

# BAKU DIALOGUES

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# Managing Investments in Urban Areas

## The Case of Azerbaijani Cities

*Shahnaz Badalova*

Urban areas in Azerbaijan are experiencing rapid growth and development, fueled by a combination of natural resource wealth, strategic geographic location, and economic reforms. In cities such as Baku, Ganja, and Sumgayit, significant investments have been made in infrastructure, housing construction, and industry. However, effectively managing these investments to achieve sustainable urban development remains a critical challenge. This article examines the policies and strategies for investment management in Azerbaijani cities, learning from both successes and ongoing challenges.

### *The Rise of Urbanization*

Azerbaijan, like many other countries, is experiencing a shift

towards urbanization. The capital Baku is the epicenter of this transformation, attracting a large influx of people due to its economic opportunities, modern infrastructure, and cultural opportunities. Other cities, such as Ganja and Sumgayit, are also experiencing growth, albeit at a different pace.

Urbanization in Azerbaijan is driven by three main factors. First, *economic opportunities*. The oil and gas industry has become an important driver of economic growth in Azerbaijan, attracting both domestic and foreign investment. This has created numerous employment opportunities in urban areas, stimulating rural-to-urban migration. Second, *improved infrastructure*. Significant investments in infrastructure, including roads, public

transport, and utilities, have made cities more accessible and livable. Third, *educational and healthcare facilities*. Improving access to education and healthcare in urban areas is another factor driving urbanization.

Despite the benefits of urbanization, Azerbaijani cities face a number of challenges due to rapid and sometimes uncontrollable growth. Four rise to the mind. First, the concentration of economic activity in urban areas, especially in Baku, has led to regional differences. Second, smaller cities and rural areas lag in development, resulting in uneven economic growth. Third, the rapid influx of people into cities has put a strain on public services such as education, health, and social welfare. Fourth, informal settlements and poor-quality housing conditions have become pressing issues.

A fifth is equally pressing: increased urbanization has led to environmental degradation, including air and water pollution, loss of green space, and waste disposal problems.

Cities such as Baku, Sumgayit, and Ganja are particularly affected by industrial pollution due to their historical development as industrial centers.

To address these challenges and ensure sustainable development, Azerbaijani cities must implement effective urban planning and investment management strategies. Effective land use planning is essential to balance residential, commercial, industrial, and recreational needs.

*Urban areas in Azerbaijan are experiencing rapid growth and development, fueled by a combination of natural resource wealth, strategic geographic location, and economic reforms.*

This prevents overcrowding and ensures harmonious development of different parts of the city.

Continued investment in infrastructure such as transportation networks, water

supply, sewerage systems, and energy grids is critical to supporting economic activity and improving the quality of life of residents.

Meeting the housing needs of urban populations, especially low- and middle-income groups, is also vital. This involves developing affordable housing projects and upgrading informal settlements. The establishment of the State Housing

*Shahnaz Badalova is Deputy Head of the Department of Urban Planning and Land Development at the State Committee on Urban Planning and Architecture (SCUPA) of Azerbaijan. The views expressed in this essay are her own.*

Construction Agency under the President of the Republic of Azerbaijan in order to promote the implementation of state policies to improve the quality of life and develop the national economy by meeting the housing needs of Azerbaijani citizens has made a significant contribution to this zone.

Urban planning must include principles of environmental sustainability. This includes preserving green spaces, developing public transport, introducing waste management systems, and introducing renewable energy sources.

Attracting diverse investment to urban areas is essential for economic diversification and sustainability. This involves creating a favorable business environment, providing incentives for investors, and developing sectors that stimulate economic activity.

Providing access to quality educational, health, recreational, and cultural facilities is critical to improving the quality of life of city residents. Investments in social services help create inclusive and vibrant communities.

### Three Case Studies

**B**aku exemplifies both the challenges and successes of urban investment management in Azerbaijan. The country's capital city has benefited significantly from the oil and gas industry, attracting significant investment in infrastructure, real estate, and trade. The city is developing modern business districts, shopping centers, and residential complexes.

