

## AZERBAIJAN

### MEHMAN ABASOV, Head of Delegation

I feel greatly honored to have the opportunity to speak to you on behalf of the Republic of Azerbaijan at the Thirty-Seventh Annual Meeting of the Asian Development Bank (ADB) Board of Governors. Taking this opportunity I would like to thank the Government and people of the Republic of Korea, the authorities of Jeju Province, as well as ADB for their warm welcome, kind hospitality, and excellent arrangements for this meeting.

#### Recent Developments

Since 1995, Azerbaijan has made considerably progress both in economic and political life. Political stability and economic growth made it possible for us to launch a poverty reduction strategy that aims to increase the efficiency of budget allocations and donors' contribution to the development agenda of the country.

The implementation of the State Program on Poverty Reduction and Economic Development (SPPRED) that was approved in February last year is well under way with an annual progress report to be presented to the main stakeholders, including ADB, late this month. According to the preliminary estimates, 4-5% reduction in the poverty level is observed from the 49% level in 2001. A greater consistency between the strategic goals of the SPPRED, the budgetary process, and Public Investment Program was achieved during the course of the 2004 budget preparation.

Implementation of successful macroeconomic policy continued in 2003 with 11.2% real GDP growth where non-oil growth rate was 12.6%. Inflation (determined by the consumer price index) has remained modest at 2.2% for 2003. International reserves continued to grow. For the end of 2003 it was (excluding Oil Fund resources) \$757 million, that is equal to approximately 5 months of non-oil imports. Structural reforms have continued successfully with major focus on the energy and utilities sector. Significant progress was made in converting quasi-fiscal subsidies to fiscal ones.

In February, 2004 the President of Azerbaijan has approved the new State Program on Socio-Economic Development of the Regions for 2004-2008, that is fully consistent with the SPPRED and aims to further strengthen efforts for poverty reduction and employment opportunities with a special focus on balanced regional growth.

From the regional perspective, the construction of the Baku-Tibilisi-Ceyhan (BTC) main oil pipeline is under way and loan agreements for around \$1.2 billion for its financing have been finalized with the International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), and other financial institutions. Development of the BTC pipeline is being coordinated with another project – the South Caucasus Gas Pipeline—which follows the same route through Azerbaijan and Georgia to Turkey.

## **ADB and Azerbaijan**

It is now nearly 5 years since Azerbaijan became a member of ADB. During this time ADB continuously supported Azerbaijan in implementation of its priority policy directions toward poverty reduction and growth opportunities. The Interim Operational Strategy that was approved in 2000 continued to be main direction for ADB's activities in 2003 as well. Five technical assistance projects totaling \$2.4 million and one loan for \$22 million for flood mitigation were approved in 2003 by ADB for Azerbaijan. The Country Strategy and Update (2004-2006) approved in October, 2003 identifies the following priority areas for ADB assistance in Azerbaijan in the mentioned period:

- internally displaced persons,
- water supply and sanitation,
- agriculture and rural development,
- road infrastructure development, and
- early childhood development.

The Government of Azerbaijan is fully committed to cooperate with international developing partners towards achieving the Millennium Development Goals (MDGs). We highly appreciate the continuous support by the ADB Management and staff under leadership of President Tadao Chino in the implementation of serious policy reforms in this relation.

In conclusion, I would like to welcome to Luxembourg and Palau, as new members of ADB and wish all ADB members peace and prosperity.