

<b>1. CPS Data</b>	
<b>Country: Azerbaijan</b>	
<b>CPS Year: FYS11-14</b>	<b>CPS Period: FY11 – FY14</b>
<b>CLR Period: FY11 – FY14</b>	<b>Date of this review: June 30, 2015</b>

<b>1. Overall IEG Assessment</b>		
	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Development Outcome:</b>	<i>Satisfactory</i>	<i>Satisfactory</i>
<b>WBG Performance:</b>	<i>Good</i>	<i>Good</i>

<b>2. Executive Summary</b>		
<p>i. After a period of rapid growth and concomitant poverty reduction following the exploitation of its deep-sea oil reserves, Azerbaijan was transitioning from IDA to IBRD status at the start of this CPS period. The country had a relatively stable political environment, including continuity of Government from 2003 through the CPS period. The CPS was prepared in the aftermath of the global financial and economic crisis, which exposed vulnerabilities in Azerbaijan's development model of high reliance on oil and other natural resource exports. As a result, Government National Development Plans emphasized the need to diversify sources of growth, increase its inclusivity and ensure economic benefits are shared with the broader population.</p> <p>ii. The CPS was anchored in this Government strategy and had two main focus areas: (i) strengthening Azerbaijan's non-oil economy; and (ii) improving social and municipal services (education, health, water supply and social protection). The CPS period (FY11-14) inherited a large and poorly performing portfolio of 21 projects with net commitments totaling about \$1.9 billion at the end of FY10. In this context, the CPS placed primary emphasis on faster implementation of the existing portfolio and proposed to calibrate new lending to improved implementation performance, retaining considerable flexibility. In the final analysis, Bank lending to Azerbaijan amounted to about \$807 million for 10 investment operations, about \$50 million above the upper end of the range provided in the CPS/CPS PR. IFC expected to increase its presence in Azerbaijan over the CPS period, including by making new investments on the order of \$200 million. Actual investments remained at around \$91 million, (lower than in the previous CPS period) and were concentrated in the financial sector. Efforts to expand into new sectors such as transport, agri-business and others did not materialize.</p> <p>iii. IEG rates the overall development outcome of this CPS as <u>Satisfactory</u>, with both Focus Areas also receiving Satisfactory ratings given achievement of the majority of their respective objectives. With regard to Focus Area 1, strong progress was made with respect to economic diversification through business climate improvements, land administration, credit and support to MSMEs and significant support to rural incomes and livelihoods. Moreover, improvements to transparency and efficiency within the judicial system and public financial management were significant. However, several objectives in a critical area, transport -- including roads, road safety and, especially, railways –</p>		
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were not achieved within the time frame of the CPS. Focus Area 2 is rated Satisfactory. The rating takes into account the solid outcomes with respect to basic infrastructure (water and sanitation) and rural infrastructure, but also notes the challenges with regard to social services. Overall, performance in health and social services were better than those in education. Education is of vital importance in Azerbaijan, and poor outcomes in this sector remain a binding constraint as noted in the recent Azerbaijan SCD.

iv. IEG rates overall WBG performance as Good, reflecting good performance with respect to Bank activities and noting that most performance on the IFC side happened outside of the CPS framework, with inadequate attention to synergies across the WBG. Some notable strengths included strong alignment with Government strategies and corporate priorities, good choice of lending instruments in relation to the country context and a demonstrated increase in country ownership of the inherited portfolio and new projects. With respect to the latter, the CPS period saw a dramatic improvement in portfolio performance, which should be commended. Other strengths included careful attention to inclusion of women, IDPs and youth in the design of relevant operations. The CPS and CPS PR results matrices both evidenced (different) strengths and weaknesses. The CPS matrix was overly broad, with some serious flaws in the logical links between CPS activities and outcomes but did a better job of integrating Bank and IFC activities. The CPS PR matrix improved the realism of outcomes, strengthened linkages between Bank-supported activities and targeted outcomes but was considerably weaker with respect to integration of IFC interventions. It also concentrated on indicators that had already been achieved by mid-term.

v. IEG broadly concurs with the 8 lessons identified in the CLR for Azerbaijan's upcoming CPF cycle including: (i) appropriate use of AFs and repeater projects is desirable from the standpoints of both efficiency and sustainability of outcomes; (ii) going forward, IFC and Bank cooperation should grow stronger in infrastructure and deepening of business climate improvements in Azerbaijan; (iii) flexibility in CPS program design is critical to remain responsive to client needs, especially in MICs; (iv) innovative approaches (e.g., reimbursable TA) should be introduced only after careful consideration of the country context; (v) gender should be embedded in project design and implementation to significantly enhance project impact; (vi) client, as well as broad stakeholder, ownership should be built into projects from their very inception and should be combined with necessary capacity building; (vii) focused, well-targeted interventions can leverage significant impact, as with credit to MSMEs; and (viii) much more careful attention needs to be paid to M&E from the earliest stages of country strategy preparation, including the choice of results indicators, data availability and the results chain. In addition, IEG would like to note that with respect to IFC support for MSME's, better monitoring is needed to ensure that on-lending leads to desired outcomes of job creation.

### **3. Development Outcomes**

#### Relevance of the WBG Strategy:

1. Azerbaijan is a politically stable, middle-income country, with a population of about 9.1 million people. During 2002-2013, the country experienced explosive economic growth (13% per year on average), based largely on the development of its vast deep-sea oil resources, which had not been exploited during the country's Soviet era. Oil sector growth was enabled principally by large offshore investments since the mid-1990s and the construction of two major pipelines in the mid-2000s – as well as high oil prices over much of the period. In turn, economic growth, sound management of oil revenues and substantial fiscal transfers to promote social development and non-oil jobs contributed to political stability and led to sharp poverty reduction – from about 50% in 2000 to about 5% in 2015. Extreme poverty is estimated at 3%.



2. The Government's overarching strategy for national economic and social development was described in the *State Program on Poverty Reduction and Sustainable Development* covering the period 2006-2015. The document, which formed the basis for the World Bank Group (WBG)-Azerbaijan CPS for FY11-FY14, emphasizes sound macroeconomic management, creation of an enabling climate for business (including significant infrastructure investments), human development and an efficient social protection system. The 2009 global financial and economic crisis led to a reexamination of Azerbaijan's development priorities for the post-crisis world and the resulting document, *Azerbaijan 2020: Vision for Future (Vision 2020)*, reconfirmed the main strategic directions previously established, but placed added emphasis on the need to diversify sources of growth focusing on development of the country as a transit hub (due to its strategic geographic location), development of agriculture and food processing and boosting tourism.

3. The CPS and the CPS Progress Report (CPS PR) were both aligned with national strategy documents. The specific activities selected for WBG engagement, including a mix of AAA and financial support, were well suited to supporting Azerbaijan's efforts to further national development goals especially with respect to economic growth and diversification and improved social and municipal services. The CPS program included sufficient flexibility to enable modification of program emphases towards areas where Government ownership was strongest. AAA, in particular, was adjusted to be responsive to Government requests, within the CPS objectives, with a greater focus on just-in-time analyses in support of emerging policy questions (e.g., on regional power trade). In terms of Bank-IFC synergies, these were most apparent in Pillar 1 (non-oil economy) where both the Bank and IFC played complementary roles in strengthening the business climate and supporting SMEs. Opportunities for synergy were not fully exploited in other areas such as transport, however. IFC had envisioned a larger engagement in Azerbaijan when the CPS was prepared but actual investments fell far short as acknowledged in the CPSPR. Efforts to engage IFC investments in sectors other than the financial sector failed to bear fruit. In terms of partnerships with other external development partners, both the Bank and IFC appear to have coordinated their efforts whenever appropriate. The Bank, in particular, participated regularly in external assistance coordination efforts in Baku.

Overview of Achievement by Objective:

4. The CPS comprised two main focus areas which aimed to: (i) strengthen Azerbaijan's non-oil economy; and (ii) improve social and community services (education, health, water supply and social protection). The original CPS results matrix was modified significantly through the CPS Progress Report, dated April 30, 2013.

**Focus Area I: Building a Competitive Non-Oil Economy: IEG RATING: Satisfactory**

5. This focus area comprised two strategic objectives – namely, (i) enhancing macro-economic stability and growth policies; and (ii) upgrading key growth-supporting infrastructure -- and four outcome areas. Both these strategic objectives were well aligned with the national priorities laid out in Government development plans and the results areas and specific indicators identified to measure outcomes were generally well chosen and relevant. There were significant revisions to this Focus Area between the CPS and the CPS PR results matrices, reflecting difficulties faced by the Bank in engaging directly with the Government on macroeconomic management and fiscal issues. All indicators regarding fiscal policy and results were dropped as a result. In addition, there were a number of indicators within each outcome area that were modified to simply reflect actual progress on the ground. Some of the original results indicators were dropped, due either to slow progress or difficulties in attributing outcomes to Bank activities –e.g., targets with regard to fiscal performance. Specific outcomes with respect to the CPS PR matrix are discussed below.

6. **Outcome 1: Improved Investment Climate and Institutions.** IEG rates this results area as Achieved, due to strong performance (surpassing targets) in most areas. Targets with respect to time needed for property registration were surpassed, with the time needed to register a property going from



30 to 12 days (versus a target of 15). Also, property transactions registered with the State Service for Registration close to tripled, exceeding the CPS PR target of 250,000 versus a baseline of 87,000 per year. Similarly, increases in the number of loans provided to MSMEs through IFC client banks exceeded original targets by a factor of 3.7, with 317,000 loans extended *vis a vis* a target of 85,000, against a baseline of 57,000 loans (2005). Finally, the CLR reports on some outcomes related WBG activities that were not included in the CPS PR results matrix but that are supportive of the overall outcome of improving the investment climate. These include significant reductions in business registration costs (from \$340 to \$65), a halving of the time needed to open a business from 10 to 5 days, a reduction in tax inspections and a 25% reduction in time needed to obtain construction permits. There was also significant reduction in unofficial payments (bribes etc.), with the Inspection Survey registering a drop from 47% to 20% between 2008 and 2012. The only area where targets fell short was in inspections. Inspection incidence actually increased from 11 to 12 per business per year, although progress appears to have been made with increasing the transparency of these inspections through legislative and regulatory changes towards the end of the CPS period. Tax inspections did decline by half over the period, but indicators in this area were not included in the CPS matrix.

