



Azerbaijan: Power Distribution Development Investment Program

Project Name	Power Distribution Development Investment Program
Project Number	42401-012
Country / Economy	Azerbaijan
Project Status	Closed
Project Type / Modality of Assistance	Technical Assistance
Source of Funding / Amount	TA 7253-AZE: Power Distribution Development Investment Program Technical Assistance Special Fund US\$ 1.00 million
Strategic Agendas	Environmentally sustainable growth
Drivers of Change	Knowledge solutions
Sector / Subsector	Energy / Electricity transmission and distribution
Gender	
Description	
Project Rationale and Linkage to Country/Regional Strategy	<p>Azerbaijan has established a power sector capable of providing essential power supply service to all domestic consumers and the network was integrated with neighboring countries. However, an extended period of under-investment and limited maintenance has resulted in significant deterioration in the quality of the sector's infrastructure, mainly reflects on unreliable and inadequate power supply and high losses of the transmission and distribution networks.</p> <p>In order to establish a sustainable and financially viable power sector, the Government will need to address a number of key challenges: (i) develop a power sector road map and optimized development master plan, and identify the sector development priorities and policies; (ii) increase investment in the infrastructure and secure adequate funding; (iii) improve financial performance and governance of power utility, including transparency and accountability through institutional restructuring, commercialization and private sector participation; and (iv) improve legislative and regulatory framework with market principles and establish financial discipline.</p> <p>The State Program on the Development of the Fuel and Energy Sector of the Republic of Azerbaijan (2005?2015) sets out the Government's investment program. The power sector will require an estimated investment of \$3.8 billion during 2005?2015 for the construction of new generation plants and modernization of existing generation facilities, and strengthening of the power transmission grid. With the increase of Government budget and financing resources secured from other donors, adequate investment in the power generation and transmission subsectors are envisaged. However, the distribution sector has suffered from deterioration of facilities and outdated technology, resulting to excessive losses, frequent breakdowns during peak demand months, and poor quality of service.</p> <p>Azerenergy Joint Stock Company (Azerenergy), the state-owned enterprise responsible for power sector development and operation in Azerbaijan, requested ADB to support the power sector development, particularly on the enhancement and rehabilitation of power distribution networks. Azerenergy has requested ADB to provide a multitranche financing modality (MFF) in the amount of up to \$500 million for Power Distribution Development Investment Program (the Program).</p> <p>ADB's Country Strategy and Program Update 2006 for Azerbaijan indicates that ADB will address areas of the energy sector where other development partners are not active and that are consistent with ADB's environmental assessment. The proposed Program intends to enhance and upgrade the distribution networks' cover of about 40 administration districts under Azerenergy's managed power system, to improve reliability of power supply, reduce distribution losses, enhance energy efficiency, and improve Azerenergy's financial performance.</p>
Impact	<p>The proposed ADB multitranche financing facility for power sector development investment program will contribute to economic development in Azerbaijan through improved power sector operation. The investment program will focus on: (i) promoting pilot small hydropower development in the remote and underdeveloped rural region to supplement energy balance; (ii) strengthening transmission and distribution network to improve power supply reliability, reduce transmission and distribution losses, and enhance energy efficiency; and (iii) policy support, institutional restructuring and capacity building.</p>
Project Outcome	
Description of Outcome	The outcome of the PPTA is to set out a financing framework agreement and an investment program that is economically, financially, and technically feasible, and socially and environmentally acceptable.
Progress Toward Outcome	
Implementation Progress	
Description of Project Outputs	The expected output of the PPTA will be (i) a power sector roadmap and investment program, (ii) Azerenergy's restructuring and business plan, (iii) program design and financing agreed by the Government and ADB, and (iv) the completion of the feasibility study and due diligence assessment.
Status of Implementation Progress (Outputs, Activities, and Issues)	
Geographical Location	
Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	Extensive consultations with the Government and close coordination with stakeholders will be held to ensure better preparation of the sector roadmap and suitable investment program. To ensure compliance with ADB's safeguard policies for the environment and involuntary resettlement, field surveys will be undertaken.

During Project Implementation Field investigations, surveys and stakeholder consultations with central and local governments, NGOs, the private sector, consumers including vulnerable groups and major development partners in the power sector, is being conducted.

Business Opportunities

Consulting Services A total of 40 person-months consulting services (20 international and 20 national) will be required including Team Leader/ Power System Planning Specialist, Hydropower Development Specialist, Distribution and Loss Reduction Specialist, Economist, Financial Analysis and Financial Management Specialist, Environmental Specialist, Resettlement and Social Analysis Specialist. Key activities to be undertaken under the PPTA cover the following major areas: (i) sector performance assessment and development of a sector development roadmap and investment program; (ii) assessment of Azerenergy institutional capacity and development of a restructuring and business plan; (iii) project technical design; (iv) economic and financial evaluations; and (v) compliance with the national and ADB's safeguard policies. A consulting firm or consortium of firms will be engaged by ADB under its Guidelines on the Use of Consultants and its Borrowers (2007, as amended from time to time). A simplified technical proposal format and quality- and cost-based selection method (80:20 ratio) will be used.

Responsible ADB Officer	Luo, Tianhua
Responsible ADB Department	Central and West Asia Department
Responsible ADB Division	Energy Division, CWRD
Executing Agencies	Azerenergy Joint Stock Company Islam Rafibeyli irafibeyli@mail.ru 10, Ac. Abdulkerim Alizade Street Baku, AZ 1005, Azerbaijan Azerenergy Joint Stock Company Islam Rafibeyli, Head 10, Ac. Abdulkerim Alizade Str. Baku, AZ 1005, Azerbaijan

Timetable

Concept Clearance	29 Oct 2008
Fact Finding	24 Oct 2008 to 28 Oct 2008
MRM	-
Approval	20 Mar 2009
Last Review Mission	-
PDS Creation Date	19 Nov 2008
Last PDS Update	31 Aug 2011

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Milestones

Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
20 Mar 2009	02 Apr 2009	02 Apr 2009	31 Mar 2010	30 Sep 2012	31 Dec 2012

Financing Plan/TA Utilization

ADB	Cofinancing	Counterpart				Total	Cumulative Disbursements	
		Gov	Beneficiaries	Project Sponsor	Others		Date	Amount
1,000,000.00	0.00	200,000.00	0.00	0.00	0.00	1,200,000.00	17 Jun 2022	945,604.76

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Request for Information	http://www.adb.org/forms/request-information-form?subject=42401-012
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