Moreover, significant investments have been made in modernizing Baku's infrastructure. The Baku metro system has been expanded, new highways have been built, and international standard seaports are being developed in the city.

Despite problems with industrial pollution, Baku has made progress in achieving environmental sustainability. The city has implemented greening projects, including the building of new parks and the restoration of the Caspian seacoast. Waste management systems have been improved and efforts to reduce air pollution continue.

Baku has developed several affordable housing projects to meet the housing needs of its growing

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*Baku exemplifies both the challenges and successes of urban investment management in Azerbaijan.*

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population. In addition, investments in health and education facilities have improved access to basic services.

The materials of Baku's new master plan include several major projects that can ensure the sustainable development of the city. The master plan proposes to manage the load of the main node and transport system using a sub-node system. To meet the needs of urban residents in recreational areas, green areas, green corridors, landscaping, and lake use are proposed.

However, the absence of a working master plan for a long time requires that various solutions be proposed, worked on over many years, and problems that have arisen over time be resolved in order for the new master plan to work as planned.

**G**anja, Azerbaijan's second-largest city, offers insight into managing urban investment in a smaller city setting. Ganja has focused on diversifying its economy beyond traditional industries. Investments in agriculture, manufacturing, and tourism were

prioritized to create new jobs and reduce dependence on one sector of the economy.

The city has invested in modernizing its transport infrastructure, including its road network and public transport systems. Modern utilities and services have improved the quality of life of residents. Ganja has used its rich cultural and historical heritage

to attract investment in tourism. The restoration of historical sites and the development of cultural centers have stimulated tourism and created economic opportunities. Investments in health and education facilities have improved access to basic services. The city has also focused on providing affordable housing to accommodate its growing population.

Currently, work continues on a new master plan for Ganja. The main goal of the master plan is the reclamation of unused industrial areas and their waste dumps, which create environmental problems, and their use again as green or multifunctional areas, the transformation of the coastal zone into a recreation area, and the organization of the transition

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*Ganja, Azerbaijan's second-largest city, offers insight into managing urban investment in a smaller city setting.*

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of individual residential buildings into multi-apartment residential buildings in the city's settlement system.

In short, Ganja is a city in the spotlight. With proper planning, this focus can be channeled to benefit the city and create a more livable and sustainable city model.

Sumgayit, a historically industrial city, faces unique challenges and opportunities in managing sustainable urban investments. Sumgayit has undergone a transformation from a highly industrialized city with significant pollution problems to a more diversified economy.

Priority is now given to investments in clean industries, technology parks, and environmental restoration. Sumgayit has invested in improving living conditions and modernizing its infrastructure. The city has built new residential areas and improved public services to improve living standards. Efforts to attract a variety of investments included the creation of free economic zones and industrial parks.

These initiatives are aimed at creating new economic opportunities and improving quality of life.

### *Investment Attractiveness*

The attractiveness of Azerbaijani cities for investment depends on several factors. Cities that can effectively manage these factors can attract and retain investment, promoting economic growth and development. The presence of well-developed infrastructure such as transport networks, communication systems, and utilities is a major factor influencing investment decisions. Investors are looking for locations with reliable infrastructure to support their operations.

A favorable regulatory environment, including clear policies, streamlined processes, and incentives for investors, can significantly increase the attractiveness of urban areas. Reducing bureaucratic hurdles and ensuring legal protection for investors are important considerations.

The size and purchasing power of the urban population also plays a decisive role in attracting investment. Cities with large and affluent populations offer a significant market for goods and services, making them more attractive for business.

The overall quality of life in urban areas, including safety, health care,

education, and recreational facilities, can influence investment decisions. Cities that offer a high quality of life are more likely to attract skilled workers and businesses.

Economic stability and growth prospects are important factors for investors. Cities in countries with stable economies, low inflation, and positive economic prospects are more attractive for investment.

Investors are also increasingly considering environmental factors in their decisions. Cities that promote sustainable development, green spaces, and green practices are more likely to attract environmentally conscious investors.

