

ADB Introduces Multitranche Financing Facility to Azerbaijan

A high-level mission from ADB visited Azerbaijan on 2-3 November to discuss with the Government joint strategy options, key business lines, and program approaches. The delegation was led by Juan Miranda, Director General, Central and West Asia Regional Department (CWRD) and comprised of Matthew Westfall, Director, Social Sector Division, CWRD; and Chin Choon Fong, Assistant General Counsel.

During the visit, Mr. Miranda presented ADB's Innovation and Efficiency Initiative, introducing a new multitranche financing facility (MFF) for government officials and line agencies.

The Government is currently considering a proposed MFF for the transport sector amounting to \$500 million to help develop the road network in Azerbaijan. The proposed MFF will comprise three tranches. The first tranche aims to help construct the expressway between Masally and Astara on the southern road corridor.

ADB's pilot MFF aims to establish a debt financing facility to target (i) discrete,



MEETING AT MINISTRY OF FINANCE (from left) Philip Chang, AZRM Officer-in-Charge; Matthew Westfall, Director, CWRD Social Sector Division; Juan Miranda, Director General, CWRD; Chin Choon Fong, Assistant General Counsel; Mardan Mardanov, Head of Foreign Economic Relations Department, Ministry of Finance; Samir Sharifov, Minister of Finance; Adalat Aliyev, Head of Asian Region Relations Division

sequential components of large stand-alone projects; (ii) slices (or tranches) of sector investment programs for longer time frame; (iii) financial intermediary credit lines; and (iv) guarantees. The proposed MFF incorporates all features of sector and cluster loans, coupled with the client's and ADB's sound cash and balance sheet management principles.

One advantage of MFF is enhanced programmatic approach to a country's long-term investment needs. "MFF will help ADB provide better services to developing member countries through application of more structured financial instruments and programmatic approach," says Mr. Miranda.

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INNOVATION AND EFFICIENCY INITIATIVE (IEI) PRESENTATION Juan Miranda (second from left), Director General, CWRD discusses ADB's IEI with government officials and line agencies

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In this publication, \$ refers to US dollars.

About ADB's Multitranche Facility

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The Multitranche Facility (MFF) is similar to a standby letter of credit or purpose-specific credit line. However, it does not become a contingent liability on the books of ADB clients or on ADB itself on approval. The unused parts of the facility are not registered as off balance sheet items. Entries in ADB and client balance sheets (and off balance sheets) under the MFF would be made only after loan agreements related to specific periodic commitments have been signed and made effective in line with the terms, conditions, and criteria approved by ADB's Board of Directors.

MFF is applicable to large stand-alone projects with discreet components, and is particularly efficient for sector investment programs, provision of financial intermediary credit lines (e.g., those targeting small and medium enterprises), and guarantees across all sectors and in every developing member country.

Under the MFF, a project approval procedure is simplified, requiring one-time submission of the project for consideration of ADB's Board of Directors. The Board will approve a given project for the specified maximum amount and utilization period. The steps involved in processing of MFF are mainly similar to existing

sector and project loan modalities. In the case of MFF for a sector investment program financing, key start-up parameters include the existence or preparation of detailed sector investment program (medium to long term), and detailed account of sector policy parameters, safeguard frameworks, governance, capacity and institutional stances, modes of procurement, financial management, and fiduciary oversight.

The investment program should also be consistent with the poverty reduction agenda. The client and ADB will evaluate this information and agree on a concept paper for transaction. Once parties have agreed, experts can carry out specific due diligence and structure the MFF. Due diligence should cover technical, commercial, financial, institutional, legal, environmental, social safeguards, governance, capacity, and fiduciary oversight matters.

Further processing will follow existing ADB practices, policies, and business processes for public sector operations. The processing of the proposal involves two interrelated steps: development of a framework financing agreement and execution of the related MFF loan agreements. ■

CAREC Business Development Forum Held in Urumqi, Xinjiang, PRC

More than 200 business leaders and policymakers from Afghanistan, Azerbaijan, People's Republic of China (PRC), Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan participated in ADB's Central Asia Regional Economic Cooperation (CAREC) Business Development Forum. The Forum, held from October 16 to 17 in Urumqi, Xinjiang, PRC, explored the vast opportunities for private and public sectors to enter into partnerships for development.

The Business Development Forum (BDF) was a follow-through effort of the Regional Business Roundtable held in Bishkek last year. It sought to deepen awareness of the region's development potential and investment opportunities.

Sabiq Abdullayev, Advisor to the Director General of the State Agency on Standardization, Metrology, and Patent represented Azerbaijan's Government on this forum. "I am grateful to ADB for providing such a great opportunity to participate on such event. I think that this event was especially valuable for prepared recommendations on development areas such as energy, mining, and finance for consideration on CAREC Ministerial Conference," says Mr. Abdullayev.

The forum participants recommended urgent initiatives in close cooperation with business sector and multilateral institutions to finance the region's massive infrastructure requirements estimated between \$2 billion and \$3 billion annually, make the region more attractive to foreign ventures through region-wide harmonization of

business-related and general sector policies, assume a stronger role in achieving CAREC's goal of development through cooperation, and pursue economic growth with adequate concern for social and environmental issues.

