



## **INVESTING IN THE AGRICULTURAL SECTOR OF AZERBAIJAN**

# 3



|                             |           |
|-----------------------------|-----------|
| <b>DAIRY PRODUCTS</b>       | <b>5</b>  |
| <b>FRUIT AND VEGETABLES</b> | <b>5</b>  |
| <b>VITICULTURE</b>          | <b>7</b>  |
| <b>SUGAR PRODUCTS</b>       | <b>7</b>  |
| <b>BEVERAGES</b>            | <b>9</b>  |
| <b>ANIMAL HUSBANDRY</b>     | <b>9</b>  |
| <b>FISHERIES</b>            | <b>11</b> |
| <b>APICULTURE</b>           | <b>13</b> |
| <b>ORGANIC OILS</b>         | <b>13</b> |
| <b>TEA</b>                  | <b>15</b> |
| <b>HAZELNUTS</b>            | <b>15</b> |
| <b>CEREALS</b>              | <b>17</b> |
| <b>CANNED FOOD</b>          | <b>19</b> |



## **INVESTMENT OPPORTUNITIES**

# 20



## **REASONS TO INVEST IN AZERBAIJAN**

# 21

|                         |                                                                    |
|-------------------------|--------------------------------------------------------------------|
| Territory               | 86,600 km <sup>2</sup>                                             |
| Capital city            | Baku                                                               |
| Language                | Azerbaijani                                                        |
| Population              | 9.48 mln (2013)                                                    |
| Currency                | Azerbaijani manat (AZN)                                            |
| GDP                     | 73.6 bln USD (2013)                                                |
| GDP per capita          | 7912.5 USD (2013)                                                  |
| FDI (1995-2013)         | 53.4 bln USD                                                       |
| Labour force            | 4.8 million people                                                 |
| Foreign trade           | 34.7 bln USD (2013)                                                |
| Major trading partners  | EU , Russia, Turkey, USA , Israel, Ukraine, Indonesia, South Korea |
| Agricultural land       | 4.8 mln ha                                                         |
| Arable land             | 1.9 mln ha                                                         |
| Climatic zones/types    | 9 out of 11 existing in the world                                  |
| Agricultural production | 50.1% - crop production, 49.9% - livestock farming                 |

**Notice: All statistical information used in this publication is provided by the State Statistical Committee of the Republic of Azerbaijan.**

## INVESTING IN THE AGRICULTURAL SECTOR OF AZERBAIJAN

Agriculture is one of the most important sectors of the economy in Azerbaijan, a country that is considered to be one of the earliest sites of human agricultural activity.

Today, the agricultural sector employs over 37% of the active labour force of the country. The fertile lands, abundance of water and climatic diversity create favourable conditions for a strong agricultural sector. The existence of nine climatic zones allows the country to produce a variety of agricultural products, and provides new opportunities for the introduction of new kinds of goods. Being one of the leading producers of agricultural goods in the CIS, Azerbaijan seeks to further develop its agriculture and food industry for import substitution as well as for export.

Azerbaijan has 4.8 million hectares of agricultural land, which comprises over 50% of its total territory, of which 39.6% is arable. Crop production accounts for around 50.1% of agricultural production with livestock farming making up the remaining 49.9%. Meanwhile, the food-processing sector constitutes an important component of the national economy and accounts for over 38% of total manufacturing industry. Furthermore, Azerbaijan trades intensively in agricultural and food products. Traditionally the main destination and the largest consumer of agricultural and food exports has been the CIS market, but in recent years this market has expanded to include many other countries in Europe, Asia and the Americas. The main export products are fresh vegetables and fruits, vegetable and animal oils, sugar products, tea, processed vegetables and fruits, beverages, to-

bacco products, cotton and others. The years of fast economic growth in the national economy have led to a rapid growth in consumption and changes in consumer tastes in the food and beverages sector.

