

ASIAN DEVELOPMENT BANK MEMBER FACT SHEET



Azerbaijan: 2018 Committed Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign	Nonsovereign			
250.00	-	0.50	-	250.50

- = nil.

Notes: Commitment is the financing approved by the ADB Board of Directors or Management for which the investment agreement has been signed by the borrower, recipient, or the investee company and ADB.

Grants and technical assistance include ADB-administered cofinancing.

ADB's updated country partnership strategy for Azerbaijan aims to help boost private sector development, raise public sector efficiency, improve infrastructure, and strengthen human capital.

AZERBAIJAN

Azerbaijan: Cumulative Lending, Grant, and Technical Assistance Commitments^{a, b, c}

Sector	No.	Total Amount (\$ million) ^d	% ^d
Agriculture, Natural Resources, and Rural Development	3	23.93	0.57
Energy	13	1,195.42	28.51
Finance	12	196.05	4.68
Health	1	0.60	0.01
Public Sector Management	12	754.99	18.01
Transport	20	1,461.17	34.85
Water and Other Urban Infrastructure and Services	10	560.19	13.36
Total	71	4,192.34	100.00

^a Grants and technical assistance include ADB-administered cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Using primary sector in reporting of commitments.

^d Numbers may not sum precisely because of rounding.

Azerbaijan: Ordinary Capital Resources Nonsovereign Commitments by Product, 2007–2018

No. of Transactions Signed	Amount (\$ million)
Loans	959.67
Equity Investments	-
Guarantees	-
Total	959.67

- = nil.

Azerbaijan joined the Asian Development Bank (ADB) in 1999. ADB operations in Azerbaijan was guided by the country partnership strategy (CPS), 2014–2018, which supported the diversification of Azerbaijan's economy, fostering of new economic opportunities, promotion of inclusive growth, and reduction of disparities between urban and rural areas.

A country diagnostic study conducted in 2018 identified short-, medium-, and long-term growth constraints faced by Azerbaijan, and suggested priority reforms to address such constraints. The next CPS for Azerbaijan (2019–2023) has been prepared for endorsement in 2019. It will support acceleration of economic diversification and inclusive growth through the implementation of three pillars: (i) boosting private sector development, (ii) raising public sector efficiency, and (iii) improving infrastructure and strengthening human capital.

ADB's country operations business plan, 2019–2021 is aligned with the Government of Azerbaijan's Strategic

Roadmap on the National Economy Perspective adopted in December 2016. ADB's indicative sovereign lending program for Azerbaijan over the plan's period totals \$815 million.

Cumulative loan disbursements to Azerbaijan amount to \$3.09 billion. These were financed by regular and concessional ordinary capital resources.

ADB-SUPPORTED PROJECTS AND PROGRAMS

ADB assistance has helped deliver a variety of benefits to the Azerbaijani people.

The bank's investments have helped protect around 240,000 people from the effects of flooding, while about 350,000 urban and rural residents



have received reliable drinking water for the first time. In the Nakhchivan Autonomous Republic, ADB-supported projects have given about 135,000 people access to 24-hour water supply through state-of-the-art treatment technology, established the first city-wide sewerage network with adequate wastewater treatment, and installed water meters in 24,700 households to make the water utility financially viable and rationalize water demand.

ADB has helped construct approximately 325 kilometers of new and upgraded highways and rural roads in Azerbaijan. In the Agstafa and Gazakh districts, ADB-supported projects have improved road connectivity for 16 villages (with a total population of 20,500 people) through the rehabilitation of 41.3 kilometers of rural roads and the reconstruction of four bridges. The rehabilitated rural roads significantly reduced travel time and vehicle maintenance costs while enabling the local communities to have all-season and easy access to schools, markets, and health facilities. Taxis (charging reasonable fares) started operating in the villages and village traffic patterns improved.

ADB has also invested in improved power distribution to deliver energy more reliably and reduce power outages across Azerbaijan. It has

helped increase the availability of reliable electricity supply to more than 100,000 consumers in 13 regions and 3 cities, with 90% of consumers being households.

The \$250-million Improving Governance and Public Sector Efficiency Program (subprogram 1)—the first-ever programmatic policy-based operation—together with the forthcoming subprogram 2, helps the Government of Azerbaijan introduce rule-based fiscal planning, improve centralized monitoring and control of state-owned enterprises (SOEs) while raising corporate governance standards, initiate effective restructuring of SOEs, and improve the country's business environment and private sector participation prospects.