7. **Outcome 2: More Transparency and Efficiency in Public Institutions.** With regard to increasing transparency and efficiency in public institutions, outcomes are assessed as partially achieved, given that an important outcome was not verified, though is apparently on track. Of particular importance was the outcome specified with regard to applying economic analysis to Government-financed infrastructure projects valued at over \$15 million (from 0 to 80%) -- a critical step in ensuring better and more transparent use of public resources. Progress on this outcome was not verified by the CLR although a number of positive steps were noted including passage and implementation of new (2011) regulations requiring economic appraisal of all public investment projects. Milestones and outcomes with respect to the use of international financial reporting standards (IFRS) were met with 5 large and mid-sized SOEs transitioning to IFRS, while the milestone for adoption of the unified accounts and financial reporting system was surpassed, with adoption of the system by 59 public and higher education institutions, versus a target of 25 for 2014. Finally, outcomes with regard to judicial reform were positive, with milestones related to courthouse construction and judicial training met and significant increases recorded in court users' satisfaction on a range of areas from court facilities, to ease of filing cases, receipt of legal aid and access to legal information.

8. **Outcome 3: Transport vehicle operating costs reduced, road safety improved and rail transit traffic increased.** IEG assesses this outcome area as partially achieved, reflecting slow progress on road transport, minimal progress on road safety and reversals with regard to rail transit. Objectives in road transport were not met during the CPS period, as several road-upgrading activities suffered delays. Nonetheless, in terms of highway length, over-performance under some projects allowed for construction of 216 km of highways, against a target of 200 km in the results matrix. Where upgrading has been completed, cost reductions fell slightly short of the targeted \$0.32/vehicle km, at the time the CLR was completed, though subsequent monitoring indicates a further reduction surpassing targets. Road Safety measures were not achieved, with good practice strategies and policies being developed only late in the CPS period, that were still awaiting formalization and implementation at the end of the CPS period. However, road traffic deaths fell from 10 per 10,000 vehicles to 8.6, corresponding to a 14% reduction in deaths versus a target of 10%. It is not clear, however, whether Bank-supported activities played a role in this reduction. Rail transit fell sharply over the CPS period, amounting to only 4.3 million tons in 2014, as against a target of 23 million and a baseline of 11 million. This is explained in large part by ongoing extensive rehabilitation of the East-West corridor and the increased use of pipelines to ship oil. The CLR indicates that the volatile political situation in Central Asia may also have contributed to the decline in rail transit. The Bank is also playing an important role in supporting the reorganization and corporate restructuring of Azerbaijan railways, including building the institutional capacity needed to manage a modern railway system. This in turn, should help strengthen rail service in the medium term.



9. **Outcome 4: Increased coverage of agriculture irrigation, marketed production and farmers' income.** Specified CPS PR outcomes in this area were all Achieved – with targets met or surpassed on all indicators. Production marketed for cash by farmers in areas of Bank intervention increased substantially over the CPS period, rising by about 27% over a baseline of 60%, far surpassing the target of 10%. Moreover, the farmers' incomes rose by some 30% over the AZN1, 000 baseline, about one and a half times the targeted increase. Outcomes and milestones with respect to irrigation were also met, with 80% of farmers applying four versus two irrigations and community water user associations successfully recovered about 65% of water costs. Worth noting here, is the careful attention paid to gender inclusion in the design and implementation of the Bank projects, especially the Azerbaijan Rural Investment Project (AZRIP) which has been extremely successful and is worthy of emulation. IFC's Investment Climate Project included a component on shortening periods for seed registration aimed at increasing imported seed purchases by farmers and hence increasing their production and sales. However, data on the impact of these activities was not provided in the CLR, making it hard to assess the extent to which the project contributed to the outcome on farmers' incomes. Similarly, while it is highly likely that many of the micro- and small loans made by IFC client banks were directed to small farmers and contributed to some of the positive outcomes described above, data were not collected to assess the validity of this assumption.

**Focus Area 2: Strengthening Social and Municipal Services; IEG RATING: Satisfactory**

10. This second CPS focus area was also well aligned with Government's national development plans and encompassed two main results areas pertaining to improvements in social services and in municipal and rural services respectively. The outcome areas were pertinent and, for the most part, achievable through the interventions included in the CPS. The results areas and outcomes linked to Focus Area 2 are discussed below, following the order of the CPS PR matrix.

11. **Outcome 1: Increased coverage and efficiency of social protection and employment services.** Outcomes in this area – rated partially achieved by IEG--were linked principally to the Bank-financed Pension and Social Assistance and Social Protection Development Projects and focused on improved social assistance support to the poorest households as well as strengthening active labor market programs. With respect to the latter, the matrix included a set of output, rather than outcome measures, focused on developing and implementing new training for unemployed persons and on improving workplace conditions. These targets – including development of training modules, establishing new training centers (3) and development of new occupational standards linked to international standards – were all achieved, with the exception of one training center, which was nearing completion but not yet functional at end-CPS. The target for social assistance was outcome-oriented, focusing on improved coverage of the TSA program from 14.3% to 20% of the population. Several important steps towards achievement of this target were taken during the CPS period, e.g., infrastructure improvements, consolidation of duplicative programs, establishment of a unified call center and automation of monthly benefits payments. These, in turn, are likely to have improved efficiency in the TSA program. However, in the absence of adequate survey data at the end of the CPS period, it was not possible to verify progress in increasing coverage towards the stated target and the outcome was therefore considered not achieved, in line with normal IEG practice. The Social Welfare Monitoring survey to be conducted in 2015 should provide reliable information on coverage.

12. **Outcome 2: Wider Access to Health Services.** This outcome area measures improvements in health system efficiency and effectiveness, focusing on expanding and strengthening access to primary health care services and simultaneously rationalizing secondary and tertiary care through hospital efficiency measures. Focusing narrowly on the outcomes specified in the CPS PR matrix, IEG rates the outcomes as Achieved. However, it is worth noting that in virtually all cases the CPS PR targets focused on system inputs and outputs rather than health outcomes. For example, the CPS period saw substantial improvements in the number of primary health facilities in the Health Sector Reform Project target areas, as well as reductions in average time needed to reach facilities, but no effort was made to measure actual increases in usage of services and/or improvements in health



outcomes in the covered population. Similarly, although there were improvements in efficiency at the hospital level given reductions in number of hospitals and increases in bed occupancy rates, there are no indicators to assess the extent to which quality of care was improved and/or whether savings were reallocated to more cost-effective health services. While it is reasonable to assume that the output results achieved would result in better overall health outcomes, these assumptions should have been verified through more proximate measures such as actual service usage, monitorable through an adequate MIS system which was put in place during the CPS period.

13. **Outcome 3: Improved quality of basic and higher education.** IEG rates overall outcomes in this area as Not Achieved, reflecting the CLR findings that several key results indicators were either not achieved or not verified. Outcomes in the education area were principally linked to the ongoing Education Sector Development Project II and focused on quality improvements at the basic and higher levels of the education system. However, a Level 1 restructuring of the project resulted in changes in the project's objectives and outcome measures, such that some of the CPS PR indicators were no longer supported by the project's interventions. In addition, a planned Higher Education project, which was to have supported tertiary level outcomes, was postponed to beyond the CPS period. Some important progress was achieved, however, including positive changes to assessment practices, adoption of new curricula in basic education and improvements in teachers' pedagogical methods, although short of targets. Indicators with regard to introduction and implementation of a national accounting qualification for the budget sector under the Corporate and Public Sector Accountability Project fared somewhat better. 50 students achieved the National Accounting Qualification versus a target of 25. In addition, steps were taken to prepare new syllabi and textbooks/teaching materials for budgeting and auditing. However, these had not yet been introduced into the curriculum at higher education institutions by the end of the CPS period, pending approvals of the syllabi by the Ministry of Education.

14. **Outcome 4: Improved living conditions for Internally Displaced Persons (IDPs).** IEG rates outcomes in this area as Achieved, reflecting the positive results achieved both in access to, and quality of services and the use of true outcome indicators in the measurement of CPS impact. An added strength of this outcome area was the successful effort to ensure the robust participation of women and youth in the selection, implementation and oversight of micro-projects under the two IDP-focused Bank projects. The IDP projects' focus on community driven development proved successful in Azerbaijan, as measured by the high level of satisfaction expressed by the communities themselves in the services made available through the projects.

15. **Outcome 5: More reliable water supply and sanitation services.** IEG rates this outcome as Achieved. This rating takes into account several factors as follows: (i) the number of people benefitting from reliable water and sanitation services (220,000) exceeded the targeted number by 20,000; (ii) the daily average water availability increased from 3 to 10 hours, a significant improvement albeit short of the target of 15 hours; and (iii) 60% of water met quality standards by the end of the CPS period versus a baseline of 0. The CLR also notes that the hours of water availability is expected to rise once installed capacity is made fully functional. This had not been done at CPS completion for technical reasons associated with ongoing extensions to the water supply system under a follow on Bank-supported project.

16. **Outcome 6: Improved reliability of solid waste management services.** IEG rates this outcome as Achieved, reflecting the fact that both indicators in this area were surpassed during the CPS period. Specifically, 527,000 previously underserved people now have access to reliable solid waste disposal services versus a CPS target of 400,000; and, 67% of informal dumpsites were closed as against a target of 60%.

17. **Outcome 7: Improved Access to Rural Infrastructure.** IEG rates this outcome as Achieved. The first of two indicators pertaining to this outcome concerns access to rural roads and was fully achieved. Based on monitoring undertaken under the AzRIP I and II projects, the CLR estimates that



about 800,000 people in beneficiary communities had improved access to rural roads by the end of the CPS period, relative to a baseline of about 523,000 with good access to rural roads in 2012.

Overall Assessment and Rating

18. IEG rates the overall development outcome of this CPS as Satisfactory. IEG rating for CPS Area 1 is Moderately Satisfactory and for Focus Area 2 the rating is Satisfactory. With regard to Focus Area 1, strong progress was made with respect to economic diversification through major improvements to the business climate, land registration, support (including credit) to MSMEs and significant support to rural incomes and livelihoods. Moreover, improvements to transparency and efficiency within the judicial system were significant and measured through clear outcome measures, including surveys of court users. Similarly, the move of over 59 public sector entities to the unified financial management system was an important step that should help to improve public sector transparency and accountability in the medium term. However, WBG efforts to make headway on infrastructure were stymied due to a number of factors, and while some progress was made with respect to roads and road safety, delays in these areas meant that CPS PR targets were not achieved. Moreover, actual reversals were experienced with regard to rail transit. The rating for Focus Area 2 takes into account the solid outcomes with respect to basic infrastructure (water and sanitation) and rural development, but also notes the relatively weak outcomes with regard to social services. The weakest area – education – is of critical importance in Azerbaijan’s future development, and issues in this sector remain a binding constraint as noted in the recent Azerbaijan SCD. Given the long lead times involved in realizing the full benefits of education system investments, the poor outcomes in this sector have important consequences for future development. Results in social protection and health, while stronger than in education, also paid inadequate attention to outcome and impact, as the CLR candidly recognizes.