Consumption of agricultural goods and food products in many categories has grown by more than 50% in the last ten years. In some selective categories this figure is around 200%.

Domestic production of the main food products has, however, fallen short of meeting market demand. In order to decrease the dependence of the domestic food market on imported products and to create reliable food reserves, the country has taken a number of measures to improve the business and investment climate in this sector by incentivising producers, providing subsidies, and creating a firm institutional and economic basis for further development.

To this purpose, the "State Program on the Reliable Supply of Food Products to the Population for 2008-2015" was drafted and signed into law in 2007. The main objective of the program is the qualitative and quantitative increase in production of agricultural and food products to ensure the country's food security.

Possessing great potential for development, the widest range of investment incentives and high economic profitability, the agriculture and food-processing sector remains one of the most attractive for investment in the economy of Azerbaijan.

Investment in Azerbaijan is a reliable contribution to the promotion, development and prosperity of your business.

## DAIRY PRODUCTS

**A vital part of the regular diet, the demand for dairy products increases annually. We are looking to develop new milk processing plants and to renovate existing ones to comply with modern quality standards.**

- Total dairy production in 2013 amounted to 1.8 million tonnes.
- With nearly 70% of raw, unpasteurized milk sold at local bazaars, processing by large enterprises accounts for only a small proportion of total production.
- Domestic production satisfies only 80% of the local demand for dairy goods, and there are extensive opportunities for new processing plants.

| MILK AND DAIRY PRODUCTS | 2010      | 2011      | 2012      | 2013      |
|-------------------------|-----------|-----------|-----------|-----------|
| Production (tonnes)     | 1 536 232 | 1 622 291 | 1 719 620 | 1 820 474 |
| Import (tonnes)         | 647 229   | 654 608   | 642 255   | 573 587   |
| Export (tonnes)         | 56        | 38        | 47        | 6 072     |

## FRUIT AND VEGETABLES

**The diversity of soil and favourable natural conditions allows us to grow a wide range of fruit and vegetables, such as apples, pears, quinces, pomegranates, oranges, tomatoes, cucumbers, and eggplants. This is one of the most important sectors of the economy, catering not only to the local, but also to neighbouring markets where fresh fruit and vegetables are in great demand.**

In 2013, of the total production of over 2 million tonnes of fruit and vegetables, over 250,000 tonnes were exports.

Improved irrigation systems, special incentives and subsidies for farmers, and the vital nature of the product make this a valuable investment opportunity.

| FRUITS AND BERRIES  | 2010    | 2011    | 2012    | 2013    |
|---------------------|---------|---------|---------|---------|
| Production (tonnes) | 729 502 | 765 818 | 810 022 | 853 757 |
| Import (tonnes)     | 151 396 | 80 827  | 65 159  | 34 533  |
| Export (tonnes)     | 204 958 | 191 086 | 230 664 | 187 136 |

| VEGETABLES          | 2010      | 2011      | 2012      | 2013      |
|---------------------|-----------|-----------|-----------|-----------|
| Production (tonnes) | 1 189 465 | 1 214 758 | 1 216 240 | 1 236 331 |
| Import (tonnes)     | 84 921    | 121 117   | 69 952    | 37 752    |
| Export (tonnes)     | 55 958    | 67 182    | 56 417    | 65 955    |





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## VITICULTURE

**Good climatic conditions and suitable soils are determining factors that allow the development of grape growing in Azerbaijan. Viticulture is one of the traditional sectors and has great investment opportunities.**

- Total grape production in 2013 amounted to 154 thousand tonnes.
- Grape production in the country increases yearly due to the significant reforms implemented by the government.
- A special state program was approved for the development of viticulture in Azerbaijan.
- Grapes are in great demand in both domestic and regional markets.

| <b>GRAPES</b>       | 2010    | 2011    | 2012    | 2013    |
|---------------------|---------|---------|---------|---------|
| Production (tonnes) | 129 536 | 137 038 | 150 987 | 154 123 |
| Import (tonnes)     | 14 764  | 15 534  | 9 492   | 9 385   |
| Export (tonnes)     | 984     | 82      | 319     | 1 216   |

