

# Asian Development Bank & Azerbaijan

## FACT SHEET

**Table 1. Azerbaijan: 2012 Loan, Technical Assistance, and Grant Approvals (\$ million)<sup>a</sup>**

Loans				
Sovereign	Nonsovereign	Technical Assistance	Grants	Total
250.00	–	1.15	–	251.15

– = nil.

<sup>a</sup> Excludes cofinancing.

**Table 2. Azerbaijan: Cumulative ADB Lending by Sector as of 31 December 2012<sup>a</sup>**

Sector	Loans (no.)	Amount (\$ million)	% <sup>b</sup>
Agriculture and Natural Resources	1	22.00	1.53
Energy	2	187.00	13.01
Finance	4	66.00	4.59
Transport and ICT	7	757.40	52.69
Water Supply and Other Municipal Infrastructure and Services	4	405.00	28.18
<b>Total</b>	<b>18</b>	<b>1,437.40</b>	<b>100.00</b>
<b>Total Disbursements</b>		<b>\$499.2 million</b>	

ICT = information and communication technology.

<sup>a</sup> Includes sovereign and nonsovereign loans.

<sup>b</sup> Total may not add up because of rounding.

**Table 3. Azerbaijan: Cumulative Nonsovereign Financing by Product**

	Amount (\$ million)
Number of Projects	5
Loans	93.00
Equity Investments	–
Guarantees	–
B Loans	–
<b>Total</b>	<b>93.00</b>

– = nil.

## Partnerships

The Asian Development Bank (ADB) has been working with the Government of Azerbaijan and development partners since 1999. In May 2005, ADB signed a joint declaration with Azerbaijan, the European Bank of Reconstruction and Development, the International Monetary Fund, the United Nations Development Programme, and the World Bank to align country strategies and programs with the government's long-term development strategy. Sector working groups, first formed under the State Program on Poverty Reduction and Economic Development, have brought stakeholders together to provide substantive and coordinated guidance on government strategy.

Based on the country's challenges and development strategies, ADB's operations were initially guided by an interim operational strategy (IOS) approved in December 2000. The IOS was followed by five country strategy program updates (CSPUs) in formulating ADB programs and assistance during 2001–2006. Despite extensive programs reflected in the CSPUs, ADB lending operations declined from 2001 to 2006. ADB and the government, however, continued to engage during the period, resulting in a stronger relationship. A first country operations business plan (COBP) for 2011–2013 was approved as an interim step toward a country partnership strategy (CPS). ADB concluded its self-evaluation of the operations in the country for 2000–2011. ADB's Independent Evaluation Department has rated ADB's overall operations in Azerbaijan from 2000 to 2011 successful.

ADB cooperates with civil society organizations to strengthen the effectiveness, quality, and sustainability of its assistance. In 2006, ADB organized a forum on HIV/AIDS in Azerbaijan. That cooperation was recently strengthened with the State Council on Nongovernment Organization (NGO) Affairs, the National NGO Forum, and civil society organizations. Under a technical assistance project, ADB is promoting gender inclusive growth in ADB-funded water supply and sanitation, and road projects, which will strengthen the involvement of civil society organizations during project implementation.

In 2011, ADB, jointly with the World Bank, conducted a country portfolio review. In 2012, ADB also jointly reviewed water supply and sanitation projects with development partners in the sector, including the Islamic Development Bank, the Japan International Cooperation Agency, Germany's KfW, the Korean International Cooperation Agency, Switzerland's State Secretariat for Economic Affairs, and the World Bank, together with the projects' executing agency.

## Operational Challenges

The Government of Azerbaijan has prepared a strategy, Azerbaijan 2020: Outlook for the Future, which will set the stage for the country's development, building on the economic and social achievements of the past years. The strategy's target is to double the gross domestic product per capita by 2020, and it provides a framework for the transition from a traditional economy to a knowledge-based economy. The key challenge is to achieve rapid and sustainable development of the non-oil economy. This entails improving infrastructure, making social development more inclusive by reducing regional economic disparities, promoting good governance, and improving the climate for private sector growth.

## Future Directions

The COBP for 2012–2014 primarily targets infrastructure development, which is a government priority, and is consistent with the government's development objectives. It focuses on transport, urban services, and private sector development. ADB will continue to engage in dialogue on the energy sector. Furthermore, ADB remains engaged with the government in the social and financial sectors through advisory and capacity-building technical assistance. ADB's Private Sector Operations Department is looking at investment opportunities in infrastructure and will continue to support funding for financial institutions.

