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AZERBAIJAN

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It is a pleasure and honor to participate in 39th Annual Meeting of the Board of Governors of the Asian Development Bank, graciously hosted by the Government of India and the people of the historic city of Hyderabad. I hope this meeting will contribute to our joint efforts to make ADB an even more efficient institution well equipped to address the complex challenges of growing, developing and often interdependent Asian economies.

There were strong positive economic trends in many parts of the Asian region in 2005, despite natural disasters and growing energy prices. At present 30% of the world's GDP is created in the region and development trends indicate that the role of the region in the global economy will continue to grow dynamically. Our changing region represents new challenges. The ADB response to some of the unexpected challenges, such as the establishment and coordination of Pakistani Earthquake Fund and the Asian Tsunami Fund, deserves praise from each of us.

Azerbaijan has reestablished its economic and social system during the past 10 years and has achieved an average growth rate in excess of 10% per year since 1997, and 26% last year. Its GDP has tripled in 9 years and is set to double double again in 3 years. Azerbaijan graduated from being a net borrower to a middle income economy that has the potential to become a donor in next 5-7 years. It has created an infrastructure capable of absorbing an influx of significant oil and gas revenues that will start flowing from next year and it is manage its growth so that it can eradicate poverty in line with the Millennium Development Goals (MDGs).

I would like to share our view of the medium-term priorities and challenges that ADB is preparing to tackle.

Poverty Reduction

As has been noted numerous times during the past two days, poverty continues to be the major challenge for most countries in the region. ADB has a proven track record of fighting poverty in its member countries and it must continue these efforts. Continued concentration on projects that would have development impact, enlargement of private sector operations, along with continued interventions to support basic infrastructure needs should remain the focus of ADB. Taking the example of Azerbaijan, we managed to reduce the poverty level from a very high level of 49% in 2001, to 29% at the end of 2005. It should be noted that the number of people living on less than \$1 dollar a day does not exceed 1%. Although, the level of poverty is still high, Azerbaijan is nevertheless well placed to achieve the MDGs by 2015. We must continue our cooperation to make poverty history in the entire region.



Private Sector Focus

The primary purpose of economic development is the well-being of people through access to employment, infrastructure, education and health care. These cannot be efficiently achieved without the public and private sectors joining their efforts and resources efficiently. ADB has a greater role to play in promoting public-private partnerships, implementing private sector programs, and supporting growth. Today, the development of strong private sector which will become an engine for sustainable growth in years to come is among the top priorities for Azerbaijan, and I believe for many other countries of the region. We expect ADB to intensify its efforts in this direction, including through private sector development mechanisms that cannot be limited to borrowing instruments. A lot of effort is needed for the domestic private sector to grow.

Increased Transparency

The efficiency of our efforts depends to a large extent not only on the amount of the resources that can be devoted for development purposes, but also on the ability and capacity of both ADB and the beneficiaries to uphold standards of transparency in operations and good governance. This issue is especially important in the resource-rich countries of ADB, and Azerbaijan is not an exception. Transparency is a prerequisite for an effective fight against corruption and for this reason the Government of Azerbaijan has joined an Extractive Industries Transparency Initiative (EITI). In fact, Azerbaijan became the first country to submit an EITI report. We are currently in the process of preparing our third annual EITI report. We call on the other member countries to join this initiative, which provides for greater transparency, accountability and openness. We are delighted and impressed by commitment expressed in President Kuroda's address to tackle the difficult issue of governance and corruption in ADB operations as well as in its relationship with its member countries.

Regional Cooperation

ADB should be encouraged to take the lead in the promotion of regional and subregional cooperation. Only working together we can prepare for the challenges and opportunities of globalization, diversify and integrate our economies, develop our trade links, achieve more sustainable development, and combat natural disasters and global challenges. The successful construction of the multibillion dollar oil pipelines Baku-Tbilisi-Ceyhan and the natural gas pipeline Baku-Tbilisi-Erzurum passing through Azerbaijan, Georgia, and Turkey represents a successful example of what we can achieve working together. The projects will create thousands of new jobs in each country, increased energy stability and supplies, and a foreign investment flow. They will be constructed to the most rigid environmental requirements, setting standards for similar projects in future. As we speak, negotiations are underway with another ADB member, our friends and partners across the Caspian Sea, Kazakhstan to conclude a framework agreement that will make it possible for some of their energy reserves to be transported through the BTC oil pipeline. Regional initiatives of ADB such as CAREC are timely, relevant and important to the continued deepening of the cooperation across the borders.

There are, however, factors that limit regional cooperation in Central Asia and Caucasus, and the most important of them is the continued occupation of almost 20% of Azerbaijani territories. While welcoming Armenia to ADB, we call on it once again to stop the illegal occupation and withdraw its armed forces from Azerbaijan. We truly believe that only in spirit of good neighborhood and co-existence we can efficiently address our common development challenges.

On a separate note we also would like to welcome Brunei Darussalam as a new member to ADB.

The country strategy and program (CSP) for Azerbaijan is underway now. This will be a results-based CSP. We look forward to seeing the CSP reflect the priorities that we have had an opportunity to communicate today.

In conclusion, I would like to thank all the ADB Staff lead by President Kuroda, for their hard work to make this Annual Meeting a success.