<b>Objectives</b>	<b>CLR Rating</b>	<b>IEG Rating</b>
<b>Focus Area I: Building the Non-Oil Economy</b>	<b>Satisfactory</b>	<b>Satisfactory</b>
Outcome 1: Investment climate/ institutions	Achieved	Achieved
Outcome 2: Public transparency/efficiency	Mostly Achieved	Partially Achieved
Outcome 3: Key infrastructure for growth	Partially Achieved	Partially Achieved
Outcome 4: Agriculture, farmers’ income	Achieved	Achieved
<b>Focus Area II: Social and Municipal Services</b>	<b>Satisfactory</b>	<b>Satisfactory</b>
Outcome 1: Social protection and labor	Mostly Achieved	Partially Achieved
Outcome 2: Access to health services	Indicators Achieved/Impact not verified	Achieved (but only outputs measured)
Outcome 3: Education quality	Progress on Indicators/Impact not verified	Not Achieved
Outcome 4: Living conditions for IDPs	Achieved	Achieved
Outcome 5: Reliable water and sanitation	Achieved	Achieved
Outcome 6: Solid waste management	Achieved	Achieved
Outcome 7: Access to rural infrastructure	Achieved	Achieved



#### **4. WBG Performance**

##### Selectivity

19. The focus areas of the CPS were selective and the objectives were fully aligned with country needs and development priorities as laid out in the Government's *State Program on Poverty Reduction and Sustainable Development* covering the period 2006-2015 and the *Azerbaijan 2020: Vision for Future (Vision 2020)* document. The emphases on the non-oil economy, especially urban and rural MSMEs and agricultural development as well as human and social development were also consistent with the Bank's corporate goals. The AAA program provided solid analytical underpinnings for the lending program especially in the areas of economic diversification and growth, labor skills, solid waste, IDPs and social protection reform. The Bank had clear comparative advantages in all CPS areas, either through previous lending experience in Azerbaijan, as many new operations were AFs or repeaters, which incorporated lessons learned, or other similar country contexts. Despite the above strengths, the substantial changes in the results matrix between the CPS and CPS PR stages suggests that initial design may have been too broad or that ownership was not strong in at least some sectors or sub-sectors, most notably fiscal policy and public expenditure management.

##### Alignment

20. Given that the CPS and CPS PR were both prepared before the WBG Corporate Goals were formally adopted, there is a remarkably high degree of congruence between CPS objectives and program design with the goals of reducing extreme poverty and increasing shared prosperity. With respect to reducing extreme poverty, the CPS focus on social protection (especially improved coverage and efficiency of social assistance), improved access to basic health and education services, water and sanitation and IDPs are perhaps most notable. Support for shared prosperity, as previously mentioned, was clearly a motivation for the focus on non-oil growth. It was especially clear in the emphasis placed on rural development (livelihoods, infrastructure, and credit), urban and rural MSMEs and labor skills. In addition, it is worth mentioning that the Azerbaijan program pays systematic attention to means of empowering women to play key roles in local decisions with regard to infrastructure needs and management as well as fully participate in economic opportunities at the community level. This is a dimension of shared prosperity that is overlooked in many country strategies, but is well articulated and monitored here.

##### Lending and Investments

###### **IBRD/IDA Lending**

21. The CPS period (FY11-14) inherited a large portfolio of 21 projects with net commitments totaling about \$1.9 billion at the end of FY10. With 16% of the projects at risk at the onset of the CPS period (i.e. FY10), the Azerbaijan portfolio performance was above the ECA region and Bank wide averages (17% and 21% respectively). However, on a commitment basis, the Azerbaijan portfolio performed worse with 22% of total commitments at risk in FY10, as compared to 18% for ECA and the Bank wide. Disbursement performance was weak with an average of just 10% of the committed amount disbursed in FY10 – well below averages for ECA and the Bank as a whole. In this context, the CPS placed primary emphasis on faster implementation of the existing portfolio. It therefore proposed to calibrate new lending to faster implementation and limited proposed new lending of \$380 million for 8 investment operations for the first two years of the CPS period (FYs11 and 12), retaining the possibility of adding additional operations through the CPS PR. There was a significant improvement in disbursement performance over the CPS period with the disbursement ratio improving from its nadir of 9% in FY11 to 27% by FY14 and commitments at risk dropping to under 1%. Of 7 projects reviewed by IEG over the CPS period, all but one had IEG ratings of satisfactory or moderately satisfactory. Two



projects (in irrigation and power transmission respectively) were seen as carrying substantial sustainability risks, however.

22. The number of projects in the portfolio declined only slightly over the CPS period from 19 to 17, as 11 new operations (including 5 AFs) were approved -- four prior to, and seven following, the presentation of the CPS PR. This figure includes 3 approvals (2 for water and sanitation and one concerning judicial reform) that occurred in July 2014, i.e., at the start of FY15. Total new IDA and IBRD lending over the CPS period (including the 3 projects approved in the first month of FY15) amounted to about \$807 million, about \$50 million higher than the upper end of the range planned in the CPS and CPS PR. Of the total lending, \$220 million or 27% was allocated to a single operation for rail trade and transport. The remaining projects were approved in areas in which the Bank was already involved, including judicial reform, water and sanitation, agriculture, rural development, health and capital markets development. Two CPS projects (for higher education and Hovsan Fall) were dropped entirely. Average project size (including the railways project) was about \$75 million, significantly smaller than under the previous CPS, which included 6 large projects ranging in size from \$200 million-\$450 million and average project size of over \$150 million. In addition to Bank lending, the Azerbaijan program is the beneficiary of 9 grants from development partners totaling about \$12.1 million, based on data available to IEG.

#### **IFC Investments**

23. When the CPS was presented in September 2010, IFC sought to increase its investment program from \$132 million during the previous CPS period (FY07–10) to around \$200 million over the upcoming CPS period (FY11–14). IFC pledged to continue supporting the financial sector, and also look more actively for investment opportunities in the real sector and infrastructure. By April 2013, when the progress report was submitted, IFC recognized that its investment program had not kept pace with targets because project finance opportunities turned out to be “limited, particularly in the real sector, due to lack of transparency of local enterprises, formal and informal barriers to investment, and lack of competition due to the dominance of large conglomerates with politically exposed ownership”. The CPS PR honestly recognized that IFC’s investment portfolio in Azerbaijan had shrunk in volume and had deteriorated in quality due to loan defaults in the real sector. This was the reason for IFC to keep focusing on the financial sector. The progress report also reaffirmed IFC’s continued interest, in spite of many mishaps, in investment opportunities in the real sector, particularly, in agribusiness, including through PPPs and direct investment through IFC’s subnational finance program.

24. The investment target was not revised in the CPS PR. During FY11-14 IFC committed only \$91 million, or less than half of what was planned in the CPS. Almost 44% of IFC net commitments were made under the Global Trade Finance Program (GTFP) in the form of short-term revolving trade finance guarantees to four Azeri banks invested by IFC. The other 56% were net commitments of long-term investments in the form of loans and equity (\$48.4 million and \$2.2 million respectively). Compared to the previous CPS period, commitments for the short-term GTFP guarantees increased from \$25 million to \$40 million. Commitments for long-term investments fell from \$98 million to \$51 million. In the CLR IFC recognized that it had been unsuccessful in diversifying commitments into the real sectors, neither agribusiness, nor infrastructure. All 10 new investment projects committed from FY11 to FY14 were in the financial sector in the form of loans, guarantees and equity for 5 Azerbaijan’s private commercial banks and a non-banking financial institution. During the CPS period there was also activity under 2 projects in the real sectors (retail and electronics) initiated before FY11.

25. DOTS ratings of IFC investment projects in Azerbaijan deteriorated during the CPS period. Out of 14 partners with investment projects in supervision only with 5 partners (33 percent) projects were self-rated successful in their development outcome (2 - Highly Successful, 1 - Successful and the other 2 - Mostly Successful). Projects with 7 partners were self-evaluated unsuccessful (in the financial sector 2 were rated Unsuccessful and 3 Mostly Unsuccessful and 2 projects in the real sector were rated Highly Unsuccessful,). Two partners remained unrated. An independent in-depth evaluation also



indicated that IFC performance was not always strong. In FY13 IEG reviewed an Expanded Project Supervision Report (XPSR) for an IFC credit line to a microfinance institution and found it Mostly Unsuccessful with project business result, environmental and social effects and private sector development outcomes Partly Unsatisfactory. Only economic sustainability indicators turned out to be Satisfactory.

#### Analytic and Advisory Activities and Services

26. The CLR reports that the Bank undertook or supported about 30 AAA activities in Azerbaijan over the CPS period, of which about half were formal analytical reports and the remainder was comprised of TA activities. IEG could, however, validate only about half the number of AAA activities, based on reporting in the Bank's Business Warehouse system. AAA activities spanned the full range of sectors in which the Bank was engaged with particular emphasis on key areas such as economic diversification, PPP in infrastructure, fiscal and expenditure policy as well as emerging social issues such as the impact of the global crisis on IDPs and issues in labor and social inclusion. AAA activities were closely linked to the CPS strategic objectives and in most cases were directly supportive of ongoing or planned lending activities. In addition to AAA activities targeted specifically to Azerbaijan, the CPS program benefited from a number of South Caucasus regional tasks including in key areas such as skills development, gender and pension reform. The CPS PR planned to establish a program of reimbursable TA to prepare the ground for lending in new areas, which did not materialize. A number of Externally Funded Operations were instituted in the final year of the CPS in cooperation with the EU and other donors to undertake a PEFA as well as support new initiatives at the Central Bank.

27. IFC had 16 active advisory services in Azerbaijan during the CPS period, 7 of which predated the CPS. The total funds allocated to these advisory projects exceeded \$31 million, albeit 5 projects were regional in scope (ECA or Central Asia) and activities in Azerbaijan made up only a portion of their budgets. IEG evaluated one advisory project in Azerbaijan (Financial Markets Crisis Management Project) and found it Mostly Successful. The second project from the previous CPS period, evaluated by IEG in FY11, dealt with elements of institutional building in a commercial bank and IEG's ratings was Successful. The remaining 8 of the 14 Advisory projects were self-evaluated as successful to varying degrees.