A CPS for Azerbaijan is under preparation and expected to be approved in 2013. The CPS will guide ADB's future engagement in Azerbaijan for 2013–2017, and is closely aligned with the COBPs, Azerbaijan's State Program on Poverty Reduction and Sustainable Development for 2008–2015, and Azerbaijan 2020.

## Context

From 2001 to 2012, Azerbaijan received 18 loans, totaling \$1.44 billion for the following sectors: transport (52.7%), water supply and sanitation (28.2%), energy (13%), finance (4.6%), and agriculture (1.5%). The projects support the public sector (\$1.34 billion) and the private sector (\$93 million). In addition, a grant of \$2.5 million was provided in 2001 to benefit internally displaced persons. Four projects were completed by the end of 2012.

ADB approved about \$14.3 million grants from 2001 to 2012 for financing 14 project preparatory technical assistance and 13 advisory technical assistance. In addition, seven regional technical assistance activities, totaling \$3.62 million, were also programmed for solid waste management, financial sector development, implementation of environmental safeguards, mainstreaming land acquisition and resettlement safeguards, gender and development, improving the social protection index, and public sector management.

## ADB-Supported Projects and Programs

At the beginning of its operations, ADB provided extensive assistance to strengthen the government's capacity in poverty analysis and other analytical works, prepare a strategic development plan, and develop policy frameworks. ADB assistance helped the authorities strengthen their capacity in

Table 4. Azerbaijan: Development Indicators

Non-MDG	
Population in millions	9.24 [2012]
Annual population growth rate (%)	1.3 [2010–2012]
Adult literacy rate (%)	99.8 [2009]
Population in urban areas (%)	53.6 [2011]
MDG	
Population living on less than \$1.25 (PPP) a day (%)	0.4 [2008]
Population living below the national poverty line (%)	7.6 [2011]
Under-5 mortality rate per 1,000 live births	45 [2011]
Population using an improved drinking water source (%)	80 [2010]

MDG = Millennium Development Goal, PPP = purchasing power parity.

Sources: ADB. 2013. *Basic Statistics 2013*. Manila; United Nations Educational, Scientific and Cultural Organization (UNESCO). 2013. Institute for Statistics Data Centre; World Bank. 2013. World Development Indicators Online.

Table 5. Azerbaijan: Economic Indicators, 2008–2012

Economic Indicator	2008	2009	2010	2011	2012
Per capita GNI, Atlas method (\$)	3,870	4,800	5,380	5,290	...
GDP growth (% change per year)	10.8	9.3	5.0	0.1	2.2
CPI (% change per year)	20.8	1.5	5.7	7.9	1.1
Unemployment rate (%)	5.9	5.7	5.6	5.4	...
Fiscal balance (% of GDP)	0.2	(0.7)	(0.9)	0.6	0.3
Export growth (% change per year)	43.8	(31.0)	25.5	30.3	(4.1)
Import growth (% change per year)	25.3	(14.0)	3.6	50.7	(3.6)
Current account balance (% of GDP)	33.7	23.0	28.4	25.7	22.6
External debt (% of GNI)	8.8	8.0	7.7	10.0	...

( ) = negative, ... = data not available, CPI = consumer price index, GDP = gross domestic product, GNI = gross national income.

Sources: ADB. 2013. *Asian Development Outlook 2013*. Manila; ADB staff estimates; economy sources; World Bank 2013. World Development Indicators Online.

Table 6. Azerbaijan: Project Success Rates

Sector	% <sup>a</sup>	No. of Rated Projects/Programs
Agriculture and Natural Resources	100.0	1
Transport and ICT	100.0	1
Water Supply and Other Municipal Infrastructure and Services	–	1
<b>Total</b>	<b>66.7</b>	<b>3</b>
Year of Approval		
2000s	66.7	3

– = nil, ICT = information and communication technology.

<sup>a</sup> Based on aggregate results of project/program completion reports (PCRs), PCR validation reports (PVRs), and project/program performance evaluation reports (PPERs) using PVR or PPER ratings in all cases where PCR and PVR/PPER ratings are available.

Sources: PCRs, PVRs, and PPERs containing a rating circulated as of 31 December 2012.

