

ASIAN DEVELOPMENT BANK MEMBER FACT SHEET



Azerbaijan: 2016 Approved Loans, Grants, and Technical Assistance (\$ million)

Loans		Technical Assistance	Grants	Total
Sovereign ^a	Nonsovereign			
825.00	500.00	4.40	–	1,329.40

– = nil.

Note: Grants and technical assistance include ADB-administered cofinancing.

^a Does not include the partial credit guarantee of \$500 million.

ADB supports Azerbaijan in diversifying the country's economy, fostering new economic opportunities, promoting inclusive growth, and reducing disparities between urban and rural areas.

AZERBAIJAN

Azerbaijan joined the Asian Development Bank (ADB) in 1999, and ADB has since approved \$3.65 billion in lending, grants, and technical assistance.

ADB operations in Azerbaijan were initially guided by an interim operations strategy approved in 2000, and followed by five program updates. In 2013, ADB reclassified Azerbaijan as a middle-income country, making it no longer eligible for ADB concessional lending from Asian Development Fund resources.

In 2014, ADB approved a comprehensive country partnership strategy, 2014-2018 for Azerbaijan. The country partnership strategy aims to diversify Azerbaijan's economy, foster new economic opportunities, promote inclusive growth, and reduce disparities between urban and rural areas. In 2015, Azerbaijan hosted the 48th Annual Meeting of the ADB Board of Governors in its capital, Baku. This event reaffirmed the strong cooperation between ADB and Azerbaijan.

Cumulative disbursements to Azerbaijan for lending and grants financed by ordinary capital resources, the Asian Development Fund, and other special funds amount to \$2.11 billion.

ADB-SUPPORTED PROJECTS AND PROGRAMS

Projects supported by ADB in Azerbaijan have seen 240,000 people protected from the effects of flooding, while over 251,000 residents of five rural towns have received high-quality and reliable drinking water for the first time. ADB has helped construct approximately 200 kilometers (km) of new and upgraded highways and rural roads, benefiting the country's entire population, and boosting the country's connectivity within the Central Asia Regional Economic Cooperation region.

Azerbaijan: Cumulative Lending, Grant, and Technical Assistance Approvals^{a, b, c}

Sector	No.	Total Amount (\$ million) ^d	% ^d
Agriculture, Natural Resources, and Rural Development	3	23.20	0.64
Energy	13	1,193.65	32.69
Finance	12	233.55	6.40
Health	1	0.60	0.02
Public Sector Management	10	504.76	13.83
Transport	17	1,059.43	29.02
Water and Other Urban Infrastructure and Services	11	635.83	17.42
Total	67	3,651.02	100.00

^a Grants and technical assistance include ADB-administered cofinancing.

^b Includes sovereign and nonsovereign loans and technical assistance.

^c Using primary sector in reporting of approvals.

^d Numbers may not sum precisely because of rounding.

Azerbaijan: Cumulative Nonsovereign Financing by Product

No. of Transactions	Amount (\$ million)
Loans	1,008.00
Equity Investments	–
Guarantees	–
B Loans	230.00
Total	1,238.00

– = nil.



It has invested in improvement of power transmission to deliver energy more reliably and reduce power outages. Other ADB assistance in Azerbaijan has helped raise the living conditions of more than 400 internally displaced families, rehabilitated four schools, and provided small loans to those displaced, many of whom are women.

Across 2016, ADB approved 4 loans totaling \$1.325 billion for Azerbaijan.

In July, ADB approved \$250 million as the first tranche of the \$750 million Power Distribution Enhancement Investment Program. The investment aims to support the government's efforts to provide reliable and efficient power to meet its growing energy needs for inclusive development, especially in regional cities and rural areas. The investment program will also improve institutional capacity with sector reforms.

In August, ADB approved \$75 million as the last tranche of the Water Supply and Sanitation Investment Program. The loan will help construct around 37.2 km of water supply network; 5,000 cubic meters of reservoirs; 42.6 km of sewerage network; and 2 wastewater treatment plants, each with capacity of 20,000 cubic meters per day.

