

Asian Development Bank & Azerbaijan

FACT SHEET

Table 1. Azerbaijan: 2014 Approved Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
295.00	20.00	5.43	-	320.43
- = nil.				
Note: Grants and technical assistance include cofinancing.				

Table 2. Azerbaijan: Cumulative Lending, Grant, and Technical Assistance Approvals^{a, b}

Sector	No.	Total Amount (\$ million) ^c	% ^c
Agriculture, Natural Resources, and Rural Development	3	23.20	1.17
Energy	7	190.65	9.65
Finance	10	138.55	7.01
Health	1	0.60	0.03
Public Sector Management	8	3.56	0.18
Transport	16	1,058.43	53.58
Water and Other Urban Infrastructure and Services	10	560.61	28.38
Total	55	1,975.60	100.00

^a Grants and technical assistance include cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Total may not add up because of rounding.

Table 3. Azerbaijan: Cumulative Nonsovereign Financing by Product

Number of Projects	Amount (\$ million)
Loans	163.00
Equity Investments	-
Guarantees	-
B Loans	-
Total	163.00
- = nil.	

Located in the South Caucasus, Azerbaijan is an oil-rich country whose gross national income per capita has increased approximately tenfold since 2001. Consequently, in 2013, the Asian Development Bank (ADB) upgraded Azerbaijan to a Category C developing member country. Economic growth has been spurred by the exploration and development of oil and gas reserves, high levels of public expenditure, and substantial reforms to support a market-based economy. Despite robust growth, the economy of Azerbaijan remains largely dependent upon the extraction and production of fossil fuels.

ADB has been supporting the Government of Azerbaijan since 1999—having approved 23 loans and 3 grant projects totaling about \$2 billion, 32 technical assistance projects valued at more than \$18 million, and 7 private sector transactions worth about \$168 million.

In 2014, ADB endorsed a country partnership strategy (CPS) for Azerbaijan, 2014–2018. The strategy aims to diversify the economy, foster new economic opportunities, promote inclusive growth, and reduce urban–rural disparities.

Cumulative disbursements to Azerbaijan for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amounted to \$879.7 million.

ADB-Supported Projects and Programs

ADB has had broad-spectrum involvement in addressing the development needs of Azerbaijan.

Early efforts were concentrated on strengthening the country's capacity in poverty analysis, preparing a strategic development plan, and developing policy frameworks. This included a focus on strengthening capacity in managing public debt, analyzing macroeconomic data, and developing medium-term economic policies for the rural economy. ADB also provided advice on enhancing Azerbaijan's lending operations in selected sectors such as water supply and sanitation, transport, and energy.

Practical assistance from ADB to raise the standard of living for people in rural and remote areas has taken many forms: a project for internally displaced people improved living conditions for more than 400 families, rehabilitated four schools, and provided small loans to those displaced; a flood-mitigation project protected the homes of more than 240,000 people; approximately 200 kilometers of highways and rural roads have been constructed or upgraded; about 350,000 people living in secondary towns now receive reliable clean drinking water; and enhanced power transmission has streamlined energy delivery and reduced power outages.

ADB assistance to improve the efficiency of urban infrastructure and services will increase the economy's efficiency and competitiveness, while boosting Azerbaijan's connectivity within Central Asia Regional Economic

Table 4. Azerbaijan: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2009	100.00	1
2011	50.00	2
2013	100.00	1
Total	75.00	4

Note: "Year" refers to the circulation year of the project completion report (PCR). Compared with the numbers in previous years' fact sheets, the success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2014.

Table 5. Azerbaijan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2013–2014

Number of Ongoing Loans (as of 31 Dec 2014)	2013 (\$ million)		2014 (\$ million)	
	2013 (\$ million)	2014 (\$ million)	2013 (\$ million)	2014 (\$ million)
Contract Awards/Commitments ^{a,b}	160.8	230.5	-	-
Disbursements ^a	148.3	182.2	-	-
Number of Ongoing Grants (as of 31 Dec 2014) ^c				
Contract Awards/Commitments ^{a,b}	-	-	-	-
Disbursements ^a	-	-	-	-
Actual Problem Projects (%)	-	-	-	-

- = nil.

Note: Totals may not add up because of rounding.

^a Includes closed loans/grants that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB special funds.

