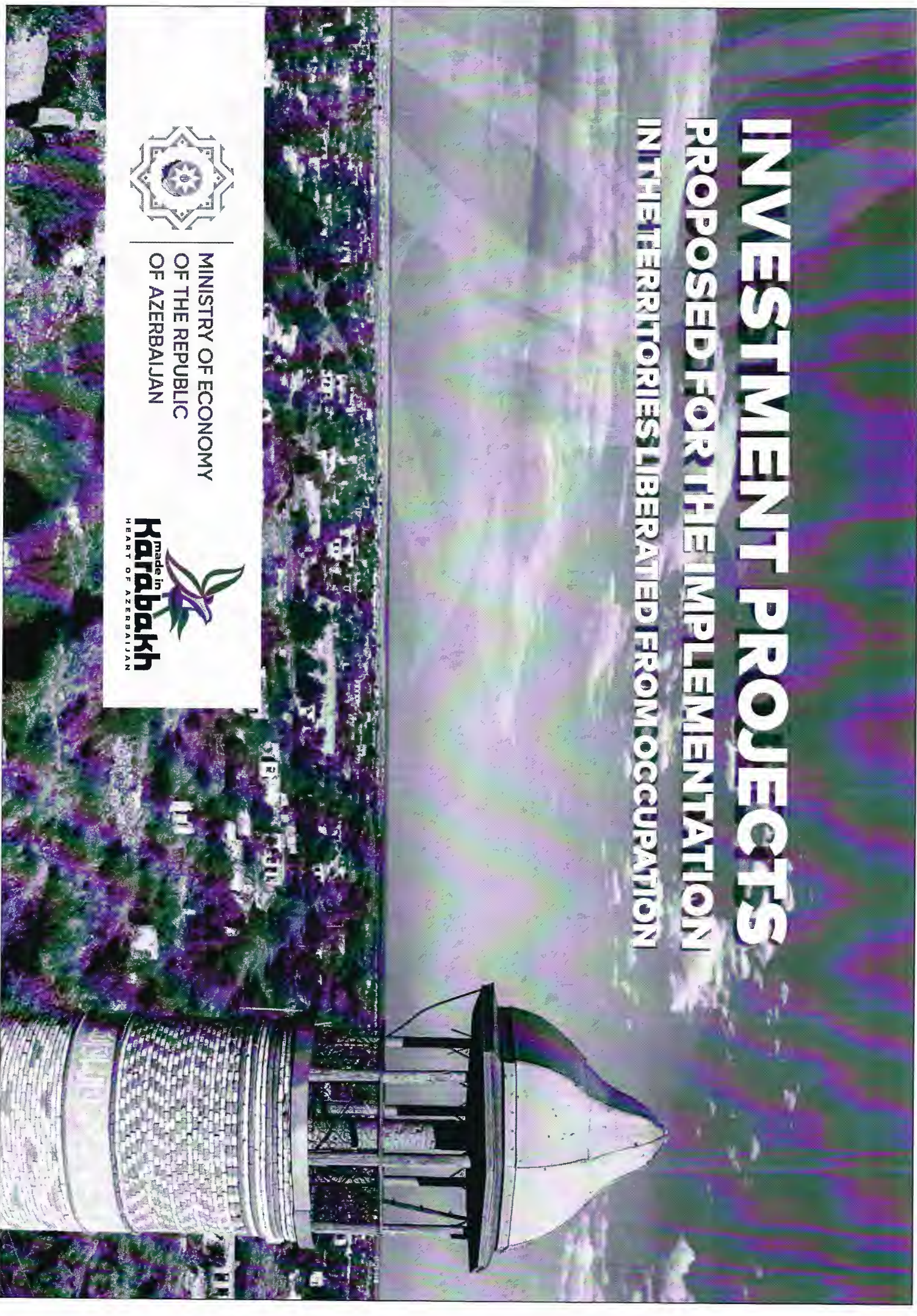


INVESTMENT PROJECTS PROPOSED FOR THE IMPLEMENTATION IN THE TERRITORIES LIBERATED FROM OCCUPATION



MINISTRY OF ECONOMY
OF THE REPUBLIC
OF AZERBAIJAN



Catalog of investment projects proposed for the implementation in the territories liberated from occupation

Overview

S/S	Project name	Project value (mln. AZN)	Proposed project location
1	Production of modern types of roof coverings and different color flat facade plates made of fiber cement (cellulose fibers) construction material.	-	Aghdam Industrial Park, Aghdam district
2	Production of flooring and facing tiles	~85	Aghdam Industrial Park, Aghdam district
3	Production of sanitaryware products	-	Aghdam Industrial Park, Aghdam district
4	Leather production and processing	~3	Aghdam Industrial Park, Aghdam district
5	Reconstruction and construction of hydroelectric power plants	-	Kalbajar and Lachin districts
6	Establishment of Logistics Center	~20	Jabrayil District
7	Construction of a mineral water production facility	~3	Kalbajar district
8	Reconstruction of the Istisu resort	-	Kalbajar district
9	Establishment of winery enterprise	~20	Fuzuli district
10	Tobacco processing	~1	Gubadli district

Production of modern types of roof coverings and different color flat facade plates made of fiber cement (cellulose fibers) construction material