Proximity to natural resources such as water bodies, forests, and minerals can influence investment decisions. Lastly, cities with access to ports, airports, and logistics hubs are attractive for trade and commerce.

Achieving a balance between attracting investments and ensuring sustainable urban development is crucial for the long-term growth and livability of Azerbaijani

cities. This involves crafting policies and strategies that promote balanced development across different urban zones and prevent the over-concentration of investments in specific areas.

Six such policies and strategies rise to the mind. First, *targeted use of urban areas*. These include reclamation of unused industrial areas, landfills and state funding of roads, communication systems, and green spaces. These produce an increase in investment attractiveness. Unused areas can be trans-

formed into locations that feature interesting and innovative projects, which also has a positive effect on the urban environment.

Second, *public-private partnerships*. Collaboration between the public and private sectors is essential for the effective development of the city. Public-private partnerships (PPPs) can leverage the expertise and resources of the private sector to deliver infrastructure projects, housing, and social services.

Third, *incentives for balanced development*. Providing incentives

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*Achieving a balance between attracting investments and ensuring sustainable urban development is crucial for the long-term growth and livability of Azerbaijani cities.*

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for investment in underdeveloped or less attractive areas can promote balanced urban development. This includes tax breaks, subsidies, and grants for businesses that invest in these areas.

Fourth, *master planning*. Developing a comprehensive city master plan helps guide development activities and ensures alignment with long-term goals. Master planning involves stakeholder engagement, data analysis, and scenario planning to create a sustainable and inclusive vision for the city.

Fifth, *community participation*. Involving local communities in planning and decisionmaking is critical to creating inclusive urban environments. Community participation helps identify residents' needs and priorities and ensures that development projects benefit all segments of the population.

Sixth, *monitoring and evaluation*. Regular monitoring and evaluation of urban development projects is necessary to assess their impact and make necessary adjustments. This ensures that the investment will produce the desired results and contribute to the overall development goals of the city.

## Balanced Development in Baku

Baku offers valuable information on the challenges and successes of achieving balanced urban development. The city has implemented several strategies to attract investment. The city has invested heavily in upgrading its infrastructure to support economic activity and improve the quality of life for residents. Major infrastructure projects include the expansion of the Baku Metro system, the construction of new highways and bridges, and the development of modern airports and seaports. These investments have improved connectivity within the city and with other regions, facilitating trade and commerce.

Moreover, Baku has introduced new zoning rules to control land use and prevent excessive concentration of activity in certain areas. These rules ensure a balanced distribution of residential, commercial, industrial, and recreational uses. The city has designated zones for business and residential areas, industrial areas, and green spaces, which contribute to harmonious urban development.

Baku has also used PPPs to accelerate urban development projects.

PPPs have played an important role in the development of infrastructure, housing, and social services. For example, the development of the White City Baku project, a large-scale urban renewal initiative, involved collaboration between the public and private sectors. The project aims to transform a former industrial area into a modern, sustainable urban area with residential, commercial, and leisure facilities.

In addition, Baku has made progress in promoting environmental sustainability through various initiatives. The city has implemented greening projects, including the building of new parks and the restoration of the Caspian sea-coast. Waste management systems have been improved and efforts to reduce air pollution continue. These initiatives contribute to the improvement of the urban environment and improve the quality of life of residents.

Baku has recognized the importance of public participation in urban development. The city has involved local communities in the planning and decisionmaking process for various projects. Public consultations and stakeholder meetings were held to gather information and ensure development initiatives met residents' needs and priorities. This approach helps

build a sense of ownership and support for city projects.

## Housing Challenges

Housing is a critical aspect of urban development, and Azerbaijani cities face significant challenges in providing affordable and quality housing for their growing populations. Addressing these challenges requires comprehensive strategies that involve both the public and private sectors.

Cities in Azerbaijan have launched several affordable housing initiatives to meet the housing needs of low- and middle-income groups. These initiatives include the construction of new housing units, the renovation of existing structures, and the development of government-supported housing projects. For example, programs have been implemented in Baku to provide affordable housing to young families and low-income households.