## SUGAR PRODUCTS

**Until recently the country relied solely on imported sugar, but local production was launched in 2006 and by 2009 had fully satisfied local demand and was catering to neighbouring countries.**

- Domestic production still depends on imported raw material, but there is a gradual transition to the processing of sugar beet grown in the country.
- In 2013, the figure for sugar and sugar products exports stood at around 260,000 tonnes, with Georgia, Ukraine, Iraq and Central Asia as the main destinations.
- An increase in the acreage of sugar beet fields to 20 thousand hectares has been outlined in the State Program on Food Security for 2008-2015

| <b>SUGAR AND SUGAR PRODUCTS</b> | 2010    | 2011    | 2012    | 2013    |
|---------------------------------|---------|---------|---------|---------|
| Production (tonnes)             | 341 104 | 363 958 | 362 241 | 427 843 |
| Import (tonnes)                 | 91 975  | 68 898  | 70 380  | 71 289  |
| Export (tonnes)                 | 211 848 | 233 622 | 224 018 | 256 312 |

## BEVERAGES

**The Azerbaijani market for beverages is rapidly expanding, with production of non-alcoholic beverages quadrupling since the year 2000. With imported beverages accounting for a small percentage of total consumption, the main competition takes place between national producers.**

- While fruit and vegetable juices and bottled water continue to be major strongholds in the beverages industry in Azerbaijan, the production of alcoholic beverages continues to show double-digit growth due to great demand from local and regional markets.
- The world famous Azerbaijani pomegranate juice is exported to the markets of the US, EU and CIS countries and we are looking to attract more investments in order to extend our reach.
- The wide availability of water resources, ideal natural conditions for fruit and vegetable growing and commitment to product quality make this an attractive area for investment.

| FRUIT AND VEGETABLE JUICE | 2010   | 2011   | 2012   | 2013   |
|---------------------------|--------|--------|--------|--------|
| Production (tonnes)       | 33 295 | 33 709 | 29 693 | 33 785 |
| Import (tonnes)           | 10 269 | 8 171  | 8 387  | 5 296  |
| Export (tonnes)           | 18 740 | 13 750 | 8 618  | 9 827  |

| WINE                         | 2010   | 2011  | 2012  | 2013  |
|------------------------------|--------|-------|-------|-------|
| Production (thsd. decalitre) | 1169.7 | 754.7 | 917.8 | 1 063 |
| Import (thsd. decalitre)     | 201.5  | 152.2 | 238.6 | 151.1 |
| Export (thsd. decalitre)     | 223.9  | 338.4 | 389.4 | 409.4 |

## ANIMAL HUSBANDRY

**Essential to the provision of products such as meat, milk and eggs, there has been considerable pressure on the number of livestock with increasing demand from the local population and huge volumes of imported goods. The recent reforms in government policies have provided a solid foundation for the expansion and amelioration of conditions on farms.**

- In 2013, a 41% growth in the numbers of cattle, a 50% growth in the number of sheep and goats, and a 67% growth in poultry numbers was observed compared to the year 2000.
- The efforts to privatise and create greater opportunities for local farmers was key to stimulating the development of this sector and the significant achievements in the agricultural economy have since provided a sound base for future innovation and development.