<p>Project name</p>	<p>Production of modern types of roof coverings and different color flat facade plates made of fiber cement (cellulose fibers) construction material.</p>								
<p>Project summary</p>	<p>Establishing a 6 mln. m² per year production of modern types of different color roofing materials and flat facade panels made of domestic and imported raw materials.</p>								
<p>Demand for raw materials</p>	<p>Domestic: - Cement, sand, kaolin, limestone. Imported: - Paints, cellulose, silicone, polymer, foam.</p>								
<p>Cost of future production</p>	<table border="0"> <tr> <td data-bbox="906 853 954 1339"> <p>Corrugated sheet</p> </td> <td data-bbox="906 1429 954 2051"> <p>Flat sheet</p> </td> </tr> <tr> <td data-bbox="863 853 906 1339"> <p>Tuscany painted: 2.57 AZN/ m²</p> </td> <td data-bbox="863 1429 906 2051"> <p>Painted - pressed : 2.63 AZN/ m²</p> </td> </tr> <tr> <td data-bbox="820 853 863 1339"> <p>P6 painted: 3.05 AZN/ m²</p> </td> <td data-bbox="820 1429 863 2051"> <p>Pressed - Unpainted: 2.27 AZN/ m²</p> </td> </tr> <tr> <td data-bbox="783 853 820 1339"> <p>P6 unpainted: 3.06 AZN/ m²</p> </td> <td data-bbox="783 1429 820 2051"> <p>Unpressed - Unpainted: 2.27 AZN/ m²</p> </td> </tr> </table>	<p>Corrugated sheet</p>	<p>Flat sheet</p>	<p>Tuscany painted: 2.57 AZN/ m²</p>	<p>Painted - pressed : 2.63 AZN/ m²</p>	<p>P6 painted: 3.05 AZN/ m²</p>	<p>Pressed - Unpainted: 2.27 AZN/ m²</p>	<p>P6 unpainted: 3.06 AZN/ m²</p>	<p>Unpressed - Unpainted: 2.27 AZN/ m²</p>
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<p>Necessary infrastructure</p>	<p>Project requirements (per annum): Electrical power: 15.6 -17 mln. kW/h Water: 64-100 mln. m³ Natural gas: 1.7-2.8 mln. m³</p>								
<p>Logistics</p>	<p>Direct access to the railway track in the Aghdam district. Aghdam IP – Barda - Ganja = 165 km. Aghdam IP - Tartar - Ganja = 135 km. Aghdam IP – Yevlakh - Baku = 400 km. Aghdam IP – Bilasovar - Baku = 350 km.</p>								
<p>Project advantages</p>	<ol style="list-style-type: none"> 1. While resisting mechanical stress, the products withstand corrosion and decay as well as exhibit durability (over 50 years); 2. Easy to process and operate; 3. High prices for metal roofing materials cause interest in alternative products. 								

Market: **Import 2020:** 69.6 thousand tons (30 mln. m²) of sheet metal totaling 56 mln. USD
The metal sheet roofing is selling at 7.6 - 13.3 AZN.
The cost of a fiber cement roof ranges from 2.39 to 2.87 AZN.
 Given the size of the market, a certain market share can be acquired by optimizing the production costs of the project.

Project value

—

Proposed project location

Aghdam Industrial Park (IP)

State support

1. Customs and tax benefits for an industrial park resident;
2. Preferential loan;
3. External infrastructure support ensured by the state.

Note

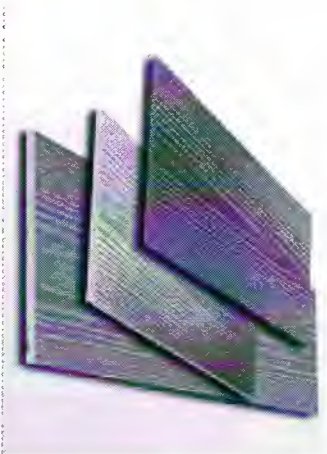
Azerbaijan Fiber Cement LLC
 -in 05.02.2015 awarded the status of a resident of the SCIP;
 -in 21.05.2020, the resident status was canceled.
Project implementation status:
 -The total cost of the equipment amounts to **25.4 mln. euros**
 The cost of the equipment totals **19.1 mln. euros, of which:**
 - The cost of imported equipment amounts to **13.5 mln. euros;**
 - The cost of non-imported equipment: **5.6 mln. euros**
 The cost of equipment requiring no payment: **6.3 mln. euros**
Liabilities of the enterprise:
 -Total amount of liabilities: **11.3 mln. AZN,**
 including:
 -Accounts payable: **8.5 mln. AZN** (OJSC "AtaBank");
 - Cancellation of benefits applied to the equipment imported into the country because of the revocation of the resident status: **2.3 mln. AZN;**

- The rental fee payable to store the imported equipment in the warehouse: **6,000 AZN** ;
- Storage of prepaid (**5.6 mln. euro**) equipment in Austria - **45,000 euro** (90,000 AZN) - and delivery of this equipment to Azerbaijan approximately amounts to **150,000 - 200,000 euro** (300 - 400 thousand AZN);

Note

Additional points:

- Existence of necessary conditions to implement the project in the Aghdam Industrial Park;
- It is necessary to re-evaluate the project to research the supply of raw materials and marketing opportunities;
- The possibility of importing the non-payable equipment from other countries (China).



