

## COUNTRY STRATEGY FINAL REVIEW

CPS Priorities	Validity of the Strategic Focus	Resource Allocation Retrospectives	Lessons
<b>Core areas of specialization</b>			
<b>Infrastructure: energy</b>	The power transmission enhancement would remove transmission bottlenecks, reduce transmission line losses, and provide reliable power supply to communities and industries.	\$189 million, 2000–2012	ADB needs to design better project implementation management to avoid project delays.
<b>Infrastructure: water supply and sanitation</b>	Provision of a reliable water supply and sanitation system in the regional towns and villages contributed to improved health and sanitation and increased the people's living standards in the selected regions.	\$410 million, 2000–2012	ADB needs to improve projects' quality-at-entry to avoid issues such as cost overruns and project delays encountered in the past.
<b>Infrastructure: transport</b>	Transport interventions contribute to reducing poverty through job creation generated by the infrastructure projects, boosting trade and industry, and better access to markets. They also provided benefits in terms of lowered costs, reduced travel time, and fewer traffic accidents.	\$510 million, 2000–2012 <sup>a</sup>	ADB needs to take into consideration the following factors when designing its assistance: (i) minimize start-up delays by dedicating more time for up-front work and quality-at-entry review, including detailed design, procurement, and compliance with social safeguards, and (ii) select suitable lending and non-lending modalities.
<b>Infrastructure: basic infrastructure for IDPs</b>	New settlements and basic infrastructure for IDPs would improve the living conditions of refugees and IDPs.	\$3.3 million, 2000–2012	ADB needs to design better project implementation arrangements (including planning, procurement, execution, and supervision). The provision of microfinance funds should target the community at large.
<b>Finance sector development</b> Micro and rural finance development  Strengthening corporate governance of banks	Lending operations to local banks have supported the growth of small and medium enterprises. Operations have eventually generated employment and income opportunities.	\$69 million, 2000–2012	With ADB loans to private banks performing from partly to highly successful, ADB should continue to engage in the development of Azerbaijan's nascent banking sector through lending and advisory services to improve loan performance and to help it reach maturity and play a

			greater role in the country's economic diversification.
<b>Agriculture and rural development</b>	Flood mitigation prevented agriculture land from being destroyed by floods, maximized the use of land for productive activities, and thus generated income and reduced poverty.	\$23 million, 2000–2012	Ensure stable staffing to provide greater continuity in project management. Ensure that provisions are made for effective monitoring and evaluation systems.
<b>Education and health</b> Strengthening early childhood development  Basic education	The TA directly addressed Azerbaijan's interest in improving human development through investing in young children, which was stipulated in its development strategy.	\$600,000	No ensuing loan following the TA. ADB needs to ensure widespread buy-in by government and engage in regular dialogue to avoid changes in commitment.
<b>Drivers of change</b>			
<b>Private sector development and private sector operations</b>	Azerbaijan required a better enabling environment for the private sector to grow. ADB also provided trade finance, loans to private banks, and a loan to a private cement producer.	\$93 million	The formal legal and regulatory framework is not a significant barrier to private sector development in Azerbaijan compared to unofficial monopolies, private sector capacity constraints, limited access to finance, and weak governance systems.
<b>Gender equity</b>	Greater involvement of women in economic development is necessary to improve their economic and social standing.		ADB should focus on strengthening women's participation in the labor force for their economic empowerment and ensuring that they are involved in project planning and monitoring.
<b>Good governance and capacity development</b>	ADB added value in promoting sound financial management, transparent procurement practices, and high integrity standards. Also, government institutions were exposed to best practices in planning and programming, project management, and environment and social safeguarding.		Governance and capacity development initiatives have to be demand-driven and have clear government ownership of the processes.

<sup>a</sup> Excluding a new loan for a road project of \$250 million approved in 2012 but not yet effective.

IDP = internally displaced person, TA = technical assistance.

Sources: ADB staff analysis; ADB. 2011. *ADB Assistance Strategy Final Review for Azerbaijan*. Manila; and ADB. 2012. *Validation Report. Azerbaijan: Validation of the Final Review of Country Operations, 2000–2011*. Manila.