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- Favourable conditions for investment, such as preferential terms for the purchase of pedigree cattle, no import duty, no weighted VAT for agricultural equipment and other incentives allow the production of competitive products at prices lower than imports.

| <b>CATTLE AND POULTRY MEAT PRODUCTS</b> | 2010    | 2011    | 2012    | 2013    |
|-----------------------------------------|---------|---------|---------|---------|
| Production (tonnes)                     | 253 772 | 263 692 | 285 636 | 297 916 |
| Import (tonnes)                         | 36 019  | 38 731  | 26 511  | 27 557  |
| Export (tonnes)                         | 1 519   | 1 290   | 1 853   | 1 581   |

| <b>EGGS</b>              | 2010      | 2011      | 2012      | 2013      |
|--------------------------|-----------|-----------|-----------|-----------|
| Production (thsd. units) | 1 178 586 | 1 010 997 | 1 226 711 | 1 401 473 |
| Import (thsd. units)     | 25 734    | 294 895   | 53 900    | 47 354    |
| Export (thsd. units)     | 666       | 0         | 5 212     | 605       |

## **FISHERIES**

**After the collapse of Soviet era facilities, we launched an extensive campaign to reinvigorate the fisheries industry, given the outstanding biological and natural resources and great demand from local and regional markets.**

- Azerbaijan takes pride in the outstanding quality of its black sturgeon caviar and the local brand is a well-established name in the international market.
- The country's fresh water basins and the Caspian Sea have 97 species of fish, including salmon, beluga sturgeon, bream and herring.
- With preferential import terms on fishery products in the EU, and increasing demand in local and regional markets, this is an excellent opportunity for the fishing industry in Azerbaijan.

| <b>FISH AND FISH PRODUCTS</b> | 2010   | 2011   | 2012   | 2013   |
|-------------------------------|--------|--------|--------|--------|
| Production (tonnes)           | 45 315 | 45 500 | 50 648 | 50 960 |
| Import (tonnes)               | 14 092 | 17 665 | 19 564 | 20 177 |
| Export (tonnes)               | 245    | 277    | 0      | 32     |

## APICULTURE

**Widespread in the mountainous regions of the country and revered for the nutritional and remedial qualities of honey, apiculture is a rapidly expanding sector in Azerbaijan.**

- Currently, around 2500 tonnes of honey is produced in Azerbaijan with over 238 thousand bee hives. Honey production is forecast to increase by 40 thousand tonnes in the near future with a rise in the number of bee hives of up to 500 thousand.
- The main targets of development, as outlined in the “Special Law on Apiculture”, are increasing the productivity of beekeeping economies, improvement in the quality of industrial processing, and integration of the latest technologies in packaging and labelling.
- The government provides concessional loans and tax exemptions to farmers engaged in apiculture in order to facilitate growth in the sector.

|                            | 2010    | 2011    | 2012    | 2013    |
|----------------------------|---------|---------|---------|---------|
| Number of bee hives, thsd. | 193.2   | 212.7   | 225.4   | 238.4   |
| Honey production, tonnes   | 1 874.3 | 2 275.4 | 2 387.5 | 2 456.7 |

## ORGANIC OILS

**The production of organic oils is considered one of the most competitive sectors of the Azerbaijani non-oil economy, and standardization, brand awareness and marketing programs have improved awareness about the local produce.**

- Azerbaijan has secured a reputation in the region for the high quality of its vegetable, sunflower and olive oils, with an increase in recent years in exports to the CIS, Baltic States and Central Asian countries.
- Taking the high demand into consideration, there is a plan to increase the number of oilseed fields in the different agro climatic zones to 135 thousand hectares; this will provide a solid foundation for the expansion of the industry.

| VEGETABLE OILS      | 2010    | 2011   | 2012    | 2013    |
|---------------------|---------|--------|---------|---------|
| Production (tonnes) | 44 557  | 44 455 | 67 395  | 63 252  |
| Import (tonnes)     | 101 160 | 94 340 | 124 228 | 107 441 |
| Export (tonnes)     | 27 934  | 12 297 | 33 418  | 36 987  |







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## TEA

**Concentrated in the southern Lenkeran – Astara region, the history of tea-growing in Azerbaijan dates back to the 19th century, and a traditional cup of tea is one of the most easily identifiable symbols of Azerbaijani culture.**