Production of flooring and facing tiles

Project name

Production of flooring and facing tiles

Project summary

Ensuring the production of flooring and facing tiles using local raw materials in the territory of Aghdam Industrial Park with an **annual production capacity of 15 mln. m²**, taking into account domestic demand

Demand for raw materials

Domestic: kaolin/kaolinite clay, limestone, quartz sand, and red clay
Imported: feldspar, colored glaze, and other materials

Infrastructure

The production of 1 m² of flooring and facing tiles requires the following:
Electrical power: 3 kW/h
Water: 0.04 m³
Natural gas: 2.55 m³

Logistics

Aimediate access to the **railway** track in the Aghdam district.
Length of highways:
Aghdam IP – Barda - Ganja = 165 km.
Aghdam IP – Tartar - Ganja = 135 km.
Aghdam IP – Yevlakh - Baku = 400 km.
Aghdam IP – Bilasuvar - Baku = 350 km.

The project's advantages

1. Large deposits of clay;
2. A high percentage of imported final consumption products;
3. The state expressed interest in the development of deposits by private investors and ready to extend its support;
4. The emergence of a high demand for appropriate products in the process of restoration and reconstruction.

Project value

~85 mln. AZN

Proposed project location

Aghdam Industrial Park (IP)

Market:

Import in 2020: 10.1 mln. m² of flooring and facing tiles amounting to 49 mln. USD;
Total consumption: 13.1 mln. m²
Local production accounts for 30% of the total consumption.
The company operating on the market: 1 enterprise (Gilan-Seramik LLC).

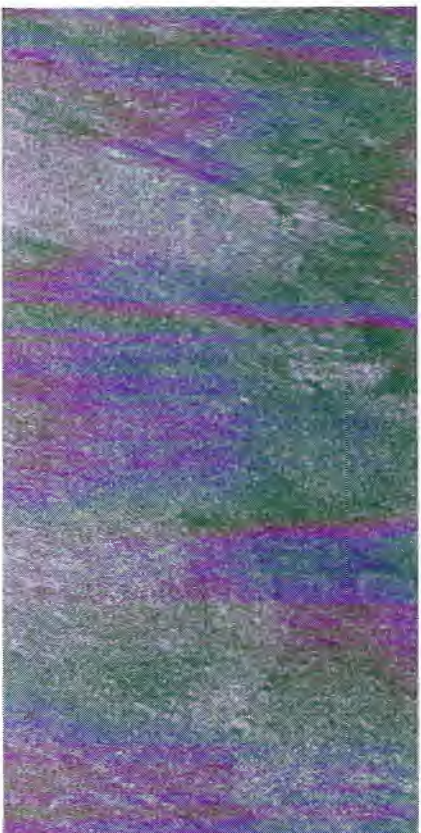
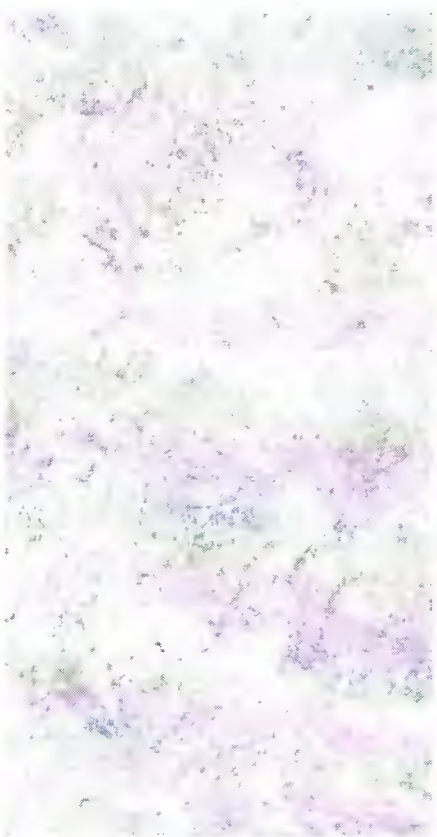
State support

1. Customs and tax benefits for an industrial park resident;
2. Preferential loan.

The Republic's state register of reserves includes 7 deposits of kaolin clay
The overall volume of reserves amounts to 72.8 mln. tons.

Note

B-2212,9
C1 (P1) 15220,6
B+C1 (R1) 10135,4
C2 (R2) 45246,6
Gilan-Seramik LLC commissioned the development of the Kotandag field, while AzerGold CJSC commissioned the development of the Chardakh deposit. Other fields are on reserve.



Production of sanitaryware products

Project name

Production of sanitaryware products

Project summary

Ensuring the production of sanitaryware products using local raw materials at Aghdam Industrial Park, taking into account domestic demand

Demand for raw materials

Domestic: kaolin/kaolinite clay, limestone, quartz sand, and red clay
Imported: feldspar, colored glaze, and other materials

Infrastructure

-

Logistics

Immediate access to the **railway** track in the Aghdam district.
Length of **highways:**
Aghdam IP – Barda - Ganja = 165 km.
Aghdam IP – Tartar - Ganja = 135 km.
Aghdam IP – Yevlakh - Baku = 400 km.
Aghdam IP – Bilasuvar - Baku = 350 km.

Project advantages

1. Large deposits of clay;
2. A high percentage of imports of final consumption products;
3. The state expressed interest in the development of deposits by private investors and ready to extend its support;
4. The emergence of high demand for certain products in the process of restoration and reconstruction.

Project value

-

Proposed project location

Aghdam Industrial Park (IP)

Market:

Import in 2020: Sanitaryware and technical products amounting to 12.5 mln. USD
Imports account for 100% of the country's consumption.

State support

1. Customs and tax benefits for an industrial park resident;
2. Preferential loan.

The Republic's state register of reserves includes 7 deposits of kaolin clay. The total volume of reserves amounts to **72.8 mln. tons.**

Note

B-2212,87
C1 (R1) 15220,554
B+ C1 (R1) 10135,424
C2 (R2) 45246,64
Gilan-Seramik LLC commissioned the development of the Kotandag field, while AzerGold CJSC commissioned the development of the Chardakh deposit. Other fields are on reserve.



