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DEVELOPMENT OPPORTUNITIES OF GREEN BUSINESSES IN AZERBAIJAN**Orkhan Rauf oghlu Hajizadeh**

Azerbaijan University

doctoral student of Azerbaijan State University of Economics

hacizada.orxan@gmail.com<https://doi.org/10.30546/SJSD.2025.5.1.023>

Abstract: *Ongoing geopolitical and global socio-economic hardships forced countries to shift their economic policies and development strategies towards “green economy” and “sustainable development”. “Green economy” and “sustainable development” are closely related concepts, that explored and discussed more in the second decade of the XXI century. “Crisis of 2020s” reshaped all aspects of not only personal life, but also global issues.*

Azerbaijan, like other parts of World also significantly affected by this “Crisis of 2020s”. Casualties and economic impact of Second Karabakh war, effects of COVID-19 pandemic and lockdowns, ongoing global inflation surge and food supply crisis caused by Russo-Ukrainian war added more stress and pressure to national economy. However, due to liberation of long-occupied lands gave opportunity to Azerbaijan to further diversify and strengthen its economy towards non-petroleum sector, especially “Green” one.

The attraction of foreign investment to these sectors are the vital part of the development. These types of activities can be achieved by methods like creating tax havens, scientific research institutions and innovational hubs on these regions. Further native and foreign stakeholder interests must be concentrated for eco-friendly industries and service sectors.

Keywords: *green economy, sustainable development, green business, energy investment, eco-tourism*

Introduction

The global shift toward sustainability has brought environmental concerns to the vanguard of economic and business strategies. Green businesses, those that align with sustainable development goals (SDGs) and minimize their environmental impact, have garnered significant attention across the world.

In Azerbaijan, a country known for its oil-dependent economy, the need for transitioning toward greener business practices is more critical than ever. This essay explores the development opportunities of green businesses in Azerbaijan, considering the country’s unique geographic and economic context, government policies, and the role of international partnerships.

The decline in oil prices starting from 2014, in addition, affected Azerbaijan as well as socio-economic indicators starting from 2020. To protect the oil-dependent economy from external shocks, various strategic road maps were prepared by the Azerbaijani government, and state policies and laws were adopted. The last such law is related to the transition of Azerbaijan's economy to the "green economic" system in 2021. First, in 2020, to liberate the territories under long-term military occupation and build infrastructure from scratch, those territories were turned into "sustainable and green development" zones by the state.

Despite the state policy of the Azerbaijani government is successfully implemented with the development of the green economy, the development of the green economy in the private sector is low. This is because foreign investors are not very interested, because the economy of Azerbaijan is still dependent on oil revenues. Nevertheless, the first foreign investment in Azerbaijan's green economic sphere was made by the Saudi "ACWA" company, which was established in 2024. The same company invested 246 million US dollars in Azerbaijan for the construction of a 2.5 GW wind

power plant and energy storage facilities. This was the first investment made by foreign investors in the "green economy" in Azerbaijan.

The investment made by ACWA in the "green economy" of Azerbaijan has started to play the role of a path for increasing the number of foreign investments in other spheres in the future.

Research and analysis

The Current Economic Landscape of Azerbaijan

Azerbaijan, located at the crossroads of Europe and Asia, is an oil-rich nation with a significant portion of its GDP driven by the hydrocarbon industry. According to the World Bank (2020), oil and gas revenues account for nearly 40% of the country's GDP and 80% of its export earnings. However, the volatility of global oil prices, coupled with growing international pressure to reduce carbon emissions, has created a pressing need for Azerbaijan to diversify its economy. Transitioning toward green business practices can provide a pathway for sustainable economic growth.

Renewable Energy as a Key Opportunity

Azerbaijan's potential for renewable energy development is vast, especially in solar, wind, and hydropower sectors. The country's geographical location makes it ideal for harnessing renewable energy sources. According to the International Renewable Energy Agency (IRENA) (2021), Azerbaijan receives around 2,400-3,200 hours of sunlight per year, creating significant opportunities for solar energy. Wind energy also holds promise, particularly in coastal areas along the Caspian Sea, where wind speeds average 7-8 meters per second, enough to support large-scale wind farms (IRENA, 2021).

