of a contract, be careful to structure the terms of payment so that you do not deliver all of your goods or services up-front and then trust that the other party will then honor all its payment obligations.
- Have a local presence in Azerbaijan: an ear on the ground will win you business that could otherwise go to someone else.
- A local presence can also manage important relationships with government entities, minimizing risk from government interference or delays.

- A local presence can also be important due to language conflicts. In-country staff with local language skills will make contacting and negotiations easier with government bodies.
- Persistence and transparency on the part of foreign corporations are valued highly by potential Azerbaijani partners.

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/p/eur/ci/aj/>

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)

Using an Agent or Distributor

[Return to top](#)

For U.S. firms entering the market in Azerbaijan, an agent or representative may be useful, especially if the U.S. good or service is new to the market. For developed market segments, a distributor provides another option. Verifying the financial bonafides of prospective partners is difficult. Potential exporters should plan to visit Azerbaijan to build personal relationships, set up sales networks, and establish partnerships with local agents or distributors. Not-for-profit trade chambers, such as the American Chamber of Commerce in Azerbaijan (Baku), the U.S. – Azerbaijan Chamber of Commerce (Washington, DC), and AZPROMO (Azerbaijan Trade and Investment Promotion Foundation) in Baku can provide market insights and help in the search for an Azerbaijani partner. The U.S. Embassy also offers international partner search as a service that can be purchased.

According to the Law on Protection of Foreign Investments, foreign investors may establish the following legal entities:

- Enterprise with participation of foreign investors on a shared basis (joint ventures);
- Wholly foreign-owned enterprise (foreign enterprises);
- Representative office.

U.S. firms need to choose between the establishment of a limited presence, a joint venture or a wholly foreign-owned enterprise for entrepreneurial activity. A limited presence is possible in the form of a representative office or a branch. A representative office and a branch that are subdivisions of a foreign legal entity are not considered Azerbaijani legal entities, but are still subject to taxation. A full legal presence as an Azerbaijani legal entity may be achieved through establishing the following forms of legal entities:

- Joint Stock Company
- General Partnership
- Limited Partnership
- Limited Liability Company
- Additional Liability Company
- Cooperatives

Under the new “single window” principle, the Ministry of Taxes is authorized to register all types of commercial legal entities and is legally obligated to do so within three business days. The following documents should be submitted to the Ministry of Taxes to register a branch or a representative office:

1. Application for registration as a commercial (for-profit) legal entity.
2. Charter of the legal entity (2 notarized copies).
3. Original or a notarized copy of the company letter establishing the local entity and appointing the head of the local legal entity or their legal representative.
4. Notarized copies of the original incorporation papers from the United States. The documents must be certified by the consular section of the Azerbaijani Embassy in the United States and then presented to the Ministry of Taxes.
5. A copy of a lease agreement or other document certifying the entity's legal address in Azerbaijan.
6. Other documents depending on the type of business and/or the tax regime.

To register a commercial entity with foreign capital, the foreign legal entity in addition to completing and submitting items 1, 2, 4, 5, and 6 mentioned above, needs also to submit the following documents:

1. A resolution from the foreign legal entities' authorized body stating its intent to open an office in Azerbaijan and approving the charter of the local entity.
2. Additional information and identification on all shareholders with copies of identification documents for individual shareholders.
3. If a shareholder is a foreigner or a person without citizenship, they must submit appropriate documents from the U.S. verifying the person's character and entrepreneurial activity.

4. Resolution by the founders identifying the Supervisory Board, the Executive Board and other company principals, as well as their identification information and copies of documents.
5. If required by type of business, copies of documents indicating contributions towards charter capital.

There is a registration fee for a branch office of 220 Azerbaijani manats (approximately USD 275) payable to the accounts listed at the following link: <http://www.taxes.gov.az/>

U.S. firms should remember that all documents from the foreign legal entity must be notarized and legalized in the United States. It is compulsory to accompany any document written in English with its notarized translation into the Azerbaijani language.

Laws and regulations including registration are subject to change. For detailed registration, legal, and tax counseling, U.S. firms are advised to contact tax and legal professionals resident in Azerbaijan to receive expert advice (see Chapter 11 below). U.S. firms that experience registration problems should contact the U.S. Embassy in Baku (see contact information in Chapter 9).

Franchising

[Return to top](#)

Franchising can be a successful retail model in Azerbaijan. McDonald's has owned and operated a network of restaurants in Azerbaijan since November 1999. The Azerbaijan Franchise Association (AFA) was established in 2007 and is working to join the World Franchise Council. In February 2008, the AFA submitted its program of development of entrepreneurship and the non-oil sector to the Azerbaijani government. Additional U.S. brands, such as Bebe, Curves, KFC, Villa Enterprises, Cinnabon, Schlotzky's Deli, and Papa John's Pizza have opened in Azerbaijan during the last two years.

Franchises of leading Turkish and European brands are also operating in Azerbaijan. U.S. brands are encouraged to consider this opportunity.

Direct Marketing

[Return to top](#)

In Baku, business to business fax and e-marketing to potential customers is common. Direct marketing via mobile phones is also popular. For instance, the largest mobile operator Azercell Telecom sends text messages advertising discounts for cooperative clients, sales at certain shops, etc. Person-to-person direct marketing for health and beauty products is also well known. Other direct marketing channels (catalogs, e-commerce and regular mail) are in their infancy. Many shippers are reluctant to send goods without prepayment. The number of credit/debit card transactions is rising, but e-commerce is limited by a lack of clear and effective legislation. The government of Azerbaijan is working to address some of these issues by drafting legislative amendments that would improve the environment for e-commerce. However, these legal changes have not yet been fully implemented.

U.S. firms considering joint ventures (JVs) should consider the deal structure carefully before committing to a JV, particularly in the non-energy sector, which is unprotected by the profit sharing agreements that shield oil and gas investments. U.S. firms are often encouraged to take on a local partner at the front end of a deal. Experience has shown that many of these transactions encounter problems at some point in the life of the JV. If a JV is necessary, U.S. firms should ensure there is tight management control, clear capital increase and cash call provisions, iron-clad confirmation of share increases and decreases, clear procedures for calling shareholder meetings, and a well-planned exit strategy.

Licensing presents obstacles for firms in Azerbaijan. As of 2011 the number of licensable activities numbers 58. The following is a list of some activities subject to licensing (current as of December 2012) and the authority responsible for issuing the license:

Chamber of Auditors

- Auditing activities

City and region executive organs (with the exception of city districts)

- Sale of ethyl alcohol and strong drinks
- Sale of tobacco goods

Ministry of Agriculture

- Production and import of ethyl alcohol and strong drinks
- Production and import of tobacco goods
- Private veterinary activity
- Sale and production of veterinary medications

Ministry of Communications and Information Technology

- Communication services (telephone, cellular - including 3G mobile communication services, paging, radio relay, installation and operation of cable television, express postal service)

Ministry of Ecology and Natural Resources

- Storage and disposal of radioactive and ionized waste
- Utilization and neutralization of toxic waste

Ministry of Economic Development

- Purchase, processing and sale of non-ferrous metals and industrial waste including precious metals and stones
- Activities of labor exchange

Ministry of Education

- Activities of educational institutions (pre-school, secondary, vocational, and higher education institutions, as well as religious education institutions)

Ministry of Emergency Situations

- Engineering and inspection works at buildings and structures of the Responsibility Level I and II
- Fire Protection Service (production and purchase of fire extinguishing equipment, testing; installation of fire protection systems and facilities, their repair and maintenance)

Ministry of Energy and Industry

- Sale of oil products
- Sale of gas products

Ministry of Finance

- Activities of non-governmental social funds
- Insurance activities
- Production of controlled accounting forms

Ministry of Health

- Medical activities
- Pharmaceutical activities
- Creation of biometric technologies and provision of services to such technologies

Ministry of Internal Affairs

- Production of various seals and stamps

Ministry of Labor and Social Protection of People

- Assistance for Azerbaijani citizens to identify employment in foreign countries

Ministry of National Security

- The use, production, sale, purchase, import and export of technical means for illegal intercepts of information by juridical and natural persons not authorized for the execution of investigatory activities;
- Activities in the field of design and production of data protection facilities

Ministry of Transportation

- Transportation of passengers and goods by sea
- Transportation of passengers and goods by air
- Passenger and cargo transportation by road
- Transportation of hazardous cargo

Ministry of Tourism and Culture

- Tourist activities
- Activities of hotels and hotel-type enterprises

National Bank of Azerbaijan

- Banking activities
- Non-bank credit institutions

National TV and Radio Broadcasting Council

- TV and radio broadcasting

State Committee for Construction and Architecture

- Design of buildings and structures of the Responsibility Level I and II

State Committee for Land and Cartography

- Cartographic activities

State Committee for Securities

- Activities of stock exchanges
- Activities of investment funds
- Activities of professional participants in the equity market (brokerage, dealer, securities management, determination of mutual obligations (clearing), deposit, registration of holders of securities, organization of trades in the equity market)
- Activities on production and sale of all types of security forms

Nakhchivan Autonomous Republic

- Medical activities
- Pharmaceutical activities
- Assistance for Azerbaijani citizens to identify employment in foreign countries
- Production of various seals and stamps
- Tourist activities

Selling to the Government

[Return to top](#)

The government of Azerbaijan and state-owned and quasi-state-owned enterprises are some of the largest players in Azerbaijan's economy. Selling directly to the central government or to these enterprises can be profitable. It can also be very difficult because of the lack of transparency of government procurement processes. Major infrastructure projects typically funded through World Bank or other multilateral development bank financing are more transparent than those funded by the government. There has been a decrease of projects with development bank financing, due to oil revenues increasing the availability of funds domestically. The Government is expected to continue to invest in public infrastructure projects, as outlined in the State

Public Investment Program. Companies selling to the government of Azerbaijan should be particularly careful to specify beforehand how the 18 percent VAT will be levied. Unless there is external financing such as tenders backed by development banks with high transparency financing, selling to the government should be approached with caution.

Distribution and Sales Channels

[Return to top](#)

Local companies are often distributors for foreign brands. Chinese, Turkish, Iranian, and Russian products tend to dominate this price-sensitive market. Several Azerbaijani firms have successfully sold and represented U.S. and European brands in Azerbaijan. Due diligence should be done on any potential Azerbaijani distributor before concluding an agreement or shipment.

U.S. firms looking for opportunities in Azerbaijan should focus on private Azerbaijani firms with proven track records and good financial standing. State enterprises are unlikely candidates for distribution and sales activities on behalf of U.S. firms. They lack the resources to cover the costs of maintaining U.S. product inventory for the local market. Many Azerbaijani firms have poor cash flow and other structural disincentives. Training and flexible stock/inventory options can help U.S. goods and services to penetrate the Azerbaijani market. Businesses should work with Baku-based firms for onward distribution throughout Azerbaijan.

Selling Factors/Techniques

[Return to top](#)

Azerbaijan is a country of traders. However, retail business is becoming increasingly regulated and moving off the “street” into shops and retail outlets. There are three market segments: (1) the largest share of the population that earns the average monthly wage of \$350 or less; (though the official figure from the Azerbaijan State Statistics Committee for 2012 is \$500. This figure does not track with most other reports.) (2) the small but growing middle class with occasional disposable income; and (3) the “new Azerbaijanis” noted for conspicuous consumption of top-priced items. The first two segments patronize the large unregulated bazaars such as the Bina or Sadarak bazaars for cheap Chinese, Turkish, Iranian, and Russian goods. We recommend that U.S. consumer product firms focus on the third group at the higher end of the market through retail outlets in Baku given the growing number of consumers with money to spend and interest in high quality goods and services. Azerbaijani shoppers are price-sensitive and brand conscious. U.S. goods and services are lesser known than their Turkish or European competitors but are thought to be reliable – a key factor in the Azerbaijani shopping mentality. Counterfeiting of consumer goods is a problem.

Electronic Commerce

[Return to top](#)

Electronic commerce is in its infancy in Azerbaijan. Availability of ATMs has introduced some measure of e-commerce to the market. However, the use of plastic card payments is limited to upscale restaurants and shops. A 2005 presidential decree mandated the rolling introduction of point of sale (POS) terminals in all shops beginning January 1, 2006 over a two-year period

however POS terminals remain confined to higher end establishments. The Ministry of Taxes pushed retail businesses to install POS devices, but the economy remains cash-based as many small retail businesses have not implemented POS devices in their place of business. Inadequate legislation and infrastructure for e-commerce in Azerbaijan limits U.S. firms' ability to penetrate the retail market in Azerbaijan and stymies growth of local business as well.

Trade Promotion and Advertising

[Return to top](#)

Advertising in Azerbaijan is carried out through television, radio, newspapers, and billboards. Internet advertising is growing but does not have the same audience as it does in countries with greater internet access/computer ownership. Outdoor billboards are widely used in Baku for advertising and trade promotions. Outdoor advertising for tobacco and alcohol products is prohibited. Newspapers in Azerbaijani and Russian are published daily, except Sunday and English-language papers are published weekly. Newspapers are widely sold and read and represent one channel to reach Azerbaijani consumers with disposable income. Television advertising is possible on state-run and private national TV networks. There are popular private FM radio stations as well. Baku-based trade shows provide another opportunity to market U.S. goods and services.

Pricing

[Return to top](#)

Prices in Azerbaijan must be quoted in Azerbaijani manats. Azerbaijanis will bargain over prices. With the exception of a few goods such as gasoline, the government does not set retail prices. Retail prices include the 18 percent value added tax (VAT).

Sales Service/Customer Support

[Return to top](#)

Systemized customer service remains undeveloped. Some local firms are developing a Western-style customer service approach but most have not. Cellular operators and information technologies firms in Azerbaijan offer high-quality service and customer support but most other sectors of the economy have not yet adopted a similar approach. Product guarantees are rare, but are becoming more common. However, implementation is still a problem as local distributors do not always uphold parent company guarantees.

Protecting Your Intellectual Property

[Return to top](#)

On paper, Azerbaijani law protects copyrights, patents, trademarks, and industrial designs. The U.S.-Azerbaijan bilateral trade treaty also covers intellectual property rights (IPR). Azerbaijan belongs to the World Intellectual Property Organization (WIPO) and is a signatory of the following treaties:

[WIPO Copyright Treaty](#)

[WIPO Performances and Phonograms Treaty](#)
[Convention Establishing the World Intellectual Property Organization](#)
[International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations](#)
[Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms](#)
[Berne Convention for the Protection of Literary and Artistic Works](#)

In reality, there is no government enforcement mechanism for IPR laws. Many copyrighted products are sold in markets and stores with no provision to pay royalties to copyright holders. Pirated CDs and DVDs, dubbed in Russian or Azerbaijani, are ubiquitous and are sold at less than 15 percent of their market value in the West. Firms with IPR concerns are urged to contact the Embassy's Commercial Section. The Embassy uses cases like these as part of its ongoing effort to persuade the GOAJ to implement enforcement policies for IPR violations.

Due Diligence

[Return to top](#)

Accurate financial documentation and credit history are very difficult to obtain on potential buyers and partners. A new commercial secrecy law complicates due diligence efforts by limiting what banks and other financial institutions can share with third parties about Azerbaijani companies. Additionally, understanding the corporate structure of a company or discovering who the major partners or shareholders of a company are is also very difficult. Failure to perform a very careful survey of former partners, clients, and competitors jeopardizes investments and commercial deals. Recourse in such instances is limited and even where arbitration clauses are respected, they can take a long time to resolve. Despite these difficulties, some Azerbaijani firms have established track records of positive work with international firms. Interested companies may contact the Embassy to discuss their plans in Azerbaijan.

Local Professional Services

[Return to top](#)

U.S. businesses are advised to retain strong in-country legal counsel especially at the outset of any transaction involving investment, structuring of joint ventures, and the like. The Azerbaijani legal system does not contain a transparent body of commercial law. Implementation of court decisions is haphazard. The legal framework for resolving disputes is limited and, in the case of politically connected Azerbaijani firms, may be subject to manipulation.