Leather production and processing

Project name

Ensuring the production and processing of leather

Project summary

Ensuring the processing of leather at the Aghdam Industrial Park using the capabilities of prospective cattle breeding facilities, taking into account the natural geographical conditions of Kalbajar and Lachin districts

Demand for raw materials

Bovine and small cattle hides, chemicals, lime, and the potential number of animals suitable for grazing

Cost of production

1 kg of cattle skin costs 0.5 AZN. 5-6 kg of animal skins yields 1 m² of rawhide. The skin of 1 small ruminant (SR) costs 1 AZN. 1 m² of skin comprises the hides of 2 SR.

Necessary infrastructure

The production of 1 m² of bovine cattle hide requires the following:

Electrical power: 9.3 kW/h

Water: 0.25 m³

Natural gas: 1.6 m³

Immediate access to the **railway** track in the Aghdam district.

Length of **highways**:

Aghdam IP – Barda - Ganja = 165 km.

Aghdam IP – Tartar - Ganja = 135 km.

Aghdam IP – Yevlakh - Baku = 400 km.

Aghdam IP – Bilasuvar - Baku = 350 km.

Logistics

Project advantages

1. Existence of brisk demand for final consumption goods (shoes, jackets, etc.) in the domestic market;
2. A small number of producers of the final product in the country;
3. Leather has a high export potential.

Project value

~ 3 mln. AZN

Proposed project location

Aghdam Industrial Park (IP)

Enterprises on the market: 29

Total production capacity of enterprises:

-manufacturing raw hides and leather: 1,960 tons,

-producing patent leather: 1320 m²

-producing shoes: 1136 thousand pairs.

Import 2020

- leather products amounted to 17.7 mln. USD

- 2.7 million pairs of leather shoes totaled 17.5 mln. USD

Export 2020

Leather products amounted to 8.4 mln. USD

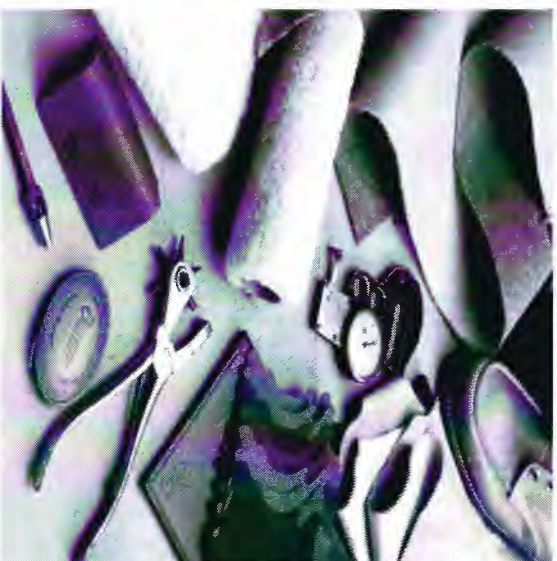
Market:

State support

1. Customs and tax benefits for an industrial park resident;
2. Allocation of a preferential loan (SIF);
3. A ban on the export of unprocessed leather.

Note

Given the current occupation of the inhabitants of the Kalbajar and Lachin districts is animal husbandry, this type of activity is expected to further develop during/after the return of people to their lands.



Reconstruction and construction of hydroelectric power plants (HPP)

Project name	Reconstruction and construction of hydroelectric power plants (HPP)
Project summary	Establishing a public-private partnership to generate electricity using the hydropower potential of the rivers that flow in the region of Karabakh and the surrounding areas.
Project advantages	<ol style="list-style-type: none">1. The high hydropower potential of rivers;2. Provision of guarantees by the state for the purchase of electrical energy.
Infrastructure	-
Project value	-
Proposed project location	Kalbajar district
State support	<ol style="list-style-type: none">1. Exemption of imported equipment from taxes and fees (ITS);2. Allocation of a preferential loan (SIF);3. Provision of a guarantee by the relevant authority for the purchase of energy.

Note

The number of proposed small hydroelectric power plants: 19, The installed capacity of small hydroelectric power plants: 75 MW. To ensure the full utilization of the region's hydropower potential, the primary task is to restore the existing HPPs and reconstruct the destroyed hydropower plants, while the next step envisages the construction of hydropower plants (planned but neither designed nor built before the occupation) in newly identified and convenient locations. Currently implemented in the Kalbajar district, the first stage envisages designing the master projects for small hydropower plants. They comprise AutoCAD drawings of electrical power plants, variants of SHPPs topographic plans, head structures, and pipelines as well as the hydrological data on the calculated minimum and maximum river flow rates.



Establishment of Logistics Center

Project name

Logistics center

Project summary

The implementation of a supplier function in the process of reconstructing the liberated territories through the Logistics Center to be established in the territory of the Jabrayil district.

Project advantages

1. The Logistics Center will provide logistical support by supplying construction materials for projects implemented in Lachin, Shusha, Fuzuli, Gubadli , Zangilan, Khojavand, and Jabrayil districts;
2. The proximity of the Zangazur corridor to the transport hub will ensure the implementation of international transport and communication projects;
3. The proximity to the border and customs checkpoint will contribute to the expansion of trade ties with Iran.

Market

The supply of construction materials from a single center, the organization of trade and services to meet the needs of working personnel, including employees of government agencies' regional offices, during the reconstruction process as well as ensuring storage and logistics services for products imported into/exported from the region will allow the center to carry out uninterrupted operations.