Cooperation (CAREC) and beyond. Ongoing assistance for urban transport in the capital Baku is expected to create effective, efficient, and inclusive commuting solutions for citizens, and to help mitigate the effects of climate change in Azerbaijan. Technical support to improve solid waste management and develop renewable energy sources will also improve the urban environment and quality of life in Azerbaijan's secondary cities.

ADB is also helping to develop legal and regulatory frameworks that will enable the private sector to invest in Azerbaijan's public utilities.

Nonsovereign Operations

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector projects in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$163 million in nonsovereign financing for seven private sector projects in Azerbaijan. Total outstanding balances and commitments of ADB's private sector transactions in the country as of 31 December 2014 was \$53.34 million, representing 0.67% of ADB's total nonsovereign portfolio.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. The TFP has done over 10,300 transactions supporting over \$20.5 billion in trade and over 6,000 small and medium-sized enterprises since 2004. In 2014, the TFP supported \$3.8 billion in trade through

over 1,900 transactions. In Azerbaijan, the TFP works with two banks and has supported almost \$44 million in trade between 54 transactions. In addition to filling market gaps, the TFP's objective is to mobilize private sector capital/involvement in developing Asia. In Azerbaijan, 9.1% of the \$44 million in trade supported through the TFP was cofinanced by the private sector.

Cofinancing

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations, to participate in financing ADB projects. The additional funds are provided in the form of official loans and grants, other concessional financing, and commercial financing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's TFP.

By the end of 2014, cumulative direct value-added (DVA) official cofinancing for Azerbaijan amounted to \$2.5 million for one investment project, and \$2.5 million for six technical assistance projects. Cumulative DVA commercial cofinancing for Azerbaijan amounted to \$143.79 million for two investment projects.

Table 6. Azerbaijan: Projects Cofinanced, 1 January 2010–31 December 2014

Cofinancing	No. of Projects	Amount (\$ million)
Projects ^a	2	143.79
Commercial cofinancing	2	143.79
Technical Assistance Grants	4	1.65

^a A project with more than one source of cofinancing is counted once.

A summary of projects with cofinancing from 1 January 2010 to 31 December 2014 is available at www.adb.org/countries/azerbaijan/cofinancing

Partnerships

ADB collaborates closely with the Government of Azerbaijan and its agencies.

Azerbaijan is a member of CAREC, and ADB plays an important role in fostering partnerships and facilitating dialogue between Azerbaijan and other CAREC countries on issues of transport, energy, trade negotiation, and policy development.

ADB also collaborates with other multilateral and bilateral development partners in Azerbaijan such as the European Bank for Reconstruction and Development, KfW, the Islamic Development Bank, Japan International Cooperation Agency, Korean International Cooperation Agency, State Secretariat for Economic Affairs of Switzerland, the United Nations Development Programme, and the World Bank.

ADB works with civil society organizations within Azerbaijan to strengthen the effectiveness, quality, and sustainability of its assistance, while also providing guest lecturers and specialist spokespeople to the country's leading universities and media outlets.

Procurement

Share of ADB's Procurement Contracts

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries, and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts were awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Procurement contracts for goods, works, and related services under loan and grant operations totaled \$6.59 billion in 2013 and \$8.58 billion in 2014. Cumulative procurement, as of 31 December 2014, was \$135.21 billion.

Procurement contracts for consulting services under loan, grant, and technical assistance operations totaled \$511.13 million in 2013 and \$555.30 million in 2014. Cumulative procurement, as of 31 December 2014, was \$9.98 billion.

Table 7. Azerbaijan's Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2013		2014		Cumulative (as of 31 Dec 2014)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	140.30	2.13	226.26	2.64	850.11	0.63
Consulting Services	0.27	0.05	10.07	1.81	21.27	0.21
Total Procurement	140.57	1.98	236.32	2.59	871.38	0.60

Goods, Works, and Related Services

From 1 January 1966 to 31 December 2014, contractors and suppliers were involved in 194,667 contracts for goods, works, and related services under ADB loan and grant projects worth \$135.21 billion. During the same period, 101 contracts were awarded to contractors and suppliers from Azerbaijan worth \$850.11 million.