#### Results Framework

28. The CPS objectives were closely aligned with country development goals and addressed some of the most critical issues facing Azerbaijan's development goals. The two main focus areas were well chosen as they sought to limit economic dependence on oil wealth through both promoting the non-oil economy and seeking ways to sensibly use public revenues to promote rural and human/social development, and thereby ensuring broader participation in the emerging economic prosperity. The original CPS results framework was significantly modified through the CPS PR, with considerable streamlining of results areas, in some instances to establish stronger causal links between WBG interventions and targeted outcomes or clarify links between CPS outcomes and broader national goals. In some instances, however, there continued to be a greater focus on outputs than outcomes. This was especially true in the social sectors including social protection, health and education, as the CLR candidly acknowledges. Moreover, in the case of education, in particular, the results matrix failed to take into account the impact of project restructuring on the results chain, with the consequence that some indicators were no longer supported by Bank activities. In many instances the changes to the CPS PR matrix seemed designed to simply drop areas of slow or limited progress, in effect "lowering the bar" for CPS outcomes overall. Another important weakness of the CPS PR results matrix was the limited presence of IFC activities and associated outcomes. The CPS Results Framework contained 6 milestones related to IFC activities in Azerbaijan, i.e., on business registration, construction permits, business inspections, two indicators on trading across borders and on a number of loans to MSMEs through IFC client banks. In the CPS PR, presented 2.5 years later, 4 of them, all related to IFC



advisory services, were dropped leaving only two to be validated (those related to business inspections and to the number of loans to MSMEs through IFC client banks).

#### Partnerships and Development Partner Coordination

29. The Bank participated actively and regularly with in-country efforts to coordinate external assistance. The Bank worked especially closely with the IMF, ADB, EU, KfW, SECO and USAID, coordinating programs in infrastructure, private sector and the financial sector. The Bank was an active contributor to the UN's UNDAF process. IFC also cooperated successfully with other donors in renewable energy and energy efficiency financing in Azerbaijan. A loan to a commercial bank of up to \$14 million for IFC's own account, complemented by a loan of up to \$1 million from the proceeds of Canada Climate Change Program, a donor-funded facility for climate change friendly projects administered by the IFC, is showing excellent economic sustainability and demonstrating satisfactory financial, social/environmental and private sector development results.

#### Safeguards and Fiduciary Issues

30. Environmental safeguards were triggered in several sectors including social development, energy and mining, agriculture, and health. Compliance with environmental safeguard policies varied across these sectors. In the social development and energy and mining sector, the EMP was prepared and applied, resulting satisfactory compliance with safeguard policy, and there were no major environmental issues associated with activities under sub-projects. However, in the agriculture sector, key shortcomings of implementation of environmental safeguards were found at the mid-term review that there were inconsistencies between the Rural Investment Guidelines (RIGs) and the Environmental Management Plan causing under-categorizing of many agribusiness sub-projects. An action plan to improve the environmental management system was then implemented and the final mission found satisfactory progress in following the revised RIGs. In the health sector, compliance with EMP had not been properly monitored due to insufficient in-house environmental expertise within the PIU. A time-bound action plan was then prepared and implemented by the PIU and the project did not have significant or irreversible negative environmental impacts.

#### Ownership and Flexibility

31. The CPS program was developed in close cooperation with the Government of Azerbaijan as well as a wide range of internal and external stakeholders. During the implementation phase, as well, stakeholder consultations continued and several projects – particularly those related to rural development, agriculture, basic services and social development – involved continuous outreach to national and local stakeholders, including beneficiary communities. In most instances, these projects made special efforts to reach relatively disadvantaged groups such as IDPs, women and youth, and involve them in project design and implementation decisions at the local level. Country conditions remained relatively stable throughout the CPS period, but the CPS was designed in a manner that would have allowed for course corrections had these become necessary. Although no major exogenous shocks affected the CPS, there were significant changes made to the matrix as previously discussed. This, in turn, suggests that there may have been some gaps in ownership with respect to the design stage.

#### WBG Internal Cooperation

32. WBG internal cooperation in the CPS design was evident at the adoption of the CPS, particularly in Objective 1 "Building a competitive non-oil economy" when in each outcome inputs were added from both IBRD and IFC sides. Further into implementation, the expected synergies between IBRD and IFC in their respective programs in Azerbaijan were not reached and most coordinated targets were dropped at the progress report stage. The CLR recognized that although the program



focus was well distributed, complementarity was limited, especially in areas with potential for more synergies, such as transport infrastructure projects.

#### Risk Identification and Mitigation

33. The CPS correctly identified the main risks that could affect the WBG-supported program, focusing on five issues including (i) the potential impact of upcoming elections on the pace of reform; (ii) governance and institutional weaknesses; (iii) portfolio implementation issues; (iv) over-reliance on oil and natural resource production; and (v) regional security concerns associated with the unresolved Nagorno-Karabakh conflict. Mitigation strategies were appropriate in all cases and the CPS candidly acknowledged WBG limitations in mitigating regional security risks. No unidentified risks materialized during the CPS period.

#### Overall Assessment and Rating

34. The design of the CPS, including the choice of focus areas and selection of interventions and instruments, was appropriate to the country context. Given vulnerabilities in the oil-led model revealed by the global crisis, the CPS correctly focused on diversifying sources of growth and improving social and basic municipal services to strengthen households and local infrastructure to enable broader participation in economic growth. In terms of Bank instruments, the decision to make extensive use of Additional Financing to scale up successful projects was appropriate, as was the decision to avoid DPL lending in light of upcoming presidential elections and associated policy uncertainties as well as continued weaknesses in the fiduciary environment. The close linkage between the Bank's AAA program (formal ESW and TA) and lending was another source of strength both in terms of CPS design and throughout CPS implementation. The focus on improving implementation of the existing portfolio and retaining flexibility in new lending until improvements were made was also appropriate. Indeed, portfolio implementation improved dramatically over the CPS period, with annual disbursement going from a low of 9% (far below regional comparators) to 27% by the end of the CPS period, bettering averages for ECA and the Bank as a whole. Commitments at risk also declined significantly from about 22% to under 1%. In large part, this improvement was the result of the Bank's persistent attention to improving implementation, including 16 Level 1 restructurings, which helped strengthen country ownership and actual implementation of projects.

35. The results framework of the original CPS was perhaps too broad and included indicators (e.g., on fiscal performance and non-oil growth) that could not be influenced directly by CPS activities. As noted earlier in the section on the results framework, the adjustments to the framework made through the CPS PR helped, with some exceptions, to streamline and strengthen the causal links in the original framework – but also significantly reduced expectations with respect to the overall development impact of the CPS (e.g., in areas such as fiscal management). One important weakness in the revised framework was the treatment of IFC contributions. IEG validates meeting a target under one outcome (number of loans to MSMEs through client banks) but believes that loan volumes should also have been targeted as milestones and tracked as the loans' differential impact on micro, small and medium enterprises and their impact on job creation. Many targets associated with IFC-related CPS activities were dropped. And for the 5 remaining targets to which IFC was supposed to contribute to it was not possible to validate linkages between actual IFC activities and the outcomes to which these activities were supposed to contribute. In this sense, IEG judges that the results framework as it pertains to IFC weakened severely at the CPSPR stage -- which also indicates lack of realism of the CPS Objectives with respect to IFC activities. In addition, as the CLR candidly points out, there were several areas in which synergies in Bank-IFC comparative advantages were not developed, in particular with respect to PPP in transport infrastructure.

36. IFC long-term investments (about US\$50 million) fell far short of CPS expectations and IFC opportunities for PPP in the transport infrastructure sector, health care services and solid waste management, all mentioned in the CPS and PR Results Frameworks, and did not materialize.



Meanwhile, IFC seemed to lose the CPS focus as it initiated activities not linked to the declared CPS objectives, viz, mobilization of national resources for more lucrative, albeit risky, placements on the external markets. An example of this sort is the new dimension of cooperation announced in the CPS PR related to mobilizing investments of US\$ 150 million from State Oil Fund SOFAZ for IFC Asset Management Company “to diversify its portfolio into sustainable projects” which had neither been envisaged by the original CPS nor by the revised CPS Results Frameworks.

37. In view of the above findings with respect to the overall strengths on Bank and IFC performance, IEG rates overall performance as Good.

## **5. Assessment of CLR Completion Report**

38. The CLR is a concise, carefully prepared, well-reasoned document that is consistent with CPS/CPS PR objectives and the CPS/PR results framework. The document makes a meticulous assessment of evidence and the links between outcomes/milestones and the Bank’s contribution. In a number of instances, it candidly notes weaknesses in matrix design and/or data problems. A case in point is the CLR assessment of health sector interventions, where the document points out that although all indicators were met, the indicators are inadequate to measure the actual impact/outcomes of Bank-supported interventions. The CLR also includes a short analysis of missed opportunities in exploiting potential synergies between the Bank and IFC. It is also worth noting that the document includes more detailed analysis of selected topics that should be useful in future program/project design. Examples are the CLR’s assessment of reasons for the failure to proceed with reimbursable TA and the annex on gender in the AZRIP operation, which lays out what it takes to develop and implement a gender sensitive operation. The main weakness of the CLR is its limited discussion of the problems encountered in the early years of the CPS period and the underlying reasons for substantial changes in the CPS matrix. A candid assessment of the factors that slowed progress and led to decisions to drop work in some key areas such as public expenditure management would have been welcome. Another weakness concerns the failure of the CLR to make any assessment of performance with regard to the cross-cutting filter on governance, an important CPS goal in the country context.

## **6. Findings and Lessons**

39. IEG broadly concurs with the 8 lessons identified in the CLR for the upcoming CPF cycle including: (i) careful use of AF’s and repeater projects is desirable from the standpoints of both efficiency and sustainability of outcomes; (ii) going forward, IFC and Bank cooperation should grow stronger in infrastructure and deepening of business climate improvements in Azerbaijan; (iii) flexibility in CPS program design is critical to remain responsive to client needs, especially in MICs; (iv) innovative approaches (e.g., reimbursable TA) should be introduced only after careful consideration of the country context; (v) gender should be embedded in project design and implementation to significantly enhance project impact; (vi) client, as well as broad stakeholder, ownership should be built into projects from their very inception and should be combined with necessary capacity building; (vii) focused, well-targeted interventions can leverage significant impact – as with credit to MSMEs; and (viii) much more careful attention needs to be paid to M&E from the earliest stages of country strategy preparation, including the choice of results indicators, data availability and the results chain. In addition, IEG would like to note that with respect to IFC support for MSME’s, better monitoring is needed to ensure that on-lending leads to desired outcomes of shared prosperity and job creation by tracking: both the number of credits extended and their volume; the size of enterprises receiving the loans (i.e., micro, small or medium); and the number of new jobs created. When choosing MSMEs for IFC-financed loans the client banks should review firm’s economic independence as an important additional eligibility criterion (besides the number of employees and the turnover volumes). The economic independence criterion is critical since, as experience in other countries has shown, affiliates of large companies may have small number of employees, limited sales and thus



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qualify for SME loans. These loans should not be classified as servicing the SME population, but as benefiting corporate and/or large SOEs.

