



## The Importance of Investment in the Development of Transit Transport Services in Azerbaijan

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# Importance of investing in the development of transit and transport services in Azerbaijan

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**Abstract-** The development of the transport system is the great importance for the Republic of Azerbaijan. Along with energy, communications, education, and health, which are the infrastructural areas of the country's economy, transport plays an important role in achieving social, economic, foreign policy, and other state priorities by meeting the basic needs of society. After gaining independence, the Republic of Azerbaijan has entered a new stage of development of the transport system.

The country's economy has moved to the next stage of rapid development, which has led to the creation of a legal framework for transport in a market economy, strong student-oriented activities that reflect the requirements of a market economy. It has become necessary to fulfill such important tasks as effective access to markets and having a competitive national industry.

**Keywords-** transportation, transport policy, investment, transport infrastructure and financial markets.

## INTRODUCTION

Azerbaijan is one of the world's strategic countries. Transit transport services in the country include rail, road, air and sea transport. In 2003 by the Government of Azerbaijan Ministry of Transport of the Republic of Azerbaijan originated and country Of the Vienna Convention has been a member of traffic. In this regard, the improvement of the transport network is of particular importance for the country.

In 2009-2019, the volume of investments in the transport sector of the country amounted to 20% of investments in all sectors of the economy.

As we know, Azerbaijan is a middle-income country in the South Caucasus. The basis of the country's economy is oil and gas production: oil products account for more than 90% of Azerbaijan's exports. The oil industry accounts for 33-50% of GDP, depending on prices.

Over the past 10 years, the activities of local and foreign companies operating in Azerbaijan have significantly improved the investment climate. The country, ranked 57th, has been ranked 25th since 2019. The main goal of the country's economic policy is to direct foreign direct investment from the oil and gas sector to the non-oil sector. Between 2003 and 2019, 50% of foreign investment was directed to infrastructure and industry (mining, metallurgy, cement).

It should be noted that in recent years, the main economic indicators of the transport and road complex are fully met, the needs of the population and the country's economy in transportation are fully met. There is an annual increase in the figures reflecting the volume of investments in freight and passenger transportation, transport and road complex.

The total volume of investments in transport in the country's economy in 2018 1.92 million manat. Of this, 7.1 million manat falls to rail transport, 115.4 million manat to water transport and 39.4 million manat to air transport. There was an increase in investments in water transport, ie from 63.7 million manat to 115.4 million manat [2]. An increase in investment was also observed in warehousing and ancillary transport activities are shown in table 1.

TABLE 1  
INVESTMENTS IN TRANSPORT SECTOR

Total	2016	2017	2018

Activities of surface and pipeline transport	1,391.0	1,774.3	1,922.8
Railway transport	345.8	127.1	305.2
Other road transport	1.9	2.1	7.1
Pipeline	194.1	38.5	129.8
Water transport	149.8	86.5	168.3
Air transport	53.1	112.2	115.4
Warehouse and ancillary transport activities	10.2	402.2	39.4

Reconstruction work in railway transport is underway. Thus, the reconstruction of the road infrastructure in the East-West direction, the complete replacement of the energy and communication system, the purchase of new locomotives and wagons, the establishment of a central management system are being carried out.

The process of bringing new passenger buses to Baku and other cities of the country and putting them into operation within the framework of measures to regulate traffic in the field of road transport, renew the vehicle fleet and improve the level of service ensures people's comfort, construction of new bus stations and commissioning continues [1].

The most important investments in the non-oil sector are investments in the transport sector. As we know, transport costs are high in Azerbaijan. Azerbaijan's road and rail networks need to be modernized and increased operating costs to take advantage of their proximity to major markets such as Iran, the Russian Federation and Turkey. In the road sector, the government prioritizes the development of two corridors, the main development strategy (Azerbaijan - 2020: Vision for the Future): one is the east-west corridor from the capital Baku to Georgia, and the other is the north-south corridor from the Russian Federation to Iran.

Azerbaijan's Caspian Sea port complex is the country's most important transport infrastructure, and the port has been further developed by the government by increasing investment. The new, modern port in Baku's Alat district is seen as a strategy for the country's transition to regional transport. At the same time, the establishment of railway links between Boyuk Kesik (on the Georgian border) and Yalama (on the Russian border) is also on the list of priority projects.

Azerbaijan's planned and current transport infrastructure projects amount to about \$ 7.5 billion. Of this amount, 40%, or \$ 3 billion, falls on highways, and 27%, or \$ 2 billion, on railway development. The remaining investment is distributed between ports and railways [2].

Among the most important projects is the \$ 2 billion Afghanistan-Turkmenistan-Azerbaijan-Georgia-Turkey

transport corridor, which aims to increase the economic integration of the participating countries through intra-regional trade. There is also a 7,200-kilometer freight route connecting India, Iran, Azerbaijan and Russia by ship, rail and road, which aims to reduce transport costs in the future.

Another example is the \$ 1 billion Astara Railway project, which is expected to be the second railway link between Iran and Azerbaijan.

The main purpose of these projects is to turn the country into a logistics and trade hub of regional importance, to create conditions for private investment. Theoretically, the additional trade volume that Azerbaijan can obtain using the East-West and North-South corridors is 230 million tons, including dry and liquid cargo and container transportation. Many of the most lucrative routes, as described above, include trade with highly competitive China, and Azerbaijan's participation in these routes could open up great opportunities for trade growth.

## CONCLUSIONS

A number of weaknesses and threats were identified during the SWOT analysis of transit transport services in the article. The followings are:

- the lack of qualified human resources in the field of logistics;
- low labor productivity;
- lack of funding, old equipment;
- unsatisfactory level of marketing, sales and distribution services;
- lack of modern business model in enterprises; lack of innovative activities;
- stagnation in financial markets; the possibility of weakening investment activity as a result of a sharp decline in oil prices;
- increasing requirements for environmental protection;
- the problem of exchange rate stability, which is one of the main factors for foreign investors.

But we should note that the transport sector is developing day by day. So we should conclude in such a way investing also the implementation of state measures reflected in the adopted state programs will have a positive impact on the development of the sector.

## REFERENCES

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- [2] [www.azstat.org](http://www.azstat.org)