Table 8. Top 5 Contractors/Suppliers from Azerbaijan Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2010–31 December 2014

Contractor/Supplier	Sector	Contract Amount (\$ million)
Kolin Inshaat Turizm Sanayi Ve Ticaret AS Tur	TRA	181.92
Azerinsaatservis LLC	TRA	111.35
Gemiqaya Sirketi Ltd.	WUS	102.95
Polat Yol Yapı Sanayi Ve Ticaret AS	TRA	73.58
Euro-Asian Construction Corporation	TRA	66.57
Others		191.03
Total		727.41

TRA = Transport, WUS = Water and Other Urban Infrastructure and Services.

Consulting Services

From 1 January 1966 to 31 December 2014, consultants were involved in 45,584 contracts for consulting services under ADB loan, grant, and technical assistance projects worth \$9.98 billion. During the same period, 89 contracts were awarded to consultants from Azerbaijan worth \$21.27 million.

Table 9. Top 5 Consultants from Azerbaijan Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2010–31 December 2014

Consultant	Sector	Contract Amount (\$ million)
IRD Engineering S.R.L.	TRA	5.60
Sheladia Associates, Inc.	TRA	4.03
Sinam Ltd.	PSM	3.37
AY Consulting Ltd.	WUS	2.43
RSM Azerbaijan Limited Liability Company	WUS	0.16
Individual consultant/s		0.44
Others		0.46
Total		16.49

PSM = Public Sector Management, TRA = Transport, WUS = Water and Other Urban Infrastructure and Services.

Operational Challenges

Azerbaijan can expect a tapering of its economic growth rates, easing down from the remarkably high rates achieved in the first decade of the new millennium. The shift in drivers of growth will continue away from the oil sector, toward areas of the economy not related to fossil fuels. The Azerbaijan 2020 Development Concept provides a framework for the country's transition to a knowledge-based economy, with the key challenge being to achieve rapid and sustainable development of the non-oil economy. This will entail improving infrastructure, making social development more inclusive by reducing regional economic disparities, promoting good governance, and improving the climate for private sector growth. ADB supports the government's policies and strategies to diversify the economy, and to develop a knowledge-based economy.

The ADB portfolio in Azerbaijan has been steadily growing over the past 15 years. ADB and the government have been working to improve portfolio performance in a number of key areas, including the capacity of agencies to execute and implement projects, the strength of environmental and social safeguards, and compliance with standard ADB practices in procurement and financial management.

Future Directions

Development priorities for Azerbaijan in the short to medium term will be guided by the country partnership strategy, and will include projects in transport, energy, water and other urban infrastructure services, and private sector development. ADB will support the construction of transport

corridors, providing linkages with neighboring countries, and expanding opportunities for rural communities. Resources will be provided to expand the electricity network, and to improve energy efficiency by developing and integrating renewable energy resources. Upgrades to urban infrastructure and services—including urban transport, water supply and sanitation, and solid waste management in secondary towns and rural areas—will also be a priority. Along with infrastructure projects, ADB will develop and finance knowledge products and capacity-building activities.

ADB will promote regional cooperation, governance and capacity development, environmental sustainability and the mitigation of climate change, and improved project implementation. Private sector opportunities will be further explored to expand the diversification of the economy, and to help the private sector play a greater role in industry, trade, small and medium enterprises, and infrastructure.

About Azerbaijan and ADB

ADB Membership

Joined 1999

Shareholding and Voting Power

Number of shares held:	47,208 (0.447% of total shares)
Votes:	88,638 (0.656% of total membership, 1.007% of total regional membership)
Overall capital subscription:	\$683.75 million
Paid-in capital subscription:	\$34.27 million

Anthony Baker is the Director and **Richard Sisson** is the Alternate Director representing Azerbaijan on the ADB Board of Directors.

Olly Norojono is the ADB Country Director for Azerbaijan. The Azerbaijan Resident Mission was opened in 2004, and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Azerbaijan.

The Azerbaijan government agency handling ADB affairs is the Ministry of Finance.

About the Asian Development Bank

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance (TA). In 2014, lending volume was \$12.92 billion (113 projects), with TA at \$158.88 million (256 projects) and grant-financed projects at \$405.34 million (17 projects). In addition, \$9.24 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2010 to 31 December 2014, ADB's annual lending volume averaged \$12.10 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$697.97 million and \$156.69 million in TA over the same period. As of 31 December 2014, the cumulative totals excluding cofinancing were \$216.21 billion in loans for 2,729 projects in 44 countries, \$6.87 billion in 256 grants, and \$3.75 billion in TA grants, including regional TA grants.

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Asian Development Bank
www.adb.org

Asian Development Outlook

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