- The revival of tea production in Azerbaijan is a focus for the current program on food safety, as many of the Soviet-era tea plantations are no longer in operation.
- It is mainly small farms that are engaged in tea cultivation, and it is clear that larger enterprises are needed in order to attain high productivity and efficiency.
- The government welcomes the participation of foreign partners in the industry in order to increase the competitiveness of local products as well as to attract new technologies and know-how allowing the production of high quality varieties.

| TEA                 | 2010   | 2011   | 2012   | 2013   |
|---------------------|--------|--------|--------|--------|
| Production (tonnes) | 10 896 | 10 950 | 10 688 | 7 486  |
| Import (tonnes)     | 14 471 | 14 211 | 12 650 | 13 775 |
| Export (tonnes)     | 8 127  | 7 521  | 7 036  | 7 586  |

## HAZELNUTS

**Azerbaijan is one of the few countries in the world with appropriate weather conditions for hazelnut cultivation; hazelnuts grown in the northern regions are generally ripe by the end of July and harvested from mid-August to mid-September.**

- At present, thanks to dedicated effort, Azerbaijan exports not only hazelnuts in their shells but all types of processed hazelnuts to EU and CIS countries, such as Germany, Spain, Italy, Russia and Ukraine. In addition, Middle Eastern countries have emerged as potential markets for Azerbaijani hazelnuts.
- Having satisfied domestic consumption, the export of hazelnuts accounted for over 31 thousand tonnes in 2013.
- The introduction of new technologies and other reforms have made Azerbaijan one of the top 5 hazelnut producing countries in the world.

| HAZELNUTS                 | 2010 | 2011 | 2012 | 2013 |
|---------------------------|------|------|------|------|
| Production (thsd. tonnes) | 29.5 | 32.9 | 29.6 | 31.2 |

## CEREALS

**Considering the recent instability in the regional grain market due to prolonged harvesting difficulties, development of cereal production in Azerbaijan has become one of the government's primary strategic objectives.**

- The increase in sown areas of cereals all over the country amounted to 1074.1 thousand hectares in 2013.
- The "Law on Grain of the Republic of Azerbaijan" introduced incentives and subsidies for the full substitution of imported foodstuffs by local producers.
- Considering the favourable natural and climatic conditions in Azerbaijan, and the well-established infrastructure and increasing consumption of the population, the grain sector is attractive both for local and foreign investors.

| <b>WHEAT</b>        | 2010      | 2011      | 2012      | 2013      |
|---------------------|-----------|-----------|-----------|-----------|
| Production (tonnes) | 1 272 340 | 1 594 394 | 1 797 028 | 1 845 996 |
| Import (tonnes)     | 1 330 017 | 1 166 572 | 1 366 335 | 1 451 257 |
| Export (tonnes)     | 0         | 0         | 0         | 0         |

| <b>GRAIN AND BEANS (EXCLUDING RICE)</b> | 2010      | 2011      | 2012      | 2013      |
|-----------------------------------------|-----------|-----------|-----------|-----------|
| Production (tonnes)                     | 1 946 549 | 2 391 130 | 2 728 298 | 2 883 082 |
| Import (tonnes)                         | 1 486 684 | 1 296 805 | 1 508 375 | 1 619 303 |
| Export (tonnes)                         | 514       | 36        | 195       | 260       |





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AZERBAIJAN AGRICULTURE AND FOOD PROCESSING



## CANNED FOOD

**The market for canned food is growing dynamically, particularly in two main directions: canned meat and canned fruits and vegetables. The canned food sector is relatively new and we are actively looking to integrate modern technologies to comply with all appropriate standards and requirements.**

- Local production of canned food meets approximately 60-70% of the demand and the rest is compensated by imports.
- The share of imported products in the local market has, however, dwindled annually as a direct result of the realization of investment projects and the boosting of local production capacities.
- The availability of raw materials, increasing demand in local and regional markets make this segment of the market attractive to both local and foreign investors.

| CANNED FRUITS AND VEGETABLES | 2010    | 2011    | 2012    | 2013    |
|------------------------------|---------|---------|---------|---------|
| Production (tonnes)          | 114 892 | 126 751 | 124 486 | 127 354 |
| Import (tonnes)              | 17 026  | 30 102  | 18 668  | 21 373  |
| Export (tonnes)              | 7 470   | 12 598  | 6 411   | 8 878   |

# INVESTMENT OPPORTUNITIES

Targeted economic policy and successful economic reforms created a sustainable base and new business opportunities for the development of the agriculture and food industry in Azerbaijan.