The ongoing \$400 million Railway Sector Development Program is helping to rehabilitate the tracks and structure of the Sumgayit–Yalama rail line. The program also facilitates railway sector reforms, including the corporate governance, operational efficiency, and financial sustainability of the Azerbaijan Railway Company.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides financial assistance to nonsovereign projects and financial

intermediaries. Total commitments from ADB's own funds (in equity and direct loans) in 2018 amounted to \$3.14 billion for 32 transactions in economic and social infrastructure, the finance sector, and agribusiness. ADB also actively mobilizes cofinancing from commercial and concessional sources. In 2018, ADB mobilized \$3.17 billion of long-term cofinancing and \$3.99 billion of cofinancing in trade finance, microfinance, and supply chain finance programs. Total outstanding balances and commitments of nonsovereign transactions funded by ADB's own resources stood at \$12.7 billion as of 31 December 2018.

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, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's Trade Finance Program and Supply Chain Finance Program.

ADB began cofinancing operations in Azerbaijan in 2002. Since then,

Azerbaijan: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2010	100.0	1
2012	50.0	2
2014	100.0	1
2016	100.0	1
Total	80.0	5

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample sizes, success rates do not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2018.

Azerbaijan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2017–2018

No. of Ongoing Loans ^a (as of 31 Dec 2018)	5		
	2017 (\$ million)	2018 (\$ million)	
Contract Awards ^{b,c}	100.34	156.23	
Disbursements ^b	326.32	631.05	
No. of Ongoing Grants ^a (as of 31 Dec 2018)	-		
		2017 (\$ million)	2018 (\$ million)
Contract Awards ^{b,c}	-	-	-
Disbursements ^{b,d}	-	-	-
Actual Problem Projects (%) (as of 31 Dec 2018)	-		

- = nil.

^a Based on commitments.

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

^c Excludes policy-based lending/grants.

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

Azerbaijan: Projects Cofinanced, 1 January 2014–31 December 2018

Cofinancing	No. of Projects	Amount (\$ million)
Projects	5	1,052.40
Official loans	1	100.00
Commercial cofinancing	4	952.40
Technical Assistance Grants	4	1.87

Azerbaijan: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2017		2018		Cumulative (as of 31 Dec 2018)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
Goods, Works, and Related Services	138.87	1.36	537.47	4.28	2,109.22	1.17
Consulting Services	1.29	0.17	1.38	0.20	15.95	0.13
Total Procurement	140.16	1.28	538.85	4.07	2,125.17	1.10

Top 5 Contractors/Suppliers from Azerbaijan Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2014–31 December 2018

Contractor/Supplier	Sector	Contract Amount (\$ million)
TTS Insaat (Azerbaijan) LLC & Tamir Tekinti Isthesaal (JV)	WUS	100.37
Akkord Industry Construction Investment Corp. OJSC	TRA, WUS	82.97
Euro-Asian Construction Corp. JSC	TRA	76.00
Retro Holding MMC	ENE	70.89
AZ Dizayn Inshaat MMC	WUS	63.54
Others		1,238.69
Total		1,632.45

ENE = energy, TRA = transport, WUS = water and other urban infrastructure and services.

Top 5 Consultants from Azerbaijan Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2014–31 December 2018

Consultant	Sector	Contract Amount (\$ million)
KPMG Ltd.	MUL	0.54
BDO Azerbaijan LLC	ENE	0.50
Kocks Consult GMBH	TRA	0.42
BCL Associates Ltd.	TRA	0.37
RSM Azerbaijan LLC	TRA, WUS	0.29
Individual Consultants		0.92
Others		0.71
Total		3.75

ENE = energy, MUL = multisector, TRA = transport, WUS = water and other urban infrastructure and services.

cumulative direct value-added official cofinancing commitments for Azerbaijan have amounted to \$102.5 million for two investment projects and \$2.72 million for six technical assistance projects. Cumulative DVA commercial cofinancing for Azerbaijan has amounted to \$1.1 billion for six investment projects.

In 2018, Azerbaijan received \$100 million in loan cofinancing from AFD for the Railway Sector Development Program.

A summary of projects with cofinancing from 1 January 2014 to 31 December 2018 is available at www.adb.org/countries/azerbaijan/cofinancing.

PARTNERSHIPS

The [Central Asia Regional Economic Cooperation \(CAREC\) Program](#) is a partnership of 11 countries, including Azerbaijan, and development partners working together to promote development through cooperation—with the ultimate aims of accelerated economic growth and poverty reduction. CAREC adopted its new long-term strategy, CAREC 2030, in October 2017. CAREC 2030 envisages focus on five operational clusters going forward: (i) economic and financial stability; (ii) trade, tourism, and economic corridors; (iii) infrastructure and economic connectivity; (iv) agriculture and water; and (v) human development. Integrating the use of information and communication technology across the spectrum of CAREC operations will be a cross-cutting priority.