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- [Agricultural Sector](#)
- [Oil and Gas Sector](#)
- [Banking and Financial Sector](#)
- [Information/Communication Technology](#)
- [Tourism Sector](#)
- [Transport Sector](#)

Agricultural Sector

[Return to top](#)

Overview

Agriculture is the largest sector for employment in Azerbaijan with roughly 40% of the working population making some part of their living in agriculture. During Soviet times much of the agricultural sector was collectivized and part of a command economy. However, with the collapse of the Soviet Union, traditional command markets dried up, forcing enterprises to seek new trade links. Azerbaijan inherited outdated food processing equipment, and rudimentary packaging facilities. Improvements in food processing and packaging require imported equipment. There is potential for the development of food processing, but large-scale U.S. exports will remain limited and niche deals are more prevalent. We advise U.S. companies and investors to work with established firms with a proven market track record.

Today, more than 95 percent of the nation's agricultural land is in private hands, an important achievement in Azerbaijan's privatization program. However, many of these agricultural plots are too small to benefit from the kinds of equipment or methods used in US agribusiness. Azerbaijani farmers have little interest in co-ops for production because of their experience with the collectivized farms of the Soviet era. Co-ops for marketing and distribution may be more suited to conditions in Azerbaijan. Rural populations have benefited from privatization, but cash flow and access to affordable credit, are small and remain obstacles to business development for Azerbaijani agribusiness. There is potential for growth in this sector. However, growth will remain limited unless steps are taken to limit the distorting effects of politically connected oligarchs on the market.

There is potential for additional development in the food processing industry. Azerbaijan has a wide variety of crops, and excellent climatic conditions and an extended growing season. Fruits (apples, cherries, grapes, olives, lemons, persimmons, melons, watermelons, raspberries, strawberries, currants, plums, peaches, pears, quince, and pomegranates); vegetables (potatoes, carrots, beets, cabbage, tomatoes, cucumbers, onions and greens), grains (wheat, maize, barley), tea leaves, and nuts are high quality, have minimal unit production costs, and have strong brand recognition in post-Soviet markets. Several start-up private firms including the Azersun Holding, MKT, CTS Agro, Guba Tinning Factory (based in Guba), M-Pro, the Azerbaijan Dairy Corporation, and Gilan Holding have already made the move to European equipment and are interested in sourcing of U.S. equipment. Additionally, AzNar, a company that produces pomegranate juice, has worked directly with a U.S. firm for the distribution of their product line in the United States.

Azerbaijan requires import licenses for food products of animal origin. Starting January 1, 2009, the Customs Committee began issuing licenses for those products based on a letter of import permission from the State Veterinary Service (SVS). Azerbaijani legislation imposes special rules on labeling of food and agricultural products. The labels must be in Azerbaijani. English labels are acceptable if information in Azerbaijani is also provided, although compliance, as seen on supermarket shelves, is spotty at best.

Best Products/Services

[Return to top](#)

Currently, the relative weakness of the U.S. dollar compared to the Euro and Azerbaijani manat, combined with U.S. export credits, make products made in the U.S. and sold in dollars, such as processing lines, competitive in Azerbaijan. There is demand for food processing and packaging equipment, especially for mid-size meat, dairy, and fruit and vegetable processing production. There is also a need for production of packaging materials for different market segments.

Opportunities

[Return to top](#)

Agriculture in Azerbaijan, despite being the largest employer saw an increase of only 6% in 2012. The Government of Azerbaijan needs to invest heavily in rural public utilities and rural infrastructure, specifically transportation. In addition, tight quality control and international certification are the keys to realizing the export potential of Azerbaijani produce and products.

U.S. agricultural equipment manufacturers and used equipment dealers should consider traveling to the region to meet with large private holding companies active in agricultural processing. The Azerbaijani government is also interested in promoting small-scale dairy processing in rural areas.

There is demand for agricultural consulting in such areas as international certification and distribution. Azerbaijani exporters are eager to export into the more lucrative Western markets, including the United States. However, there are still hurdles, including compliance with phytosanitary standards for some products.

Resources

[Return to top](#)

Ministry of Agriculture and Food Supplies
Azadlig Meydani / Government House, 3rd floor

Baku AZ1016, Azerbaijan

Tel: (994 12) 4930884, 4933745

Fax: (994 12) 4945390

E-mail: Tarana.Bashirova@fao.org

Contacts: Ismet Abbasov, Minister

Ms. Tarana Bashirova, International Relations

State Veterinary Service

7a, Nadjaf Narimanov street

Baku AZ1006, Azerbaijan

E-mail: vet_depkn@yahoo.com

Tel: (+994 12) 5627613, 4626632

Fax: (+994 12) 4626606

Contact: Mr. Ismayil Gasanov

Job Title: Head of Service

U.S. Department of State: <http://www.state.gov/p/eur/rls/fs/51702.htm>

USFCS / BISNIS: <http://www.bisnis.doc.gov/bisnis/bisdoc/Agribusiness%202004.htm>

U.S. Department of Agriculture: www.usda.gov

Caspian World / Iteca: <http://www.caspianworld.com>

State Statistics Committee of Azerbaijan: <http://www.azstat.org>

Oil and Gas Sector

Overview

[Return to top](#)

Since the mid 1990's the oil and gas sector has been the engine driving Azerbaijan's economy forward. Through a series of Production Sharing Agreements (PSAs), Azerbaijan succeeded in attracting significant foreign direct investment from international oil companies. This investment has led to a rapid increase in production, enriching the country and creating opportunities for U.S. businesses.

Azerbaijan is the beginning of an East-West energy corridor built on two major pipelines. The first, the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, stretches from Baku in Azerbaijan, through Tbilisi, Georgia, to a terminus at Ceyhan in Turkey. The second, the South Caucasus Gas Pipeline (SCP), roughly parallels the BTC route. Development of the two pipelines, as well as the Azerbaijani-Chirag-Guneshli (ACG) oil field and Shah Deniz I gas field, resulted in more than \$400 million in contracts for U.S. firms. Significant oil revenues and additional proven gas reserves have amplified the ambitions of the State Oil Company of the Azerbaijan Republic (SOCAR) to become a world-class energy company. While proven oil fields are projected to begin declining in the coming decade, fields under exploration, such as Absheron, could present opportunities in that same timeframe. Additionally, a new gas pipeline will be built from Azerbaijan, across Turkey, through Greece and Albania into Italy. To make use of this gas line Azerbaijan and SOCAR are working to develop the Shah Deniz II gas field, which would present opportunities for a wide range of U.S. companies: from management consulting to engineering and project management for the medium term.

Best Products/Services

[Return to top](#)

Due to extensive onshore and offshore development, this sector remains the nation's best sector in terms of revenue generated as a percentage of GDP. This includes most types of equipment related to the exploration, extraction and transportation of oil and gas. Project management and engineering services, petroleum products, drilling and oilfield equipment also

hold potential for U.S. firms in this area. This market has been in competition for some time so interested firms will find that most of the low hanging fruit has already been plucked by companies that entered the market earlier.

Opportunities

[Return to top](#)

The oil and gas sector in Azerbaijan is expected to remain the most lucrative market for foreign businesses for years to come. As current production projects have reached a plateau, major opportunities in the market have begun to shift toward support and service of the oil industry, rather than exploration and construction. Drilling and exploration opportunities will increase as new oil and gas projects enter the development phase.

Resources

[Return to top](#)

State Oil Company of Azerbaijan: <http://www.socar.az/>

BP Caspian: <http://www.bp.com/caspian>

Caspian World: <http://www.caspianworld.com>

U. S. Energy Information Administration: <http://www.eia.doe.gov>

State Statistics Committee of Azerbaijan: <http://www.azstat.org>

State Oil Fund of Azerbaijan: <http://www.oilfund.az>

Banking and Financial Sector

Overview

[Return to top](#)

Azerbaijan has seen considerable consolidation in the banking sector over the past few years, though experts believe that further consolidation is still needed. The minimum capital requirement for existing and startup banking institutions will be increased to approximately \$50 million by January 2014 in order to force additional consolidation of the banking sector. However, most private Azerbaijani banks are underdeveloped, lack capital, and play a small role in financing local businesses. Measures to increase the role of banks in entrepreneurship (especially small and medium size enterprise development) continue.

The Central Bank of Azerbaijan (CBA), which was formerly known as the National Bank of Azerbaijan, is the central regulatory body.

The International Bank of Azerbaijan (IBA) remains the leading bank in Azerbaijan, and the Government remains its largest shareholder. That being said, except for the IBA, the 44 remaining banks in Azerbaijan are now privately owned and 23 of them have some foreign investment. According to sources in the Central *Bank of Azerbaijan* As of 1 January 2013, the total assets of Azerbaijani banks were 13.94 billion AZN.

Most banks offer short-term trade financing, long-term project financing, mortgage products, and other modern banking products. Overall lack of medium to long-term capital is still a constraint to financing private business in Azerbaijan. The credit supply is far too small to provide a suitable environment for the development of SME's in the country. In fact, most SME's have very limited access to affordable credit lines given collateral requirements, loan terms, etc. Long-term trade and project financing are in their infancy.

Best Prospects/Services

[Return to top](#)

Trade finance, working capital, manufacturing equipment, construction, telecommunications, food processing, agribusiness, and tourism represent the best prospects for new business development.

Leasing in Azerbaijan is in its infancy but is a promising vehicle for business financing in this developing market. Best prospects in leasing include manufacturing equipment, medical equipment, and transportation.

Opportunities

[Return to top](#)

Many Azerbaijani banks have expressed interest in pursuing correspondent relationships with U.S. banks. In addition, an increasing number of private banks have become interested in attracting foreign equity investors, and EBRD, IFC, and German financial institutions have taken an equity stake in several such institutions.

Resources

[Return to top](#)

Central Bank of Azerbaijan (CBA): www.cbar.az/eng/

International Bank of Azerbaijan: www.ibar.az

Bank Standard: www.bankstandard.com

Unibank: www.unibank.az

Technika Bank: www.texnikabank.com/

Bank Respublika: www.bankrespublika.az

AGBank: www.azerigazbank.com

IFC in Azerbaijan: http://www.ifc.org/ifcext/eca.nsf/Content/Azerbaijan_Home

World Bank: www.worldbank.org

EBRD: www.ebrd.gov

Information/Communication Technology

Azerbaijan has an IT sector still in the early stages of development. Despite progress in improving its telecommunications infrastructure, the regulatory framework governing telecommunications and information technology needs improvement.

Tariffs on imported IT equipment are an example of an area where Azerbaijan is less competitive. Duty for personal computers is 3% in Azerbaijan but 10% for computer components. In contrast, Georgia, Turkey and Turkmenistan have no tariffs on this kind of equipment and can compete more readily. These tariff regimes require modernization to improve competitiveness.

E-governance is an area for collaboration between businesses and the Government of Azerbaijan (GOAJ). The Government of Azerbaijan (GOAJ) has implemented e-governance solutions to make their services more transparent and more easily accessed. The Ministry of Taxes is an example. This ministry has moved tax payments on-line, making compliance easier, though at least one U.S. firm has complained about the way the Ministry of Taxes has structured its on-line service for VAT payments. Other ministries could benefit from similar improvements but have not yet taken steps to modernize. U.S. businesses with such solutions may find opportunities in such modernization efforts.

In the private sector, e-commerce remains disparate in Azerbaijan. Few local businesses are using these technologies to interact with their customers. Opportunities exist for companies that can create and successfully market electronic services that facilitate transactions on-line. Golden Pay, a service similar to PayPal, is a local company that has entered this market and is slowly expanding the ability of Azerbaijani businesses to conduct on-line transactions with customers.

An area that hampers the IT sector is weak enforcement of intellectual property rights. Foreign Companies are reticent to produce or distribute significant IT solutions in Azerbaijan because the ability to control the IPR or protect them is virtually non-existent.

Microsoft has made some progress with the GOAJ by having them agree to replace pirated versions of Microsoft products and use legitimate ones. The GOAJ recognizes that they will have to do something to solve this problem if they wish to attract firms with similar products and expertise. So far, however, they have been slow to create an enforcement mechanism to deal with the issue.

Still, there is government interest in expanding this sector, The Ministry of Communication and Information Technology (MCIT) hosted the Internet Governance Forum (IGF) in November 2012 which gave Azerbaijan greater international exposure to major firms, though few small or medium size U.S. firms participated in the Bakutel tradeshow that occurred at the same time. 2013 has been declared the year of Information and Communication Technology by Azerbaijan's president. A Memorandum of Cooperation signed between the United States and Azerbaijan during the 2012 Internet Governance Forum also gives both countries a framework for collaboration and opportunities for U.S. businesses to help Azerbaijan build up this sector. Because IT is an emerging sector, there are opportunities for U.S. consultants with experience in the development of IT strategy, to contribute to MCIT's goals and long-term approach to expanding this sector.

Another area of development under the information and communication technology umbrella is satellites to extend communication capacity. Azercosmos, Azerbaijan's space agency launched a telecommunication satellite in February of this year. Azercosmos will receive USTDA financing for the feasibility of launching a second telecom satellite and has also been looking to acquire a Low Earth Orbit imagery satellite. These are big ticket purchases with a significant potential for appropriate businesses. There may be legal or regulatory hurdles to overcome for future procurement, especially of imagery or an imagery satellite but the opportunities for businesses are large.

Best Products/Services

[Return to top](#)

A new IT park being developed by MCIT offers opportunities for firms looking to expand into the region. Favorable concessions on taxes, VAT, and a co-investment scheme for start-ups could be attractive to the right kinds of firms. Firms that can offer services for the small Azerbaijani niche market or who would be able to use Azerbaijan as a regional base of operations to include neighboring countries will be more likely to succeed. Azerbaijan has a need for software applications in e-governance, in e-payments, and in e-marketing/analysis.

Opportunities

E-governance or e-commerce potential remains largely unfulfilled and these areas present an opportunity for well-crafted and well-implemented solutions. Consulting firms experienced in the development of IT sectors may find their experience sought after by the public, as well as the private sector in Azerbaijan. Companies with expertise in satellites may benefit from Azercosmos' interest in acquiring greater capabilities.

Tourism Sector

Overview

Azerbaijan's tourism sector strategy is geared toward high-end hotels that will allow Baku to host prestigious international events such as Eurovision and the European Olympics. The expansion of airline destination offerings is opening Azerbaijan up to tourists from the Middle East and East Asia and giving Azerbaijani citizens increased travel opportunities. Azerbaijan is expanding its tourism education capacity in an attempt to keep up with demand for high quality employees in the hospitality industry.

The number of hotels in Baku expanded last year. Almost all of these were four and five star hotels, including Marriott, Four Seasons, Hilton, and Kempinsky. While brandishing some of the most well-known chain names in the world, most of these hotels are owned by local holding groups. Most hotels' business plans focus on large-scale conferences or sporting events and corporate contracts while leisure tourists are not generally accounted for. The success of these hotels rides on Azerbaijan's continued hosting of major international events. In 2012, Azerbaijan hosted the Eurovision Song Contest and FIFA's U-17 Women's World Cup. Baku hosts a variety of martial arts sporting events yearly and the city bid to host both the 2020 summer Olympics as well as UEFA's Euro 2020 Championship. These hotels maintain ongoing corporate contracts that allow them to maintain profitable capacity levels year-round. These contracts insulate them from the seasonal ebbs and flows of traditional high and low tourist seasons. The Central Bank

of Azerbaijan claims that 33.5 % of all tourist services rendered in the country were for business tourists and this is in line with the business model of most Baku hotels.

There are about 12,000 hotel rooms in the city of Baku. Hotel prices have dropped 20% due to increased competition but most room rates remain skewed toward the higher end of the market.

The State Statistics Committee of Azerbaijan reports that hotels' revenues in 2012 amounted to AZN 154 million that is 34.3% more than in 2011. 71.8% of the income was received from the rental of rooms, 18.8% from the sale of food and beverages and income from other services to tourists.

