



# Azerbaijan: AZE: ACCESS BANK PROMOTING RURAL FINANCIAL INCLUSION

Project Name	AZE: ACCESS BANK PROMOTING RURAL FINANCIAL INCLUSION				
Project Number	47905-014				
Borrower / Company	AccessBank Azerbaijan				
Country / Economy	Azerbaijan				
Location	Nation-wide				
Type or Modality of Assistance	3011	Loan	Ordinary capital resources	USD 50.00 million	Committed
Strategic Agendas	Inclusive economic growth				
Drivers of Change	Private sector development				
Sector / Subsector	Finance / Banking systems and nonbank financial institutions - Finance sector development - Inclusive finance - Small and medium enterprise finance and leasing				
Gender	Some gender elements				
Responsible ADB Department	Private Sector Operations Department				
Responsible ADB Division	Portfolio Management Division, PSOD				
Responsible ADB Officer	Ruble, George Gordon				
Project Sponsor(s)					
Description	The transaction provides \$50 million to AccessBank Azerbaijan (ABA). The proceeds will be used exclusively to support ABA's plan to increase lending to MSMEs in the underserved regions outside Baku, including secondary towns and rural districts. The assistance for the MSME segment is critical to support income and employment.				
Objectives and Scope	(i) ADB provides stable long-term financing that currently cannot be raised from the local market. Azerbaijan's capital markets are nascent, and public confidence in the finance sector is only gradually being restored. More broadly, the loan may contribute to increasing public confidence in the banking system, through the support of this strong and growing bank with significant outreach in underserved areas; (ii) The loan supports financial inclusion, specifically by targeting MSMEs in regions, including rural areas. Secondary towns play an important role as trade and service hubs linking agriculture to national and regional markets. MSMEs have not been well served by the traditional banking system, and ABA has developed specialized lending practices to reach these underserved customers. The ADB loan will support diversification in the regions outside Baku and to nonoil subsectors; and (iii) Through close on-site monitoring and dialogue with ABA management, ADB will support ABA's adherence to high corporate governance, social, environmental, and fiduciary standards; and enhance risk management.				
Status of Development Objectives	The number of MSME clients served increased by >20,000 (31%) reaching more than 125,000 MSMEs almost reaching the target of 130,000 clients for 2017. The number of MSME borrowers with up to 100 employees increased by 8% to 17,200. The amount of MSME business loans outstanding increased by >\$160 million (30%), reaching \$689 million (nearly the \$700 million target aimed for 2017). Source: Access Bank Azerbaijan, monthly management reports Two thirds of ABA clients are repeat borrowers contributing to an excellent portfolio quality (portfolio at risk >30 days of 0.36%) based on graduation of borrowers through a number of loan cycles. ABA has a very strong profitability with return on average assets of 4.3% and a return on equity of 28.9% during 2013. Since ADB's due diligence in April 2012, ABA demonstrated a strong push towards regionalization of its portfolio in terms of loan numbers and portfolio size as illustrated in the figures above. The average increase in loan size is a good indication that the business model that is based on, repeat borrowing with gradually increasing amounts, works well.				
Status of Operation/Construction	The Loan was approved on 19 July 2013. The Loan agreement was signed 24 July 2013 and fully disbursed on 24 September 2013.				
Material Changes	None.				
Linkage to Country/Regional Strategy	Financial sector development is a key focus of ADB assistance as set out in ADB's Private Sector Development Strategy and Enhanced Poverty Reduction Strategy, which note economic growth, stimulated by private sector investment, as a key contributing factor in reducing poverty. These strategies also note the importance of generating jobs, with private sector employment being the major source of income for workers and their families. The Private Sector Development Strategy emphasizes ADB's role in strengthening finance sectors in its developing member countries. It provides that SME beneficiaries of financial intermediation are important employers and providers of income to contribute to poverty reduction. Support of financial intermediaries is important to instill confidence and rehabilitate the finance sector in countries affected by macroeconomic shocks and financial crises. The loan is consistent with ADB's financial sector operational plan and the 2007 report of the Working Group on Rural Poverty, which underscores the importance of rural finance and promotes financial inclusion of underserved poor households, farmers, and SMEs. ADB plays an important role in supporting deepening of services in Azerbaijan's finance sector. The proposed loan would be ADB's second loan to ABA, building on the success of the previous loan, and specifically targeting MSMEs in the regions where access to finance is most limited.				
Safeguard Categories					
Environment					FI
Involuntary Resettlement					FI
Indigenous Peoples					FI
Summary of Environmental and Social Aspects					
Environmental Aspects	Access Bank Azerbaijan has an Environmental and Social Management System in place that complies with ADB's Safeguard Policy Statement (SPS, 2009). Any investment classified Environment 'high risk' will not be financed under the loan. High risk is equivalent to category A and Medium risk equivalent to category B in ADB's SPS.				
Involuntary Resettlement	Any investment classified Involuntary Resettlement 'high risk' or 'medium risk' will not be financed under the loan. High risk is equivalent to category A and Medium risk equivalent to category B in ADB's SPS.				

Indigenous Peoples	Any investment classified Indigenous Peoples 'high risk' or 'medium risk' will not be financed under the loan. High risk is equivalent to category A and Medium risk equivalent to category B in ADB's SPS.
Stakeholder Communication, Participation, and Consultation	regular on-site visits of ABA

#### Timetable for assistance design, processing and implementation

Concept Clearance	15 Apr 2013
Credit Committee Meeting	03 Jun 2013
Approval	19 Jul 2013
PDS Creation Date	27 Jun 2013
Last PDS Update	10 May 2018

Project Page	<a href="https://www.adb.org/projects/47905-014/main">https://www.adb.org/projects/47905-014/main</a>
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