

Foreign investment

The flows of foreign direct investment (FDI) to the Republic of Azerbaijan have been rising steadily in recent years and are mainly directed to the energy sector. In 2016, FDI flows reached USD 5.4 billion.

The biggest share of the foreign investment is directed to the oil and gas sector; nevertheless, one of the top priorities of the Azerbaijani Government is to diversify the country's economy and to attract foreign investors, in particular in the following sectors: agriculture, transportation, tourism and information/communication technology.

The country is part of the customs union between Russia, Kazakhstan and Belarus, which, in terms of volume, is the most important in the region and is almost exclusively related to hydrocarbons, with major projects for oil and gas pipelines and related services. In March 2016, President Aliyev signed a decree establishing a free trade zone area next to the Alat seaport, located 65 km south of Baku. Under the recently amended Customs Tariff law, entrepreneurs importing capital equipment for priority sectors will be exempted of taxes up to seven years.

Azerbaijan ranks 65th (out of 190 economies) in the World Bank's 2016 [Doing Business](#) report. Dealing with construction permits, getting electricity and securing credits are where the country lags behind the most.

FDI fell 13% in 2016. More information concerning FDI influx in this region and their projections for 2017 can be accessed in the [Global Investment Trade Monitor](#) published by the United Nations Conference on Trade and Development (UNCTAD).

Country Comparison For the Protection of Investors

| | Azerbaijan | Eastern Europe & Central Asia | United States | Germany |
|-------------------------------------|------------|-------------------------------|---------------|---------|
| Index of Transaction Transparency* | 7 | 7 | 7 | 5 |
| Index of Manager's Responsibility** | 5 | 5 | 9 | 5 |
| Index of Shareholders' Power*** | 6 | 9 | 5 | |
| Index of Investor Protection**** | 6.7 | 5.9 | 8.3 | 5 |

Source: Doing Business - 2016.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

| Foreign Direct Investment | 2013 | 2014 | 2015 |
|-------------------------------------|--------|--------|--------|
| FDI Inward Flow (million USD) | 2,632 | 4,430 | 4,048 |
| FDI Stock (million USD) | 13,750 | 18,179 | 22,183 |
| Number of Greenfield Investments*** | 39 | 29 | 19 |
| FDI Inwards (in % of GFCF****) | 15.5 | 25.1 | 28.5 |
| FDI Stock (in % of GDP) | 18.7 | 24.2 | 41 |

Source: UNCTAD - 2016.

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.



Why You Should Choose to Invest in Azerbaijan

Strong Points

The country's strong points are:

- Fast economic growth;
- An interesting geographic location;
- Competitive production costs;
- Cheap and qualified labor;
- The size of its energy sector;
- The signing of numerous bilateral treaties aimed at promoting trade.

Weak Points

The country's main weak points are:

- The poor quality of its infrastructures;
- The high rate of corruption within the administration;
- The slowness of procedures;
- The destabilization risks due to the conflict in Karabakh;
- Other than the oil industry, there are few developed sectors;
- A certain level of Insecurity.

Government Measures to Motivate or Restrict FDI

The country has signed numerous treaties to encourage FDI. It has also put in place legislation facilitating the creation of companies, limiting corporate taxes, and laws to protect FDI.

For more information and to consult the law texts, visit [the Agency for the Promotion of Investment in Azerbaijan](#) website.

Bilateral Investment Conventions Signed By Azerbaijan

The country has signed conventions with many countries: Austria, Belgium, Bulgaria, China, Egypt, Finland, Georgia, France, Germany, Greece, Iran, etc.



Procedures Relative to Foreign Investment

Freedom of Establishment

In theory, there is a great amount of freedom for investments, but the bureaucracy and the corruption makes investing difficult outside the energy sector, which is dominated by foreign investments.

For more information, consult the [report "Investment Climate 2011"](#) on the US Department of State's website.

Acquisition of Holdings

A majority holding interest in the capital of a local company is legal in Azerbaijan.

Obligation to Declare

The [Agency for the Promotion of Foreign Investments](#) in the country gives information on the authorizations required for setting up a company.

Competent Organisation For the Declaration

[Agency for the Promotion of Investment in the Republic of Azerbaijan](#)
[Ministry of Taxes of the Republic of Azerbaijan \(for starting a company\)](#)

Requests For Specific Authorisations

For certain sectors, specific authorizations are necessary.

For more information, consult the [report "Investment Climate 2011"](#) on the US Department of State's website.

For more information, consult the [website of the Agency for the Promotion of Investment in the Republic of Azerbaijan](#).

Find out more about [Investment Service Providers in Azerbaijan](#) on GlobalTrade.net, the Directory for International Trade Service Providers.



Investment Opportunities

Investment Aid Agency

[Agency for the Promotion of Investment in the Republic of Azerbaijan](#)
[Ministry of Economic Development of Azerbaijan](#)

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in Azerbaijan

[Asian Development Bank](#), Proposed Projects in Asia

[Globaltenders](#), Tenders & Projects from Azerbaijan

[DgMarket](#), Tenders Worldwide

Other Useful Resources

[Website of the Azerbaijani government](#)