Leisure tourists make up the smallest chunk of the tourist pool. Travel agencies, such as Azerbaijan24.com and STANtours, estimate there are about 15-20,000 leisure tourists per year. These estimates are in line with the State Statistics Bureau's numbers. They cite the price of visas and the length of the visa application process as prime reasons for the low numbers.

Due to the opening of new air routes, Baku is positioning itself as a destination for tourists from more diverse locations. Since February 2012 Qatar Airways has been operating flights to Baku. The main strategy is to brand Baku as a destination for Middle Eastern, Central Asian and East Asian tourists. Azerbaijan Airlines ordered two Boeing 787 Dreamliners that should be delivered by 2014. The range of the Dreamliner would render most international destinations reachable from Baku. The most likely use of the Dreamliner would be for direct Azerbaijan-United States flights. This will certainly mean increased business and leisure tourism to Azerbaijan, though it remains to be seen if Azerbaijan will have achieved the required FAA and IASA certification or have concluded an Open Skies agreement by that time.

The development of hotels and tourist destinations in the regions lags behind the level of development in Baku. If Azerbaijan facilitates travelers visiting by easing up visa restrictions, it will still face the problem of attracting them to see the country. Package deals combining travel to Azerbaijan with other destinations in the region might be a possibility to increase tourism.

Best Products/Services

[Return to top](#)

Firms that have expertise in hospitality management or three or four star hotel chains and franchises have opportunities in Azerbaijan to lend their expertise to existing tourist facilities or to expand services to the underserved mid-range tourist whose pocketbook is not large enough for the five-star treatment but who is not the budget tourist looking to stay in a hostel.

Opportunities

There are opportunities for businesses that can supply hotels with skilled employees or provide them with logistical support for their supply chains. Business trips and conferences are the main venues that Azerbaijan's hospitality industry is aimed at and companies that arrange business conferences will find Baku a market enthusiastic to support them and their clientele.

Transport Sector

Overview

Azerbaijan is positioning itself as a transportation hub for both North/South and East/West trade in the region through major infrastructure investments. The completion of the Baku-T'bilisi-Kars railway and the Alat Port will position Azerbaijan as the most viable transit route for trade between Central Asia and Europe.

The most significant transportation project in Azerbaijan is the Baku-T'bilisi-Kars (BTK) railway. The Baku-T'bilisi-Kars railway will provide Azerbaijan's rail system with a link to non-Soviet systems. The railway's last stretch of rail is being laid in Northeastern Turkey and slated for completion in late 2014. The BTK route utilizes existing lines in Azerbaijan and Georgia and these are currently being upgraded. A bogie, or change of gauge station, is also being completed in the Georgian city of Akhalkalaki. The government of Azerbaijan (GOAJ) allocated \$850 million for the completion of the project. Additionally, \$775 million in loans were extended to Georgia to finance its stretch of the line. According to the World Bank, this upgrade will increase the average speed for cargo trains from 25km/h to close to 100km/h. The peak capacity of the completed line has been pegged at 17 million tons of cargo per year. Upon the completion of the Istanbul Marmaray project in 2015, BTK will create rail linkages to most of Europe for Azerbaijan.

The government of Azerbaijan is also building a new Caspian Sea port at Alat. It is designed to replace Baku's port as the main commercial and industrial port in Azerbaijan. As planned, it will be larger than all Caspian ports combined and there is ample room to expand as necessary. Additionally, Alat is situated at a rail and road hub, allowing for easy North/South and East/West transit. When completed, a train-car ferry system will be operated between the Central Asian ports of Turkmenbashi and Aktau. The port is designed to accommodate rail ferries that can transport 52 train cars at a time. Phase 1 of the project is scheduled to be completed by 2014 at a cost of \$690 million. The total cost of the project will be nearly \$1.1 billion. This will make Azerbaijan the most politically and logistically viable land route for connecting Central Asia to the Caucasus, Turkey, and Europe.

Despite these infrastructure improvements in international transport links, GOAJ has done little to nothing to improve the import/export process. Transportation infrastructure investment will be in vain if Azerbaijan's customs regulations are not simplified in the process. According to the World Bank's annual Doing Business 2013 report Azerbaijan ranks 169th out of 185 nations in cross-border trade. At least 8 separate forms are required to import or export. It takes on average 38 days to export a product and 38 days to import a product.

The Ministry of Transport has also announced plans for a Trans-Caucasus Quba-Shamakhi-Bilasuvar highway and a Japanese firm has already conducted a feasibility study on the route. This route would be a boon for Azerbaijan's internal distribution network as vehicles would no longer have to pass through Baku when transiting from Azerbaijan's northern regions to its western ones. Additionally, this creates a more direct route between Iran and Russia and this would make trade between these nations less costly and time-consuming. A less ambitious bypass route is already nearing completion. This route connects the port cities of Taghiyev (just north of Sumgayit) with Sahil (just south of Baku) to allow north/south traffic to bypass the Absheron peninsula and the congested areas around Baku, significantly decreasing the amount of time it takes to travel from Azerbaijan's northern to southern borders.

The Ministry of Transportation built a traffic management center in 2012 to house its Intellectual Transportation Management center. The system allows traffic lights to adjust to traffic volume as in most American and European cities. The system began operation in the summer of 2012. Additionally, bus stops with interactive touch screens have been placed at bus stops throughout the city. These touch screens provide bus schedule information and some minimal route information. City bus routes have been streamlined with the number of routes in the city reduced from 400 to 250.

Azerbaijan's effort to improve transportation infrastructure is part of a strategy to develop Baku as a commercial center and hub for trade between Europe and Central Asia. Alat, BTK, and infrastructure projects in Baku are all indicators of this strategy.

Best Products/Services

[Return to top](#)

Freight forwarders, logistics/supply chain developers and managers may have opportunities as the BTK and Alat port open up. Firms with experience working with difficult customs regimes or helping countries rationalize their customs operations may do well in Azerbaijan.

Opportunities

Suppliers of transport equipment, construction equipment and materials or international transportation companies will find opportunities continuing to expand in the transport sector, especially as links across the Caspian and into Turkey are completed.

[Return to table of contents](#)

Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)

Import Tariffs

[Return to top](#)

The following customs duties are applied in the Republic of Azerbaijan:

- a) ad valorem - to be calculated by percent of commodities for their customs value;
- b) specific - to be calculated by a determined value for a commodity unit;
- c) composite - to be calculated by joining of both types.

The rates of import and export duties are currently regulated by the provisions of the 2001 Resolution. Ad valorem import duties are set at rates ranging from 0% to 20 %. Currently, the standard rate of value-added tax (VAT) in Azerbaijan is 18%. Goods from CIS countries (except Kazakhstan) are assessed VAT in their country of origin, not in Azerbaijan.

Trade Barriers

[Return to top](#)

There are several barriers to trade with Azerbaijan that make doing business difficult. Non-tariff barriers include a weak and unpredictable legal regime, arbitrary customs administration, clear conflicts of interest in regulatory and commercial matters often leading to export/import monopolies, and corruption. The Azerbaijani government's inadequate enforcement of IPR protections also counts as a trade barrier.

Import Requirements and Documentation

[Return to top](#)

Importers are required to provide the State Customs Committee with:

1. Signed import contract (and contract number);
2. Customs declaration;
3. Permission(s) from the relevant state entity(ies) when applicable;
4. Bill of lading;
5. Sales invoice and packing list;
6. Certificate of origin; and
7. Certificate of quality of the imported merchandise.

Exporters are required to provide the State Customs Committee with:

1. Document verifying the legal status of the business entity;
2. Legal entity's code determined by the State Statistics Committee;
3. Copy of the contract (and contract number);
4. Certificate of origin of the product being exported;
5. Document issued by an authorized bank on the pre-payment or opening of a letter of credit for the exported product;
6. Permission(s) from the relevant state entity(ies) when applicable;
7. Sales invoice and packing list; and
8. Customs declaration.

Once the goods are released from the customs warehouse, they are subject to all applicable duties and taxes. The customs warehouse will also assess charges for demurrage. The rate for this charge should be determined with the customs warehouse prior to consignment to the warehouse to avoid any costly misunderstandings.

Goods imported into Azerbaijan for processing and then re-exported are subject to normal duties and taxes at the time of importation. As soon as processing has been completed and the goods are re-exported, a draw-back procedure can be initiated to recover the taxes and duty paid. There is no formal procedure for submitting an application, and this process is cumbersome to use. Customs establishes the time for the processing and re-export of the goods, usually within two years. In addition, customs may also stipulate a minimum amount of finished product be held to assure that the imported goods are utilized for the purpose intended.

Provisions for the importation of goods and equipment are an integral part of production sharing agreements (PSAs). Goods, tools, equipment, supplies, and services necessary for successfully carrying out the objectives of the PSA are generally exempt from import duties and taxes. By extension, foreign firms registered to do business in Azerbaijan and who provide services for contractor parties (CP) or foreign subcontractors (FSC) participating in PSAs may also be exempt from duties and VAT on imported goods and equipment relevant to their work.

The following is a non-exhaustive list of items exempt from import duties:

- Goods and property for official use by diplomatic missions and equivalent missions in Azerbaijan and for private use by diplomatic and administrative employees of these missions and their resident family members.
- Goods imported on the basis of financial aid, loans and technical grants of international organizations, foreign entities, and foreign persons in accordance with inter-governmental and international treaties of Azerbaijan.
- Goods delivered to Azerbaijan for a limited term and to be returned unchanged to the country of origin under pre-defined conditions (VAT shall be paid at entrance and reimbursed at exit).
- Property of foreign employees of enterprises with foreign investment in Azerbaijan for private use.

Customs duties do not apply to goods imported under bilateral free trade treaties between Azerbaijan and foreign states. Importers are subject to the payment of a customs processing fee in the following amounts:

- if declared value of goods is 1,000 AZN or less – 10 AZN,
- from 1,001 AZN to 10,000 AZN – 50 AZN,
- from 10,001 AZN to 100,000 AZN – 100 AZN,
- over 100,000 AZN – 275 AZN,
- PSA goods, air transportation vehicles purchased under state guarantees, passport and personal identification templates, equipment and materials for the exporting oil and gas industry – 275 AZN, regardless of the total value of imported goods, plus 10 AZN for each additional sheet of customs declaration,
- transit transportation through Azerbaijan – 10 AZN, plus 10 AZN for each additional sheet of customs declaration,
- registration certificate for passenger vehicles, cargo vehicles, and buses – 20 AZN, for other vehicles – 15 AZN.

Azerbaijan requires import licenses for food products of animal origin. The State Veterinary Service (SVS) issues these licenses (contact numbers are provided in Chapter 9, Appendix E).

Importation of large-scale satellite dishes and other communications equipment requires the permission of the Ministry of Communications and Information Technologies.

U.S. firms should be forewarned that customs clearances can be problematic, time-consuming, and bribes are often sought by Customs officers.

Temporary Entry

[Return to top](#)

Personal items, tools of trade, and business samples may be imported with little problem. Goods to be displayed or exhibited may be brought in as temporarily imported goods for a period of time, but must be re-exported within the time stipulated to avoid paying import duties and taxes. U.S. firms planning to exhibit at major trade exhibitions in Azerbaijan need to work closely with the show organizer well in advance to ensure timely and proper temporary declaration of goods to be exhibited. If sending samples via express mail, firms should contact the local office of the courier service to get advice on declared customs value to avoid protracted and costly problems with Customs officials.

Labeling and Marking Requirements

[Return to top](#)

Azerbaijani legislation imposes special rules on labeling of food and agricultural products. The labels must be in Azerbaijani. English labels are also acceptable if information in Azerbaijani is also provided, although compliance, as seen on store shelves, is spotty at best.

Azerbaijani legislation requires the following product information to appear on the label, although, again, compliance is poor:

- Name and brand of the product
- Name and address of producing company
- Country of origin
- Expiration date/shelf life
- Nutrition and caloric values
- Net weight (grams or kilos)
- Usage instructions
- Name and type of packing material
- Storage instructions
- Licensing and certification information etc.
- Special warnings, if applicable

If the product has a shelf life of less than three months, it must include the day, month, and year of expiration. If the shelf life is more than three months but less than eighteen months, the month and year are required. Products with a shelf life of more than three years are technically not allowed for sale in Azerbaijan, however compliance is weak. Fruit products must be labeled. Labels for fruit “juices” must specify whether the product contains fruit juice (90-100% concentrate), nectar (25-50% concentrate), or fruit drinks (up to 10% concentrate).

Prohibited and Restricted Imports

[Return to top](#)

Government of Azerbaijan must approve, certify or license export or import of weapons, military equipment, explosives, special types of scientific and technical information for production of weapons, nuclear and radioactive materials and technologies, narcotic and psychotropic substances, blood and blood components, and export of unprocessed diamonds. In addition, it regulates the export of strategic commodities produced in Azerbaijan.

Export/import of the following goods also require government approval: wild animals and plants, and raw materials from such; information on the location of natural resources and thermal energy; works of art and antiques; results of scientific and other research, inventions; controlled psychotropic substances; medical equipment; insecticides; and veterinary drugs and substances.

Prohibited and restricted imports and exports are subject to change. Please consult with industry professionals for most up-to-date information on restrictions and regulations.

Customs Regulations and Contact Information

[Return to top](#)

A New Customs Code was adopted by the Parliament in June 2011 and came into force in January 2012. USAID and AMCHAM provided recommendations to the government suggesting changes to the Code. There were two new chapters added to the new Code:

Application of Information technologies in Customs, Implementation of Customs Audit, Analysis of Customs violations (this is a WTO requirement).

Valuation of goods imported into Azerbaijan is based on the declared value that appears on the invoice. Import duties of 0.5, 5, 10 and 15% are then assessed accordingly, based on the Customs Tariff schedule of the Azerbaijan Republic.

The maximum term for which goods may be stored in a customs warehouse is three years, after which they must either be declared or placed into storage facilities owned by the customs authorities.

Contact information:

State Customs Committee

2 Inshaatchilar ave..

Baku AZ1073

Azerbaijan

Tel: (99412) 438-80-80

Fax: (99412) 498-18-36

Web: <http://www.customs.gov.az/en/>

E-mail: External@customs.gov.az

Standards

[Return to top](#)

- [Overview](#)
- [Contacts](#)

Overview

[Return to top](#)

Azerbaijan uses the metric system for weights and measures. Small appliances use European standard plugs and electric connectors. The State Veterinary Service (SVS) is responsible for ensuring basic health standards on imported food and animal products. State plant quarantine inspection laws ensure standards on products that may carry diseases, pests and/or weeds that have quarantine significance for Azerbaijan. Goods subject to inspection include plants, certain foodstuffs, wood, and leather.

The State Agency on Standards, Patenting and Metrology exercises authority over functions such as patenting and other standards areas. Over the course of several years, Azerbaijan has moved from defunct Soviet standards to new Azerbaijani standards and some international standards, though this process is not yet complete. The Azerbaijani government is also moving to the adoption of many European Union standards in agricultural products.

Contacts

[Return to top](#)

For questions on standards, firms should contact the State Agency for Standards, Metrology, and Patents (see Chapter 11).

Trade Agreements

[Return to top](#)

Azerbaijan has signed bilateral free trade agreements with seven states of the former Soviet Union, although the trade liberalizing provisions of most of the agreements have not yet taken effect. Azerbaijan signed agreements with:

the Russian Federation (September 30, 1992); Moldova (May 26, 1995); Ukraine (July 28, 1995); Turkmenistan (March 18, 1996); Uzbekistan (May 27, 1996); Georgia (June 10, 1996); Kazakhstan (June 10, 1997); and Tajikistan (July 13, 2007).