Logistics

The Logistics Center will perform the supporting function to ensure the rehabilitation and reconstruction of the liberated territories, including the development of trade relations between Turkey, Iran, and Azerbaijan.

Project value

~ 10 mln. AZN

Proposed project location

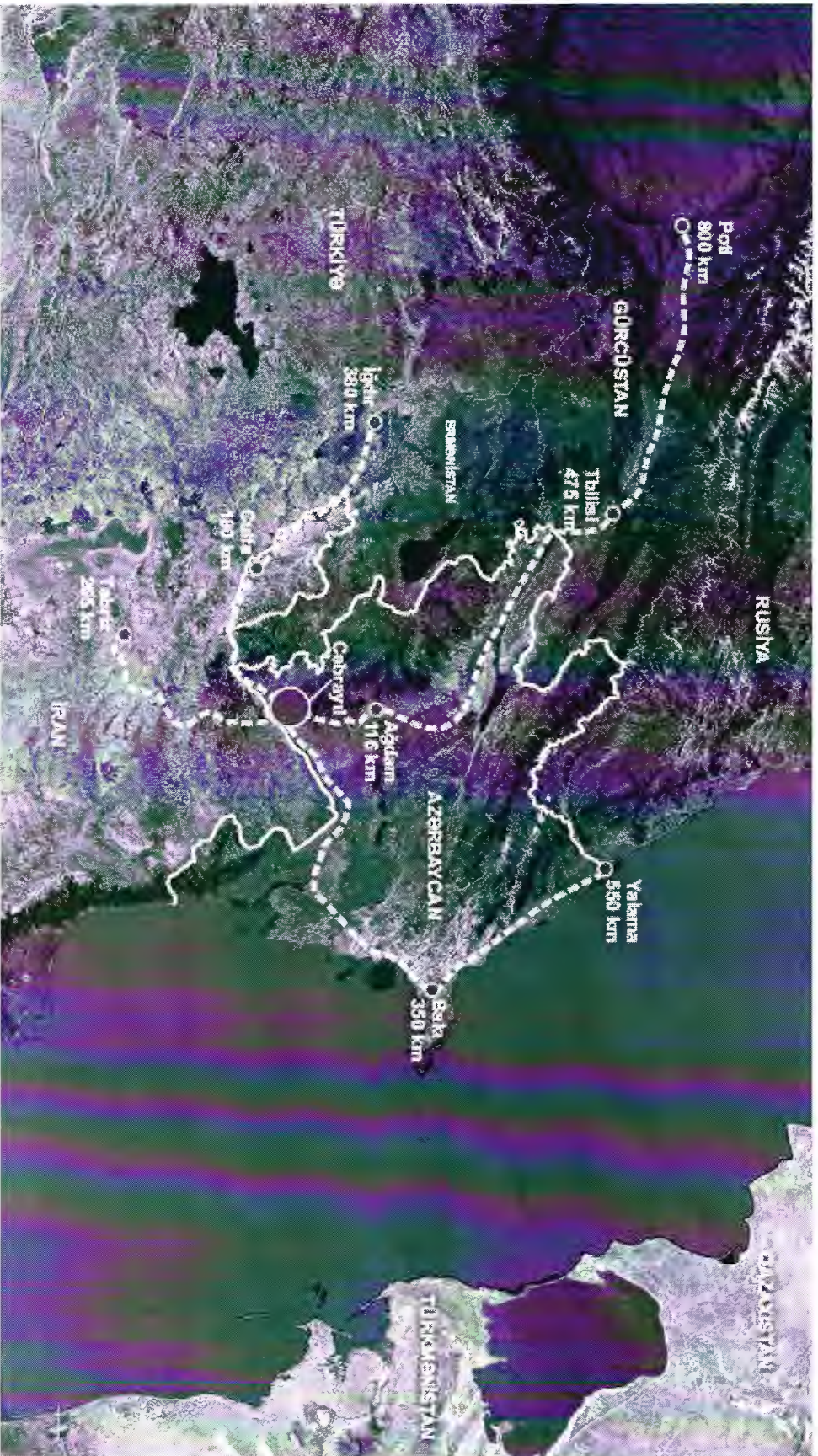
Jabrayil District

State support

1. External infrastructure support ensured by the state;
2. Customs and tax benefits for an industrial park resident;
3. Preferential loan.

Note

The cost of the project ensued from the design produced by the logistics center with a capacity of 53 000 tons and an enclosed area of 43 600 m².



Construction of a mineral water production facility

Project name	Construction of a mineral water production facility
Project summary	The establishment of mineral water production using Yukhari Istisu, Ashagi Istisu, Geshdak, Garasu, Mozchay, and Gotursu water deposits situated in Kalbajar district.
Demand for raw materials	Carbonated mineral thermal water, glass, and plastic bottles, Tetra Pack, and packaging products, etc. Yukhari Istisu deposit: 867m ³ / day Ashagi Istisu field: 748 m ³ / day (the plant was located in the field's proximity) Geshdak area: 108 m ³ / day
Infrastructure	Production of 1 liter of mineral water requires the following: Electrical power: 1,12 kW/h Natural gas: 0.01 m ³
Logistics	The Kalbajar district is 454 km away from Baku, 230 km away from Ganja, and 224 km away from the Logistics Center.
Project advantages	<ol style="list-style-type: none">1. High commercial potential;2. The waters from these fields are particularly different from the waters from the deposits of other countries in terms of their gas and chemical composition, and high temperature;3. The area encompassing these deposits offers a wide range of tourism opportunities.
Project value	~ 3 mln. AZN
Proposed project location	Kalbajar district
Market	Import 2020: Mineral water amounted to 5 mln. USD Export 2020: Mineral water totaled 331 thousand USD.