**Annex Table 1: Summary of Achievements of CPS Objectives**

**Annex Table 2: Azerbaijan Planned and Actual Lending, FY11-14**

**Annex Table 3: Grants and Trust Funds Active in FY11-14 (in US\$ million)**

**Annex Table 4: Analytical and Advisory Work for Azerbaijan, FY11 - FY14**

**Annex Table 5: IEG Project Ratings for Azerbaijan, FY11-FY14**

**Annex Table 6: IEG Project Ratings for Azerbaijan, FY11-14**

**Annex Table 7: Portfolio Status for Azerbaijan and Comparators, FY11-14**

**Annex Table 8: Disbursement Ratio\* for Azerbaijan, FY11-14**

**Annex Table 9: Net Disbursement and Charges for Azerbaijan, FY11-14**

**Annex Table 10: List of IFC Investments in Investments Committed in FY11-FY14**

**Annex Table 11: List of IFC Advisory Services for Azerbaijan**

**Annex Table 12: Total Net Disbursements of Official Development Assistance and Official Aid for Azerbaijan**

**Annex Table 13: Economic and Social Indicators for Azerbaijan, FY10 - 14**





**Annex Table 1: Summary of Achievements of CPS Objectives**

	CPS FY11-FY14: Focus Area I - Building a Competitive Non-Oil Economy	Actual Results (as of current month/year)	Comments
<b>Results Area: Enhancing macro-economic stability and growth policies</b>			
<b>1. CPS Objective: Improved investment climate and institutions</b>			
<u>Major Outcome Measures</u>	<p><b>Indicator:</b> Percentage of entrepreneurs and SMEs who admit paying unofficial fees to obtain permits</p> <p><b>Baseline:</b> 29% entrepreneurs and 38% SMEs</p> <p><b>Target:</b> Reduce incidents of unofficial payments to below 30% on average for obtaining 3-5 selected permits</p>	<p>According to the Inspection Survey, the incidence of unofficial payments was reduced from 47% in 2008 to 20% in 2012.</p> <p>The percentage of firms recognizing unofficial payments to tax inspectors/officials declined from 31% (BEEPS, 2009) to 11.7% (BEEPS 2013).</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p> <p>The Inspection Survey was conducted before the adoption of the Inspections Law, and thus does not capture the Law's impact.</p>
	<p><b>Indicator:</b> Percentage of businesses inspected</p> <p><b>Baseline:</b> 80% of businesses inspected, with average 11 inspections per year per business</p> <p><b>Target:</b> less than 10 inspection on average per year per business</p>	<p>Total number of inspections per business per year remained almost unchanged: Baseline: 11 (IFC SME Survey, 2008); Actual: 12 (Inspections Survey 2012)</p> <p>Average number of visits by tax officials per year went down: Baseline: 3.2 (BEEPS, 2009) Actual: 1.7 (BEEPS, 2013)</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p> <p>The survey was conducted before the adoption of the Inspections Law, and thus does not capture the Law's impact.</p>
	<p><b>Indicator:</b> Average number of days taken to register a property transaction at the State Service for the Registration of Real State</p> <p><b>Baseline:</b> 30 days (2007)</p> <p><b>Target:</b> 15 days (2014)</p>	<p>The average number of days to complete a record of purchase/sale of property in the land administration system (both Urban and Rural) is 12 days. The average time to register a property transaction at the State Service for the Registration of Real Estate is also 12 days.</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p>
	<p><b>Indicator:</b> Number of loans provided to MSMEs through IFC client banks</p> <p><b>Baseline:</b> 57,000 (2007)</p> <p><b>Target:</b> 85,000 (2014)</p>	<p>As of 2013, 317,000 loans were provided to MSMEs through IFC client banks.</p>	<p>Source: CLR</p>



CPS FY11-FY14: Focus Area I - Building a Competitive Non-Oil Economy	Actual Results (as of current month/year)	Comments
<p><b>Indicator:</b> Number of transactions registered annually at the State Service for Registration</p> <p><b>Baseline:</b> 87,461 (2005)</p> <p><b>Target:</b> 250,000 (2014)</p>	<p>The total number of transactions registered at the State Service for Registration in 2014 is 256,357.</p>	<p>Source: CLR and Azerbaijan Team.</p> <p>The indicator was introduced at the CPSPR stage.</p>
<p><b>2. CPS Objective: More transparency and efficiency in public institutions</b></p>		
<p><b>Indicator:</b> Improvement of the quality of preparation of infrastructure projects through application of economic appraisal on Government financed infrastructure projects.</p> <p><b>Baseline:</b> No requirement on economic appraisal for Government financed infrastructure projects</p> <p><b>Target:</b> 80% of Government financed infrastructure projects from roads, water and sanitation and energy sectors with projects a costs above USD15 million have completed a type of economic appraisal for requesting state funding</p>	<p>The CLR reports that new regulations on Preparation, Implementation and Monitoring of Public Investment Projects were approved by the President in 2010 and have been applied by the Ministry of Economy and Industry since 2011. This was an important development for enhancing the efficiency and quality of Government financed infrastructure projects as the new Rules set a specific requirement (the baseline was "no requirement") for all major public investment projects to be appraised based on economic considerations. Economic analysis is now presumably applied to all major infrastructure projects due to the formal requirement; however, specific data on percentage of projects which complete economic appraisal is not available. While the existing public investment management system provides a solid initial framework, there is a need to enhance transparency on public investment projects from conception to funding decision, and beyond.</p>	<p>Source: CLR</p> <p>The indicator and its target were reformulated at the CPSPR stage.</p>
<p><b>Indicator:</b> Number of SOEs using International financial standards</p> <p><b>Baseline:</b> 2</p> <p><b>Target:</b> 5</p>	<p>Five SOE, including Azerenerji, Azersu, and ADY transitioned to International Financial Standards (IFRs) in their reporting.</p>	<p>Source: CLR</p> <p>The original target was revised down CPSPR stage and brought from 20 to 5. The new proposed target had already been achieved at the CPSPR stage.</p>
<p><b>Indicator:</b> User satisfaction of with court system in targeted areas</p> <p><b>Baseline:</b> 60% (2009)</p>	<p>A Judicial Perception Survey (2014) indicates a significant improvement in court users' satisfaction with the court system, among several dimensions.</p>	<p>Source: CLR</p> <p>Baseline and a target for this outcome indicator were provided at the CPSPR stage.</p>



CPS FY11-FY14: Focus Area I - Building a Competitive Non-Oil Economy	Actual Results (as of current month/year)	Comments
Target: 5% points increase (2014)		
<b>Indicator:</b> Number of public and higher education institutions that have introduced the automated Unified Account and Financial Reporting System  <b>Baseline:</b> 0 (2010)	59 key budget organizations (including 11 higher education institutions) and Line Ministries use the Unified Account and Financial Reporting System. Use of UAFRS is expected to be implemented in 99 public and higher education institutions by the end of the CAPSAP project (June, 2015).	Source: CLR  The indicator was introduced at the CPSPR stage.
Target: 25 (2014)		
<b>Results Area: Upgrading Key Growth Supporting Infrastructure</b>		
<b>3. CPS Objective: Reduced vehicle operating costs, improved road safety, and increased rail traffic</b>		
<b>Indicator:</b> Road user costs  <b>Baseline:</b> \$0.40 / vehicle Km  <b>Target:</b> \$0.32/ vehicle Km in M4 Baku-Shamakhi road between Km15 and Km 45; M6 Hajigabul – Bahramtapa road, and R6 Tagiyev – Sahil road	M4Baku-Shamakhi road: works are not fully completed on existing lanes; construction of two additional lanes is completed but not opened to traffic.  M6 Hajigabul-Bahramtapa road: \$0.35/vehicle km  R6Tagiyev-Sahil road: \$0.34/vehicle km	Source: CLR  The target was revised at the CPSPR stage.
<b>Indicator:</b> Road traffic deaths per 10,000 vehicles  <b>Baseline:</b> 10 road traffic deaths per 10,000 vehicles (2009)  <b>Target:</b> 9 road traffic deaths per 10,000 vehicles (10% reduction)	At the end of 2014, road traffic deaths reached 8.6 per 10,000 vehicles, corresponding to a 14% reduction.	Source: CLR  The target was revised at the CPSPR stage and brought down from 8 to 9 traffics deaths per 10,000 vehicles.
<b>Indicator:</b> Volume of rail transit traffic on East-West rail corridor  <b>Baseline:</b> 11 million tons  <b>Target:</b> 23 million tons (2014)	The Government expects the volume of rail transit to be 4.3 million tons in 2014.	Source: CLR
<b>4. CPS Objective: Increased coverage of agriculture irrigation, marketed production and farmers' income</b>		
<b>Indicator:</b> Production marketed for cash  <b>Baseline:</b> 60%	Production marketed for cash by participating farmers has increased by 27%.	Source: CLR



CPS FY11-FY14: Focus Area I - Building a Competitive Non-Oil Economy	Actual Results (as of current month/year)	Comments
<p><b>Target:</b> 70% (2014)</p> <p><b>Indicator:</b> Annual incomes of participating farmers and rural entrepreneurs</p> <p><b>Baseline:</b> AZN 11,000</p> <p><b>Target:</b> 20% increase</p>	<p>Average net income of participating farmers from agricultural activities has increased by 30% over the 11,000 AZN baseline.</p>	<p>Source: CLR</p>
<p><b>Indicator:</b> Increase in number of irrigations according to crop water norms in the rehabilitated irrigations systems.</p> <p><b>Baseline:</b> Typically two irrigations per farmer</p> <p><b>Target:</b> At least four irrigations applied by 80% of water users in rehabilitated schemes</p>	<p>Four irrigations are applied by 80% of the farmers in rehabilitated schemes.</p>	<p>Source: CLR</p> <p>The indicator was reformulated at the CPSPR stage.</p>