In 1999, Azerbaijan entered into a Partnership and Cooperation Agreement with the European Union. Among its goals is making legislation in Azerbaijan compatible with the EU body of law. This includes the protection of intellectual property rights, assets and investments, and corporate and personal belongings against abuse. It also awarded Azerbaijan most favored nation (MFN) status with the EU. In addition, Azerbaijan is working to accede to the World Trade Organization, and progress has been noted in the accession process.

Resources

[Return to top](#)

State Customs Committee: <http://az-customs.net/en/index.htm> or <http://www.customs.gov.az/>

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State-Owned Enterprises \(SOEs\)](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)

Over the past few years, the Government of Azerbaijan has worked to integrate the country into the global economic marketplace, attract increased foreign investment, diversify its economy and maintain positive growth during the global financial crisis. Wide-ranging economic reforms implemented by Azerbaijan during the past five years have resulted in notable progress to improve regulatory efficiency and encourage domestic economic diversification, especially in the areas of agriculture, tourism and information and communications technology. Azerbaijan has enjoyed measurable success in diversifying its economy outside of the energy sector, with the non-oil portion of the economy growing by almost ten percent in 2011, while energy sector growth was flat.

During the past few years the overall regulatory reform process has slowed when compared to the period of 2007 to 2009, during which time the country embarked on a series of bold economic reforms. The substantial economic reforms implemented during this period led the World Bank to name Azerbaijan as one of the top ten global reformers for 2009 in its annual Doing Business report. Many of the reforms adopted were designed to facilitate Azerbaijan's accession to the World Trade Organization (WTO); however, as of 2012, Azerbaijan is not yet a member of the trade organization, partly due the country's failure to follow through with additional needed domestic reforms.

Substantial economic challenges remain for Azerbaijan, particularly with regards to the implementation of long-term institutional and systemic reforms that are critical to strengthening the foundations for economic freedom. Although Azerbaijan has continued to attract significant foreign investment to further develop its energy sector throughout the past decade, inefficient government bureaucracy, weak legal institutions, requests for illicit payments for cross-border transactions, and predatory behavior by politically connected monopolistic interests continue to hinder investment outside of this sector and present challenges for U.S. companies.

The score and rank of Azerbaijan in the most current World Bank Doing Business Report, Heritage Foundation Economic Freedom Index, Transparency International Corruption Index, and additional Millennium Challenge Corporation (MCC) evaluations for Azerbaijan are included in the table below.

Measure	Year	Index/Ranking
World Bank Doing Business	2012	66
Heritage Economic Freedom	2012	58.9/91
TI Corruption Index	2011	2.4/143
MCC Government Effectiveness	2010	-0.22/35%
MCC Rule of Law	2010	-0.40/26%
MCC Control of Corruption	2010	-0.46/15%
MCC Fiscal Policy	2010	8.0/88%
MCC Trade Policy	2010	77.1/61%
MCC Regulatory Quality	2010	0.11/62%
MCC Business Start Up	2010	0.991/97%
MCC Land Rights Access	2010	0.917/92%
MCC Natural Resource Mgmt	2010	79.63/48%

Openness to Foreign Investment

[Return to top](#)

The Government of Azerbaijan officially welcomes foreign direct investment (FDI), recognizing that FDI plays a vital role in Azerbaijan's pursuit of economic diversification. In 2011, 440 foreign-owned companies were registered in Azerbaijan, while 126 joint venture companies were registered.

Since 1994, Azerbaijan has attracted significant amounts of foreign investment – though much of it has been in the energy sector. In fact, almost USD 12.8 billion was invested in the Azerbaijani economy from all sources of financing in 2011, representing a 27.3 percent increase from the previous year. Of this figure, foreign investment in Azerbaijan accounted for almost USD 2.52 billion of financing in 2011, increasing 3.2 percent from 2010. Total investments in the non-oil sector from January to November 2011 were USD 7.3 billion and exceeded the amount of investments in the oil sector.

The Law on Protection of Foreign Investments permits FDI in any activity in which a national investor may also invest, unless otherwise prohibited by law. Prohibited areas include those relating to national security and defense. The government also carefully controls other key sectors, such as energy and communications. Foreign investors can participate – according to existing legislation – in the privatization of state and municipal properties. Foreign investments have complete and unreserved legal protection granted by this law, as well as by other laws and international contracts. The law provides that Azerbaijan will treat foreign investors in a manner not less favored than the treatment accorded to local investors and allows the repatriation of profits, revenues and other investment-related funds as long as applicable taxes have been paid.

Under Azerbaijani law, foreign investors may participate in the Azerbaijan market through joint ventures with local companies, or by establishing subsidiaries that are wholly-owned by foreign investors, as well as through representative offices and branches of foreign legal entities. Azerbaijani law also provides a ten-year grandfather clause in the event new legislation less

favorable to foreign investors is adopted; however, this provision does not apply to changes in tax legislation.

In 2008, Azerbaijan transferred responsibility for registering representative offices of foreign businesses, and the creation of business entities with foreign ownership, to the Ministry of Taxes. This reform also established a one-stop shop approach to such registrations, greatly simplifying the process and reducing waiting times. The registration of representative or branch offices of foreign non-commercial entities was not, however, transferred to the Ministry of Taxes. Such entities are required to register at the Ministry of Justice.

While the laws on the books favor foreign direct investment, ultimately, a complex government bureaucracy, weak legal institutions, corruption and predatory behavior by politically connected monopolistic and oligopolistic interests continue to hinder investment outside of the energy sector. Investment disputes can arise when a foreign investor or trader's success threatens well connected or favored local interests. It is also worth noting that Azerbaijan's bankruptcy law does not function effectively and is rarely used. Another hindrance to foreign direct investment is the difficulty of getting established Azerbaijani businesses to adapt to standard investor-friendly practices, such as those associated with the concept of good corporate governance. Overall, despite the presence of anti-competitive forces, the Government of Azerbaijan has taken important steps in recent years to improve its business environment, expand its banking sector, and strengthen its own fiscal management.

Conversion and Transfer Policies

[Return to top](#)

Azerbaijan has a liberal exchange rate system and, in general, there are no restrictions on converting or transferring funds associated with an investment into freely usable currency at a legal, market-clearing rate. Currency conversion is carried out through the Baku Interbank Currency Exchange Market (BICEX) and the Organized Interbank Currency Market. The Baku Electronic Currency Exchange System (BEST) was launched in July 2002. The average delay for remitting investment returns is two to three business days. Additional requirements relating to the disclosure of the source of currency transfers have been imposed in an attempt to reduce illicit transactions.

Cash exchange is carried out at numerous currency exchange points. No systematic difficulties exist in obtaining foreign exchange. Many cash machines will distribute Euros and U.S. Dollars, in addition to Azerbaijani Manats. The Central Bank of Azerbaijan has required that cash transactions be conducted in Azerbaijani Manats since 2001.

Parliament amended legislation in 2007 to eliminate custom duties for cash currency exports, a move that is in-line with WTO requirements and is believed to help ease inflationary pressures. The Ministry of Taxes has occasionally frozen bank accounts of companies that it believes have failed to meet their tax obligations. Legislation on non-bank lending agencies was passed by the Azerbaijani Parliament in December 2009, ostensibly to improve the accessibility of financial services for individuals and entrepreneurs.

Expropriation and Compensation

[Return to top](#)

The Law on Protection of Foreign Investments protects foreign investors against nationalization and requisition, except under certain specified circumstances. Nationalization of property can

occur when authorized by parliamentary resolution, although there have been no cases of nationalization or requisition against foreign firms in Azerbaijan. Requisition by a decision of the Cabinet of Ministers is possible in the event of natural disaster, epidemic or other extraordinary situation. In the event of nationalization or requisition, foreign investors are entitled by law to prompt, effective, and adequate compensation.

Dispute Settlement

[Return to top](#)

Disputes or disagreements arising between foreign investors and enterprises with foreign investment, state bodies of Azerbaijan, or enterprises, public organizations and other legal entities of Azerbaijan, are to be settled in courts systems of Azerbaijan or, on agreement between the parties, in a court of arbitration, including those abroad.

The judiciary consists of the Constitutional Court of the Republic of Azerbaijan, Supreme Court of the Republic of Azerbaijan, appellate courts of the Republic of Azerbaijan, trial courts and other specialized courts. The Supreme Court and appellate courts have civil, criminal, administrative-economic and military panels. Trial court judgments may be appealed in appellate courts and the judgments of appellate courts can be appealed in the Supreme Court. The Supreme Court is the highest court in the country. All judgments of the Supreme Court and appellate courts are published within one month of issuance and disseminated electronically. The Constitutional Court has the authority to review laws and court judgments for compliance with the Constitution. The decisions of the Constitutional Court are published.

The procedure for the enforcement of foreign judgments in Azerbaijan is established by the Civil Procedure Code, which only requires enforcement of foreign judgments either pursuant to an international treaty or based on the principle of reciprocity. Azerbaijan has entered into several bilateral treaties – principally with neighboring states – to facilitate the enforcement of foreign judgments, and is a party to the 2004 Commonwealth of Independent States (CIS) Convention on Mutual Legal Assistance in Civil, Family and Criminal Cases. In addition, Azerbaijan is a party to the Convention on Resolving Business Disputes, dated March 20, 1992 (the Kiev Convention). The Supreme Court is responsible for recognition and enforcement issues. The law does not provide specific periods for consideration of applications on the recognition and enforcement of foreign judgments.

A Bilateral Investment Treaty between the U.S. and Azerbaijan – which came into effect in 2001 – provides U.S. investors with recourse to the International Center for the Settlement of Investment Disputes. Azerbaijan is a party to the World Bank Convention on the Settlement of Investment Disputes between States and Nationals of Other States and also is a member of the Multilateral Investment Guarantee Agency (MIGA). Azerbaijan also is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which provides for binding international arbitration of investment disputes between foreign investors and the state. The Civil Procedure Code provides that foreign arbitral awards may be enforced in Azerbaijan so long as they do not contravene local legislation or public policy, and if reciprocity exists.

Performance Requirements and Incentives

[Return to top](#)

Azerbaijan has not yet developed effective incentives to attract foreign investment, other than the incentives provided by Production Sharing Agreement (PSA) arrangements in the oil and gas sector. While a law permitting the creation of Special Economic Zones (SEZs) was passed by Parliament in December 2009, no such zones have been established to date. (See section below on SEZs.)

Performance requirements are not imposed on new investments, but investors that participate in the privatization process often assume specific obligations regarding future investment and employment. Foreign investors are not required to purchase from local sources or export a certain percentage of output. Except for certain state monopolies, there is no requirement that nationals own shares in enterprises. Investors in PSAs assume obligations and requirements as provided within the PSA.

There currently is no legal requirement for employment of host country nationals, though this policy could eventually be reviewed by Parliament. Employers wishing to hire foreign workers in Azerbaijan must obtain a license from the Ministry of Labor. Foreigners who wish to work in Azerbaijan must register with local authorities at their place of residence and obtain work permits from the Ministry of Labor. Sole proprietors, heads of representative offices and branches of foreign legal entities and their deputies, short-term (three months or less) secondees, accredited foreign media representatives, education specialists, diplomats and international civil servants do not require work permits. In 2008, the Government introduced a work permit regime for all immigrant employees. Unfortunately, due to the lack of transparency and a printed fee schedule, opportunities for confusion and corruption exist.

As of July 2009, the State Migration Service (SMS) implemented a one-stop shop system. According to a Presidential Decree dated March 4, 2009, foreigners and people without citizenship arriving in Azerbaijan should be granted legal residence and work permits according to the single window principle within seven days of application, although not all applicants experience this level of efficiency. The fee to acquire a one-year license for a migrant worker is equal to AZN 1,000 (approximately USD 1,250).

In 2011, U.S. and other foreign investors encountered problems registering their workers with the SMS due to new requirements for health certifications. The American Chamber of Commerce intervened, and worked with the head of the SMS and member companies to address the issue. SMS confirmed that as of November 2011, only one health certificate attesting that a foreign worker is free from yellow fever, hemorrhagic virus, HIV, Hepatitis B and C and mental disorders will be needed, as opposed to five. SMS will accept health certificates only from approved medical facilities in Azerbaijan; it will not accept foreign certificates. The American Chamber of Commerce, in conjunction with the SMS, is preparing an information booklet for businesses.

Right to Private Ownership and Establishment

[Return to top](#)

Under Azerbaijani law, foreign investors may engage in investment activities not prohibited by law. Private entities may freely establish, acquire and dispose of interests in business enterprises. However, in practice, access to markets, credit and other business operations is often impeded by licensing and other regulatory requirements and by politically connected business interests that can mobilize the powers of the state to their advantage. In sectors of interest to certain senior government and political figures, competition is actively impeded through administrative barriers.

Legislation regulating real property rights include the Law on Mortgage (2005), Land Code of the Republic of Azerbaijan (1999), the Law on Land Reform (1996), the Law on Land Leasing (1999), and the Law on Land Market (1999). Azerbaijani citizens and legal entities, including enterprises with foreign investment, can legally own, buy, sell, and trade property. Foreign citizens and enterprises may lease, but may not own land. Expropriation may occur in the event of natural disaster, epidemic, or other extraordinary situation.

Protection of Property Rights

[Return to top](#)

Amendments to the Civil Code adopted in 2004 and 2007, which allow authorities to forcibly purchase and expropriate property, have created opportunities for the abuse of property rights. The poor quality, reliability and transparency of governance, as well as regulatory abuse and inconsistent contract enforcement, exacerbate this problem. Additionally, in 2006, the Government allegedly centralized the processing of residential real estate transactions through a network of notary offices under the Ministry of Justice. However, in 2012, two State Committees still compete for registration of property: the State Committee on Property Issues and the State Land and Cartography Committee.

The January 2011 Index of Economic Freedom – compiled by the Wall Street Journal and the Heritage Foundation – indicated that private property rights were only weakly protected. In August 2011, a consortium of local NGOs issued a press statement alleging that approximately 20,000 persons in 400 buildings had lost their residences and been unfairly compensated in Baku over the previous two years.

The Government has been working with the World Bank to improve the property registration system, but the system remains awash with bureaucratic requirements and is generally seen as corrupt and inefficient. In late 2011, the bribes to register a private house were reported to be approximately USD 18,000. Bribes for high-rise buildings were estimated to be six figures. Azerbaijan's State Real Estate Registry Service at the Committee for Property Issues has simplified the real estate registration system and has plans to introduce a single-window principle by 2013.

In the mid-1990s, Azerbaijan began implementing a national system for registering and protecting intellectual property rights (IPR) with the assistance of the World Intellectual Property Organization (WIPO), of which it is a member. Azerbaijan enacted improved copyright legislation (Law on Copyright and Related Rights) in 1996, patent legislation (Law on Patents) in 1997, and trademark protection legislation (Law on Trademarks and Geographic Names) in 1998. Azerbaijan also is a party to the Convention Establishing the World Intellectual Property Organization, the Paris Convention for Protection of Industrial Property, and the Berne Convention for the Protection of Literary and Artistic Works. Azerbaijan is a party to the Geneva Phonograms Convention, and acceded to the two WIPO Internet treaties in 2005.

More recently, Azerbaijan amended its copyright legislation in 2008 and formed an anti-piracy commission in May 2010, with representatives from various ministries to enforce the legislation. The Copyright Agency reports that, as a result of its actions, piracy rates in the publishing sector declined from 61 percent in 2005 to 40 percent in 2011, CD/DVD piracy declined from 90 percent in 2005 to 70 percent in 2011, and software piracy also declined from 96 percent to 88 percent. The Government has also worked with a local information technology company to transition to licensed versions of Microsoft products on government computers in accordance with a May 2011 agreement between the Ministry of Communications and Information Technology and Microsoft.

As part of its WTO accession program, Azerbaijan has developed a range of WTO-consistent IPR legal and regulatory reforms, which could significantly strengthen IPR rights and enforcement protections, if consistently enforced. While the Copyright Agency has made some progress by conducting raids and initiating civil court proceedings for violation of copyrights, in practice there is still limited enforcement of intellectual property rights. Pirated software,

movies, books, clothing and other luxury items are widely available in Azerbaijan, with legitimate copies of films and other media difficult to find.