State support

1. Project implementation under public-private partnership;
2. External infrastructure support ensured by the state;
3. Preferential loan;
4. Investment promotion certificate.

33% of Azerbaijan's total mineral water reserves are situated in the Kalbajar and Lachin regions. In these areas, the production reserves of mineral water stand at 7393 m³/day, of which Lachin accounts for 42%, while Kalbajar accounts for 58%. The Kalbajar region's Tartar River basin alone includes over 400 mineral water deposits.

By its chemical composition and physical properties, the Kalbajar district's Istisu mineral spring water is identical to the world-famous Karlovy Vary springs (Czech Republic).

Istisu water temperature reaches 58.80 degrees Celsius. The total amount of minerals contained in 1 liter of water reaches 6.7 grams due to its rich content of lithium, bromine, iodine, silver, phosphorus, zinc, copper, nickel, magnesium, iron, and other chemicals.

The results of hydrochemical monitoring carried out to assess the current condition of Kalbajar district's Geshdak, Ashagi Istisu, Yukhari Istisu, and Zufugarli thermal mineral water deposits have included the information on water temperature (at the wellhead), the degree of mineralization, gas content, electrical conductivity, and pH-hydrogen content.

Note



Reconstruction of the Istisu health resort

Project name

Reconstruction of the Istisu resort

Project summary

Construction of a modern health resort around the water bodies with therapeutic and balneological properties such as Yukhari Istisu, Ashagi Istisu, Geshdak, Garasu, Mozchay, and Gotursu in the Kalbajar region.

Project advantages

1. High commercial potential;
2. In terms of gas, chemical composition, and high temperature, the waters from these deposits differ greatly from those in other countries;
3. The area encompassing these deposits offers a wide range of tourism opportunities.

Raw material

Yukhari Istisu deposit: 867m³/ day (the health resort was located next to the deposit area)
Mozchay: 304.1 m³/ day
Qarasu: 2 638.2 m³/ day
Tutqun area: 2 123 m³/ day
Qoturlu area: 102-148 m³/ day

Purpose of water

Chronic disorders of the gastrointestinal tract, liver, gallbladder, anemia, skin diseases, intake, and inhalation, including such balneological features as taking thermal baths.

Project value

-

Proposed project location

Kalbajar district

State support

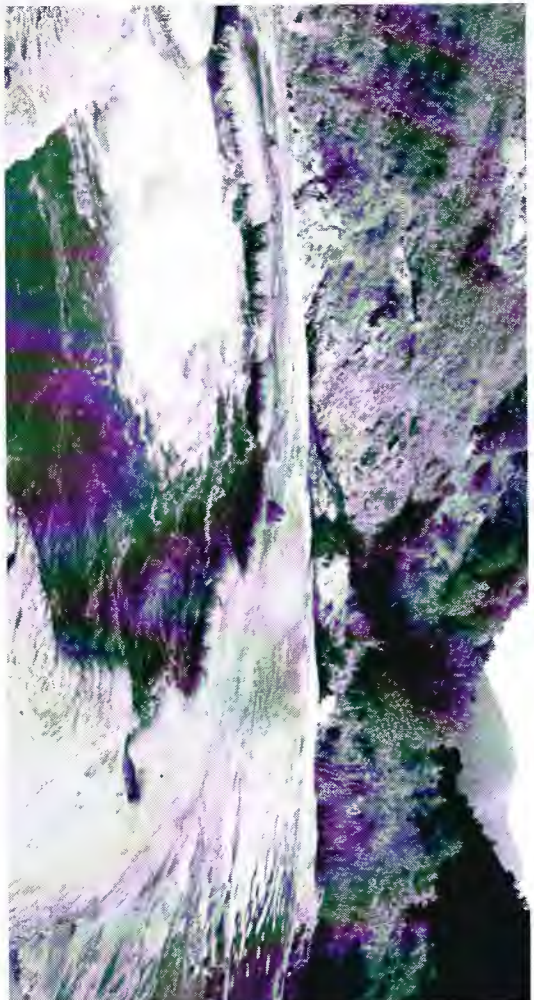
1. Project implementation under public-private partnership;
2. External infrastructure support ensured by the state;
3. Preferential loan;
4. Investment promotion certificate.

In the 1950-90s, Azerbaijan excelled by the rapid construction of health resorts. Kalbajar's Istisu health resort became a nationwide center. In the 1970-85's, the number of health resorts in the country surged to 26, while the number of guest rooms reached 12,500.

Whereas the central/northern part of the Kalbajar region contains broad-leaved forests and forest-steppe vegetation, the alpine and sub-alpine meadows cover the region's peak and partly middle-level highlands. The region's forest fund makes up 37852 hectares, while forests cover the area of 31291 hectares. Over 4 thousand plant species grow in these lands, of which 200 species have medicinal qualities.

The water temperature reaches 58.80°C. The Istisu health resorts No. 1 and 2 enjoyed nationwide recognition, as they provided services for the entire former Soviet Union.

Every year, 50,000 people received treatment and enjoyed recreation there. Hydrochemical monitoring was carried out to assess the current state of the Geshdak, Ashagi Istisu, Yukhari Istisu, and Zulfugarli thermal mineral water deposits situated in the Kalbajar district. The spread of extensive forest and mountain-meadow landscape around these areas known for their balneological and climatic potential and the presence of natural monuments provide excellent conditions to use them for recreational tourism.



