

Transactions for real estate: Privatisation of state-owned property through investment tenders in Azerbaijan

The State Committee on Property Issues (SCPI)
The Republic of Azerbaijan

Presenter Dr. Elshad Khanalibayli

INVESTMENT TENDERS

The state property of strategic importance for the country's economy is privatised via investment tenders.

The privatisation through investment tender is considered to be a sale method requiring investment and fulfilment of other terms in accordance with the Investment Programme that the buyer has to submit.

**2 criteria
of defining the tender's winner:**

***Maximum volume of
investment***

Its effective putting up

The State Committee on Property Issues:

- forms a Tender Commission;
- provides the preparation and publication of the information on tender;
- accepts and registers the bidders' applications and docs;
- verifies the drafting accuracy of docs;
- submits the bidders' applications and docs to the Tender Commission;
- approves the Tender Commission's Minutes on the Tender's Results;
- publishes the information on tender's results at mass media;
- concludes a Purchase Contract with the tender's winner;
- implements the supervision over fulfilment of terms accepted by the tender's winner;
- provides the transfer of the property right to the tender's winner.

**ANNOUNCEMENT
OF THE STATE COMMITTEE ON PROPERTY ISSUES
ON SALES OF THE STATE-OWNED SHARES OF “AZERBAIJAN HOTEL”
JOINT STOCK COMPANY THROUGH INVESTMENT TENDER**

The State Committee on Property Issues of the Republic of Azerbaijan announces an investment tender on sales of 99.83 (ninety-nine point eighty-three only) percent (85 percent plus 14.83 percent of the remained part from the privileged sales of the shares to the personnel) of the shares of “Azerbaijan Hotel” Joint Stock Company (hereinafter JSC) according to “The Second State Programme of Privatisation of State Property in the Republic of Azerbaijan” and the “Rules of Implementation of Investment Tender” adopted by Presidential Decree No. 533 dated July 17, 2001.

Along with the investors of the Republic of Azerbaijan, foreign investors may participate in the investment tender as well.

Upon completing the investment tender, the priority will be given to the bidder that proposed maximum volume of investment under the definite conditions, undertook obligations for its effective usage and has advanced experience in hotel business.

1. Information on JSC:

Legal address: 1 Azadlyg Ave., Baku, the Republic of Azerbaijan

Type of activity: hotel and catering services

Charter capital: 4,332,084 manats

Number of shares issued: 2,166,042

Type of shares issued: undocumented registered

Nominal price of one share: 2 manats

Number of shares to be sold at the investment tender: 2,162,307

Total nominal value of shares to be sold at the investment tender: 4,324,614 manats

Coverage Area: 0.52 hectares

Share holding of JSC in other entities: none

Non-material assets: none

Year of commission: 1974

Number of employees: 121

JSC's liabilities, totally: 2,624,000 manats

Including:

Salary debts : 197,000 manats

Debts for products, works and services:
1,485,800 manats

Accounts receivable: 482,700 manats

* (0.78 manat = 1 USD)

2. Terms and requirements imposed on bidders:

2.1 Submitting an Investment Programme reflecting the solution of the following issues with the goal to improve the hotel business by indicating the directions, volumes and periods of investments:

2.1.1 Proposals on organising hotel services which meet the modern international standards;

2.1.2 Proposals on creation of new work-places and social security of employees;

2.1.3 Proposal on the cash amount as a certain part of the total investment (up to 5%) to be transferred to the settlement account of JSC and its usage within 30 working days from the date of signing the Purchase Contract.

2.2 Proposal on the cash amount to be paid to the State Budget (with the term of not less than 2,200,000 manats or US dollars equivalent pursuant to exchange rate of the Central Bank of the Republic of Azerbaijan on the day of payment).

2.3 Proposal on number of the state privatisation vouchers to be submitted for redemption to the State Committee for Management of State Property (with the term not less than 30,000 state privatisation vouchers). Foreign investors shall also submit the same number of state privatisation options to be submitted.

3. Docs to be submitted by bidders:

3.1 Application for participation at the tender (submitted in an open envelope).

3.2 The letter of guarantee of any bank for 500,000 manats confirming the gravity of interest and loyalty to terms and requirements of the tender or the receipt confirming the transfer of the aforesaid amount in the national currency to the relevant deposit account. The deposit the bidder has paid will be taken into consideration while payment of the amount specified as in Clause 2.2 herein if he becomes the winner of the investment tender.

3.3 Constituent and other docs of the bidder (for legal persons) (to be presented in an open envelope):

- *Notarized copy of the charter conformed properly;*
- *Copy of the constituent agreement conformed properly;*
- *Information reflecting the activity of the bidder;*
- *Information on the current activity of the bidder on the territory of Azerbaijan (for foreigners).*
- *List of the submitted docs.*

Below-stated documents are to be submitted in the second separate closed and sealed envelope:

- *Investment Programme;*
- *Proposal on payments to the State Budget;*
- *Proposal on the number of state privatisation vouchers to be presented for redemption.*

The bidders representing foreign countries must submit the text prepared in their own language with the same text translated into Azerbaijani and confirmed by the bidder. In case of unconformity, the advantage will be given to the text drawn up in Azeri.

4. Conditions and requirements imposed on the winner of the tender:

4.1 The winner should provide the following:

4.1.1 Signing the Purchase Contract on sales of the shares of JSC within 30 (thirty) days from the date of approval of the Minutes on the Tender's Results.