In December, ADB approved a nonsovereign loan of \$500 million and a partial credit guarantee for the same amount to support commercial bank financing for the government's 16.67%

share of development costs for the Shah Deniz Gas Field Expansion Project. The project aims to improve Azerbaijan's fiscal position by increasing export revenue from natural gas, and to create more jobs locally.

Also in December, ADB approved a countercyclical support facility of \$500 million to mitigate the impact of significantly lower oil prices and the economic downturn in Azerbaijan's major trading partners, both of which have triggered recession in the country. The countercyclical support facility will enable the government to continue its planned fiscal stimulus for social assistance programs, and to promote inclusive private sector development and employment.

NONSOVEREIGN OPERATIONS

As a catalyst for private investments, ADB provides direct financial assistance to nonsovereign public sector and private sector transactions in the form of direct loans, equity investments, guarantees, B loans, and trade finance. Since its inception, ADB has approved \$1,238 million in nonsovereign financing for 11 private sector transactions in Azerbaijan. Total outstanding balances and commitments of ADB's private sector transactions in the country as of 31 December 2016 was \$373.6 million, representing 3.8% of ADB's total nonsovereign portfolio.

ADB's Trade Finance Program (TFP) fills market gaps by providing guarantees and loans through partner banks in support of trade. The TFP has done over 14,000 transactions supporting over \$26 billion in trade and over 9,300 small and medium-sized enterprises in Asia and the Pacific since 2004. In 2016, the TFP supported \$3.1 billion in trade through over 2,080 transactions.

In Azerbaijan, the TFP has supported \$43.8 million in trade between 54 transactions. In addition to filling market gaps, the TFP's objective is to mobilize private sector capital/involvement in developing Asia. In Azerbaijan, 9.1% of the \$44 million in trade supported through the TFP was cofinanced by the private sector.

COFINANCING

Cofinancing operations enable ADB's financing partners, governments or their agencies, multilateral financing institutions, and commercial organizations to participate in financing ADB projects. Additional funds are provided in the form of official loans and grants, technical assistance, other concessional financing, and commercial cofinancing such as B loans, risk transfer arrangements, parallel loans and equity, guarantee cofinancing, and cofinancing for transactions under ADB's TFP.

From 1999 to the end of 2016, cumulative direct value-added (DVA)

Azerbaijan: Project Success Rates

Year	Success Rate (%)	No. of Independently Evaluated Projects and Programs
2010	100.0	1
2012	50.0	2
2014	100.0	1
2016	100.0	1
Total	80.0	5

Note: "Year" refers to the circulation year of the project completion report (PCR). The success rates reported here are based on the ratings from validated PCRs and independently evaluated performance evaluation reports only and do not include self-evaluations. With small sample size, the success rate does not necessarily represent country operations performance.

Source: PCR validation reports and project/program performance evaluation reports ratings database as of 31 December 2016.

Azerbaijan: Portfolio Performance Quality Indicators for Sovereign Lending and Grants, 2015–2016

	No. of Ongoing Loans (as of 31 Dec 2016)	
	2015 (\$ million)	2016 (\$ million)
Contract Awards/Commitments ^{a,b}	182.49	273.21
Disbursements ^a	190.12	776.68
No. of Ongoing Grants (as of 31 Dec 2016)		
	2015 (\$ million)	2016 (\$ million)
Contract Awards/Commitments ^{a,b}	-	-
Disbursements ^{a,c}	-	-
Actual Problem Projects (%) (as of 31 Dec 2016)	-	-

- = nil.

^a Includes closed loans/grants that had contract awards or disbursements during the year.

^b Excludes policy-based lending/grants.

^c Includes only Asian Development Fund and other ADB special funds.