Establishment of winery enterprise

Project name

Establishment of a winery

Project summary

Construction of a winery to produce 1.6 mln. conditional bottles by using existing vineyards and potential areas (356.3 hectares)

Demand for raw materials

131 hectares of mature vineyard in the village of Yukhari Veyssalli

Cost of production

~ 4 AZN

Necessary infrastructure

The production of 1,000 conditional bottles of wine requires the following:

Electrical power: 25 kW/h

Water: 5 m³

Natural gas: 113 m³

Logistics

The village of Yukhari Veyssalli is only 30-35 km away from the villages of Shekher and Tug. Situated around the village of Yukhari Veyssalli, the vineyards are only 7-9 km away from the town of Khojavand and 20 km away from the town of Fuzuli. The shortest distance to the nearest settlements: 25-30 km (5 Zobujug villages of Fuzuli district, Alkhanli, etc.). The villages of Bala Soltanli, Padar, and Khandak are located 15-18 km from Gubadli. The shortest distance to the nearest settlements: 65-70 km. (The city of Goradiz and adjacent villages in the Fuzuli district)

Project advantages

1. Availability of a mature vineyard;
2. Ample opportunities offered by agro-ecotourism;
3. The land's suitability for sowing, including the availability of prospective vacant land parcels, allows for the expansion of garden plots;
4. The restoration of the "Aghdam wine" brand and the existence of export opportunities to the Russian market.



Market: **Import 2020:** Wine from natural grapes totaled 2.9 mln. USD
Export 2020: The product amounted to 4.0 mln. USD.
The government implements incentive measures to increase exports. Compared to 2016, exports increased by 1.1 times.

Project value
- 19.6 - 21.3 mln. AZN
Establishment of a winery: ~ 16 mln. AZN
Planting vineyards (356.3 ha): ~ 3.6 - 5.3 mln. AZN

Proposed project location
Fuzuli district

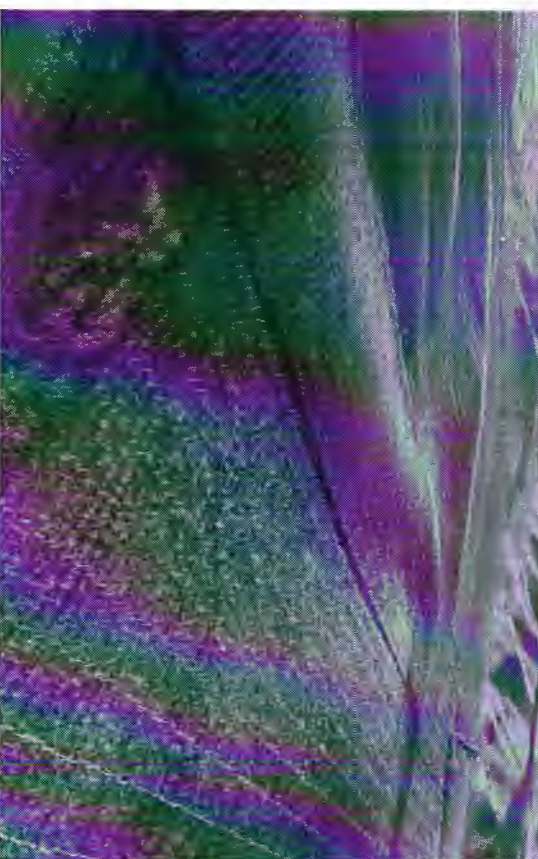
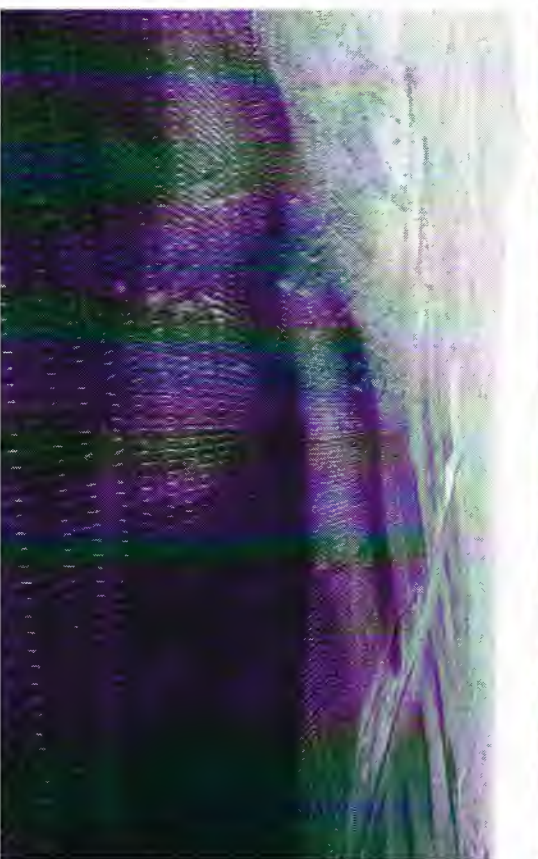
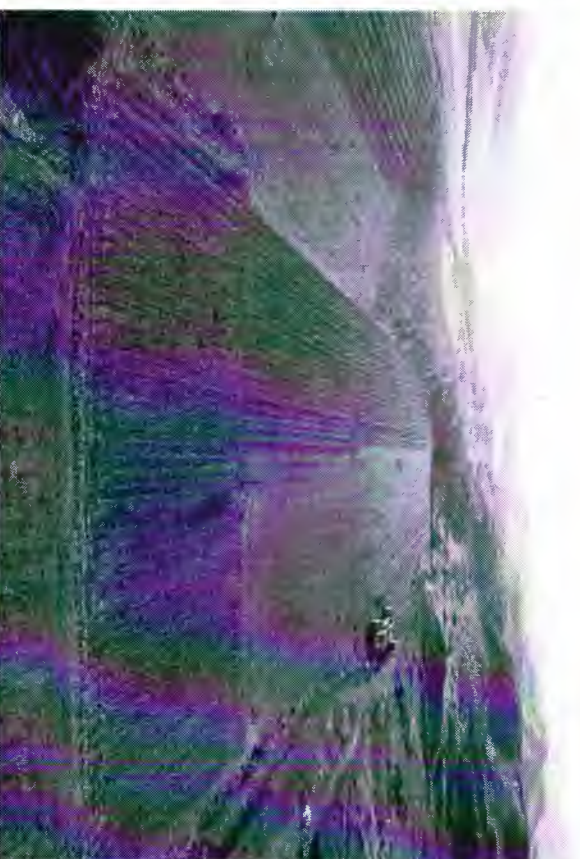
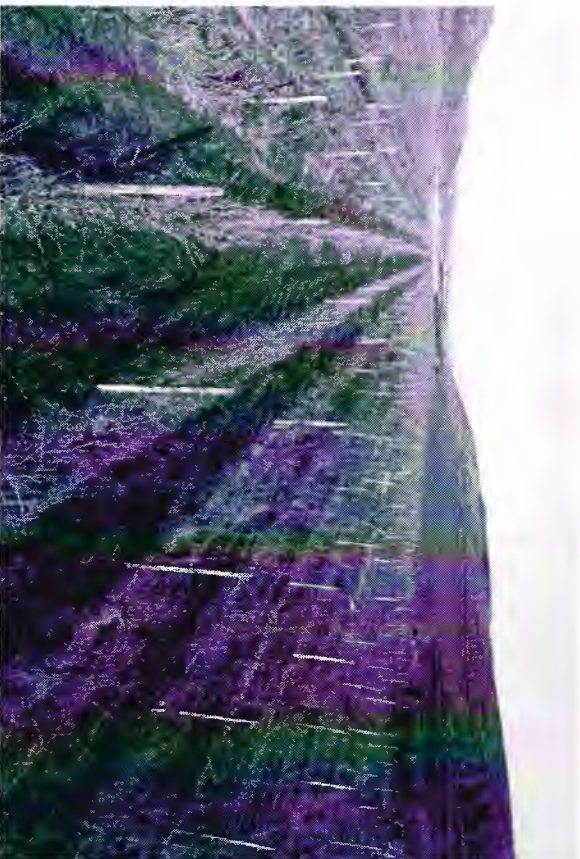
- State support**
1. Negotiations are underway to obtain an organic certificate for the vineyards (Ecocert Organic Standard (EOS));
 2. Preferential loan;
 3. Investment promotion certificate;
 4. Providing subsidies to vineyards.