4.1.2 Implementing the following from the date of signing the Purchase Agreement on sales of the shares of JSC:

- Within 90 calendar days – implementing payments of salary debts;
- Within 90 calendar days – transfer the appropriate amount to the State Budget;
- Within 120 calendar days – submission of proposed number of state privatisation vouchers (if it is a foreign investor, state privatisation options should also be actual) to the State Committee;
- Within 30 calendar days – transfer a part of total investment volume that determined by the Investment Programme (up to 5 %) to the bank account of JSC;
- Implementation of other terms and obligations according to the Contract as well as putting into practice the investment in accordance with the directions and terms stated in the Investment Program.

In order to be familiarized with the Privatisation Plan of JSC, the bidders may refer to the following address on working days until July 07, 2006, from 10 am. to 18 pm.: 20 Yussif Safarov St., Baku, the State Committee on Property Issues, Room No. 810, tel.: 490 24 08.

Reception of applications and proposals will be implemented on working days during the appointed period from 10 am to 18 pm until July 07, 2006 at the following address: 20 Yussif Safarov St., Baku, the State Committee on Property Issues, Room No. 810.

Bids evaluation will be implemented by the Tender Commission starting from 10:30 am on July 11, 2006.

The Tender Commission:

i) prepares the terms of reference of the tender.

The following terms may be imposed on bidders:

- submitting an investment programme on technical reconstruction of the real estate object;
- Implementing measures for protection of environment;
- Imposing restrictions on the change of the object's kind of activity (if necessary);
- Payment of relevant amount to the state budget;
- Full or partial payment of the employees' salaries and the debts equal to salaries;
- Other terms.

ii) investigates the applications and docs of bidders.

iii) makes a decision on bidders' permit or non-permit to take part in the tender and sends notifications to them about it.

iv) analyses the investment programmes of bidders.

v) defines the tender winner.

The docs to be submitted by bidders:

- **Application**
- **Doc (bank guarantee, or warrantee agreement, or deposit agreement, etc.) that certifies the ability of the bidder to implement the terms of the tender**
- **information on the bidder (legal address, sphere of activity, etc.)**
- **constituent instruments**

The bidder is not permitted to the tender if:

- **it is not recognised as a buyer in accordance with the laws of Azerbaijan;**
- **applications and other docs are submitted after the deadline specified in the information;**
- **the specified documents are not fully submitted or not accurately drafted.**

Minutes on Applications Acceptance:

- **list of all accepted applications indicating;**
- **list of applications withdrawn by bidders;**
- **list of bidders recognised as tender participants;**
- **list of bidders declined to participate at the tender**

The tender is considered as unimplemented if:

- no application is submitted;
- none of the bidders is recognised as participants;
- there is one bidder only;
- the tender's winner refuses to sign the Purchase Contract within the period specified by the Rules.

The investment tender is implemented as follows:

1. Until the envelopes submitted by the tender participants are closed, the Tender Commission checks their integrity and emphasises it in the Minutes on the Tender's Results.
2. The Commission opens the envelopes containing the bids on the specified day and hour.
3. The Commission reviews the bids of the tender participants considering the specified tender terms and criteria for winner definition.

$$V_{\text{total}} = V_0 + V_1/(1 + UD) + V_2/(1 + UD)^2 + \dots + V_n/(1 + UD)^n$$

V_0 - the amount up to 5% of the total volume of investment and the total volume of direct payment to the state budget of Azerbaijan

UD - the bank-rate towards the valid centralised credit recourses of the Central Bank of Azerbaijan

V_n - the investment volume to be invested within the final period (n) of investing in accordance with the terms of the tender

V_1 - the investment volume to be invested within the 1st period of investing (except V_0)

V_2 - the investment volume to be invested within the 2nd period of investing

Minutes on the Tender's Results:

- Full name and legal address of the privatising enterprise or object;
- Information on the shares being sold at the tender;
- List of the commission's members;
- Tender terms;
- Bids of the participants of the tender;
- Information on the tender's winner (buyer);
- volume of the winner's investment, its implementation period.

Purchase Contract:

- full and contracted legal name of the enterprise (object) and its legal address;
- number and type of the shares, nominal value of one share and the total nominal value of the shares to be sold;
- terms of transferring the ownership right on the property to the buyer;
- manners of the tender terms' implementation;
- terms on paying the debts of enterprise;
- content of investment and other terms, their goals, numerical expression and implementation period;
- form of implementing investments and other terms and manner of supervision over the implementation of the contract terms;
- responsibilities of parties for implementation of the contract terms;
- manner, form and period of submission of the report on implementing investments and other terms by the buyer;
- reasons for terminating the contract and considering it to be invalid;
- other principles specified by the legislation.

The bidders participated at the investment tender for sales of the shares of "Azerbaijan Hotel" JSC

"ISR Capital
Investments Ltd."
Azerbaijan

WINNER!

- to state budget - **2,200,000 manats;**
- max. volume of investment for 4 yrs - **USD 30,000,000;**
- creation of new **800** work-places.

"X"

Azerbaijan

- to state budget - **2,200,000 manats;**
- max. volume of investment for 3.5 yrs - **USD 7,800,000;**
- creation of new **130** work-places.

Baku, 6–7 October 2011

International Conference:

**“Role of the Unified Cadastre and
National Spatial Data Infrastructure
in Real Estate Administration”**

**supported by the World Bank
<http://emdk.gov.az>**

Thank you.