	CPS FY11-FY14: Focus Area II -Strengthening Social and Municipal Services	Actual Results (as of current month/year)	Comments
	<b>Results Area: Improving Social Services</b>		
	<b>5. CPS Objective: Increased coverage and efficiency of social protection and employment services</b>		
	<p><b>Indicator:</b> Percentage of the poorest decile that is covered by targeted social assistance</p> <p><b>Baseline:</b> 14.3% (2008)</p> <p><b>Target:</b> 20% (2014)</p>	<p>The CLR reports that it cannot be verified whether the target was achieved or not as a precise assessment of coverage in the poorest decile will only be available after the Azerbaijan Monitoring Survey of Social Welfare is conducted in April 2015.</p>	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>
<b>Major Outcome Measures</b>	<p><b>Indicator:</b> Labor market interventions improved as measured by: (i) new module training programs developed and in use (baseline: 22, target, 30) and three new module training centers fully functional; and (ii) new occupational standards developed based on ISCO-88/ISCO-08 (baseline: 52, target: 200).</p>	<p>43 modular training programs developed and in use in the existing training centers.</p> <p>Two (out of three) new modular training centers are fully functional. The third one is expected to become fully functional by April, 2015.</p> <p>210 occupational and 200 training standards developed and in use.</p>	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>
	<b>6. CPS Objective: Wider access to health services</b>		
	<p><b>Indicator:</b> Average time to each regional and village hospital and PHD</p> <p><b>Baseline:</b> N/A</p> <p><b>Target:</b> 15 minutes to reach PHC, 45 minutes to secondary health care facilities</p>	<p>On average, it takes about 15 minutes to reach a Primary Healthcare (PHC) facility and 45 minutes to reach a secondary healthcare facility in targeted areas.</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage and no baseline was provided.</p>
	<p><b>Indicator:</b> Rationalized health care network as measured by: (i) reduced number of hospitals; (ii) increased bed occupancy rate</p> <p><b>Baseline:</b> 413 hospitals (2009) and 46.9% bed occupancy rate (2008)</p>	<p>In 65 districts, the number of hospitals was reduced from 413 in 2009 to 214 in 2013. Occupancy rate increased to 60% in 2014. Rationalization resulted in a reduction of the number of beds by 36% - per 10,000 population, i.e. from 67.4 (2010) to 43.2 (2013).</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p>



CPS FY11-FY14: Focus Area II -Strengthening Social and Municipal Services	Actual Results (as of current month/year)	Comments
<p>Target: 220 hospitals (2009) and 60% bed occupancy rate (2008)</p>		
<p><b>7. CPS Objective: Improved quality of basic and higher education</b></p>		
<p><b>Indicator:</b> Improved test scores in basic education in rural areas for grade 4</p> <p><b>Baseline:</b> Math and Azeri language scores (2011)</p> <p><b>Target:</b> At least two test scores improved (2014)</p>	<p>Data will not be available before Spring 2015. This indicator was dropped from the Education Project's results framework, as part of a Level I restructuring.</p>	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>
<p><b>Indicator:</b> Proportion of teachers using active methodologies in the context of the new curriculum</p> <p><b>Baseline:</b> As of 2010, 11% of teachers used new active learning methods, 64% used a mix of old and new, and 26% used a mix of old and new, and 26% used old methods in grades 1-2, where the introduction of new curricula started.</p> <p><b>Target:</b> Classroom observations in grades 1-2 will show 80% teachers using mix and new active learning methods (and no more than 20% will be using only old methods).</p>	<p>As of 2013, 17.8% of teachers used new active learning methodologies (as compared to a baseline of 10.6% in 2010).</p> <p>As of 2013, 70.7% of teachers/classes (one teacher per class observed) report using mixed (active + traditional) teaching methodologies (as compared to a baseline of 64%).</p>	<p>Source: CLR and Observational Study carried out by MoE in 2011-2013</p> <p>The indicator was introduced at the CPSPR stage.</p>
<p><b>Indicator:</b> Number of students having achieved National Accounting Qualification for Budget Sector</p> <p><b>Baseline:</b> 0 (2010)</p> <p><b>Target:</b> 25 (2014)</p>	<p>50 students achieved National Accounting Qualification for the Budget Sector.</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p>
<p><b>Indicator:</b> Number of higher education institutions that have introduced a new syllabi and textbooks for accounting and audit</p>	<p>The Ministry of Education (MoE) distributed the new textbooks to 25 higher education institutions. They are used as recommended additional study materials. In order to include them in the program</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p>



CPS FY11-FY14: Focus Area II -Strengthening Social and Municipal Services	Actual Results (as of current month/year)	Comments
<p>Baseline: 0 (2010)</p> <p>Target: 5 (2014)</p>	<p>they need to be approved by the MoE. The Economic University was tasked with reviewing the books, and it will provide its inputs recommendation for their inclusion in the program.</p> <p>The Ministry of Finance, as an entity responsible for financial accounting policy in the country, will update the existing syllabus and submit the updated one to the MoE for further approval. Once the syllabus is approved, it will be valid for all state universities.</p>	
<b>8. CPS Objective: Improved living conditions for IDPs</b>		
<p><b>Indicator:</b> Percentage of micro-projects achieve their expected results for improvement in living conditions, as rated by community members</p> <p>Baseline: 12.5% (2009)</p> <p>Target: 94.5% (2014)</p>	<p>As of September 30, 2014, the Beneficiary Survey conducted before and after micro-projects were completed showed the following:</p> <ul style="list-style-type: none"> <li>- Number of people provided access to (micro-project) service/utility/infrastructure: 77,827</li> <li>- Surveyed beneficiaries rating access to (micro-project) service/utility/infrastructure as good: 95%</li> <li>- Surveyed beneficiaries rating quality of (micro-project) service/utility/infrastructure as good: 93%</li> </ul>	<p>Source: CLR</p> <p>The baseline was introduced at the CPSPR stage and the target was revised.</p>
<p><b>Indicator:</b> Percentage of women in micro-project committees.</p> <p>Baseline: 0% (2009)</p> <p>Target: 50% (2014)</p>	<p>47% female membership in micro-project and housing renovation committees.</p>	<p>Source: CLR</p> <p>The indicator was introduced at the CPSPR stage.</p>
<b>Results Area: Improved municipal and rural services</b>		
<b>9. CPS Objective: More reliable water supply and sanitation</b>		
<p><b>Indicator:</b> Number of people with improved water supply and sanitation in targeted areas</p> <p>Baseline: 0 (2009)</p> <p>Target: 200,000 people, 24 hours (2014)</p>	<p>As of 2014, 220,000 people have access to improved 24h water supply and sanitation in targeted areas, under the support of the two National Water Supply and Sanitation Projects (NWSSP) and related additional financing.</p>	<p>Source: CLR</p> <p>The baseline and target were revised at the CPSPR stage.</p>
<p><b>Indicator:</b> Number of hours of available water service per day in targeted areas</p>	<p>Daily availability increased by 233%, from 3 to 10 hours. The current average is 10 hours of water service per day.</p>	<p>Source: CLR</p>



CPS FY11-FY14: Focus Area II -Strengthening Social and Municipal Services	Actual Results (as of current month/year)	Comments
<p>Baseline: 3 (2009)</p> <p>Target: &gt;15 (2014)</p>		
<b>10. CPS Objective: Improved reliability of solid waste management services</b>		
<p><b>Indicator:</b> Extend waste collection services to unserved population of Greater Baku</p> <p>Baseline: 0</p> <p>Target: 400,000 people</p>	<p>As of November, 2014 about 527,000 people who have been underserved benefit from waste collection.</p>	<p>Source: CLR</p>
<p><b>Indicator:</b> Improved solid waste disposal management</p> <p>Baseline:</p> <p>Target: 60% of informal dump sites closed</p>	<p>As of November, 2014, 44 informal dump sites (corresponding to 67% of all informal dump sites) have been closed.</p>	<p>Source: CLR</p>
<b>11. CPS Objective: Improved access to rural infrastructure</b>		
<p><b>Indicator:</b> Number of beneficiaries in supported communities with improved access to rural roads, including women</p> <p>Baseline: 523,206, including 257,834 women (2012)</p> <p>Target: 800,000, including 350,000 women (2014)</p>	<p>The number on beneficiaries with improved access to rural roads is 800,007. Of these, 412,000 (51%) are women.</p>	<p>Source: CLR</p> <p>The indicator was revised at the CPSPR stage.</p>
<p><b>Indicator:</b> Improved use of infrastructure services in supported communities as measured by reduced time spent by beneficiaries to reach key infrastructure (market, hospital, school, safe water source)</p> <p>Baseline: 0% (2011)</p> <p>Target: 50% reduction in time spent to reach key infrastructure in the new 90 communities targeted by the AzRIP 2 (2014)</p>	<p>As of 2015, the time spent to reach the nearest social infrastructure points has decreased significantly, varying from 9% to up to 32% with "with an average decrease of 15%. The target of 50% will be achieved by 2017.</p> <p>The percentage increase in access to and use of rural infrastructure is currently at 25%.</p>	<p>Source: CLR</p> <p>The indicator was reformulated at the CPSPR stage. Baseline was revised after the CPSPR.</p>



**Annex Table 2: Azerbaijan Planned and Actual Lending, FY11-14**

Project ID	Project name	Proposed FY	Approval FY	Closing FY	Proposed Amount (US\$ million)	Approved IBRD Amount (US\$ million)	Approved IDA Amount (US\$ million)	Total IBRD/IDA (US\$ million)	Outcome Rating
<b>Projects Planned Under CPS FY11-12</b>									
P120321	Capital Markets Modernization	FY11-12	2011	2016	12.0	12.0	0.0	12.0	LIR: S
P125741	Judicial Modernization (Additional Financing)	FY11-12	2011	2016	33.0	24.2	9.2	33.4	
P107617	Water Users Association Development Support Project	FY11-12	2011	2016	80.0	3.2	76.8	80.0	LIR: S
P107774	Higher Education	FY11-12	Dropped						
P122943	IDP Living Standards and Livelihoods II	FY11-12	2012	2016	50.0	50.0	0.0	50.0	LIR: S
P112773	Hovsan Outfall	FY11-12	Dropped						
<b>Projects Planned Under CPSPR FY13-14</b>									
P122944	Rural Investment AZRIP II	FY13	2013	2019	30.0	30.0	0.0	30.0	LIR: S
P144279	Solid Waste Management (Additional Financing)	FY13	2013	2017	47.0	47.1	0.0	47.1	
P153968	National Water and Sanitation Project (Additional Financing)	FY14	Delayed		50.0				
P147378	Second National Water Supply and Sanitation Project (Additional Financing)	FY14	Delayed		40.0				
P122812	Agricultural Competitiveness Improvement Project (ACIP)	FY14	2014	2019	35.0	34.5	0.0	34.5	LIR: S
P144700	Judicial Services and Smart Infrastructure	FY14	Delayed		50.0				
P129093	Health Sector Reform Project (Additional Financing)	FY14	Dropped		30.0				
<b>Total Planned</b>					<b>457.0</b>	<b>201.0</b>	<b>86.0</b>	<b>287.0</b>	
<b>Unplanned Projects during the CPS and CPSPR Period</b>									
P146125	Rail Trade and Transport Facilitation (Additional Financing)		2013	2018		220	0	220.0	
<b>Total Unplanned</b>						<b>220</b>	<b>0</b>	<b>220.0</b>	
<b>On-going Projects during the CPS Period</b>			<b>Approval FY</b>	<b>Closing FY</b>		<b>Approved IBRD Amount (US\$ million)</b>	<b>Approved IDA Amount (US\$ million)</b>	<b>Total IBRD/IDA (US\$ million)</b>	
P008286	IRRIG DIST SYS & MGMT IMPROVMT		2003	2011		0.0	35.0	35.0	IEG: MS
P049892	PENSION & SOC ASST		2004	2011		0.0	10.0	10.0	IEG: MS
P076234	RURAL INVSM (AZRIP)		2004	2012		0.0	15.0	15.0	IEG: S
P083341	POWER TRANSMISSION		2005	2012		48.0	0.0	48.0	IEG: S
P089751	IDP ECON DEVT SUPPORT		2005	2012		0.0	11.5	11.5	IEG: MS
P090887	ADCP-II		2006	2012		0.0	29.2	29.2	IEG: S