As a result of market research and investigations conducted, the following priority investment areas in the agricultural and food processing sectors have been identified:

## **Investment opportunities in agriculture**

- Production of fresh fruit and vegetables
- Pedigree cattle farms
- Poultry-farming
- Seed farming and sapling production
- Floriculture
- Horticulture
- Apiculture
- Silkworm breeding
- Medicinal herbs
- Tea growing
- Essential (flower) oils

## **Investment opportunities in food processing**

- Fruit juices, wine and other alcoholic drinks
- Meat and dairy products
- Plant and animal oils
- Honey
- Mineral and natural water

- Potato processing (potato chips, potato flour etc)
- Canned and frozen fruits and vegetables, dried fruit
- Baking and Confectionery
- Nut processing, hazelnut oil
- Baby food
- Olives and olive products
- Tomato paste, mayonnaise, ketchup and other sauces

## **Investment opportunities in infrastructure**

- Cold storages
- Greenhouses
- Grain storehouses
- Slaughterhouses
- Logistics centres
- Agricultural equipment
- Packaging and labelling facilities
- Agro-industry services
- Veterinary and phytosanitary services
- R & D

## REASONS TO INVEST IN AZERBAIJAN

The Republic of Azerbaijan is the leading FDI destination in the region. In the course of the last seven years GDP has tripled; the country has sustained macroeconomic stability and effected far-reaching economic and regulatory reforms ensuring the sustainability and attractiveness of the domestic investment environment. Over \$172 billion has been invested in the Azerbaijani economy since 1995 both by local and international investors. Azerbaijan has made a gradual transformation from a planned economy into a full-fledged market economy based on a developed and active private sector. Nowadays, the private sector accounts for 82.5 per cent of GDP. There are a few factors that have turned Azerbaijan into the leading FDI destination and provide sound justification for doing business here.

### Political and economic stability

Firm political and macroeconomic stability is one of the determinants of a favourable business and investment climate. Azerbaijan is one the leading global economies in terms of economic growth indicators. Record GDP growth was observed in 2006 amounting to 34.5%. Even in the recent period of global financial turmoil, Azerbaijan managed to maintain the high pace of development and finished 2008, 2009 and 2010 with 10.8%, 9.3% and 5% of GDP growth respectively.

### FDI friendly laws

Azerbaijani legislation is evolving in accordance with the government's welcoming policy for foreign businesses. Revolutionary legal reforms have been carried out in the last decade resulting in the introduction of completely new codes, laws and regulations and improving the business environment in the country. As a result of regulatory reforms, Azerbaijan was named top-reformer of business regulations in the world in the World Bank Doing Business 2009 Report. Moreover, there is a solid legislative framework for the protection of foreign investors established by the law on the protection of foreign investments and other legal acts of a similar nature. Foreign investments are guaranteed against adverse changes in legislation, nationalisation and requisition, along with guarantees of compensation for damages and repatriation of profits. Azerbaijan is party to 46 bilateral treaties on the mutual protection of investments and a number of multilateral conventions like the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards (29.12.1958) and the Washington Convention on the Settlement of Investment Disputes between States and Nationals of other States (18.03.1965). The country has signed over 45 bilateral treaties on the avoidance of double taxation.

