

COUNTRY REPORT ON INFRASTRUCTURE AND FINANCE AZERBAIJAN

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I. COUNTRY INFRASTRUCTURE AND POLICY DIRECTIONS

The state program approved by the President of the Republic of Azerbaijan includes infrastructure development in the sectors of transport, water, energy and communication. Further state programs include: social economic development; state programs about reliable food provision for the population of Azerbaijan; complex event plans for the improvement of the ecological development; and event plans for social economic development acceleration in the regions.

1.1 IMPLEMENTATION PROCESS

The necessary policy directions for infrastructure investment follow the rules of “Azerbaijan Republic state investment program formation, implementation, monitoring and evaluation”, confirmed by the president of the Azerbaijan Republic. Firstly, the project initiator presents the proposal for consideration by the Ministry of Economic Development. After concordance, taking into consideration the project priority and related structures’ proposals and comments, the project is presented to the Cabinet of Ministries for financing.

Tendering in the transport sector is the responsibility of the Ministry of Transport. The tender is announced to participating companies in advance. The selection of the preferred bidder is generally selected on the following terms: For construction tenders the applicants should submit:

- The bid;
- A bank reference on participation cost payment;
- Proposed work schedule;
- The company’s full name, juridical status requisites and country of registration;
- Data about the company’s financial condition for the last year of activity;
- Potential opportunities, a tax debt lack reference and a bank guarantee.

1.2 LEGAL AND REGULATORY FRAMEWORK FOR INFRASTRUCTURE

Existing regulatory frameworks for infrastructure development exist in the “Republic State Investment Program formation, implementation, monitoring and evaluation” confirmed with the decree (17.03.2010 #239) by the president of the Azerbaijan Republic.

Currently there is no reporting on constraint of noncompliance of local legislation and rules with procurement and tender procedures and principles of international donors.

II. GOVERNMENT PERSPECTIVE ON THE ROLE OF PRIVATE SECTOR INVOLVEMENT

The economic development policy of the Republic supports private sector development. The Ministry of Economic Development is empowered to play a key role in public-private dialogue serving as a bridge between investors, local producers and the government.

The existing laws regulate Public Private Partnership on the following issues:

- State registration of legal entities;
- Banks and Banking Activity in the Azerbaijan Republic;
- Entrepreneurship activities;
- Protection of Foreign Investments;
- Investment Activity;
- The National Bank of The Republic of Azerbaijan;
- The Tax Code of the Republic of Azerbaijan;
- Customs Code of The Republic of Azerbaijan;
- Generalized System of Preferences (GSP) Program in Azerbaijani.

Is there practical experience by the government in the area of PPP?

About 80% of Azerbaijani economy belongs to the private sector and the Government supports private sector projects, thus there is a history of this type of experience. For example, in the last three years the Ministry of Transport has been the owner of transport projects using construction firms from the private sector and often private financial institutions too.

2.1 RESPONSIBLE AGENCY FOR PRIVATE SECTOR INFRASTRUCTURE PROCUREMENT

Azerbaijan Export & Investment Promotion Foundation (AZPROMO) is a private public partnership established by the Ministry of Economic Development of Azerbaijan and is one of the first of this type in the country. At the moment it is governed by the Board of Trustees chaired by the Ministry of Economic Development. The Board of Trustees is comprised of representatives of the government, foreign and local private sector, and the international community.

The services of AZPROMO include:

- Analysing the investment climate and submitting relevant proposals to the Government, aimed to enhance economic improvement;
- Researching foreign experience in attracting foreign investment in order to export and promote proposals and gain experience in Azerbaijan;
- Organising discussions with business audiences on the laws that could impact the investment climate and development of the private sector;
- Maintaining close cooperation with public and self-regulatory bodies, diplomatic missions acting in Azerbaijan, international financial institutions, as well as NGOs and

commercial bodies for the purpose of promotion and implementation of investment projects;

- Attracting investors and holding negotiations and proposals with them;
- Rendering assistance to the investors applying to the organisation for the purpose of obtaining preferences and privileges for them for investments in priority fields and sectors of the country's economy;
- Creating and updating the database on investment and export opportunities;
- Preparing a legal database for investors;
- Preparing consolidated country reports for those investing in the economy of the Republic of Azerbaijan;
- Organising conferences, seminars, business meetings for investors to attract more investments into the Republic of Azerbaijan and thus expand businesses in the country;
- Rendering assistance to foreign and local investors in the procurement of different types of services, including consulting, legal and other services;
- Organising training courses on preparations of business-plans and investment projects;
- Carrying out studies on regional trade (export) opportunities for Azerbaijani businesses;
- Routinely assessing the legal regime for exporting goods and services from Azerbaijan and developing and submitting proposals to the Government for improvement of this regime;
- Rendering consultancy services to the businesses who exports or plans to export goods and services from Azerbaijan;
- Supporting Azerbaijani exporters in identifying potential buyers;
- Organising and participating in trade fairs aimed at international promotion of the "Made in Azerbaijan" trade brand.

III. SOURCES OF FINANCING

The following institutions have contracts with the Ministry of Economic Development on the settled amount:

- Asia Development Bank;
- Europe Reconstruction and Development Bank;
- Arabian Funds;
- Islamic Development Bank;
- World Bank;
- Black Sea Trade and Development Bank.

The law of the Azerbaijan Republic regarding protection of foreign investments is aimed to attract efficient use of foreign material and financial resources to the economy, modern foreign equipment and technology and managerial experience; it guarantees protection of rights from foreign investors. Azerbaijan has 39 bilateral treaties on the mutual protection of investments. Several more treaties are currently being negotiated. Azerbaijan is also involved in a number of multilateral treaties concerning foreign investment. E.g. the

Government lifted limitations for foreign participation in the banking sector and the privatisation process is open for foreign investors as well.