Implementation Status & Results

Azerbaijan

Capital Markets Modernization Project (P120321)

<table>
<thead>
<tr>
<th>Operation Name: Capital Markets Modernization Project (P120321)</th>
<th>Project Stage: Implementation</th>
<th>Seq.No: 7</th>
<th>Status: ARCHIVED</th>
<th>Archive Date: 22-Nov-2014</th>
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<tbody>
<tr>
<td>Country: Azerbaijan</td>
<td>Approval FY: 2011</td>
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**Key Dates**

- **Board Approval Date**: 17-Mar-2011
- **Original Closing Date**: 31-Dec-2015
- **Planned Mid Term Review Date**: 20-Jan-2014
- **Last Archived ISR Date**: 11-Jun-2014
- **Effectiveness Date**: 07-Nov-2011
- **Revised Closing Date**: 31-Dec-2015
- **Actual Mid Term Review Date**: 03-Feb-2014

**Project Development Objectives**

*Increase the use of equity and corporate debt as financing and/or investment instruments through the adoption of an effective capital markets regulatory framework and infrastructure.*

Has the Project Development Objective been changed since Board Approval of the Project?

- [ ] Yes
- [x] No

**Component(s)**

<table>
<thead>
<tr>
<th>Component Name</th>
<th>Component Cost</th>
</tr>
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<tbody>
<tr>
<td>Component 1: Streamlining and Automating Market Infrastructure.</td>
<td>6.00</td>
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<tr>
<td>Component 2: Updating and Strengthening the Legal and Regulatory Framework.</td>
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<td>Component 3: Stimulating Supply.</td>
<td>1.80</td>
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<td>Component 4: Capacity Building</td>
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**Overall Ratings**

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<tr>
<th></th>
<th>Previous Rating</th>
<th>Current Rating</th>
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<tbody>
<tr>
<td>Progress towards achievement of PDO</td>
<td>Satisfactory</td>
<td>Satisfactory</td>
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<tr>
<td>Overall Implementation Progress (IP)</td>
<td>Moderately Satisfactory</td>
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<tr>
<td>Overall Risk Rating</td>
<td>Substantial</td>
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**Implementation Status Overview**

The State Committee for Securities (SCS) is progressing towards the CMMMP’s benchmarks and goals. The single main consultancy assignment for USD 8.4 million was launched in September 2012 and contract implementation is satisfactory. The first stage of the two-stage Capital Market Information System (CMIS) bidding process has been completed. The Listing Advisory Program (LAP) was launched in mid April. However, past delays in implementation of the CMIS and LAP require increased efforts to ensure an overall timely implementation within the current project closing date.
<table>
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**Results**

**Project Development Objective Indicators**
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<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
<th>Date</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Increased issuance of corporate bonds</td>
<td></td>
<td>Percentage</td>
<td>Value</td>
<td>1.90</td>
<td>14.90</td>
<td>30-Sep-2014</td>
<td>The ratio of corporate debt to 2010 non-oil GDP at 14.9% is ahead of schedule, due to an overall net increase in the amount of corporate bonds outstanding.</td>
</tr>
<tr>
<td>Increased number of companies with listed equity (accumulative)</td>
<td></td>
<td>Number</td>
<td>Value</td>
<td>2.00</td>
<td>1.00</td>
<td>30-Sep-2014</td>
<td>The “number of listed equity securities” has remained at 1. Reversing this trend depends on successful implementation of the LAP.</td>
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<tr>
<td>Improved price transparency</td>
<td></td>
<td>Percentage</td>
<td>Value</td>
<td>0.00</td>
<td>0.00</td>
<td>30-Sep-2014</td>
<td>The progress on this indicator remains flat. However, success regarding this aspect is readily at hand. If the SCS enacts a 'bestexecution' rule as planned the number of trades exposed to the open, competitive market bids and offers will grow to 100%.</td>
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</table>

**Intermediate Results Indicators**

<table>
<thead>
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<th>Indicator Name</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Current</th>
<th>End Target</th>
<th>Date</th>
<th>Comments</th>
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</thead>
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<tr>
<td>Ratio of market participants electronically linked to market infrastructure (trading, clearing and settlements)</td>
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<td>Percentage</td>
<td>Value</td>
<td>0.00</td>
<td>100.00</td>
<td>30-Sep-2014</td>
<td>Electronic access by market participants has been fully achieved, with a 100% tie-in. The new IT system to be acquired under Component #1 will only need to continue this feature.</td>
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<tr>
<td>Enactment of a new Capital Market Act</td>
<td></td>
<td>Text</td>
<td>Value</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td></td>
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<tr>
<td>Promulgation of capital markets regulation required upon enactment of Law</td>
<td>Text</td>
<td>Value</td>
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<td>Comments</td>
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<td></td>
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<td>No</td>
<td>15-May-2011</td>
<td>The draft law and conforming amendments to civil code has been submitted to Presidential administration. It is expected that the law will be adopted by Parliament by end 2014.</td>
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<td>No</td>
<td>30-Sep-2014</td>
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<table>
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<tr>
<th>Number of companies involved in the listing advisory program (debt and equity)</th>
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<th>Comments</th>
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<tr>
<td></td>
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<td>0.00</td>
<td>15-May-2011</td>
<td>The full package of implementing regulations are expected to be finalized in the 4th quarter of 2014 so that the regulations can be adopted shortly after enactment of the Law.</td>
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<td>1.00</td>
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<td>31-Dec-2013</td>
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<tr>
<th>Increased of the threshold pass rate of the Financial Certification examination for market participants</th>
<th>Percentage</th>
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<td>50.00</td>
<td>15-May-2011</td>
<td>The “increased threshold of the pass rate for professional certification” is within the authority of the SCS. And, it has been raising as planned.</td>
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<td>31-Dec-2013</td>
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<th>Consumer Awareness of Capital Market Instruments</th>
<th>Number</th>
<th>Value</th>
<th>Date</th>
<th>Comments</th>
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<td></td>
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<td>24.00</td>
<td>15-May-2011</td>
<td>Consumer awareness of capital markets instruments is improving almost in line with the expected targets.</td>
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Data on Financial Performance (as of 19-Sep-2014)

Financial Agreement(s) Key Dates

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<th>Signing Date</th>
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<th>Original Closing Date</th>
<th>Revised Closing Date</th>
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Disbursements (in Millions)

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<td>USD</td>
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Disbursement Graph

Key Decisions Regarding Implementation

None

Restructuring History

There has been no restructuring to date.

Related Projects

There are no related projects.