## **Abundant resources and favourable location**

One of Azerbaijan's major resources is its natural diversity. Despite its relatively small size, Azerbaijan has 9 of the 11 climatic zones existing in the world, ranging from humid subtropical to semi-arctic, due to its complex terrain and geography. This creates unique opportunities in agriculture.

In addition to its natural resources, Azerbaijan benefits strongly from its favourable location on the crossroads of Eurasia, serving as a natural bridge between Europe and Asia. The country is the logistics hub for the Caspian region, with the best transport infrastructure in the South Caucasus. Azerbaijan operates 6 international airports, the biggest port on the Caspian Sea, and has almost 19,000 km of hard-surface roads and over 2,000 km of operational railroads.

## **Export oriented production**

Everyone in the agriculture and food processing industry aims not only at the Azerbaijani domestic market, but also other markets thanks to the country's favourable location and easy access to many foreign markets, in particular those of neighbouring countries. Exports of agricultural and food products are exempt from customs duties. Azerbaijan is one of the major suppliers of agricultural products to the CIS market. Azerbaijan also benefits from the generalized system of preferences (GSP) applied by Japan, Canada, Norway and Turkey. This means exemption from duties on imports to these countries of different goods produced in Azerbaijan.

## **Favourable tax regime**

Azerbaijan has introduced tax holidays for agricultural producers, and this has stimulated significant growth in this sector. Agricultural producers do not pay

any taxes except land tax, which varies depending on the quality and location of the land. Businesses engaged in the food processing industry are subject to the statutory tax regime, which is still quite competitive.

Corporate profit tax was reduced in 2010 from 22% to 20%, while VAT is levied at the rate of 18%. In order to ease the tax burden for small businesses, the country introduced a simplified tax regime, whereby taxpayers with total revenue not exceeding 120,000 Azerbaijani manats for the previous 12 months are charged at the rate of 4% (taxpayers operating in Baku) and 2% (taxpayers operating in other regions of Azerbaijan) on gross revenue. In this case payers of the simplified tax are exempt from VAT, profit and property taxes.

## **Professional labour force**

Azerbaijan has an extremely high literacy rate of 99.8%. Over 37% of the labour force is employed in agriculture. As agriculture and food processing are traditional sectors of the Azerbaijani economy with long histories and traditions, there is no lack of professional labour.

The solid research and development base reinforces the development of these sectors. A large R&D centre, the National Academy of Sciences, with its 28 research institutes, ensures the scientific component of economic development in the agriculture sector. The Ministry of Agriculture of Azerbaijan is another driving force of R&D in agriculture. The Ministry's Azerbaijan Agricultural Science Centre operates 14 research institutes (in farming; vegetable growing; cotton growing; horticulture and subtropical plants; feed, meadow cultivation and pasture; viticulture and wine-making; animal husbandry; veterinary science; plant protection; agricultural mechanics; agricultural economy and management; sericulture; scientific control over veterinary drugs), 40 experimental offices and 8 regional agri-science centres with a total of over 2 thousand employees.

## Government support and access to finance

The stimulation of business is one of the main components of the Azerbaijani government's agricultural policy. Different financial and non-financial schemes have been developed in order to promote further development of business in the sector. All the companies registered in Azerbaijan, even with 100% foreign participation, may benefit from numerous subsidies, discounts and other privileges provided by the state. Here is a schematic overview of these privileges:

| PRODUCT BASED PRIVILEGES                                                          | NON-PRODUCT BASED PRIVILEGES                                      |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------|
|                                                                                   | "Tax haven" to agrarian producers                                 |
| 40 AZN aid to wheat and rice producers for each ha of crop production             |                                                                   |
|                                                                                   | Soft credits to agrarian producers                                |
| 50% government subsidy to farmers for seed purchase (wheat)                       |                                                                   |
|                                                                                   | 50% discount to producers for the purchase of fuel and motor oils |
| 70% government subsidy to wheat producers for the purchase of mineral fertilizers |                                                                   |
|                                                                                   | 50% discount to producers for the purchase of mineral fertilizers |
| 50% discount for the purchase of pedigree cattle                                  |                                                                   |
|                                                                                   | Sale of machinery to producers at privileged leasing terms        |
| 50% discount for insurance of crop and vegetable products                         |                                                                   |
|                                                                                   | Reduced cost of irrigation water for the agrarian producers       |

In order to stimulate production in the non-oil sector, effective from 1 March 2011, some equipment and machinery used in the agriculture and the food processing industry and their spare parts, seeds, animals breeds, and fertilizers were exempted from VAT and import duty.