Many urban areas in Azerbaijan have informal settlements that lack basic infrastructure and services. Modernizing these settlements is essential to improve living conditions and ensure social inclusion. This includes ensuring access to public services, sanitation, health care, and education.

PPPs play a critical role in solving housing problems, which can leverage the expertise and resources of the private sector to develop housing projects that meet the needs of different income groups.

Access to affordable finance is essential to expanding housing opportunities. Azerbaijani cities have explored various financing mechanisms to support housing construction. These include government subsidies, low-interest loans, and mortgage programs. For example, the State Housing Development Agency (MIDA) in Azerbaijan provides financing options for eligible families to purchase affordable housing.

Promoting sustainable housing development is critical to ensuring environmental and social well-being. Azerbaijani cities are increasingly using green building methods and energy-efficient technologies in housing projects. This includes using renewable energy, creating green spaces, and implementing waste reduction measures. For example, the White City project in Baku emphasizes sustainable design principles and aims to create a green, livable urban area.

The problem of one- and two-story private residential buildings built without permission in the cities of Azerbaijan is a

serious problem in urban planning and management. Unauthorized structures often do not comply with a city's master plan or zoning regulations, leading to uncontrolled urban sprawl and inefficient use of land. Buildings constructed without proper permits may not meet safety standards, creating a risk to occupants and the public. These structures can put strain on existing infrastructure such as roads, water, and sewer systems because they are not factored into city development plans. Unauthorized structures can lead to legal disputes over the ownership and use of land, complicating property rights and urban governance.

One of the possible solutions is to implement a program to regulate existing unauthorized structures by assessing them for compliance with safety and zoning standards. If they meet the necessary criteria, they can be legalized with fines and fees to deter future violations.

Meanwhile, city planners must be empowered to more effectively monitor and enforce building codes. This includes increasing inspections and introducing stricter penalties for violations.

Educating the public about the importance of obtaining appropriate building permits and

following building codes is another approach. This can help reduce the number of unauthorized buildings.

Simplifying and streamlining the building permit process to make it easier for people to comply with regulations is yet another approach. This may include reducing bureaucratic hurdles and making the process more transparent and accessible. The authorities should also provide incentives for property owners to comply with building codes, such as tax breaks or subsidies for those who obtain the necessary permits and comply with building standards.

Moreover, the authorities should also incorporate existing unauthorized structures into official urban development plans by upgrading and upgrading infrastructure to ensure they comply with safety and zoning standards.

Finally, involving local communities in the urban planning process to ensure their needs and perspectives are considered should be implemented, which can help gain public support for law enforcement efforts.

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*By learning from foreign examples and adapting solutions to the local context, Azerbaijani cities can cope with and mitigate the problems created by unauthorized residential buildings.*

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Similar problems have been addressed in other countries through regularization schemes and community participation. For example, in India, the government has introduced regularization schemes in various states where unauthorized structures are assessed for compliance and, if they meet certain criteria, are regularized after paying fines.

In Brazilian cities such as Rio de Janeiro, the government has implemented programs to integrate informal settlements (favelas) into the formal urban structure by providing basic services and upgrading infrastructure.

Addressing the problem of unauthorized construction in Azerbaijan's cities requires a multifaceted approach, including regulatory reforms, public participation, and infrastructure development. By learning from foreign examples and adapting solutions to the local context, Azerbaijani cities can cope with and mitigate the problems created by unauthorized residential buildings.

## Promoting Economic Development

Economic development is a key driver of urban growth and prosperity. Azerbaijani cities pay special attention to attracting a variety of investments to create jobs, stimulate economic activity, and improve the quality of life of residents.

A favorable business environment is necessary to attract investment. Azerbaijani cities have implemented various measures to improve the business climate, including streamlining regulatory processes, providing incentives, and strengthening legal protection for investors. In Baku, for example, business centers and free economic zones have been created to attract domestic and foreign investors.

Small and medium-sized enterprises (SMEs) play a vital role in economic development and job creation. Azerbaijani cities are supporting SMEs through various initiatives, such as providing access to finance, offering business development services, and creating networking opportunities. In Ganja, local authorities have created small and medium-sized business development centers to support entrepreneurs and promote innovation.