Azerbaijan: Projects Cofinanced, 1 January 2012–31 December 2016

Cofinancing	No. of Projects	Amount (\$ million)
Projects	3	665.62
Commercial cofinancing	3	665.62
Technical Assistance Grants	4	1.87

Azerbaijan: Share of Procurement Contracts for Loan, Grant, and Technical Assistance Projects

Item	2015		2016		Cumulative (as of 31 Dec 2016)	
	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total	Amount (\$ million)	% of Total
	Goods, Works, and Related Services	116.11	1.05	797.97	6.99	1,435.86
Consulting Services	0.32	0.05	0.28	0.05	13.11	0.12
Total Procurement	116.43	0.99	798.25	6.63	1,448.97	0.85

Top 5 Contractors/Suppliers from Azerbaijan Involved in Goods, Works, and Related Services Contracts under ADB Loan and Grant Projects, 1 January 2012–31 December 2016

Contractor/Supplier	Sector	Contract Amount (\$ million)
TTS Insaat (Azerbaijan) LLC & Tamir Tekinti Isthesaal (JV)	WUS	89.87
Gemiqaya Sirketi Ltd.	WUS	77.95
Euro-Asian Construction Corp. JSC	TRA	76.00
Evrasccon Euro-Asian Construction Corp.	TRA	66.57
Dizayn Insaat MMC	WUS	63.54
Others		761.58
Total		1,135.53

TRA = transport, WUS = water and other urban infrastructure and services.

Top 5 Consultants from Azerbaijan Involved in Consulting Services Contracts under ADB Loan, Grant, and Technical Assistance Projects, 1 January 2012–31 December 2016

Consultant	Sector	Contract Amount (\$ million)
Rsm Azerbaijan LLC	TRA, WUS	0.26
BKR Isik Consulting	WUS	0.14
Unicef (United Nations Children's Emergency Fund) Azerbaijan	WUS	0.10
Grant Thornton Azerbaijan	TRA	0.06
Finance and Social Innovation Consulting	FIN	0.05
Individual Consultants		0.88
Others		0.03
Total		1.52

FIN = finance, TRA = transport, WUS = water and other urban infrastructure and services.

official cofinancing for Azerbaijan amounted to \$2.5 million for one investment project and \$2.7 million for six technical assistance projects. Cumulative DVA commercial cofinancing for Azerbaijan amounted to \$809.41 million for five investment projects.

A summary of projects with cofinancing from 1 January 2012 to 31 December 2016 is available at www.adb.org/countries/azerbaijan/cofinancing

PARTNERSHIPS

ADB collaborates closely with the Government of Azerbaijan and its agencies. ADB helped prepare the government's strategic road map for the national economy, particularly in the areas of financial services, public utilities, and education.

ADB also facilitates partnerships and encourages dialogue between Azerbaijan and other Central Asia Regional Economic Cooperation countries on issues of transport, energy, trade negotiation, and policy development.

In 2016, the ADB office in Azerbaijan joined other development partners in donor coordination meetings on programming and project implementation. These partners included the World Bank, the European Bank for Rehabilitation and Reconstruction, the Islamic Development Bank, the Japan International Cooperation Agency, the European Union, German development cooperation through KfW and GIZ, the Korean International Cooperation Agency, and Switzerland's State Secretariat for Economic Affairs.

ADB cooperates with civil society organizations to strengthen the effectiveness, quality, and sustainability of its assistance. In 2016, ADB engaged a civil society organization to help educate women on how to start their own businesses.

PROCUREMENT

Each year, ADB provides loans, grants, and technical assistance to fund projects and activities in its developing member countries; and several billion dollars in contracts to procure goods, works, and consulting services. Most contracts are awarded on the basis of international competition, which is open to firms and individuals from any ADB member, regional or nonregional.

Share of ADB's Procurement Contracts

Goods, Works, and Related Services

ADB's procurement contracts in Asia and the Pacific for goods, works, and related services under loan and grant operations totaled \$11.09 billion in 2015 and \$11.42 billion in 2016. Cumulative procurement since 1966 was \$158.68 billion covering 206,915 contracts.

In Azerbaijan, 119 contracts worth \$1.44 billion were awarded to contractors and suppliers since 1999.

Consulting Services

ADB's procurement contracts in Asia and the Pacific for consulting services under loan, grant, and technical assistance operations totaled \$655.31 million in 2015 and \$612.46 million in 2016. Cumulative

procurement since 1966 was \$11.26 billion covering 52,232 contracts.

In Azerbaijan, 113 contracts worth \$13.11 million were awarded to consultants since 1999.

