

Azerbaijan

A STRONG FOUNDATION



At the crossroads of Europe and Asia, Azerbaijan borders Russia, Iran, Georgia and Armenia, and spans 500 miles of Caspian Sea coastline. Since attaining independence in 1991, it has prospered from its hydrocarbons wealth under the leadership of President Heydar Aliyev and his son, Ilham Aliyev.

Azerbaijan posted GDP growth of over 20% for three consecutive years until 2008, when the financial crisis erupted. Other industries now increasingly fuel its economy.

In October, the IMF revised GDP growth projections for 2015 to 4%, while projected growth for 2016 stands at 2.5%. Between January and September 2015, growth of the non-oil sector was 6.4% higher than in the same period in 2014.

While oil and gas still account for 95% of exports and 70% of revenues, their

contribution to GDP will be less than 35% this year. In February 2015, the Central Bank devalued the manat 34% against the U.S. dollar, to bolster diversification and reinforce Azerbaijan's competitiveness. "Devaluation demonstrated that the economy is still dependent on oil," notes Javanshir Abdullayev, the director of the Azerbaijan Bank Training Center. "The government will have to focus on the development of the non-oil sector, and there is huge room for investment."

"The government is keen to boost exports in other sectors," confirms Natanvan Mammadova, the executive director of the American Chamber of Commerce in Azerbaijan. "We need to work on standards to ensure that we can enter U.S. and European markets."

Established in 2000, industrial gases producer Gunesh already supplies

big-name brands from overseas, such as BP, Halliburton and Siemens. According to its director, Abdul Habibov, the company is open to investment to help it expand operations while maintaining its reputation for quality.

"If we didn't comply with international standards, we would not work with multinationals," Habibov points out. "If Azerbaijan develops into an open platform for investment, we can gain more opportunities."

A FOCUS ON TECHNOLOGY

Since 2004, Azerbaijan's information and communications technology (ICT) sector has doubled in size every three years, making the nation a regional leader. Internet density already stands at over 73%, twice the global average, and the nation has set a target of 85% for 2018. The mobile marketplace is also booming, with 110% penetration and more than 10 million subscribers.

The industry generated revenues of \$1.2 billion in 2015 and now represents over 2% of GDP. Overseas sources have pumped more than \$3 billion into the industry in the last three years, according to the European Commission. As part of its "Azerbaijan 2020: Vision for the Future" development plan, the state will invest another \$3.6 billion in developing ICT over the next five years.

Bakcell, Azerbaijan's second-largest mobile provider, currently has a 35% market share and serves more than 2.6 million users, but leads the pack in the segment that offers the greatest growth potential. "More data flows across our network than that of either of our



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competitors," Bakcell's CEO, Richard Shearer, confirms. "We have the largest 4G network and the most 4G customers among the three operators."

The company is expanding its 4G coverage from Baku's metropolitan area to other population centers in the country and already sells its own range of Android smartphones. These are often the only means of connection in rural areas. "Research says that a 10% increase in Internet usage is a 1% increase in GDP growth," Shearer adds.

In 2013, Bakcell signed an agreement with Manchester United Football Club to be its official telecom and broadcast partner for the region. The success of that relationship led Bakcell to help broker another deal, this time between the Association of Football Federations of Azerbaijan and the club, to develop the game of soccer in the country.

"We have a very strong partnership with Manchester United," Shearer says. "We're their number one mobile partner globally in terms of activation. So we have a kind of virtuous circle between the three partners, built around sport."

IMPROVING INFRASTRUCTURE

As strategic locations go, it's hard to top Azerbaijan. China's plan to revitalize ancient trade routes to Europe looks set to transform the nation into a regional hub for transcontinental trade and transport. This August, the first container train left Shikhezi in China on a 2,200-mile trial run to Baku International Sea Port in Alyat and took six days to complete the trip, cutting at least three weeks off the previous shipment time via Iran and Georgia.

The Kars-Tbilisi-Baku Railway, slated for completion in 2016, will link Azerbaijan to Turkey and eventually carry an estimated 3 million passengers annually. Over the last decade, Azerbaijan has built more than 6,800 miles of new roads, in addition to upgrading the main arteries that connect the region. In 2014, the nation invested \$2.5 billion in infrastructure, with nearly 80% destined for its road network.

AzVirt is one of the companies benefiting from Azerbaijan's development drive. Founded in 1995 as a joint venture between local and German partners, it is now the nation's leading infrastructure

contractor, specializing in highways, bridges, airport runways and terminals, as well as materials manufacturing.

AzVirt completed the new terminal at Baku's Heydar Aliyev International Airport in 2014, having delivered a new runway in 2012. The futuristic facility can now handle 6 million passengers a year. The company's next job at home is to lay all the streets in "White City," a 546-acre redevelopment in eastern Baku, and it is venturing beyond the nation's borders to work on large-scale projects such as the highway linking Serbia to Montenegro, scheduled for completion in 2016.

"At the heart of the company is a team of highly qualified professionals possessing extensive experience in road-building infrastructure," says AzVirt's executive director, Kamil Aliyev. "Our goal is to not only realize projects in Azerbaijan, but also expand our activities internationally. What differentiates us is that we complete projects on time and to a high standard."

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