Besides this, the Government established a strong institutional mechanism aimed at sustaining economic growth and stimulating production and development in the non-oil sectors of the economy. One part of this mechanism is the Azerbaijan Export & Investment Promotion Foundation (AZPROMO) – a joint Public/Private Initiative, established by the Ministry of Economy and Industry of Azerbaijan. For more information on AZPROMO please see the next chapter. In addition, there are two other major components of the mechanism, the Azerbaijan Investment Company and the National Fund for Entrepreneurship Support. The Azerbaijan State Investment Company (ASIC) is the state owned equity fund, which was established by decree of the President of the Republic of Azerbaijan on 30 March 2006. The main purpose of ASIC is to support the development of the non-oil sector of the economy via termed equity injection, along with local and foreign co-investors into greenfield and brownfield projects on the territory of Azerbaijan.

The National Fund for Entrepreneurship Support (NFES) was established by the government. The objective of the Fund is to support the development of entrepreneurship, especially small and medium sized entrepreneurship in Azerbaijan, to increase the working capacity of the population and the provision of financial support. The fund provides concessionary credits to entrepreneurs in all regions of Azerbaijan (the loan portfolio was over 1.2 bln. USD in 2013). The main sectors that have been invested in and developed by the fund are the production and processing of agricultural and industrial products, tourism, services and infrastructural development.

## **The Azerbaijan Export & Investment Promotion Foundation (AZPROMO) – your partner in discovering business opportunities in Azerbaijan.**

AZPROMO is a joint Public/Private initiative, established by the Ministry of Economy and Industry in 2003, which aims to increase non-oil FDI inflow in Azerbaijan as well as to stimulate the strengthening and expansion of the country's non-oil export capacities.

AZPROMO is a unique body in Azerbaijan serving as a “one-stop-shop” for international investors and it has good knowledge of the country's investment opportunities and market features. Close cooperation with the private sector allows the organization to act both as an advisor and agent of government in implementing new business initiatives.

We encourage you to discover what Azerbaijan is and learn more about the opportunities for doing business with our country through our dynamic organization!

### **Our mission:**

To sustain economic growth by maximizing the flow of non-oil extraction FDI and the development of export oriented sectors.

### **Our activities:**

- National investment and export promotion
- Market intelligence
- Business generation
- Export consultancy
- Investor facilitation and servicing
- Policy advocacy
- Organization of business events, fairs, exhibitions
- Developing and promoting partnerships between foreign and local companies
- International promotion of the “Made in Azerbaijan” brand

### **Our services:**

#### **A. INFORMATION SUPPLY**

- Handling investment inquiries
- Sectoral investment opportunities
- Investment projects
- Legal and business framework for FDI

#### **B. LOGISTICS SUPPORT**

- Fact-finding missions to

Azerbaijan (visa facilitation, accommodation, booking and transportation)

- Site visits
- Meetings with local authorities and private institutions

#### **C. SUPPORT IN GETTING ESTABLISHED**

- Business start-up
- Identification of local suppliers and commercial service providers
- Project partner search and contact
- Licenses and permits
- Liaising with regulators

#### **D. AFTERCARE SERVICES**

- Investment expansion/re-investment plans
- Social events for investors (networking, relationship building)
- Individual troubleshooting and assistance day-to-day operational issues
- Information on changes in business environment
- Identification of local suppliers