Diversifying the economy by developing key sectors is critical to long-term growth. Azerbaijani cities focus on sectors such as tourism, technology, agriculture and manufacturing. Sumgayit, for example, is developing technology parks and industrial zones to attract investment in environmentally friendly industries and technology-oriented businesses.

A skilled workforce is essential for economic development. Azerbaijani cities are investing in education and training programs to improve workforce skills and meet labor market needs. Baku has established several vocational training centers and partnerships with educational institutions to provide training in various fields, including technology, healthcare, and hospitality.

Azerbaijani cities have a rich cultural and historical heritage that can be used for economic development, especially in the tourism sector. Cities like Ganja are restoring historical sites and developing cultural centers to attract tourists and create economic opportunities. The development of cultural tourism not only stimulates the local economy, but also preserves and celebrates the country's heritage.

Ensuring social inclusion and improving the quality of life of all residents is a fundamental goal of urban development. To achieve this goal, Azerbaijani cities are implementing various strategies. Access to quality healthcare and education is critical to improving the well-being of residents. Azerbaijani cities are investing in healthcare facilities, expanding access to medical services, and improving the quality of education. Baku has built several modern hospitals and clinics, and the city has also focused on improving educational infrastructure, including schools and universities.

Recreational and cultural amenities improve the quality of life for residents and create vibrant urban communities. Parks, sports complexes, cultural centers, and entertainment venues are being developed in the cities of Azerbaijan to provide residents with recreational opportunities. In Sumgayit, for example, the city has built many parks and cultural centers to promote social interaction and community participation.

Azerbaijani cities are adopting universal design principles to create

accessible public spaces, transport systems and buildings. In Baku, for example, initiatives have been implemented to improve the accessibility of public transport and pedestrian infrastructure.

## Future Directions

As Azerbaijani cities continue to grow and evolve, several future directions can guide urban investment management to achieve sustainable and inclusive development.

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Embracing smart city technologies can enhance urban management and improve residents' quality of life. Azerbaijani cities can implement smart solutions in areas such

as transportation, energy, waste management, and public services. These technologies can optimize resource use, reduce environmental impact, and provide better services to residents.

Addressing climate change and building climate resilience are critical for sustainable urban development. Azerbaijani cities can implement climate adaptation measures, such as improving



drainage systems, enhancing green infrastructure, and promoting sustainable building practices. These efforts can mitigate the impact of climate change and enhance the city's resilience to environmental challenges.

Promoting balanced regional development is essential for reducing disparities and ensuring equitable growth. Azerbaijani cities can develop regional development strategies that focus on enhancing connectivity, supporting rural areas, and promoting economic opportunities across different regions. This can prevent over-concentration of development in specific urban centers and ensure that all regions benefit from economic growth.

Fostering innovation and entrepreneurship is crucial for driving economic growth and creating job opportunities. Azerbaijani cities can establish innovation hubs, support startup ecosystems, and promote research and development activities. Encouraging a culture of innovation can attract talent and investments, contributing to the city's economic vitality.

Promoting sustainable mobility is essential for reducing traffic congestion, improving air quality, and enhancing residents' quality of life. Azerbaijani cities can invest in public transportation systems, develop pedestrian and cycling infrastructure, and promote the use of electric vehicles. Sustainable mobility initiatives can create a more efficient and environmentally friendly urban transportation system.

Managing investments in urban areas is a complex but crucial task for ensuring the sustainable development of Azerbaijani cities. Effective urban planning and investment management can address the challenges of rapid urbanization, such as economic disparities, social inequalities

The foregoing six future directions can ensure that Azerbaijani cities—this article has focused on three of them—can sustainably develop and continue to prosper well into the future. City planners and state officials have their work cut out for them, but appear ready to meet the challenges of urban development head on. **BD**



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Bakı şəhəri, Nəsimi rayonu, Nizami küçəsi 67  
VOEN: 9900001881 Faks: (+994 12) 493 40 91 E-poçt: info@abb-bank.az