Transparency of Regulatory System

[Return to top](#)

Although the Azerbaijani Government has worked to improve its regulatory system over the past several years, a continued lack of transparency and allegations of corruption remain key problems in this area. The lack of transparent policies and effective laws to establish clear rules and foster competition are particularly serious impediments to investment. Informal bureaucratic control mechanisms often interfere with the application of laws and regulations and hinder competition. While laws and decrees are usually published in one of the country's official newspapers as well as online, implementation often is delayed while regulations are developed. Those regulations, in many cases, are not published or distributed.

Politically connected businesses benefit from government regulatory and other decisions to achieve effective control over lucrative sectors of the economy, and U.S. investors have been among those victimized. Powerful state-owned enterprises, such as the Azerbaijan State Caspian Shipping Company (CASPAR) and Azerbaijan Airlines (AZAL), have regulatory authority that they can exploit to block new entrants into the market – a clear conflict of interest. Major private businesses are run by senior government officials or other politically connected individuals who wield inordinate influence on the market economy. These monopolistic actors often exercise their political connections and economic power in a manner that discriminates against or unfairly burdens foreign investors or foreign-owned investments.

In 2008, the government began a concerted effort to improve the transparency and predictability of the business regulatory environment with the assistance of USAID, the World Bank and the International Finance Corporation (IFC). In fact, Azerbaijan was cited as one of the top ten reformers for 2007 and 2008 in the World Bank Doing Business Report for 2009. More recently, the government established an electronic registry of inspections, designed to reduce overlap of inspections and increase accountability of agencies undertaking such activities. The improvements may generally benefit local small businesses more than they benefit large foreign investors. Significant areas for improvement remain, including in customs operations, business closure, and business permitting systems.

In October 2011, the President of Azerbaijan issued a decree calling on the Cabinet of Ministers to develop a Law on Licenses and Permits. The IFC and USAID are providing assistance on this effort. Further, the decree directed the Ministry of Economic Development to set up an internet portal on which information on all required licenses and permits would be placed. In neighboring countries, similar efforts have led to substantial reductions in the numbers of licenses and permits required for businesses and entrepreneurs. Previously, Azerbaijan announced plans to adopt 29 national accounting standards so as to be in line with International Financial Reporting Standards (IFRS) by 2009. So far, audited financial statements have only been adopted in banking and finance.

Efficient Capital Markets and Portfolio Investment

[Return to top](#)

The banking sector, due to the underdevelopment of capital markets in Azerbaijan, dominates the financial sector with more than 95 percent of total assets. As of December 2011, there were 44 commercial banks operating in Azerbaijan. Total assets of the Azerbaijani banks as of early

December 2011 amounted to USD 16.95 billion. Azerbaijan's top five banks hold almost 58 percent of total assets. The majority state-owned International Bank of Azerbaijan accounts for over 40 percent of the country's banking assets, but it fails to meet minimum capital adequacy requirements.

Foreign ownership in the banking sector is limited to 50 percent ownership on an aggregate basis. There are currently 22 banks in Azerbaijan possessing some investment by foreign capital. In 2007 Azerbaijan established the National Depository Insurance Fund. The amount of guaranteed secure deposits remains at AZN 30,000 (or approximately USD 38,000). The interest rate of the Central Bank of Azerbaijan is five percent and the average interest rate of private banks is 26 percent. The average interest rate on deposits is from 12 to 14 percent. As of early October 2011, the volume of individual deposits in the Azerbaijani banks equaled 4.5 billion USD. Moody's Investors Service forecast in August 2011 that the outlook for Azerbaijan's banking system will remain stable in 2012.

The Government of Azerbaijan has made significant progress in the area of anti-money laundering and countering terrorism finance (AML/CTF) through the Financial Monitoring Service (FMS). The FMS is charged with monitoring and analyzing suspicious transactions across the banking and finance sector. Because of its considerable efforts to improve legislation, statutes, and procedures, Azerbaijan was removed from the international Financial Action Task Force and MONEYVAL watch lists in October 2010. MONEYVAL's report on Azerbaijan in December 2011 noted that Azerbaijan has made significant progress in combating money laundering and financing terrorism and has adopted legal and institutional mechanisms in line with international standards. The report also noted the government's attention to international commitments in this sphere.

Though the Baku Stock Exchange (BSE) was established in 2000, the securities market remains at an early stage of development. As of 2011, the exchange listed only two stocks. The main function of the stock market is to serve as the auction mechanism for the issuance of government securities. In addition to the issuance of Azerbaijan government securities, the stock exchange also conducts auctions of U.S. Treasury Bills, though the BICEX carries out inter-bank auctions of foreign exchange. A major hindrance to the growth of the stock market results from difficulties in encouraging established Azerbaijani businesses to adapt the standard investor-friendly practices of good corporate governance that are required of listed public companies.

The official currency reserves of the Central Bank of Azerbaijan, previously the National Bank of Azerbaijan, increased from 6.4 billion USD at the end of 2010 to 10.48 billion USD at the beginning of 2012. Reserves had decreased in 2009 primarily in response to the global financial crisis, which facilitated the dwindling of hard-currency reserves in Azerbaijan's commercial banks, and prompted the Central Bank of Azerbaijan to expend reserves to maintain the convertibility rate of the Azerbaijani Manat in direct support of the Azerbaijani economy. The average annual inflation for 2011 was 7.9 percent. In March 2011, the Central Bank increased its interest rate to avoid inflation; however, in late 2011, the Central Bank urged commercial banks to decrease their interest rates in order to stimulate non-oil sector growth.

Fitch Ratings affirmed the long-term sovereign rating of investment in foreign and domestic currency for Azerbaijan at BBB- and upgraded the outlook for Azerbaijan from stable to positive in September 2011. Fitch Ratings first assigned Azerbaijan the BBB- rating in May 2010. In December 2011, Standard & Poor's upgraded the sovereign credit rating of Azerbaijan to BBB- investment grade and concluded that the rating had a stable outlook. Additionally, Moody's

Investor Service upgraded the outlook on Azerbaijan's sovereign rating from stable to positive and confirmed the issuer rating for government debt at Ba1 in March 2011.

The State Oil Fund (SOFAZ), with assets totaling 32.2 billion USD in reserves as of early October 2011, operates as a sovereign wealth fund for Azerbaijan. It was established in 1999 and reports directly to the President of Azerbaijan through its Executive Director. SOFAZ manages all state revenue from oil and natural gas, and is charged with preserving Azerbaijan's economic stability, helping diversify the economy and preserving the nation's wealth for future generations. Beginning in 2012, SOFAZ will slowly begin to diversify its largely conservative investment approach – primarily consisting of short-to-medium term fixed income instruments – to include investments in public equities. The Government of Azerbaijan supports an ambitious program of infrastructure investments with the help of budget transfers from SOFAZ.

Although the overall financial sector in Azerbaijan has weathered the recent financial crisis well, the sector nevertheless will require reforms to ensure long-term continued growth and success. As the banking sector is dominated by a large state bank, with too many small private banks to serve the domestic market, it remains fragmented and inefficient. Reforms should promote consolidation and modernization in the banking sector through increased competition.

Competition from State-Owned Enterprises (SOEs)

[Return to top](#)

While there are no state-owned enterprises that officially have been delegated governmental powers, companies such as the State Oil Company of the Azerbaijan Republic (SOCAR), Azerenerji (electricity) and Azersu (water), all of which are closed joint-stock companies with majority state ownership and limited private investment, enjoy quasi-governmental or near-monopoly status in their respective sectors. The International Bank of Azerbaijan – founded in 1992 – is the only state-owned bank still operating in Azerbaijan. International Bank of Azerbaijan is the largest bank in Azerbaijan, holding 42 percent of banking sector assets (roughly six times that of its closest competitor), 43 percent of loans and 36 percent of total deposits in 2010. International Bank of Azerbaijan was partially privatized in 1994 – the Government of Azerbaijan maintained a 50.2 percent controlling stake – but a 1998 decree to completely privatize the bank has not been implemented.

The privatization process of International Bank of Azerbaijan got a boost in May 2011, when the Government of Azerbaijan contracted with an international consortium – led by PWC, Salans and Rothschild – to analyze International Bank of Azerbaijan's books and develop recommendations on privatization. The recommendations are expected by June 30, 2012. Azerbaijan maintains that the state must retain a controlling stake in companies operating in the mining or oil and gas sectors – strictly limiting foreign or domestic private investment in these sectors, exclusive of those companies that have entered into a PSA.

Corporate Social Responsibility

[Return to top](#)

Corporate social responsibility (CSR) is a relatively new concept in Azerbaijan. Larger foreign entities do tend to follow generally accepted CSR principles and aim to educate their local partners, who generally consider basic charitable donations and paying taxes as forms of social responsibility. The American Chamber of Commerce in Azerbaijan established a Corporate Social Responsibility Committee in October 2011 to encourage companies to embrace the concept of social responsibility and encourage a positive impact through activities and dialogue

with relevant stakeholders. The Committee unites a number of companies with established CSR programs with companies interested in exploring the concept. Separately, a CSR conference was held in Baku in the fall of 2011.

Political Violence

[Return to top](#)

There have been no known acts of political violence against U.S. businesses or assets, nor against any foreign-owned entity. The risk of political violence affecting foreign investors remains low. In 2006 and 2007, the Azerbaijani authorities arrested two separate groups that were accused of plotting terrorist acts against Western interests. Press reporting in January 2012 indicated that two individuals with connections to Iranian intelligence services were arrested by Azerbaijani authorities for allegedly plotting to kill prominent Jewish foreigners working in Baku. In 2011 and 2012, the U.S. Embassy issued two emergency messages to U.S. Citizens about global and regional threats against U.S. and foreign interests in Azerbaijan. In March 2012 a protest in Guba ended with the burning of the regional ex com's residence but was subdued by an even-handed government response aimed at diffusing the tension there. In April a law enforcement officer and a militant were killed in a government raid in Ganja against a militant Sunni group. 17 other individuals were arrested as part of the raid. There have been government crackdowns on peaceful protestors and detention, incarceration and mistreatment of political activists in 2012. Harassment, threats and attempted blackmail of journalists was also reported in 2012.

Corruption

[Return to top](#)

Pervasive public sector corruption – including bribery of public officials – remains a major challenge for U.S. firms operating in Azerbaijan. Although anti-corruption legislation is in place, corrupt practices permeate all spheres of public life. Officials from the lowest ranks of the civil service to the top echelons of government are believed to benefit from systemic corruption in the country.

Laws and regulations that exist to combat corruption have not been effectively enforced. While a new anti-corruption law came into force in January 2005, creating a new commission with the authority to require full financial disclosure from government officials, Azerbaijan has made little progress in implementing this law.

The Azerbaijani government recognizes that corruption is a problem, although it frequently disagrees with the results of international rankings produced by groups such as Transparency International. In 2011, the global anticorruption watchdog Transparency International ranked Azerbaijan as 143 of 183 countries on its Corruption Perceptions Index, behind neighboring Armenia at 129 and Georgia at 64. Popular opinion identifies the State Customs Committee as the institution of greatest concern to businesses in Azerbaijan, followed by the Ministry of Taxes – though the impression of tax authorities has enjoyed some improvement in the past year as corruption-reducing reforms are implemented.

Transparency's 2010 Global Corruption Barometer, which examined bribery involved in people's contact with customs, education, the judiciary, land related services, medical services, the police, registry and permit services, tax authorities and utilities, found that roughly 50 percent of Azerbaijani respondents had paid a bribe to one of the nine service providers in the twelve

preceding months. According to the survey, 52 percent of the respondents thought that corruption had increased in 2010, with the most corrupt sector being the police.

With an eye toward the unrest that shook Arab countries, the Azerbaijani government launched a multi-faceted anti-corruption campaign in January 2011. Hundreds of criminal cases were opened against state employees for bribe-taking, over 200 arrests were made and an anti-corruption unit with a hotline for whistleblowers was established in the general prosecutor's office. The government also incrementally raised civil service salaries. Anecdotal evidence suggests that bribe-taking by traffic police, tax and customs officials dropped significantly at first, but gradually resurfaced over the course of the year. Intermittent and well-publicized anti-corruption actions continue, however. For example, in early 2012, thirty traffic police officers in Baku were fired for accepting bribes. Corruption in property registration reportedly remains especially high.

In May 2011, the government also launched an initiative to automate government services such as business registration, tax payments and applications for documents in order to reduce human interactions and chances for bribery. Implementation of the initiative, however, has been slow and uneven, and may take several years to complete.

In 2009, Azerbaijan became the first participating country to achieve fully compliant status in the Extractive Industries Transparency Initiative (EITI) to promote more transparent management of oil revenues. As part of its obligations under EITI, in June 2011 Azerbaijan [published its 14th EITI report disclosing company payments and government revenues from the extractive sector for the period from January to December 2010](#). The report, prepared by Moore Stephens, covers revenues from the oil, gas, silver and gold industries. It shows that the government received USD 2 billion and in-kind revenues of 215 million barrels of oil and 3.5 billion cubic meters of gas.

Azerbaijan also is a party to the United Nations Convention against Corruption (UN Convention) and a signatory to the Council of Europe Criminal and Civil Law Conventions. Azerbaijan is not currently a party to the Organization for Economic Co-operation and Development Anti-Bribery Convention.

Bilateral Investment Agreements

[Return to top](#)

Azerbaijan has signed agreements on mutual protection of investments with 39 countries – including the United States – and on the avoidance of double taxation with 40 countries.

On October 18, 2000, the U.S. Senate ratified the Treaty between the Government of the United States of America and the Government of the Republic of Azerbaijan Concerning the Encouragement and Reciprocal Protection of Investment – commonly known as a “Bilateral Investment Treaty” (BIT). The United States and Azerbaijan exchanged instruments of ratification on July 3, 2001, and the treaty entered into force on August 2, 2001. The United States currently does not have a taxation treaty with Azerbaijan. Additionally, Azerbaijan does not currently have a free trade agreement in place with the United States.

Azerbaijan has bilateral investment protection agreements with the following countries: Austria, Belarus, Belgium, Bulgaria, China, Croatia, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Iran, Israel, Italy, Jordan, Kazakhstan, Korea, Kyrgyzstan, Latvia, Lithuania, Lebanon,

Moldova, Norway, Pakistan, Poland, Qatar, Romania, Saudi Arabia, Syria, Switzerland, Tajikistan, Turkey, UAE, Ukraine, Uzbekistan and the United Kingdom.

OPIC and Other Investment Insurance Programs

[Return to top](#)

Azerbaijan is a member of the Multilateral Investment Guarantee Agency (MIGA). The Overseas Private Investment Corporation (OPIC) is open for business in Azerbaijan, providing both political risk insurance and financing lines. Other third-country institutions also provide financing and insurance for investment in Azerbaijan.

OPIC provided USD 100 million in political risk insurance to U.S.-based financial institutions and U.S. equity partners for the construction of the Baku-Tbilisi-Ceyhan oil pipeline in 2004. On the financing side, OPIC provided 4.8 million USD to Rabita Bank in 2008 to expand the bank's Small and Medium Enterprise (SME) lending portfolio and in 2009, OPIC provided USD 7.3 million to Turan Bank for the same purpose, as well as USD 1 million and USD 3 million respectively to FinDev and CredAgro for microfinance lending. Most recently in 2011, OPIC provided Muganbank a loan guarantee for USD 10 million to expand its operations to target SME borrowers.

In its 2010 annual report, the Export-Import Bank of the United States (Ex-Im Bank) states that it has authorized insurance and loan guarantees for Azerbaijan in the amount of USD 7.2 million. These authorizations are primarily in support of aviation and telecommunications sales. In 2011, US Ex-Im Bank endorsed a USD 116.6 million loan with a ten-year repayment period to finance the purchase of the AzerSat-1 satellite from Orbital Sciences by Azerbaijan's Ministry of Communications and Information Technologies.