ADB's [Azerbaijan Resident Mission](#) is an active participant in the country's

framework for development partner coordination, including in the sector groups on governance, private and finance sector development, agriculture, and energy.

The bank also cooperates with civil society organizations to strengthen the effectiveness, quality, and sustainability of its assistance.

PROCUREMENT

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 are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Share of ADB's Procurement Contracts

Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$10.2 billion in 2017 and \$12.55 billion in 2018. Cumulative procurement since 1966 has been \$180.86 billion covering 215,461 contracts.

In Azerbaijan, 150 contracts worth \$2.11 billion have been awarded to contractors and suppliers since 1999.

Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$746.79 million in 2017 and

\$696.18 million in 2018. Cumulative procurement since 1966 has been \$12.7 billion covering 59,248 contracts.

In Azerbaijan, 146 contracts worth \$15.95 million have been awarded to consultants since 1999.

OPERATIONAL CHALLENGES

A performance evaluation of country assistance, conducted in 2018, rated ADB's operations in Azerbaijan from 2011 to 2017 as successful.

The active ADB public portfolio in Azerbaijan comprises seven projects totaling \$1.55 billion, of which 58% is in transport, 9.7% is in water supply and sanitation, and 16.15% is in each of energy and public sector management.

ADB and the government have been working closely to strengthen the country's environmental and social safeguards systems; ensure compliance with standard ADB practices in procurement, financial management, and anticorruption initiatives; and incorporate gender equality measures into relevant development projects. Special attention is paid to strengthening the governance and institutional capacities of implementing agencies as well as to promoting the economic and financial sustainability of investments.

FUTURE DIRECTIONS

To support Azerbaijan's Strategic Roadmap on the National Economy Perspective, ADB assistance in the short to medium term will include investments in public sector management, transport (railways), energy, human capital, and private sector development.

In public sector management, ADB will continue to help improve Azerbaijan's public financial management framework, raise the efficiency of public sector institutions and strengthen private sector participation in the economy, including through public-private partnerships. ADB will prioritize the development of transport corridors to boost the country's connectivity. It will also promote the increased use of renewable energy,

enhance the energy sector's financial sustainability, and improve the power distribution network.

While remaining responsive to market demand, ADB's private sector operations will look for opportunities to engage in projects related to trade, finance, small and medium-sized enterprise expansion, and infrastructure development. ADB will also seek to

improve the environment for small and medium-sized enterprises by enhancing Azerbaijan's regulatory framework and establishing alternative financing instruments to expand access to finance.

ADB's increased knowledge work will focus on targeted policy advice, knowledge sharing, and economic analysis to help address the constraints to inclusive growth in Azerbaijan.



ABOUT AZERBAIJAN AND ADB

ADB Membership

Joined in 1999

Shareholding and Voting Power

Number of shares held:	47,208 (0.444% of total shares)
Votes:	86,905 (0.653% of total membership, 1.005% of total regional membership)
Overall capital subscription:	\$656.56 million
Paid-in capital subscription:	\$32.91 million

Tony McDonald is the Director and **Scott Dawson** is the Alternate Director representing Azerbaijan on the ADB Board of Directors.

Nariman Mannapbekov is the ADB Country Director for Azerbaijan. The Azerbaijan Resident Mission was opened in 2004 and is the primary link for ADB with the government, the private sector, civil society, and development partners. The resident mission engages in policy dialogue, development of the country partnership strategy and program, portfolio management, project and technical assistance implementation, coordination with development stakeholders, public relations, and knowledge management 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 68 members, 49 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. In 2018, lending volume was \$19.88 billion (126 projects), with technical assistance at \$241.20 million (280 projects) and grant-financed projects at \$1.42 billion (44 projects). In addition, \$14 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, 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 2014 to 31 December 2018, ADB's annual lending volume averaged \$15.99 billion. In addition, investment grants and technical assistance funded by ADB and Special Funds resources averaged \$583.95 million and \$184 million over the same period. As of 31 December 2018, the cumulative totals excluding cofinancing were \$275.82 billion in loans for 3,090 projects in 44 countries, \$9.38 billion in 374 grants, and \$4.52 billion in technical assistance grants, including regional technical assistance grants.

Notes:

ADB welcomed Niue as its 68th member in March 2019.

Figures are estimated by ADB unless otherwise stated. "\$" refers to United States dollars.

Data are updated as of 31 December 2018 unless otherwise indicated. Fact sheets are published annually in April.

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Useful ADB websites

Asian Development Bank
www.adb.org

Annual Report
www.adb.org/documents/series/adb-annual-reports

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

ADB Data Library
data.adb.org