



Chairman's Statement

I am honoured to serve as Chairman of the Alat Free Economic Zone Authority (AFEZ Authority) following the Decree of the President of the Republic of Azerbaijan dated May 22, 2020.

And now, it is time to share with you our vision for the Alat Free Economic Zone (AFEZ), the strategic intent for developing AFEZ, the type of investors it will attract, the rationale for choosing this location and the economic benefits that our investors, our country and our people will gain.

Competitiveness: Azerbaijan's Economy

Azerbaijan's economy has been on a steady upward trajectory since 2005. It has positioned itself as a strategic transportation hub between Europe and Asia. The economy grew 15.7 times between 2004 and 2022. During the same period, strategic foreign exchange reserves grew 31.8 times.

Twice, Azerbaijan was recognized as a top business-reformer country in the "Doing Business" 2009 and 2019 reports.

The existence of modern infrastructure in Azerbaijan creates ample opportunities for the promotion of economic activity.

Azerbaijan has attracted more than 160 billion USD in foreign direct investment since 1995, which has contributed to the development of all sectors of the economy, further improving the competitiveness of Azerbaijan.

The social-economic and political stability in the country creates a friendly environment for further sustainable economic growth.

Strategic Context: Why AFEZ?

Our President's vision has set Azerbaijan firmly on the road towards a knowledge-based and internationally competitive economy, where Azerbaijan will:

- become a diversified and export-oriented economy creating high added-value;
- become a competitive participant in international economic relations;
- establish a world-class business environment with modern energy, transport, and logistical infrastructure;
- further strengthen the role of the non-oil sector in the economy.

AFEZ Authority is a central player in transforming this vision into reality.

AFEZ is located in the vicinity of the Baku International Sea Trade Port and at the intersection of global transport corridors. This strategic geographic location will serve as a regional investment hub and boost competitiveness in the East-West and North-South international transport corridors. It will intensify local and foreign investment in the country's non-oil sector.

Strategic Intent

AFEZ Authority focuses on meeting the needs of investors by delivering a world class place to do business:

- with a strategic geographic location next to global transport corridors;
- using multi-modal transport connections to create a sustainable regional advantage based on a regulatory, operating and business environment that is investor-friendly.

To ensure this vision is brought to reality, the President of the Republic of Azerbaijan has given full backing to the development of AFEZ as a world class investment location. The task of planning, developing, and managing AFEZ has been entrusted to the AFEZ Authority, which has been established for this purpose.

We demonstrate an investor-centric approach. That is a core principle for the AFEZ Authority from the most junior to the most senior staff member and all in between. For us, a client of AFEZ is a client for life.

In summary, the combination of various factors, including strategic geographic location, unique legislation, fiscal and non-fiscal incentives package, ready to use on-site and off-site infrastructure and utilities, transportation and logistics centers, will create a cost competitive environment for serving regional and international markets.

AFEZ also provides opportunities for the people of Azerbaijan. Indeed, anything that is done in AFEZ is really done for the benefit of the entire country of Azerbaijan and its population.

Firstly, AFEZ intends to create jobs for thousands of citizens of Azerbaijan. The number of new jobs is expected to multiply every year. But not just any jobs - the jobs that will allow people to work and improve in a business environment that encourages innovation and new management styles.

We have plans for on-site industrial training facilities at AFEZ. These facilities will train local personnel and prepare them for new challenges. In the meantime, we will be working with vocational and higher education training institutions in Azerbaijan to ensure that they are producing the skilled workforce that AFEZ investors require. This will enable us to create and provide potential and existing clients with an active, and available, skilled force database.

This approach will ensure that citizens of Azerbaijan, who are employed by legal entities operating in AFEZ, gain the training and valuable experience necessary to be successful as employees in internationally competitive businesses.

The knowledge and skills gained by local personnel will also help them build new internationally competitive businesses not just in AFEZ, but more importantly in the base economy.

This is how, as mentioned earlier, we will achieve the strategic goal of introducing technology and innovation, as well as changes in business culture and create real value for the economy and the people of Azerbaijan. It will also provide a foundation for generating internationally competitive "Made in Azerbaijan" branded products.

Bringing positive experience from the oil and gas industry to AFEZ

Azerbaijan's approach to its oil and gas industry is a testament to how we keep our promises to investors.

To regulate the relations in the oil and gas industry between foreign investors and the state, Azerbaijan has adopted special laws, that give production sharing and other agreements with foreign investors, the status of prevailing law of the Republic of Azerbaijan.

For over 30 years, these agreements have provided solid protection to investors and their investments in oil and gas projects. This principle has never been violated and stood the test of time. This approach is a positive proof that Azerbaijan has previously created a favourable regime for the investors and does not violate its obligations.

We intend to bring this principle and practice from the oil and gas industry to AFEZ.

Concluding Remarks

We have two goals, both of which are crucial.

First, we will create the best possible business environment for AFEZ clients, so that they have all they need to successfully establish and develop their businesses in AFEZ and, at the same time, we will support the expansion and growth of businesses of our clients into the future.

Secondly, we want to demonstrate to the people of Azerbaijan what the transition to an internationally competitive and knowledge-based economy means in practice, to support and assist our entrepreneurs, give our business entities the opportunity to learn and practice a new business culture, develop new technologies and generate innovative enterprises to, subsequently, create real value for the economy and the people of Azerbaijan.

As a Chairman, I will ensure that AFEZ will deliver value to investors, and I am confident that investors selected by us will deliver value to the economy and people of Azerbaijan.

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