Labor

[Return to top](#)

A Labor Code that took effect in 1999 still regulates overall labor relations. The workweek generally is 40 hours. The right to strike exists, though industrial strikes are rare. Azerbaijan is a member of the International Labor Organization (ILO) and has ratified more than 57 ILO Conventions. Azerbaijan has an abundant supply of skilled and unskilled laborers. Companies, however, repeatedly cite problems hiring skilled professional staff, which could be the result of a decline in quality education, economic shifts or labor emigration. The collapse of the old Soviet industrial sector during the 1990s resulted in large numbers of Azerbaijanis becoming unemployed or underemployed. Government sources estimate the rate of unemployment at five to six percent, but other sources conclude the figure is 20 percent or more, with underemployment being much higher.

As of December 2011, both the minimum monthly wage and the base compensation for pensions were set at USD 120, a ten percent increase over the 2010 minimum wage. The average monthly salary also rose to AZN 355.7 (or USD 450.25), representing an 8.7 percent increase over 2010. Azerbaijan currently is working with the World Bank and the U.S. Trade and Development Agency on a program to reform the state pension system.

There also has been a significant rise in migrant workers over the past five years, with the registered number increasing from 2,000 to 54,000 in 2010, according to the SMS. Most migrant workers are from neighboring countries, such as Georgia, Russia, Turkey and Iran, but thanks to the significant investment in the energy sector, there also are many workers in

Azerbaijan from the United States and Europe. The SMS also receives frequent appeals from foreigners seeking refugee status in Azerbaijan, most of who are from Pakistan and Afghanistan, with some from Iran.

Foreign-Trade Zones/Free Ports

[Return to top](#)

Although the government announced its intention to create special economic zones in 2003 – and passed a law to establish such zones in 2009 – currently there are no foreign trade zones or free ports operating in the country.

Azerbaijan's Cabinet of Ministers has approved simplified rules for customs controls, customs checkpoints, customs clearance of goods, and the crossing of vehicles and individuals at the boundaries of special economic zones. According to these rules, customs checkpoints may be established in the zones by the State Customs Committee. For these purposes, electronic control and declarations may be used. Under the new rules, goods imported into and exported from the zones are not subject to import duties and VAT, or customs duties and taxes (excluding excise duty).

Certain ministries – the Ministry of Economic Development, the Ministry of Finance, and the Ministry of Information and Communications Technologies – continue to discuss plans for new special economic zones. These discussions involve a petrochemical complex near the new Caspian port under development, Regional Innovation Zones to boost development of the telecommunications sector and to turn Azerbaijan into a regional information and communications technologies hub, and a zone for renewable energy.

Foreign Direct Investment Statistics

[Return to top](#)

The following data are the latest available from the State Statistical Committee of Azerbaijan: Foreign investments (in millions of U.S. dollars)

	2005	2006	2007	2008	2009	2010
Total foreign investments	4 893.2	5 052.8	6 674.3	6 847.4	5 468.6	8 247.8
of which:						
Financial credits	698.4	983.5	1 576.6	2 357.9	1 438.3	3 405.9
In oil industry	3 799.9	3 422.3	4 003.3	3 350.7	2 412.7	2 955.3
Foreign companies and joint ventures	230.5	368.4	439.1	494.1	624.4	659.6
of which:						
Turkey	96.2	136.6	109.2	60.8	76.8	...
USA	24.8	70	78	108.8	117.6	...
Iran	1.2	17.5	4.6	-	6.8	...
Germany	21.5	17.4	22.9	48.2	38.8	...
Russia	5.1	4.6	10.7	5.8	50.3	...
United Kingdom	39.5	39.1	80	146.4	160	...
UAE	5.7	18.3	12.3	38.5	43.2	...
Switzerland	0.5	2.7	3.5	3.7	16	...
France	2.6	11.1	4.4	-	4.5	...
Cyprus	0.2	5.4	13.2	2.2	-	...

China	0.2	1.3	1.2	8.1	25.9	...
Italy	4.6	2.8	14	2	9.8	...
Pakistan	-	3.1	-	-	-	...
Japan	-	-	-	0.4	2.8	...
Other countries	28.4	38.5	85.1	69.2	71.9	...
Bonus of oil	1	17	68.2	3.5	1	2
Other investments	163.4	261.6	587.1	641.2	992.2	1 225.

Major U.S. Investors:

U.S. Companies with some type of presence and/or representation in the Azerbaijani market include: 3M, ACE Forwarding Ltd., AIG, AECOM, American Bureau of Shipping, American Express Travel Services (local franchise), AMFI Trading, AON, A-USA Holding LLC, AVIRTEL (established by Cybernet Communications), AVIS, Baker & McKenzie, Baker Hughes, Coca-Cola Bottlers, BJ Services Company, Booz Allen Hamilton, Cameron, Caterpillar, BM International LLP, Chevron, Colgate-Palmolive, Cres International, Deloitte & Touche, Emerson, Ernst & Young, Exxon Mobil, Ford, Foxboro, GlobalSantafe, Halliburton, Hertz, Hilton Worldwide, HP, Hyatt Hotels, John Deere International, KBR, Landmark Graphics Corporation, M&M (Agent for FedEx), Marriott Hotels, MARSH Insurance, McDermott, McDonald's, Verizon, Microsoft, Morgan Stanley, Mozaik Printing, Park Inn, Pepsi Cola, Performance Center (official dealer of Chevrolet and Cadillac in Azerbaijan), Petrofac International, PriceWaterhouseCoopers, Proctor & Gamble, PXPOST, Radisson Blu Plaza Hotel, REB Consulting, ReedHycalog, Salans, Schlumberger, Seabak, Technology Management Company Inc., Smith International, Steelcase, STI Azerbaijan Student Travel International, Trans-Oceanic Projects, UPS, Valmont Irrigation, Washington International, (Azerbaijan Branch of URS Corporation), Xerox, Varel-NTS (Azerbaijan Branch Office), and Yum Brands.

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

In many areas of the economy, the vast majority of retail transactions are still done on a “cash and carry” basis. However, dependence on a cash economy is decreasing, and ATMs and credit/debit card payment machines are increasingly available in the retail market. Large transactions are accomplished through inter-bank wire transfers. Personal checks are not accepted anywhere.

How Does the Banking System Operate

[Return to top](#)

The banking system in Azerbaijan is undergoing positive changes in light of increased foreign investments and the Central Bank’s progressive policies and attitude. Many banks offer short-term trade financing, but long-term loans, project financing, and mortgages are only slowly becoming available and at steep interest rates.

It is estimated that significant amounts of cash are held outside the banking sector, representing a key challenge for the Azerbaijani government to bring this capital into the formal banking system. Azerbaijan’s bankruptcy law does not function effectively. Although long-term lending is increasing and the quality of the loan book is improving, the sector plays a small role in financing the real economy and there is only a small, albeit growing, deposit base.

Lack of credit and stringent collateral requirements are key constraints to the development of private business in Azerbaijan. The existing credit supply is too limited to provide adequate support for the development of small- and medium-sized enterprises in Azerbaijan. Many private and public international institutions have built successful lending relationships with leading state-owned and private banks, and the availability of long-term trade and project finance is growing.

Outside of donor-backed credit lines, there is no bank credit exceeding 12-18 months. Azerbaijani banks offer costly lending terms, usually 15-25%, but occasionally higher interest in dollar-denominated loans with a maximum two-year term. Many Azerbaijani firms cannot afford such loans and turn to private sources (i.e. personal deals) for finance. The Lending interest rate was reported at 19.76 in 2008, according to the World Bank. It increased to 26,0 % in 2011 and then to 15% in 2013.. There are several reasons for the high interest rates, one of which is that people have deposited money in high-interest accounts and receive an income from them. Some Azerbaijani banks have begun lending to the private sector, including construction, telecoms, and food processing and packaging. U.S. firms are advised to consult external

sources of finance, including the U.S. Export-Import Bank and other development banks that can often offer trade and project finance that is unavailable or too expensive from local commercial banks.

Western businesses use a handful of local banks for their local business dealings. The state-owned International Bank of Azerbaijan (IBA), the private Bank Standard, Kapital Bank, Unibank, Khalg Bank, Pasha Bank, Technika Bank and Bank Respublika, and are among the most popular and reputable. The British Bank HSBC was once widely used by expats and the Azerbaijani business community, but closed its doors in 2003. Several local banks have correspondent relationships with U.S. banks. Twenty-three of 43 banks operating in Azerbaijan have foreign capital. Foreign capital in seven banks ranges from 50 to 100 percent. There are two branches of foreign banks in the country. There are five representative offices of foreign banks in Azerbaijan. Commerzbank, Citibank, Societe Generale are among them.

Foreign-Exchange Controls

[Return to top](#)

Azerbaijan has a liberal exchange system, and, in general, there are no restrictions on converting or transferring funds into freely usable currency and at a legal, market-clearing rate. Conversion is carried out through the Baku Interbank Currency Exchange Market and the Organized Interbank Currency Market. The Baku Electronic Currency Exchange System (BEST) was launched in 2002. Some requirements relating to the disclosure of the source of currency transfers have been imposed in an attempt to reduce illicit transactions. There have been no recent changes in, nor are there plans to change, remittance policies that would tighten access to foreign exchange for investment remittances. In June 2002, the Central Bank of Azerbaijan liberalized some overseas transfer provisions for Azerbaijani legal residents, including an increase of advance payments for import transactions from \$10,000 to \$25,000 and waiver of all restrictions for withdrawing foreign currency in cash.

Local Banks and U.S. Correspondent Banks

[Return to top](#)

Name of Azerbaijani bank	Name of U.S. bank-correspondent
International Bank of Azerbaijan	American Express Bank Ltd Deutsche Bank Trust Company JP Morgan Chase Bank Citibank N.A. HSBC Bank USA Wachovia Bank N.A.
Technika Bank	Citibank N.A. Wachovia Bank N.A. American Express Bank Ltd
Bank Respublika	American Express Bank Ltd Wachovia Bank N.A.
AGBank	American Express Bank Ltd

	Deutsche Bank Trust Company Bank of New York Citibank N.A.
DemirBank	American Express Bank Ltd Deutsche Bank Trust Company

Project Financing

[Return to top](#)

How to Finance Exports?

Letters of credit, confirmed by Western banks, are the usual method for small to medium transactions in Azerbaijan. Several Azerbaijani banks have long-standing relationships with Western banks (see Correspondent Accounts above) that can provide confirmation of L/C's opened by the Azerbaijani importer.

The U.S. Export – Import Bank (Ex-Im Bank) provides finance and insurance products for overseas sales of U.S. goods and services. To qualify for Ex-Im Bank support, the product or service must have at least 80 percent U.S. content. Ex-Im Bank has co-financed projects with the U.S. Agency for International Development, the World Bank, and regional development banks. Its programs often help U.S. exporters participate in development projects. Other non-traditional Ex-Im products, such as insurance, can also bring down fees for letters of credit and thus improve transaction terms.

Project Finance

Overseas Private Investment Corporation

The mission of the Overseas Private Investment Corporation (OPIC) is to mobilize and facilitate the participation of U.S. private capital and skills in economic and social development. OPIC assists American investors through four principal activities designed to promote overseas investment and reduce associated risks:

- Financing of businesses through loans and loan guarantees;
- Supporting private investment funds which provide equity for U.S. companies investing in projects overseas;
- Insuring investments against a broad range of political risks; and
- Engaging in outreach activities designed to inform the American business community of investment opportunities overseas.

Asian Development Bank

Azerbaijan became a member of the Asian Development Bank (ADB), Asia's premier non-profit financial institution, in 1999. Since joining ADB in 1999, Azerbaijan has received \$670 million in

loans. ADB's operations in Azerbaijan focus on a number of major areas for assistance: direct help to the poor, narrowly focused on internally displaced persons, poverty reduction through non-oil sector development, water supply and sanitation, and renewable energy. To learn more, please contact the ADB's Baku office.

World Bank and International Finance Corporation

The World Bank is working with the Azerbaijani government to strengthen the government's institutional capacity to manage its petroleum resources and formulate key policy changes to accelerate reform. The World Bank maintains a local representative office in Baku, Azerbaijan. The International Finance Corporation (IFC), the private sector arm of the World Bank, maintains an active business development portfolio. U.S. firms should also review opportunities for World Bank consultancies and other tenders as an excellent method to establish a business presence in Azerbaijan. Contacts for the U.S. Liaison Office to the World Bank are listed in Chapter 11.

European Bank for Reconstruction and Development

EBRD has extensive involvement in the development of Azerbaijan's oil, transportation, banking and power distribution sectors. Although the Bank will continue to assist Azerbaijan's oil and gas sector in order to realize the long-awaited economic recovery and the fair distribution of the wealth created by this sector, it will pay special attention to a greater diversification of Azerbaijan's economy. To date, the EBRD's activities in Azerbaijan have focused on investments in the private sector, in particular in the banking sector, and on the financing of critical infrastructure projects. Contacts for the U.S. Liaison Office to the EBRD are listed in Chapter 11.

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

Azerbaijan is a mix of Eastern, Western, and post-Soviet business cultures. It is advisable to send a brief letter introducing you and your U.S. firm in Azerbaijani or Russian to allow your potential business partner in Azerbaijan to know more about you and your company in advance. Business cards are generally exchanged during initial meetings, with one side of the card in Azerbaijani and the other in English (or Russian). Azerbaijanis often offer visitors tea and sweets. Azerbaijanis tend to be very polite, but appear to US businessmen as vague and noncommittal in business transactions. Business takes time and patience in Azerbaijan, and depends on the personal relationship you build with your Azerbaijani counterpart. A post-meeting follow-up letter or e-mail capturing initial agreements and thanking your Azerbaijani counterpart builds trust and friendship. Requests for meetings with government officials can take time to confirm and may only be finalized at the last moment.

Travel Advisory

[Return to top](#)

As of September 2013, there is no U.S. State Department travel advisory in place for Azerbaijan. Reminders for U.S. citizens to exercise caution overseas are applicable in Azerbaijan.

Comment ["1"]: Should we change this date?

In the city of Baku, criminal attacks on foreigners have occurred because of a perception that foreigners carry large amounts of cash. Accordingly the Embassy advises Americans not to go out alone at night or in the early hours of the morning. Business visitors should arrange to be met at the airport when they arrive in Baku. U.S. businessmen should take the same security precautions that they would take in any major city. U.S. passport holders taking up permanent residence in Azerbaijan should register with the U.S. Embassy's Consular Section to facilitate timely dissemination of security messages (contacts below). U.S. citizens can register online at <https://travelregistration.state.gov>.

The Embassy, working closely with the American Chamber of Commerce in Azerbaijan, participates in the Overseas Security Advisory Council (OSAC), an informal group of U.S. businesses that meets to discuss security issues in Azerbaijan. U.S., travelers are encouraged to consult the OSAC web page at <http://www.osac.gov/> for the most current travel advisories.

Any incidents involving U.S. citizens should be reported immediately to the Embassy's Consular Section (tel. 498-0335, a 24-hour number) and the local police (tel. 102).

Visa Requirements

[Return to top](#)

A valid passport and visa are required to enter Azerbaijan. The visa application fee is \$160 and there is an additional \$21 courier fee. Single-entry visas are available without a letter of invitation, but a multiple entry visa is only issued with an invitation form from a company in Azerbaijan who has submitted their invitation for approval of the Azerbaijani Ministry of Foreign Affairs. Currently, visitors must obtain visas from their own country of departure prior to arrival in Azerbaijan and visas are not available upon arrival at the airport or any land border crossing.

Outside the U.S., visas may be obtained from any Azerbaijani Embassy or Consulate. For additional information on visa requirements, contact the Embassy of the Azerbaijan Republic, 2741 34th Street NW, Washington, DC 20008; Telephone (202) 337-5912; Fax (202) 337-5913; Website: www.azembassy.com.