The government of Azerbaijan has recognized the importance of renewable energy and has taken steps to promote this sector. The country adopted the "National Strategy for the Development of Renewable Energy Sources in 2020-2030," which targets to increase the share of renewable energy in the country's energy mix to 30% by 2030 (Azerbaijan Ministry of Energy, 2020). This commitment has paved the way for foreign investments, with companies like Saudi Arabia's ACWA Power and the UAE's Masdar already partnering with Azerbaijan to develop large-scale solar and wind projects.

Green Agriculture and Sustainable Farming

Agriculture is another sector that holds massive potential for green business development in Azerbaijan. Although agriculture contributes less than 10% to the country's GDP, it employs about 36% of the workforce (World Bank, 2020). Green agriculture, which focuses on reducing chemical inputs, conserving water, and promoting biodiversity, can enhance the sustainability of this sector.

Azerbaijan has initiated projects to modernize its agricultural practices, such as promoting organic farming and developing smart irrigation systems. The "State Program on the Development of Agro-Industry in Azerbaijan for 2020-2025" emphasizes sustainable farming practices and aims to increase the export potential of organic agricultural products (Azerbaijan Ministry of Agriculture, 2020). Such initiatives align with global trends of increasing consumer demand for organic and eco-friendly products, presenting a substantial opportunity for Azerbaijan to tap into international green markets.

Eco-Tourism and Sustainable Development

Eco-tourism is another emerging sector where Azerbaijan can capitalize on its rich natural and cultural heritage. The country is home to nine climate zones, ranging from subtropical to alpine, which supports diverse ecosystems and a variety of tourist attractions. The United Nations World Tourism Organization (UNWTO) (2020) identified Azerbaijan as one of the countries with significant potential for eco-tourism, citing its unique landscapes, national parks, and cultural heritage sites.

To leverage this potential, Azerbaijan has developed several projects aimed at promoting sustainable tourism. For example, the "Shahdag" Mountain Resort, located in the Greater Caucasus range, was designed to minimize its environmental impact and integrate eco-friendly practices such as water recycling and energy efficiency. The development of eco-friendly resorts and national park

tours can attract environmentally conscious tourists, providing both economic and environmental benefits.

Government Policies and International Partnerships

The government of Azerbaijan has played a essential role in enabling the development of green businesses. In addition to the strategies in renewable energy and agriculture, the government has implemented policies to support green business ventures across a vast array of sectors. The "State Program for Environmental Protection and Sustainable Development for 2021-2025" outlines measures to reduce greenhouse gas emissions, increase energy efficiency, and promote waste recycling (Azerbaijan Ministry of Ecology and Natural Resources, 2021).

International partnerships are also crucial for Azerbaijan's green business development. Organizations like the European Union and the United Nations Development Program (UNDP) have supported Azerbaijan's green initiatives through funding and technical assistance. For example, the "EU4Climate" project, funded by the European Union, aims to help Azerbaijan meet its commitments under the Paris Agreement by reducing greenhouse gas emissions and promoting low-carbon development (European Union, 2021).

Discussion

Challenges and Barriers

Despite opportunities, Azerbaijan faces several challenges in developing its green business sector. The country's heavy reliance on oil revenues creates an economic and political hurdle in shifting toward green industries. Additionally, there are technical and financial barriers to implementing green technologies, particularly in rural areas. Lack of awareness and education about sustainable practices among businesses and consumers is another significant challenge. Addressing these issues will require a comprehensive approach, involving not only government action but also private sector investment and civil society engagement.

Conclusion

The development opportunities for green businesses in Azerbaijan are vast, spanning across renewable energy, agriculture, and eco-tourism sectors. The country's strategic location, abundant natural resources, and government commitment to sustainability provide a solid foundation for green business development. However, to fully capitalize on these opportunities, Azerbaijan must overcome several challenges, including its dependence on oil and the need for greater investment in green technologies. By fostering international partnerships, promoting sustainable practices, and increasing public awareness, Azerbaijan can position itself as a leader in the green economy of the future.

Also, the fact that Azerbaijan will host the prestigious UN Climate Summit, COP29 in 2024 shows how much the government is interested in the "green economy" sphere of Azerbaijan. This interest will cause foreign investors to make investments in relevant fields in Azerbaijan or encourage them to create "green businesses".