P094220	HEALTH SECTR REFORM	2006	2014	0.0	50.0	50.0	IEG: MU
P110682	ARP III-LG-SCALE OIL POLL LAND CLEAN	2008	2014	60.0	0.0	60.0	LIR: U
P094488	HIGHWAY 2	2006	2015	200.0	0.0	200.0	LIR: MS
P099201	JUDICIAL MOD	2006	2015	0.0	21.6	21.6	LIR: S
P099924	Corporate and Public Sector Accountability Project (CAPSAP)	2008	2015	0.0	11.0	11.0	LIR: S
P104985	ARP I-CONTAM'D SITES REHAB	2008	2015	74.5	0.0	74.5	LIR: S
P100582	REAL ESTATE REG.	2007	2016	30.0	0.0	30.0	LIR: MS
P102117	EDUC SECT DEVT 2	2008	2016	0.0	25.0	25.0	LIR: MS
P105116	SOCIAL PROT DEV	2008	2016	0.0	26.7	26.7	LIR: MS
P115396	PUB INVST CAP BLDG	2009	2016	0.0	8.0	8.0	LIR: MS
P096213	NAT'L WATER SUPPLY & SAN	2007	2017	230.0	0.0	230.0	LIR: MS
P110679	ARP II-INTEGRAT'D SOLID WASTE MGT	2008	2017	29.5	0.0	29.5	LIR: S
P118023	AZ HIGHWAY 3	2010	2017	171.6	70.0	241.6	LIR: MS
P083108	RAIL TRADE & TRNSPT FACIL	2008	2018	450.0	0.0	450.0	LIR: MS
P109961	NAT'L WATER SUPPLY & SAN II	2008	2018	230.0	30.0	260.0	LIR: S
<b>Total On-going</b>				<b>1523.6</b>	<b>343.0</b>	<b>1866.6</b>	

Source: Azerbaijan CPS, CPSPR and WB AO as of 3-14-16

\*LIR: Latest internal rating. MU: Moderately Unsatisfactory. MS: Moderately Satisfactory. S: Satisfactory. HS: Highly Satisfactory.

**Annex Table 3: Grants and Trust Funds Active in FY11-14 (in US\$ million)**

Project ID	Project name	TF ID	Approval FY	Closing FY	Approved Amount
P144633	Azerbaijan - Establishment of Meta-Information System	TF 14110	2014	2016	0.25
P125462	SECO Trust Fund for Azerbaijan - Financial Sector Modernization	TF 11975	2013	2016	2.15
P122236	Extending Mobile Applications in ECA through Social Networking	TF 99087	2011	2013	0.04
P121773	Quality Management in the Road Sector	TF 96927	2011	2014	0.45
P099924	Corporate and Public Sector Accountability Project	TF 98323	2011	2015	1.87
P107774	Azerbaijan Higher Education Project (AZHEP)	TF 92823	2009	2013	0.46
P099924	Corporate and Public Sector Accountability Project	TF 57849	2009	2015	3.00
P096213	NATIONAL WATER SUPPLY & SANITATION	TF 90657	2008	2013	1.95
P089751	IDP Economic Development Support Project	TF 90489	2008	2012	1.95
<b>Total</b>					<b>12.1</b>

Source: Client Connection as of 3/14/15



**Annex Table 4: Analytical and Advisory Work for Azerbaijan, FY11 - FY14**

Proj ID	Economic and Sector Work	Deliv./Compl . FY	Output Type
P113867	PRIORITIZING ENVIRONMENTAL INVESTMENTS	FY11	Other Environmental Study
P118363	CRISIS IMPACT ON IDPs	FY11	Not assigned
P123046	SOLID WASTE STRATEGY	FY12	Other Urban Study
P125344	PRIV SECTOR PARTICIP IN SOLID WASTE MGMT	FY12	Other Urban Study
P112652	PPER ON EXPENDITURE POLICY	FY13	Public Expenditure Review (PER)
Proj ID	Technical Assistance	Deliv./Compl . FY	Output Type
P121468	FIRST #9058 Azerbaijan: Capital Mkt Dev.	FY11	"How-To" Guidance
P121930	Azerbaijan #9061 Systemic Risk Response	FY11	"How-To" Guidance
P124780	Workshop for FIU, LEA and Prosecutors	FY11	Institutional Development Plan
P127355	Azerbaijan: High Level Policy Forum	FY12	TA/EPD
P129086	Azerbaijan #10205 Oper. Sys Risk Resp Fr	FY12	TA/IAR
P143678	Economic Diversification and Growth	FY14	TA/IAR
P144459	Azerbaijan #10253 Development and Superv	FY14	TA/IAR
P146820	Azerbaijan MTDS	FY14	TA/IAR
P147678	Azerbaijan Industrial Parks TA	FY14	TA/IAR

Source: WB AO ESW/TA as of 3/4/15

**Annex Table 5: IEG Project Ratings for Azerbaijan, FY11-FY14**

Exit FY	Proj ID	Project name	Total Evaluated (\$M)	IEG Outcome	IEG Risk to DO
2011	P008286	IRRIG DIST SYS & MGMT IMPROVMT	39.7	MODERATELY SATISFACTORY	SIGNIFICANT
2011	P049892	PENSION & SOC ASST	10.4	MODERATELY SATISFACTORY	NEGLIGIBLE TO LOW
2012	P076234	RURAL INVSMT (AZRIP)	30.4	SATISFACTORY	NEGLIGIBLE TO LOW
2012	P083341	POWER TRANSMISSION	46.2	SATISFACTORY	HIGH
2012	P089751	IDP ECON DEVT SUPPORT	26.3	MODERATELY SATISFACTORY	MODERATE
2012	P090887	ADCP-II	30.0	SATISFACTORY	MODERATE
2014	P094220	HEALTH SECTR REFORM	51.3	MODERATELY UNSATISFACTORY	MODERATE
		<b>Total</b>	<b>234.4</b>		

Source: BW Key IEG Ratings as of 03/4/15



**Annex Table 6: IEG Project Ratings for Azerbaijan, FY11-14**

Region	Total Evaluated (\$M)	Total Evaluated (No)	Outcome % Sat (\$)	Outcome % Sat (No)	RDO % Moderate or Lower Sat (\$)	RDO % Moderate or Lower Sat (No)
Azerbaijan	234.4	7	78.1	85.7	63.4	71.4
ECA	11,706.6	174	87.2	75.0	69.1	64.3
World	73,455.7	896	82.2	69.6	64.1	50.1

Source: WB Business Warehouse as of 3/4/15

\* With IEG new methodology for evaluating projects, institutional development impact and sustainability are no longer rated separately.

**Annex Table 7: Portfolio Status for Azerbaijan and Comparators, FY11-14**

Fiscal year	2010	2011	2012	2013	2014	Average FY11-14
<b>Azerbaijan</b>						
# Proj	19.0	20.0	18.0	19.0	19.0	19.0
# Proj At Risk	3.0	3.0	5.0	4.0	1.0	3.3
% Proj At Risk	15.8	15.0	27.8	21.1	5.3	17.3
Net Comm Amt	2,237.1	2,317.5	2,215.4	2,505.0	2,489.5	2,381.9
Comm At Risk	501.0	501.0	955.9	982.4	20.8	615.0
% Commit at Risk	22.4	21.6	43.1	39.2	0.8	26.2
<b>ECA</b>						
# Proj	310.0	290.0	256.0	246.0	274.0	266.5
# Proj At Risk	52.0	40.0	47.0	47.0	37.0	42.8
% Proj At Risk	16.8	13.8	18.4	19.1	13.5	16.2
Net Comm Amt	4,411.4	22,649.7	23,091.9	24,699.7	26,727.0	24,292.1
Comm At Risk	24,736.6	2,116.9	2,668.4	3,844.0	2,635.4	2,816.2
% Commit at Risk	17.8	9.3	11.6	15.6	9.9	11.6
<b>World</b>						
# Proj	1,990.0	2,059.0	2,029.0	1,965.0	2,048.0	2,025.3
# Proj At Risk	410.0	382.0	387.0	414.0	415.0	399.5
% Proj At Risk	20.6	18.6	19.1	21.1	20.3	19.7
Net Comm Amt	29,139.6	171,755.3	173,706.1	176,206.6	192,020.9	178,422.2
Comm At Risk	163,968.6	23,850.0	24,465.0	40,805.6	41,107.7	32,557.1
% Commit at Risk	17.8	13.9	14.1	23.2	21.4	18.1

Source: WB AO table 3.a.4 as of 2/5/15



**Annex Table 8: Disbursement Ratio\* for Azerbaijan, FY11-14**

Fiscal Year	2011	2012	2013	2014	Overall Result
<b>Azerbaijan</b>					
Disbursement Ratio (%)	8.60	14.20	23.39	26.60	17.56
Inv Disb in FY	159.49	257.28	368.50	399.35	1,184.63
Inv Tot Undisb Begin FY	1,855.56	1,812.46	1,575.16	1,501.40	6,744.58
<b>ECA</b>					
Disbursement Ratio (%)	20.51	25.92	24.15	22.78	23.33
Inv Disb in FY	2,806.39	3,498.43	2,925.82	2,611.49	11,842.13
Inv Tot Undisb Begin FY	13,682.49	13,495.75	12,113.73	11,466.36	50,758.33
<b>World</b>					
Disbursement Ratio (%)	22.38	20.79	20.60	20.79	21.12
Inv Disb in FY	20,933.51	21,048.75	20,509.01	20,756.34	83,247.62
Inv Tot Undisb Begin FY	93,516.54	101,239.14	99,582.39	99,848.44	394,186.51

\* Calculated as IBRD/IDA Disbursements in FY / Opening Undisbursed Amount at FY. Restricted to Lending Instrument Type = Investment.