U.S. Companies that require foreign business persons to travel to the United States should be advised to have their employees or associates apply for visas as early as possible since processing can be lengthy due to security requirements.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy Baku Visa Information: http://azerbaijan.usembassy.gov/visa_services.html

Telecommunications

[Return to top](#)

The telephone system in Baku is generally reliable. International calls can be completed but are expensive. Cellular communication services are also available. E-mail and full Internet service are available via local Internet providers. For start-up U.S. businesses that require reliable Internet contacts, it is best to order a dedicated ISDN or DSL line to ensure smooth communications. The Azerbaijani postal system is functional but not secure. It is not recommended to use this system for outgoing or incoming international correspondence. U.S. courier firms, such as UPS, FedEx, and DHL are resident in Baku and should be used to ensure delivery of business and/or personal correspondence.

Transportation

[Return to top](#)

There is a functioning subway system in Baku, but it has a limited number of stops not always conveniently located. It is the quickest and easiest way around the city though it does not cover large sections of Baku. Buses are cheap and plentiful, but are crowded and no route information is readily available. There are reliable taxi services, *189 and "London taxi" service *9000

available. These taxis have meters and 4-12 AZN (5-15USD) for a taxi will get you to most places around Baku. It is difficult to find an English speaking driver, but an international-class hotel can assist you with this. You may wish to use your phone to call the person you are meeting and have him give the driver directions (and negotiate the price for you if you are taking an unmetered taxi) in the local language. Both Hertz and Avis offer rental vehicles with or without drivers. If you are considering bringing a vehicle with you from overseas, a 4X4 is recommended given the poor, but improving, road conditions throughout the country and in parts of Baku. In regards to air travel: there are many flights to Baku. Lufthansa, Turkish Airlines, Qatar Airways, Austrian Airlines, and others all offer flights to Baku. Currently, there are no direct flights to/from the U.S.

Language

[Return to top](#)

Business can be conducted in Azerbaijani, Turkish, English, or Russian. English is increasingly used in business, however, please be prepared to hire an interpreter for USD100-150 per day, depending on experience. Outside of Baku, Azerbaijani is the easiest method to communicate. Azerbaijani and Russian lessons can be obtained readily.

Health

[Return to top](#)

The health care system in Azerbaijan is often unable to provide the level of medical care common in the U.S. American businessmen should ensure that all immunizations and vaccinations are up to date before arriving in Azerbaijan. There are some clinics that offer a higher standard of medical care, including International SOS, the Turkish-American Medical Clinic, and MediClub. An American-Azerbaijani joint venture provides U.S. standard dental care. Major medical emergencies require a medical evacuation to a European destination. All U.S. travelers should ensure that they have up-to-date medical evacuation insurance to cover potential evacuation costs that can exceed \$70,000 for transportation alone.

Local Time, Business Hours, and Holidays

[Return to top](#)

Azerbaijan is located 9 hours ahead of Washington, DC, and 12 hours ahead of Los Angeles, CA. Azerbaijan observes Daylight Savings Time according to the same calendar used by the European Union. The Government of Azerbaijan does not restrict business hours. In general, businesses are open from 9:00 a.m. to 6:00 p.m. Monday through Friday. Many business and government offices also keep Saturday hours. Hours may vary considerably depending on the preference of the individual businessperson. Business appointments are rarely made before 10:00 a.m. Lunch is generally taken from 1:00 p.m. to 2:00 p.m.

The U.S. Embassy is closed for most U.S. holidays as well as many Azerbaijani holidays. A complete list of these holidays is available at <http://azerbaijan.usembassy.gov/holidays.html>. A complete list of Azerbaijani holidays (published by the President's office) is available at http://www.president.az/browse.php?sec_id=55&lang=en.

Temporary Entry of Materials and Personal Belongings [Return to top](#)

Personal items, tools of trade, and business samples can usually be imported with little difficulty. Goods to be displayed or exhibited may be brought in as temporarily imported goods for a designated period of time, but must be re-exported within the time stipulated to avoid paying import duties and taxes. U.S. firms planning to exhibit at major trade exhibitions in Azerbaijan need to work closely with the show organizer well in advance to ensure timely and proper temporary declaration of goods to be exhibited. If sending samples via express mail, firms should contact the local office of the courier service to get advice on declared customs value to avoid protracted and costly problems with customs officials.

Web Resources [Return to top](#)

Types of Visas to enter Azerbaijan:

Consular Section of the Embassy of Azerbaijan in the U.S.:
<http://www.azembassy.com/new/pages.php?name=Consular>

U.S. Embassy Baku: <http://azerbaijan.usembassy.gov>

Overseas Security Advisory Council: <http://www.osac.gov>

[Return to table of contents](#)

Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

U.S. AND AZERBAIJANI CONTACTS

Embassy of the United States of America
Address: 83 Azadliq Avenue
Baku AZ1007, Azerbaijan
Embassy Tel: (994 12) 4980335, 4980336
Embassy Fax: (994 12) 4656671
Web: <http://azerbaijan.usembassy.gov>
Contacts: Richard Morningstar, U.S. Ambassador
Dereck J. Hogan, Deputy Chief of Mission
Brandon Sherwood, Economic Officer, Commercial Issues
Eric Morin, Consular Chief

U.S. Mailing Address:
7050 Baku Place
Washington DC 20521-7050

A Memorandum of Understanding signed between the State Department and the Department of Commerce made Baku a Commercial Partnership Post. U.S. Embassy Baku now has a State Department officer specifically for commercial issues in conjunction with the FCS office in Ankara. American companies seeking business opportunities in Azerbaijan should contact us at (994 12) 498 0335 or via e-mail at BakuCommercial@state.gov. For more information, please visit: <http://www.buyusa.gov/azerbaijan>.

AMERICAN CHAMBER/BILATERAL BUSINESS COUNCILS

Note: If dialing from overseas, please use the (994 12) dialing protocol for all Baku landline numbers.

American Chamber Of Commerce in Azerbaijan

Address: 96 Nizami Street,
Landmark II, 2nd floor
Baku AZ1000, Azerbaijan
Tel: (994 12) 4971333
Fax: (994 12) 4971091
Email: info@amchamaz.org
Web: www.amchamaz.org
Contacts: Narqiz Nasrullayeva-Muduroglu, Executive Director

United States-Azerbaijan Chamber of Commerce (USACC)
Address: 1212 Potomac Street, NW,
Washington, DC 20007
Tel: (202) 333-8702
Fax: (202) 333-8703
Email: chamber@usacc.org
Web: www.usacc.org
Contact: Ms. Susan Sadigova, Executive Director

TRADE AND INDUSTRY ASSOCIATIONS IN AZERBAIJAN

Azerbaijan Turkey Business Association
Address: 21 Istiglaliyat St, 5th floor
Baku AZ1066, Azerbaijan
Tel: (994 12) 4498882,
Fax: (994 12) 4498884
E-mail: office@atib.az
Contact: Fatima Aslan, Director

National Confederation of Entrepreneurs (Employers)
Address: Hasan Aliyev Street 57, 3rd floor
Baku AZ1001, Azerbaijan
Tel: (994 12) 4657242, 4657243/44/45/46
Fax: (994 12) 4657242/43
E-mail: office@ask.org.az
Web: www.ask.org.az
Contacts: Mammad Musayev, President

AZERBAIJANI GOVERNMENT OFFICES AND KEY STATE ENTERPRISES

Office of the President of the Azerbaijan Republic
Address: 19 Istiglaliyat Street
Baku AZ1066, Azerbaijan
Tel: (994 12) 4923154, 4927906
Fax: (994 12) 4983328, 4980822
Web: www.president.az
Contact: Ilham Aliyev, President
Vahid Akhundov, Economic Advisor

The Cabinet of Ministers
Address: 68 Lermontov Street

Tel: Baku AZ1066, Azerbaijan
(994 12) 4980008, 4927528, 4920212,4922383
Fax: (994 12) 4926388, 4989786
Contacts: Artur Rasi-zade, Prime Minister
Mr. Agadayi Agayev, Chief of Foreign Economic
Relations Department

Ministry of Agriculture
Address: Azadlig Meydani / Government House, 3rd floor
Baku AZ1016, Azerbaijan
Tel: (994 12) 4930884, 4933745,
Fax: (994 12) 4945390
Contacts: Ismet Abbasov, Minister

Ministry of Communications and Information Technologies
Address: 33 Azerbaijan Avenue
Baku AZ1139, Azerbaijan
Tel: (994 12) 4930004, 4934327
Fax: (994 12) 4987912, 4984285
Telex: 142492 Sahil Su
E-mail: international@mincom.gov.az
Web: www.mincom.gov.az
Contacts: Ali Abbasov, Minister
Ayaz Bayramov, Head of Foreign Investment Department
Rufat Taghizada, Deputy Head of Foreign Investment
Department

Ministry of Ecology and Natural Resources
Address: 100a Bahram Agayev Street
Baku AZ1073, Azerbaijan
Tel: (994 12) 4380481
Fax: (994 12) 4925907
E-mail: aliyev_isa@eco.gov.az
Web: www.eco.gov.az
Contacts: Huseingulu Bagirov, Minister
Emin Garabaghli, Intl. Relations Director

Ministry of Economic Development
Address: Government House, 40 U. Hajibayov str.
Baku AZ1001, Azerbaijan
Tel: (994 12) 4902430 / Switchboard: (994 12) 4924110
Fax: (994 12) 4902408, 4902404
E-mail: office@economy.gov.az
Web: www.economy.gov.az
Contacts: Shahin Mustafayev, Minister
Sevinj Hasanova, Deputy Minister

Azerbaijan Investment Promotion & Advisory Foundation
Address: 11, Hasan Abdullayev street
Baku AZ 1001, Azerbaijan

Tel: (994 12) 598 0147 /48
Fax: (994 12) 4990152
E-mail: office@azpromo.org
Web: www.azpromo.org
Contacts:

Ministry of Emergency Situations

Address: 501 **Mikayil Mushvig Street**
Baku AZ1022, Azerbaijan
Tel: (994 12) 512 0013
Fax: (994 12) 512 0039
E-mail: arguge@gmail.com
Contacts: Kemaleddin Heydarov, Minister
Mr. Rafail Mirzoyev, First Deputy Minister
Mr. Erguj Kalantarli, Intl. Relations Director

Ministry of Finance

Address: 83 Samad Vurgun Street
Baku AZ1022, Azerbaijan
Tel: (994 12) 4044701
Fax: (994 12) 4044720
E-mail: info@maliyye.gov.az
Web: www.finance.gov.az
Contacts: Samir Sharifov, Minister
Ulvi Seyidzade, Intl. Relations Director

Ministry of Health

Address: 1 M. Mirgasimov street
Baku AZ1014, Azerbaijan
Tel: (994 12) 4988559
Fax: (994 12) 4930711
E-mail: health@health.gov.az
Web: <http://www.health.gov.az>
Contacts: Ogtay Shiraliyev, Minister
Samir Abdullayev, Intl. Relations Director

Ministry of Industry and Energy

Address: Azadlig Meydani / Government House, 9th floor
Baku AZ1000, Azerbaijan
Tel: (994 12) 4933824, 4470584
Fax: (994 12) 4319005
Contacts: Natik Aliyev, Minister
Rauf Hajiyev, Chief, Intl. Relations Dept

Ministry of Justice

Address: 1 Inshaatchilar Avenue
Baku AZ1000, Azerbaijan
Tel: (994 12) 4939785, 4300167
Fax: (994 12) 498-5931
E-mail: contact@justice.gov.az
Web: www.justice.gov.az

Contacts: Fikret Mammadov, Minister
Zaver Qafarov, Intl. Relations Director

Ministry of Taxes

Address: 16 Landau Street
Baku AZ1073, Azerbaijan
Tel: (994 12) 4301656, 4970668; 4038630
Fax: (994 12) 4985407
E-mail: info@taxes.gov.az
Web: www.taxes.gov.az
Contacts: Fazil Mammadov, Minister
Ilgar Akbarli, Intl. Relations Director

Ministry of Transportation

Address: 1054 Tbilisi Avenue
Baku, Azerbaijan
Tel: (994 12) 4309941
Fax: (994 12) 4309942
Web: <http://www.mintrans.az/>
E-mail: office@mintrans.az
Contacts: Mr. Ziya Mammadov, Minister
Mr. Musa Panahov, Deputy Minister
Mr. Fikrat Babayev, Intl. Relations Director

Ministry of Culture and Tourism

Address: 40 U.Hajibayov str. Government House
Baku AZ1000, Azerbaijan
Tel: (994 12) 493-43-98, 493-30-02
Fax: (994 12) 493-56-05, 493-65-38
Contacts: Alulfaz Garayev, Minister
Mr. Nazim Samedov, Intl. Relations Director

Ministry of Labor and Social Protection

Address: 85 S. Asgarova str.
Tel: (994 12) 596-44-07
Contacts: Fizuli Alakbarov, Minister

State Customs Committee

Address: 2 Inshaatchilar Avenue
Baku AZ1073, Azerbaijan
Tel: (994 12) 4388080
Fax: (994 12) 4934067
Web: www.az-customs.net
E-mail: external@az-customs.net
Contacts: Aydin Aliyev, Chairman
Dilavar Farzaliyev, Intl. Relations Director

State Oil Company of Azerbaijan Republic (SOCAR)

Address: 73 Neftchilar Avenue
Baku AZ1004, Azerbaijan
Tel: (994 12) 4920685, 4922312, 4921789

Fax: (994 12) 4923204, 4936492, 4971167
Web: <http://www.socar.az>
E-mail: info@socar.az
Contacts: Rovnag Abdullayev, President
Mr. Elshad Nasirov, VP of Investments and Marketing

State Oil Fund of Azerbaijan Republic

Address: 24 Neftchilar avenue
Baku AZ1014, Azerbaijan
Switchboard: (994 12) 4987753, ext: 132
Fax: (994 12) 4987653
E-mail: office@oilfund.az
Web: www.oilfund.az
Contacts: Shahmar Movsumov, Executive Director

State Statistics Committee

Address: 136 Inshaatchilar Avenue
Baku AZ1136, Azerbaijan
Tel: (994 12) 4381171, 4386498, 4389376
Fax: (994 12) 4382442, 4380577
Web: www.azstat.org
E-mail: ssc@azstat.org
Contacts: Arif Veliyev, Chairman
Azer Ahmadov, Intl. Relations Director

Azerbaijan Airlines State Concern (AZAL)

Address: 11 Azadlig ave.
Baku AZ1010, Azerbaijan
Tel: (994 12) 4983471, 4985388
Fax: (994 12) 4985237
Web: <http://nac-azal.com/en/index.php>
E-mail: azal_gda@Azerbaijanin.com
Contacts: Jahangir Askerov, General Director
Sabir Ilyasov, First Deputy Director

Azerenergy Joint Stock Company

Address: 10 A. Alizade Street
Baku AZ1601, Azerbaijan
Tel: (994 12) 4937358
Fax: (994 12) 4985523
Web: www.azerenerji.com
E-mail: azerenerji@azerenerji.com
Contacts: Etibar Pirverdiyev, President
Rafael Abbasov, Intl. Relations Director

Azerigaz Joint Stock Company

Address: 23 Yusif Safarov Street,
Baku AZ1025, Azerbaijan
Tel: (994 12) 4904252
Fax: (994 12) 4904255
Contacts: Alihan Melikov, Chairman

Azer Bayramov, Intl. Relations Director

Azerbaijan State Railway Road Administration
Address: 230 Dilara Aliyeva Street
Baku, Azerbaijan
Tel: (994 12) 4984467, 4994400
Fax: (994 12) 5982648
Contacts: Arif Askerov, Head
Igbal A. Huseynov, Deputy Head

Baku Sea Port - International Sea Trade Port of Baku
Address: 72 Uzeyir Hajibeyov Street
Baku AZ1010, Azerbaijan
Tel: (994 12) 4930268
Fax: (994 12) 4933672
E-mail: office@bakuseaport.az
Contact: Elchin Mirzayev, General Director
Vahid Aliyev, First Deputy Director
Elman Aliyev, Chief of Commercial Department