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AZƏRBAYCANDA “YAŞIL BİZNES”İN İNKİŞAF İMKANLARI

O.R.Hacızadə

Azərbaycan Universiteti

Azərbaycan Dövlət İqtisad Universitetinin doktorantı

Xülasə: *Davam edən geosiyasi və global sosial-iqtisadi çətinliklər ölkələri öz iqtisadi siyasətlərini və inkişaf strategiyalarını “yaşıl iqtisadiyyat” və “dayanıqlı inkişaf”a keçid etməyə məcbur etdi. “Yaşıl iqtisadiyyat” və “davamlı inkişaf” bir-biri ilə sıx əlaqəli anlayışlardır və XXI əsrin ikinci onilliyində daha çox araşdırılmış və müzakirə edilmişdir. “2020-ci illərin böhranı” təkcə şəxsi həyatın deyil, həm də global problemlərin bütün aspektlərini yenidən formalaşdırdı.*

Dünyanın başqa yerləri kimi Azərbaycan da bu “2020-ci il böhranı”ndan əhəmiyyətli dərəcədə təsirlənib. İkinci Qarabağ müharibəsinin itkiləri və iqtisadi təsiri, Covid-19 pandemiyasının təsiri və karantinlər, global inflyasiyanın davam edən yüksəlişi və Rusiya-Ukrayna müharibəsinin yaratdığı ərzaq tədarükü böhranı milli iqtisadiyyata daha çox stress və təzyiqlər əlavə edib. Lakin uzun müddət işğal altında olan torpaqların azad edilməsi sayəsində Azərbaycana iqtisadiyyatını qeyri-neft sektoruna, xüsusən də “Yaşıl” sektora doğru daha da şaxələndirməyə və gücləndirməyə imkan verdi.

Bu sahələrə xarici investisiyaların cəlb edilməsi inkişafın vacib hissəsidir. Bu cür fəaliyyətlərə bu bölgələrdə vergi cənnətləri, elmi tədqiqat institutları və innovasiya mərkəzləri yaratmaq kimi üsullarla nail olmaq olar. Əlavə yerli və xarici maraqlı tərəflərin maraqları ekoloji təmiz sənayelər və xidmət sektorları üçün cəmlənməlidir.

Açar sözlər: *yaşıl iqtisadiyyat, davamlı inkişaf, yaşıl biznes, enerjiyə investisiyalar, ekoturizm*

ВОЗМОЖНОСТИ РАЗВИТИЯ ЗЕЛЕННОГО БИЗНЕСА В АЗЕРБАЙДЖАНЕ

O.P.Гаджизаде

Университет Азербайджан

докторант Азербайджанского государственного экономического университета

Резюме: *Продолжающиеся геополитические и глобальные социально-экономические трудности вынудили страны сместить свою экономическую политику и стратегии развития в сторону «зеленой экономики» и «устойчивого развития». «Зеленая экономика» и «устойчивое развитие» — тесно связанные понятия, которые все больше исследуются и обсуждаются во втором десятилетии XXI века. «Кризис 2020-х» изменил все стороны не только личной жизни, но и глобальных вопросов.*

Азербайджан, как и другие части мира, также существенно пострадал от этого «кризиса 2020-х годов». Потери и экономические последствия Второй карабахской войны, последствия пандемии COVID-19 и карантина, продолжающийся глобальный всплеск инфляции и кризис поставок продовольствия, вызванный российско-украинской войной, усилили стресс и давление на национальную экономику. Однако благодаря освобождению давно оккупированных земель Азербайджан получил возможность еще больше диверсифицировать и укрепить свою экономику в сторону ненефтяного сектора, особенно «зеленого».

Привлечение иностранных инвестиций в эти отрасли является жизненно важной частью развития. Такого рода деятельность может быть достигнута такими методами, как создание налоговых убежищ, научно-исследовательских институтов и инновационных центров в этих регионах. Дальнейшие интересы местных и иностранных заинтересованных

сторон должны быть сосредоточены на экологически чистых отраслях промышленности и секторах услуг.

Ключевые слова: *зеленая экономика, устойчивое развитие, зеленый бизнес, инвестиции в энергетику, экотуризм*

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