Table 7. Azerbaijan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2011–2012

Number of Ongoing Loans (as of 31 Dec 2012)	8	
	2011 (\$ million)	2012 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	61.1	224.7
Disbursements <sup>a</sup>	108.5	169.1
Number of Ongoing Grants (as of 31 Dec 2012) <sup>c</sup>	–	
	2011 (\$ million)	2012 (\$ million)
Contract Awards/Commitments <sup>a,b</sup>	–	–
Disbursements <sup>a</sup>	–	–
Projects at Risk (%)	16.7	

– = nil.

Note: Totals may not add up because of rounding.

<sup>a</sup> Includes closed loans that had contract awards or disbursements during the year.

<sup>b</sup> Excludes policy-based lending/grants.

<sup>c</sup> Includes only Asian Development Fund and other ADB Special Funds.

managing public debt, analyze macroeconomic data, and develop medium-term economic policies for the rural economy. ADB also successfully assisted the government in monitoring the national poverty reduction strategy, although the provision of crosscutting support was limited. ADB later provided advisory assistance to enhance its lending operations in selected sectors, such as water supply and sanitation, transport, and energy.

ADB assistance has helped the country achieve some of its development goals. A project for internally displaced people improved living conditions for more than 400 families, rehabilitated four schools, and provided small loans to internally displaced people, including women. A flood mitigation project prevented more than 240,000 people from being affected by flooding. Approximately 200 kilometers (km) of new and upgraded highways and rural roads will benefit the entire country's population. About 350,000 people living in secondary towns now receive high quality and reliable drinking water. Small and medium-sized enterprises (SMEs) also have easier access to finance due to ADB lending to local banks. ADB's Trade Finance Program (TFP) supported about \$41 million in trade through 52 transactions for SMEs, intra-regional trade, and trade between Azerbaijan and another developing member country. ADB's first private sector loan for infrastructure in Azerbaijan financed the replacement of a cement plant's wet-type kilns with a single, modern dry-type kiln, reducing fuel consumption by nearly 50% per ton of clinker and improving environmental standards. An ongoing energy project is expected to cut power outages.

In 2012, through its capacity-building and knowledge sharing program, ADB funded the participation of 64 professionals from 23 government organizations to attend various international training and workshops in managing development results, climate change, regional cooperation, budget planning, gender mainstreaming, social protection, sustainable transport, renewable energy, and water security.

## Cofinancing

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

By the end of 2012, cumulative direct value-added official cofinancing for Azerbaijan amounted to \$2.5 million for one investment project, and \$0.9 million for two technical assistance projects.

A summary of projects with cofinancing from 1 January 2008 to 31 December 2012 is available at [www.adb.org/countries/azerbaijan/cofinancing](http://www.adb.org/countries/azerbaijan/cofinancing)

## 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,

Table 8. Azerbaijan: Share of Procurement Contracts

Item	2011		2012		Cumulative (as of 31 Dec 2012)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	60.93	0.88	144.10	2.00	498.09	0.43
Consulting Services	1.80	0.42	0.21	0.04	6.81	0.08

Table 9. Azerbaijan: Contractors/Suppliers Involved in ADB Loan Projects, 1 January 2008–31 December 2012

Contractor/Supplier	Sector	Contract Amount (\$ million)
Azenco	Energy	131.00
Gemiqaya Sirketi Ltd.	Water Supply and Other Municipal Infrastructure and Services	112.70
Azerinsaatservis LLC	Transport and ICT	92.86
TTS Insaat Ltd. Ludwig Pfeiffer	Water Supply and Other Municipal Infrastructure and Services	40.34
Ganja Korpu Tikinti	Transport and ICT	33.86
Atinak Muh. Ins. San Ve Tic. A.S.	Water Supply and Other Municipal Infrastructure and Services	32.99
Alibeyli Shirkatı Ltd.	Water Supply and Other Municipal Infrastructure and Services	6.99
R.I.S.K. Ltd.	Industry and Trade	6.19
Consortium of Sayli Temir Tikinti, et al	Water Supply and Other Municipal Infrastructure and Services	6.00
Qlobal KS	Transport and ICT	5.09

ICT = information and communication technology.