Caspian State Shipping Company
Address: 5 M. A. Rasulzade Street
Baku AZ1601, Azerbaijan
Tel: (994 12) 4932058, 4935181
Fax: (994 12) 4935339
Web: www.caspar.baku.az
E-mail: gkmp@caspar.baku.az
Contacts: Aydin Bashirov, Chief
Ilham Mammadov, Intl. Relations Director

Central Bank of Azerbaijan
Address: 32 Rashid Behbudov Street
Baku AZ1014, Azerbaijan
Tel: (994 12) 4931122
Fax: (994 12) 4935541
Web: www.cbar.az
E-mail: mail@nba.az
Contacts: Elman Rustamov, Chairman of the Board
Ali Gara, Head of the Office of the CBA Chairman

SELECT COMMERCIAL BANKS IN AZERBAIJAN

International Bank of Azerbaijan
Address: 67 Nizami Street
Baku AZ1005, Azerbaijan
Tel: (994 12) 4930091, 4930307, 4934159, 4933964
Fax: (994 12) 4934091
Web: www.ibar.az or www.ibaraz.com
E-mail: ibar@ibar.az, emil.mustafayev@ibar.az

Contacts: Jahangir Hajiyev, Chairman of the Board
Emil Mustafayev, Deputy Chairman

Bank Standard

Address: 4, Azerbaijan ave.
Baku AZ1005, Azerbaijan
Tel: (994 12) 4971071
Fax: (994 12) 4980778
E-mail: bank@bankstandard.com
Web: www.bankstandard.com
Contacts: Emin Babayev, Chairman of the Board

Bank Respublika

Address: 21 Khagani Street
Baku AZ1000, Azerbaijan
Tel: (994 12) 598 0800
Fax: (994 12) 598 0880
E-mail: info@bankrespublika.az
Web: <http://www.bankrespublika.az>
Contacts: Ms. Khadija Hasanova, Chairperson of the Board

Unibank

Address: 57 Rashid Behbudov Street
Baku AZ1022, Azerbaijan
Tel: (994 12) 4982244, 4982245
Fax: (994 12) 4980953
E-mail: Faig.Huseynov@unibank.az
Web: www.unibank.az
Contacts: Faig Huseynov, Chairman of the Board

Azerigazbank

Address: 16 Landau Street
Baku AZ1073, Azerbaijan
Tel: (994 12) 4975017, 4330650
Fax: (994 12) 4989615
Web: www.azeriAzerbaijanigazbank.com
E-mail: agbbank@azeriAzerbaijani.com
Contacts: Azer Movsumov, Chairman of the Board

Demir Bank

Address: 31 Garabag Street
Baku 370608, Azerbaijan
Tel: (994 12) 4447130, 4447171
Fax: (994 12) 4960977, 4411976
E-mail: info@demirbank.az
Web: www.demirbank.az
Contacts: Mr.Rahman Hajiyev, Chairman of the Board

MULTILATERAL DEVELOPMENT BANKS
AND TRADE AND PROJECT FINANCE CONTACTS

Asian Development Bank (ADB)
Azerbaijan Resident Mission

Address: 45A Khagani Street **Landmark II** Building, 3rd Floor
Baku AZ1065, Azerbaijan

Tel: (994 12) 437 3477
Fax: (994 12) 437 3475
E-mail: adbazrm@adb.org
Web: <http://www.adb.org/Azerbaijan/>
Contacts: Mr. Olly Norojono, Head of Office

For consultations and development of U.S.-sponsored projects with the ADB, please also contact:

Asian Development Bank (ADB)

Address: The U.S. Commercial Service Liaison Office to the ADB
25th Floor, Ayala Life-FGU Building
6811 Ayala Avenue, Makati City
Metro Manila 1226, Philippines

Tel: (63-2) 887-1345 to 46
Fax: (63-2) 887-1164
E-mail: manila.adb.office.box@NOSPAM.mail.doc.gov
Web: <http://www.buyusa.gov/adb/>

European Bank of Reconstruction and Development (EBRD)

Address: The Landmark, 4th floor / 96 Nizami Street
Baku AZ1010, Azerbaijan

Tel: (994 12) 4971014
Fax: (994 12) 4971019
E-mail: delaeuf@ebrd.com
Web: <http://www.ebrd.org/country/country/azer/index.htm>
Contact: Neal McCain, Head of Office

World Bank

Address: 90A, Nizami str. **Landmark III**
Baku AZ1004, Azerbaijan

Tel: (994 12) 4921941, 4922807
Fax: (994 12) 4934766, 4921479
E-mail: lleshchenko@worldbank.org
Web: www.worldbank.org/az
Contacts: Larisa Leshchenko Country Manager for Azerbaijan

For consultations and development of U.S.-sponsored projects with the World Bank, please also contact:

U.S. Commercial Liaison Office for the World Bank

Address: 1818 H Street, NW
Washington, DC 20433
Tel: 202-473-6168, 202-458-0120
Fax: 202-522-2630, 202-477-2967
Telex: Rca 248423
Web: www.worldbank.org
Contacts: Commercial Liaison
Office of the U.S. Executive Director

International Monetary Fund (IMF)

Address: 83 Samed Vurgun Street
Baku AZ1601, Azerbaijan
Tel: (994 12) 4970188, 4970189
Fax: (994 12) 4970187
E-mail: agadirli@imf.org
Web: <http://www.imf.org/external/country/AZE/index.htm>
Contacts: Aghgun Gadirli, Local Representative

International Finance Corporation (IFC)

Description: Member of the World Bank Group
Address: 90 Nizami str.
Baku AZ1004, Azerbaijan
Tel: (994 12) 4921941
Fax: (994 12) 4921479
E-mail: anuriyeva@ifc.org
Web: http://www.ifc.org/ifcext/eca.nsf/Content/Azerbaijan_Home
Contacts: Aliya Azimova, Country Officer

AUDITING, LAW & CONSULTING FIRMS

Baker & McKenzie

Address: The Landmark Bldg, 5th fl / 96 Nizami St
Baku AZ1010, Azerbaijan
Tel: (994 12) 4971801/02/03, 4982480
Fax: (994 12) 4971805
E-mail: baku.info@bakernet.com
Web: www.bakernet.com

Chadbourne & Parke LLP / in affiliation with BM Intl LLP

Address: Caspian Plaza 3, 44 Jafar Jabbarli St, 15th fl
Baku AZ1065, Azerbaijan
Tel: (994 12) 4971914, 4971915
Fax: (994 12) 4971913
E-mail: Info@bmlawaz.com
Web: www.bmlawaz.com
Contact: Jamal Bagirov, Senior Partner, BM Intl

Deloitte & Touche

Address: The Landmark Building III, 8th fl, 96 Nizami St
Baku AZ1010, Azerbaijan
Tel: (994 12) 5982970, 5982971, 5982972
Fax: (994 12) 598 2975
E-mail: egurbanov@deloitte.az
Web: www.deloitte.ru
Contact: Elnur Gurbanov, Audit Partner

ERA Marketing Research & Consultancy

Address: J. Jabbarly st, quarter 622, apt 49
Baku, Azerbaijan
Tel: (994 12) 4367780/81/82
Fax: (994 12) 4367780/81/82
E-mail: emil@era-az.com
Web: www.era-az.com
Contact: Emil Mammadov, Business Development Mgr
Elmir Gasimov, Director

Ernst & Young (CIS) Limited

Address: Hyatt Intl Center - Tower III, 1st fl, 1033 Izmir St
Baku AZ1065, Azerbaijan
Tel: (994 12) 4907020
Fax: (994 12) 4907017
E-mail: baku@az.ey.com Jody.Campbell@az.ey.com
Web: www.ey.com/Azerbaijan
Contact: Mr. Ilgar Valiyev, Managing Partner

KPMG

Address: KEMPINSKI Hotel Badamdar, Offices Building, 4th Floor
1C M.Mushfig Street, Baku AZ1006, Republic of Azerbaijan
Tel: (994 12) 994 12 404 89 10
+ 994 12 404 89 11
Fax: + 994 12 404 89 12
E-mail: baku@kmpg.az
Web: www.kpmg.com
Contacts: Vugar Farman Aliyev, Managing Partner

MGB Law Offices

Address: 11 Rasul Rza street, apt 28-30
AZ1000, Baku, Azerbaijan
Tel: (994 12) 4936669, 4932939
Fax: (994 12) 4987132
E-mail: office@mgb-law.com
Web: www.mgb-law.com
Contact: [Mr. Ismail Askerov](#), Director

Michael Wilson & Partners, Ltd

Address: 340 Nizami St - ISR Plaza, 4th fl
Baku AZ1000, Azerbaijan
Tel: (994 12) 4978948, 4371183/84/85

Facsimile: (994 12) 4978947
E-mail: mehriban.efendiyeva@mwp-az.com
Web: www.mwp.kz
Contact: Mehriban Efendiyeva, Lawyer

Moore Stephens Azerbaijan Ltd - Baku

Address: Hyatt Tower III, 3rd floor, Izmir street
Baku, Azerbaijan
Tel: (994 12) 4907747/48/49
Fax: (994 12) 4907747/48/49
E-mail: rb@bennett.Azerbaijani.com , robin.bennett@moorestephens.az
Web: www.moorestephens.com
Contact: Robin Bennett, General Manager

OMNI Consultants

Address: Caspian Plaza, 44 J. Jabbarly street, 9th floor
Baku, Azerbaijan
Tel: (994 12) 4480812
Fax: (994 12) 5961256
E-mail: jbayramov@omniconsultants.net
Contact: Roman Alloyarov, Managing Partner

PricewaterHouseCoopers

Address: The Landmark, 5th floor, 96 Nizami Street
Baku, Azerbaijan
Tel: (994 12) 4972515
Fax: (994 12) 4977413, 4977411
E-mail: movlan.pashayev@az.pwc.com
Web: www.pwcglobal.com
Contact: Movlan Pashayev, Partner

Dentons

Address: Hyatt Intl Center, 1st fl, 1033 Ismir St
Baku AZ1065, Azerbaijan
Tel: (994 12) 4907565, 4971057
Fax: (994 12) 4971057
E-mail: baku@salans.com
Web: www.salans.com
Contact: James Hogan, Managing Partner

KEY U.S GOVERNMENT CONTACTS

U.S. Department of Commerce

Address: [Office of the Secretary](#)
14th & Constitution Ave, NW
Washington, DC 20230
Tel: (202) 482-2000, 482-4883
Web: www.commerce.gov
E-mail: devans@doc.gov
Contacts: Penny Pritzker, Secretary of Commerce

Office of Market Access and Compliance

Address: 14th Street & Constitution Avenue NW
Washington, DC 20230
Tel: (202) 482-2902
Fax: (202) 482-2456
Web: www.mac.doc.gov
E-mail: Danica.Starks@mail.doc.gov
Contact: Ms. Danica Starks, Senior Desk Officer/Policy Advisor,
Caucasus and Central Asia

SABIT (Special American Business Internship Training)

Address: U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington D.C. 20230
Tel: (202) 482-0073
Fax: (202) 482-2443
Web: www.sabitprogram.org www.mac.doc.gov/sabit/sabit.html
E-mail: SABITApply@ita.doc.gov
Contacts: Ms. Tracy Rollins, Director Tracy_Rollins@ita.doc.gov

**International Trade Administration
Trade Advocacy Center**

Address: Room 3814 A, U.S. Department of Commerce
14th Street & Constitution Avenue, NW
Washington, DC 20230
Tel: (202) 482-3896
Fax: (202) 482-3508
Web: www.trade.gov/advocacy and www.ita.doc.gov
E-mail: Patricia.Nugent@trade.gov
Contacts: Patricia Nugent - Russia, Turkey, & Central Asia

U.S. Department of State

Office of Commercial and Business Affairs
Address: 2201 C Street, NW
Washington, DC 20520
Tel: (202) 647-1625
Main Hotline: (202) 647-4000
U.S.Travelers: (202) 647-5225
Fax: (202) 647-3953

U.S. Department of Agriculture

Foreign Agriculture Service
Trade Assistance and Promotion Office
Address: 1400 Independence Avenue, SW
Washington, DC 20250-1052
Tel: (202) 720-0732
Fax: (202) 690-4374
Web: www.usda.gov

The U.S. Embassy in Baku also works closely with the U.S. Embassy's Foreign Agricultural Service in Ankara, Turkey:

Tel: (90 312) 455 5555 x7383
Fax: (90 312) 467 0056
Web: www.usda.gov
E-mail: Jess.Paulson.@fas.usda.gov
Contact: Jess Paulson Foreign Agricultural Service (FAS)
U.S. Embassy Ankara, Turkey

Overseas Private Investment Corporation (OPIC)

Address: 1100 New York Avenue, NW, Twelfth Floor
Washington, DC 20527
Tel: (202) 336-8480, (202) 336-8485
Fax: (202) 408-9866, (202) 408-9866
Web: www.opic.gov
E-mail: jgale@opic.gov
Contact: James Gale, Business Development Officer

U.S. Trade and Development Agency (TDA)

Address: 1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Tel: (703) 875-4357
Fax: (703) 875-4009
Web: www.tda.gov
E-mail: sgreenip@ustda.gov
Contact: Scott Greenip, Regional Director

Export-Import Bank of the United States (Ex-Im Bank)

Address: International Business Development
811 Vermont Avenue, NW
Washington, DC 20571
Tel: (202) 565 3484
Fax: (202) 565 3677
Web: www.exim.gov
E-mail: Brian.SantAngelo@exim.gov
Contact: Brian Sant Angelo
International Business Development - Europe & Eurasia

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp>.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Please consult U.S. Embassy in Azerbaijan's website - http://azerbaijan.usembassy.gov/commercial_affairs2.html and www.export.gov for the latest market research on Azerbaijan, including industry sector overviews, spot market updates, and commercial news briefs.

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

Iteca Caspian is the leading organizer of industry fairs and trade shows in Azerbaijan. Please check their website for the most up-to-date information on industry events.

Iteca Caspian LTD
Address: 63 A H. Aliyev str.
Baku AZ1069, Azerbaijan
Tel: (994 12) 4474774
Fax: (994 12) 4478998
Web: www.iteca.az www.caspianworld.com
E-mail: office@iteca.baku.az
Contacts: Farid Mammadov, Executive Director

[Return to table of contents](#)

Chapter 10: Guide to Our Services

Per a Memorandum signed between the Departments of State (DOS) and Commerce (DOC), Embassy Baku was designated a DOS-DOC Partnership Post with a sponsoring U.S. Foreign Commercial Service (FCS) Post in Ankara. This was done to expand the U.S. commercial presence in Azerbaijan and to meet the needs of U.S. firms wishing to do business in the Azerbaijani market. Embassy Baku offers U.S. FCS branded services, including Gold Key Service, International Partner Search, and Single Company Promotions. The U.S. Embassy in Baku encourages interested U.S. businesses to explore formal Advocacy via the Advocacy Center at the Department of Commerce. Formal Advocacy allows the U.S. Embassy in Baku to support qualified U.S. businesses as they pursue tenders and contracts in competition with foreign companies.

Questions about our services, formal Advocacy, or the business environment in Azerbaijan can be directed to BakuCommercial@state.gov. The U.S. Embassy in Baku is pleased to serve the U.S. business community and looks forward to hearing from you in the near future.

The Economic Section of the Embassy can be reached at:

Economic Section
U.S. Embassy Baku
83 Azadlig Prospekti
Baku AZ1007
Azerbaijan

Phone: (+994 12) 498 0335
Fax: (+994 12) 465 6671

E-mail: BakuCommercial@state.gov

Web: http://azerbaijan.usembassy.gov/commercial_affairs2.html

[Return to table of contents](#)

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, the Department of State does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of State may assist companies in these endeavors.