Note

The Khojavand, Fuzuli, and Gubadli districts include 225.5 hectares of vineyards and 225 hectares of prospective areas. 100 hectares of traditional vineyards have undergone mine clearance procedures. The Yukhari Vaysalli village of Fuzuli district includes 88.5 ha, Tug and Sheker villages of Khojavand district contain 58.2 ha, and Gubadli district's villages of Bala Soltanli and Khandak comprise 78.3 ha of potential plots.

Work is underway to ensure the provision of an organic certificate (Ecocert Organic Standard (EOS)) to vineyards located in the village of Yukhari Vaysalli, Fuzuli district. In 2020, the country produced 2032 thousand decaliters of vodka, 26.8 thousand decaliters of brandy (cognac), 332.3 thousand decaliters of grape wine, 5476.3 thousand decaliters of beer, and 26112.9 thousand decaliters of soft drinks.

Establishment of winery enterprise



Tobacco processing

Project name	Organization of tobacco processing
Project summary	Expansion of tobacco processing using the capabilities of the existing tobacco processing plant in the territory of Gubadli district.
Demand for raw materials	Local raw stock. ~6.7 tons of wet tobacco yields 1 ton of dried tobacco.
Infrastructure	Production of 1 ton of dried tobacco requires the following: Electrical power: 135 kW/h Natural gas: 125 m ³
Logistics	The distance from Gubadli to Baku is 375 km, to Ganja - 319 km, and the Logistics Center - 31 km.
Project advantages	<ol style="list-style-type: none"> 1. Existing tobacco drying enterprises; 2. Suitable climatic and geographical conditions; 3. Ample export opportunities; 4. The region's traditional area.
Project value	~ 1 mln. AZN
Proposed project location	Gubadli district
Market	<p>There are more than 10 cigarette and fermented tobacco companies across the country.</p> <p>Import 2020</p> <ul style="list-style-type: none"> - Cigarettes: 25.7 mln. USD - Raw tobacco: 6.4 mln. USD <p>Export 2020</p> <ul style="list-style-type: none"> - Cigarettes: 2.6 mln. USD - Raw tobacco: 11.9 mln. USD

State support

1. Creating opportunities to privatize an existing processing plant;
2. Preferential loan;
3. Investment promotion certificate.

Note

Currently, there is a processing plant with an area of 1192 m² in the Gubadli district.