OPERATIONAL CHALLENGES

ADB has been steadily growing its portfolio in Azerbaijan over the past 16 years. ADB and the government have been working closely to improve the capacity of agencies to execute and implement projects, the strength of environmental and social safeguards, and compliance with standard ADB practices in procurement and financial management.

FUTURE DIRECTIONS

The Government of Azerbaijan has prepared a draft strategic road map for the country's development. The road map's key objective is to ensure competitive, sustainable, and inclusive economic growth. This will entail improving the country's infrastructure, making social development more inclusive through education, reducing regional economic disparities, and improving the business environment for private sector growth. The road map's priority sectors include agriculture, small and medium-sized enterprises, financial services, technical and vocational education and training, and public utilities.

ADB will support the construction of roads and rail corridors, providing linkages with neighboring countries and expanding opportunities for rural communities. ADB will help expand Azerbaijan's electricity network and

build the financial management capacity of the network's operator. ADB will also support the reform agenda of the government, assist in improving technical and vocational education and training, and leverage in-country expertise to produce and distribute knowledge products and services in

Azerbaijan. Private sector opportunities will continue to be explored to further diversify the economy and to help private enterprise play a greater role in developing industry, trade, small and medium-sized enterprises, and infrastructure.



ABOUT AZERBAIJAN AND ADB

ADB Membership

Joined in 1999

Shareholding and Voting Power

Number of shares held:	47,208 (0.445% of total shares)
Votes:	86,815 (0.654% of total membership, 1.004% of total regional membership)
Overall capital subscription:	\$634.63 million
Paid-in capital subscription:	\$31.81 million

Mathew Fox is the Director and **Scott Dawson** is the Alternate Director representing Azerbaijan on the ADB Board of Directors.

Nariman Mannapbekov is the ADB Country Director for Azerbaijan. The Azerbaijan Resident Mission was opened in 2004 and provides the primary operational link for activities between ADB and the government, the private sector, civil society stakeholders, and development partners. The resident mission engages in policy dialogue, country partnership strategy development and programming, and portfolio management, while also acting as a knowledge base on development issues in Azerbaijan.

The Azerbaijan government agency handling ADB affairs is the Ministry of Finance.

ABOUT THE ASIAN DEVELOPMENT BANK

ADB is a multilateral development bank owned by 67 members, 48 from the region and 19 from other parts of the world. ADB's main instruments for helping its developing member countries are policy dialogue, loans, equity investments, guarantees, grants, and technical assistance. In 2016, lending volume was \$16.35 billion (126 projects), with technical assistance at \$169.03 million (225 projects) and grant-financed projects at \$526.75 million (31 projects). In addition, \$14.06 billion was generated in direct value-added cofinancing in the form of official loans and grants, other concessional cofinancing, and commercial cofinancing such as B loans, risk transfer arrangements, guarantee cofinancing, parallel loans, parallel equity, and cofinancing for transactions under ADB's Trade Finance Program. From 1 January 2012 to 31 December 2016, ADB's annual lending volume averaged \$13.74 billion. In addition, investment grants and technical assistance funded by ADB and special funds resources averaged \$562.24 million and \$154.91 million in technical assistance over the same period. As of 31 December 2016, the cumulative totals excluding cofinancing were \$247.28 billion in loans for 2,935 projects in 44 countries, \$7.75 billion in 296 grants, and \$4.06 billion in technical assistance grants, including regional technical assistance grants.

CONTACTS

Azerbaijan Resident Mission

45A, Khagani Street, Landmark II
3rd Floor, Baku, AZ1010, Azerbaijan
Tel +994 12 437 3477
Fax +994 12 437 3475
adbazrm@adb.org

ADB Headquarters

6 ADB Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Tel +63 2 632 4444
Fax +63 2 636 2444

Ministry of Finance

Baku, AZ1022, Azerbaijan
Tel +994 12 404 4699
Fax +994 12 404 4721
www.maliyye.gov.az

Useful ADB websites

Asian Development Bank
www.adb.org

Asian Development Outlook
www.adb.org/publications/series/asian-development-outlook

Annual Report
www.adb.org/documents/series/adb-annual-reports

Depository Libraries
www.adb.org/publications/depositories

To access a complete list of development and economic indicators, visit:

Statistics and Databases
www.adb.org/data/statistics