"I was extremely pleased that all participants agreed on the necessity to explore opportunities for public-private sector partnership and initiate bold measures to catalyze development of the business as an engine of growth in the region," adds Mr. Abdullayev.

BDF participants called for a greater role for business in the development of Central Asia and pledged to support regional cooperation efforts by working with governments and multilateral institutions on key programs and projects to spur growth.

The BDF was organized by the PRC's Ministry of Commerce, ADB, and the European Bank for Reconstruction and Development, in cooperation with the All-China Federation of Industry and Commerce. ■



CAREC BUSINESS DEVELOPMENT FORUM The Forum explores the vast opportunities for private and public sectors to enter into partnerships for development

AZRM News Briefs

CAREC Trade Policy Coordination Committee Workshop Held in Baku

The Central Asia Regional Economic Cooperation (CAREC) Trade Policy Coordination Committee (TPCC) held an outreach workshop in Baku, Azerbaijan on 28 September, targeting key stakeholders from government agencies, donors, private sector, and media. Philip Chang, AZRM Officer-in-Charge and Samir Veliyev, Ministry of Economic Development Head of Apparatus welcomed over 40 participants. Sona Shrestha, ADB Economist, Central and West Asia Regional Department (CWRD) and Sena Eken, Assistant Director, International Monetary Fund led the discussions. For more information, visit <http://www.adb.org/Documents/News/AZRM/azrm2006007.asp>.



ADB's NGO Initiative for the Prevention of HIV/AIDS Presented

Rafael Abbasov, Economics Officer of ADB's Azerbaijan Resident Mission, presented on 11 October ADB's HIV/AIDS Grant Program under the regional technical assistance program, to be financed by the HIV/AIDS Trust Fund. Representatives of civil society organizations and government agencies attended the presentation. Learn more about the program at <http://www.adb.org/NGOs/Grants/hiv-aids-grant.asp>



AZRM Participates in Second Annual Azerbaijan Credit Union Association Conference

Rafael Abbasov, presented ADB activities in the Second Annual Azerbaijan Credit Union Association Conference on 27 October, attended by over 60 government officials, donors, nongovernment organizations, and private sector representatives.



ADB Speaks on Renewable Project

Tianhua Luo, Energy Specialist, CWRD presented on 23 November ADB's renewable energy project in Azerbaijan at a workshop organized by the Ministry of Industry and Energy under a European Union-funded project to support the country's energy sector development. ■



New Publications

Toward a Cleaner Energy Future in Asia and the Pacific

This document provides a brief energy outlook for Asia and the Pacific and an assessment of options available for adjusting to the need for cleaner and more secure energy sources and more efficient energy use. It also outlines ADB's emerging initiatives to promote energy future in the region, including responses to climate change.

To order a copy, contact the Azerbaijan Resident Mission or download a free copy at <http://www.adb.org/Documents/Books/Cleaner-Energy-Future/Cleaner-Energy-Future.pdf>.



Action Plan to Speed up Regional Cooperation in Central Asia

The Central Asia Regional Economic Cooperation (CAREC) Fifth Ministerial Conference, held in Urumqi, People's Republic of China (PRC) on 20 October, adopted a comprehensive action plan to accelerate regional cooperation. The conference brought together ministers and senior officials from Afghanistan, Azerbaijan, PRC, Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, and Uzbekistan; and senior representatives of CAREC's six partner multilateral institutions (MI), and bilateral and other regional organizations.

Azerbaijan's delegation was headed by Samir Veliyev, Head of Apparatus, Ministry of Economic Development, and included representatives of the Ministry of Economic Development, Ministry of Transport, Ministry of Industry and Energy, and State Customs Committee.

Recognizing the growing momentum in regional cooperation and integration among CAREC countries, Ministers noted the program's increasingly important role in accelerating economic integration together with other regional organizations.

The conference welcomed the MI partners' increase in financial and technical support for the CAREC Program that more than doubled to about \$2.3 billion for 3 years starting in 2006. The MIs include ADB, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Programme, and World Bank.

The conference agreed to broaden and deepen the CAREC Program by adding special initiatives in new sectors such as human development, environment, agriculture, and tourism to the current priority areas such as transport, trade, and energy. The Program will take additional policy initiatives and approaches to regional cooperation such as capacity building, knowledge transfers, and the creation of economic corridors to integrate the region not only through networks of transport and other infrastructure but also through networks of economic activities.

The conference called on the multilateral partners to coordinate their regional cooperation initiatives in line with the action plan, avoiding duplication and maximizing the efficient use of resources.

The CAREC Program was initiated in 1997 with ADB support. Given the landlocked location, small size, and distance from major world markets of most participating CAREC countries, regional cooperation has the potential to greatly improve their economic development. ■



FIFTH MINISTERIAL CONFERENCE President Haruhiko Kuroda addresses the opening session of CAREC Fifth Ministerial Conference

NEWS FROM

Azerbaijan

The quarterly newsletter of the Asian Development Bank (ADB) Azerbaijan Resident Mission (AZRM) aims to enhance communications between ADB and its client groups. News from Azerbaijan disseminates information on ADB activities and provides a forum on development issues in Azerbaijan. Articles in the newsletter, however, do not necessarily reflect the official ADB view. We welcome readers' comments and suggestions.

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