Table 10. Azerbaijan: Top Consultants (Individual Consultants and Consulting Firms) Involved in ADB Loan Projects, 1 January 2008–31 December 2012

Consultant	Number of Times Contracted	Contract Amount (\$ million)
AY Consulting Ltd.	2	5.83
Audit-Lider Ltd.	1	0.09
Baker Tilly Azerbaijan LLC	1	0.05
Globus-Print Ltd.	1	0.03
Grant Thornton Azerbaijan	1	0.03
BKR Isik Consulting	1	0.03
Individual consultants	7	0.17

Table 11. Azerbaijan: Top Individual Consultants Involved in ADB Technical Assistance Projects, 1 January 2008–31 December 2012

Consultant	Number of Times Contracted	Contract Amount (\$ million)
Individual consultants	15	0.15

Table 12. ADB Assistance to Developing Member Countries, 2011–2012<sup>a</sup>

	2011 (\$ million)	2012 (\$ million)	Change (%)
Lending	12,605.46	11,717.58	(7.04)
ADF, Sovereign	1,954.85	2,315.85	18.47
OCR, Sovereign	9,050.61	8,294.89	(8.35)
OCR, Nonsovereign	1,600.00	1,106.84	(30.82)
Public Sector <sup>b</sup>	600.00	44.00	(92.67)
Private Sector <sup>c</sup>	1,000.00	1,062.84	6.28
Equity Investments	239.00	131.00	(45.19)
Guarantees	416.61	403.00	(3.27)
Grants <sup>d</sup>	844.14	969.77	14.88
Technical Assistance Grants	357.39	297.78	(16.68)

( ) = negative, ADF = Asian Development Fund, OCR = ordinary capital resources.

<sup>a</sup> Excludes terminated loans, grants, equity investments, and technical assistance grants.

<sup>b</sup> Includes nonsovereign public sector loan processed by regional departments and ADB's Private Sector Operations Department.

<sup>c</sup> Includes \$35 million investment in debt securities.

<sup>d</sup> Excludes grant cofinancing not administered by ADB.

B loans, and trade finance. Since its inception, ADB has approved a total of \$93 million in nonsovereign financing for Azerbaijan, all of which were for five private sector projects. Total outstanding balances and commitments of ADB's private sector transactions in the country as of 31 December 2012 totaled \$31.3 million, representing 0.4% of ADB's total nonsovereign portfolio.

ADB's TFP fills market gaps in trade finance by providing guarantees and loans through over 200 partner banks in support of trade. The TFP has supported \$13 billion in trade involving over 2,500 SMEs. In Azerbaijan, the TFP works with four banks and has supported over \$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, over 9% of the \$44 million in trade supported through the TFP was cofinanced by the private sector.

## Procurement

From 1 January 1966 to 31 December 2012, contractors and suppliers were involved in 185,090 contracts for ADB loan projects worth \$116.58 billion. During the same period, contractors and suppliers from Azerbaijan were involved in 98 contracts for ADB loan projects worth \$498.09 million.

From 1 January 1966 to 31 December 2012, consultants were involved in 11,990 contracts for ADB loan projects worth \$5.11 billion. During the same period, consultants from Azerbaijan were involved in 15 contracts for ADB loan projects worth \$6.28 million.

From 1 January 1966 to 31 December 2012, consultants were involved in 26,546 contracts for ADB technical assistance projects worth \$3.1 billion. During the same period, consultants from Azerbaijan were involved in 56 contracts for ADB technical assistance projects worth \$0.53 million.

## About Azerbaijan and ADB

### ADB Membership

Joined 1999

### Shareholding and Voting Power

Number of shares held:	47,208 (0.45% of total shares)
Votes:	86,812 (0.65% of total membership, 1.00% of total regional membership)

Overall capital subscription:	\$725.55 million
Paid-in capital subscription:	\$36.36 million

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

**Oily Norojono** is the ADB Resident Representative for Azerbaijan. The Azerbaijan Resident Mission (AZRM) was opened in 2004 and provides the primary operational link between ADB and the government, private sector, and civil society stakeholders in its activities. AZRM engages in policy dialogue and acts 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 2012, lending volume was \$11.72 billion (110 projects), with TA at \$150.96 million (237 projects) and grant-financed projects at \$696.94 million (27 projects). In addition, \$8.3 billion was generated in direct value-added cofinancing in the form of official loans and grants and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2008 to 31 December 2012, ADB's annual lending volume averaged \$11.78 billion. In addition, investment grants and TA funded by ADB and special funds resources averaged \$778.77 million and \$172.56 million in TA over the same period. As of 31 December 2012, the cumulative totals excluding cofinancing were \$191.47 billion in loans for 2,531 projects in 44 countries, \$5.67 billion in 287 grants, and \$3.44 billion in TA grants, including regional TA grants.

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### Useful ADB websites

Asian Development Bank  
[www.adb.org](http://www.adb.org)

Asian Development Outlook  
[www.adb.org/publications/series/asian-development-outlook](http://www.adb.org/publications/series/asian-development-outlook)

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