BW disbursement ratio table as of 3/4/15

**Annex Table 9: Net Disbursement and Charges for Azerbaijan, FY11-14**

Period	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
Jul 2010 - Jun 2011	160,899,138	10,778,474	150,120,665	2,518,636	6,882,551	140,719,477
Jul 2011 - Jun 2012	257,504,709	15,708,730	241,795,979	4,030,930	6,888,990	230,876,059
Jul 2012 - Jun 2013	368,576,510	351,220,270	17,356,240	6,680,314	6,593,054	4,082,871
Jul 2013 - Jun 2014	400,018,977	66,638,659	333,380,318	6,267,565	5,573,529	321,539,224
<b>Report Total</b>	<b>1,186,999,335</b>	<b>444,346,133</b>	<b>742,653,201</b>	<b>19,497,445</b>	<b>25,938,124</b>	<b>697,217,632</b>

Source: WB Client Connection 3/4/15

**Annex Table 10: List of IFC Investments in Investments Committed in FY11-FY14**

Project ID	Cmt FY	Project Status	Primary Sector Name	Project Size	Original Loan	Net Loan	Net Equity	Net Comm
34662	2015	Active	Finance & Insurance	180	180	180	-	180
35496	2015	Active	Finance & Insurance	7,000	7,000	7,000	-	7,000
34324	2014	Active	Finance & Insurance	600	600	217	-	217
32220	2013	Active	Finance & Insurance	15,000	15,000	15,000	-	15,000
32447	2013	Active	Finance & Insurance	1,115	-	1,114	1,114	1,114
32628	2013	Active	Finance & Insurance	15,000	14,000	14,000	-	14,000
33082	2013	Active	Finance & Insurance	350	350	350	-	350
30380	2011	Active	Finance & Insurance	7,000	7,000	7,000	-	7,000
30432	2011	Active	Finance & Insurance	10,000	10,000	10,000	-	10,000



30556	2011	Active	Finance & Insurance	1,094	-	1,094	1,094	1,094
30751	2011	Active	Finance & Insurance	7,000	7,000	7,000	-	7,000
28507	2011	Closed	Finance & Insurance	5,999	-	2,095	(52)	(52)
<b>Sub-Total</b>				<b>70,338</b>	<b>61,130</b>	<b>65,050</b>	<b>2,156</b>	<b>62,903</b>

**Investments Committed pre-FY11 but active during FY11-14**

Project ID	CMT FY	Project Status Name	Primary Sector Name	Project Size	Original Loan	Net Loan	Net Equity	Net Comm
26757	2009	Active	Finance & Insurance	5,000	5,000	5,000	-	5,000
27391	2009	Active	Finance & Insurance	15,000	10,000	5,000	-	5,000
27854	2009	Active	Finance & Insurance	6,250	31,270	31,270	-	31,270
25911	2008	Active	Finance & Insurance	15,000	15,000	3,000	-	3,000
26841	2008	Active	Finance & Insurance	2,122	-	2,122	2,122	2,122
26964	2008	Active	Finance & Insurance	744	-	744	744	744
27032	2008	Active	Finance & Insurance	10,000	10,000	10,000	-	10,000
25040	2007	Active	Wholesale and Retail Trade	50,000	17,970	18,000	30	18,000
25338	2007	Active	Finance & Insurance	3,000	16,486	16,486	-	16,486
25422	2007	Active	Finance & Insurance	2,500	10,413	10,413	-	10,413
25506	2007	Active	Finance & Insurance	556	-	556	556	556
25773	2007	Active	Finance & Insurance	5,000	10,366	10,366	-	10,366
24850	2006	Active	Finance & Insurance	2,300	-	2,300	2,300	2,300
11136	2002	Active	Finance & Insurance	1,750	-	1,750	1,750	1,750
26159	1900	Active	Wholesale and Retail Trade	-	-	-	-	-
<b>Sub-Total</b>				<b>119,222</b>	<b>126,505</b>	<b>117,008</b>	<b>7,502</b>	<b>117,008</b>
<b>TOTAL</b>				<b>189,560</b>	<b>187,635</b>	<b>182,058</b>	<b>9,658</b>	<b>179,911</b>



**Annex Table 11: List of IFC Advisory Services for Azerbaijan**

Project ID	Project Name	Impl Start FY	Impl End FY	Project Status	Primary Business Line	Total Funds, US\$
599541	Azerbaijan Investment Climate - Phase II	2014	2015	ACTIVE	IC	1,490,000
599660	Azerbaijan General & Administration	2014	2018	ACTIVE	IC	343,674
592487	Azerbaijan-Central Asia Financial Markets Infrastructure Phase 2	2013	2016	TERMINATED	A2F	5,300,000
591747	SME Bnkg AS to TuranBank	2012	2013	CLOSED	A2F	230,000
585287	ECA SME Banking#UMB	2012	2013	ACTIVE	A2F	-
<b>Sub-Total</b>						<b>7,363,674</b>

**Advisory Services Approved pre-FY11 but active during FY11-14**

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
571127	Azerbaijan FM Crisis Management Project	2010	2012	CLOSED	A2F	1,230,000
563788	CA AS for transformation of MFIs - Azerbaijan	2009	2012	CLOSED	A2F	900,000
569388	Azerbaijan FM Infrastructure	2010	2016	ACTIVE	A2F	2,001,795
558445	Azerbaijan Business Enabling Environment	2008	2013	CLOSED	IC	4,514,997
547632	CA Mortgage-AZB	2007	2012	CLOSED	A2F	1,387,451
521943	Azerbaijan Corporate Governance Project	2004	2012	CLOSED	SBA	4,662,822
<b>Sub-Total</b>						<b>14,697,065</b>
<b>TOTAL</b>						<b>22,060,739</b>

**Regional**

Project ID	Project Name	Start FY	End FY	Project Status	Primary Business Line	Total Funds, US\$
571707	ECA FM Crisis Management					1,600,000
563788	CA MfF AZ Transformation for MFIs	2009	2013	CLOSED		900,000
599367	ECA SME Banking regional Project	2013				2,700,000
592347	ECA SME Resilience	2013		ACTIVE		2,300,000
597347	ECA SEF					1,600,000
<b>TOTAL</b>						<b>9,100,000</b>



**Annex Table 12: Total Net Disbursements of Official Development Assistance and Official Aid for Azerbaijan**

Development Partners	2011	2012	2013
Australia	0.06	0.61	0.01
Austria	0.51	0.93	0.75
Canada	0.04	0.01	0.14
Czech Republic	0.05	0.16	0.16
Denmark	0.08	..	0.02
Finland	0.67	0.34	0.48
France	2.48	2.21	8.11
Germany	13.83	6.26	-2.22
Greece	0.19	0.16	0.02
Ireland	..	0.01	..
Italy	0.03	0.03	0.02
Japan	105.47	155.36	42.85
Korea	11.29	6.2	10.32
Luxembourg	0.1	0.1	0.01
Netherlands	..	..	0.06
Norway	3.37	2.99	1.97
Poland	0.4	0.43	0.33
Slovak Republic	..	0.03	0.04
Spain	0.05	..	0.05
Sweden	0.84	1.03	0.87
Switzerland	5.84	4.91	5.68
United Kingdom	0.96	2.12	4.14
United States	30.15	31.95	33.23
<b>DAC Countries, Total</b>	<b>176.41</b>	<b>215.84</b>	<b>107.04</b>
AsDB Special Funds	-0.3	1.3	0.14
EU Institutions	24.77	26.19	17.38
GAVI	1.13	-0.03	2.81
GEF	0.18	0.28	0.82
Global Fund	18.32	4.58	10.28
IAEA	1.04	0.26	0.2
IBRD	..	..	..
IDA	46.74	26.45	-231.52
IFAD	4.13	4.87	7.8
IFC	..	..	..
IMF (Concessional Trust Funds)	-17.28	-13.06	-9.78
Isl.Dev Bank	-3.35	-5.2	..
OFID	1.07	-0.93	-0.93
OSCE	3.54	2.85	2.95
UNAIDS	0.22	0.23	0.1
UNDP	1.04	0.88	1.1
UNFPA	0.71	0.71	0.73
UNHCR	..	0.01	..
UNICEF	0.85	0.78	1.06
WHO	0.88	0.04	0.22
<b>Multilateral, Total</b>	<b>83.69</b>	<b>50.21</b>	<b>-196.64</b>
Estonia	0.01	0.01	0.06
Hungary	0.1	0.04	0.02
Israel	0.58	0.45	0.39
Kuwait (KFAED)	-1.5	-2.17	-2.14
Latvia	0.02	0.01	0.04
Lithuania	0.04	0.01	0.01
Romania	0.04	0.06	0.03
Russia	1.18	1.73	..
Turkey	26.48	19.36	28.68
United Arab Emirates	-0.62	-0.63	-0.63
<b>Non-DAC Countries, Total</b>	<b>26.33</b>	<b>18.87</b>	<b>26.46</b>
<b>Development Partners Total</b>	<b>286.43</b>	<b>284.92</b>	<b>-63.14</b>

Source: OECD Stat, [DAC2a] as of 3-17-15



**Annex Table 13: Economic and Social Indicators for Azerbaijan, FY10 - 14**

Series Name						ECA		
	2010	2011	2012	2013	2014	AZ	(developing only)	World
						Average 2010-2014		
<b>Growth and Inflation</b>								
GDP growth (annual %)	4.9	0.1	2.2	5.8	..	3.2	4.4	2.9
GDP per capita growth (annual %)	3.6	-1.2	0.9	4.4	..	1.9	3.7	1.7
GNI per capita, PPP (current international \$)	14,600.0	14,590.0	14,870.0	16,180.0	..	15,060.0	12,773.1	13,562.7
GNI per capita, Atlas method (current US\$)	5,370.0	5,530.0	6,290.0	7,350.0	..	6,135.0	6,572.3	10,049.1
Inflation, consumer prices (annual %)	5.7	7.9	1.0	2.4	..	4.2	4.5	3.5
<b>Composition of GDP (%)</b>								
Agriculture, value added (% of GDP)	5.9	5.4	5.5	5.7	..	5.6	8.5	3.1
Industry, value added (% of GDP)	64.1	65.6	63.1	62.1	..	63.7	30.9	27.0
Services, etc., value added (% of GDP)	30.0	29.0	31.5	32.3	..	30.7	60.7	69.9
Gross fixed capital formation (% of GDP)	18.2	20.2	21.9	24.6	..	21.2	21.6	21.8
Gross domestic savings (% of GDP)	51.7	52.6	50.0	46.6	..	50.2	18.3	22.5
<b>External Accounts</b>								
Exports of goods and services (% of GDP)	54.3	56.4	53.7	48.7	..	53.3	40.0	29.5
Imports of goods and services (% of GDP)	20.7	24.1	25.6	26.9	..	24.3	44.0	29.5
Current account balance (% of GDP)	28.4	26.0	21.8	16.6	..	23.2	..	..
External debt stocks (% of GNI)	14.2	13.2	15.1	13.3	..	14.0	63.7	..
Total debt service (% of GNI)	0.8	3.0	3.0	3.6	..	2.6	15.7	..
Total reserves in months of imports	5.3	5.7	5.9	7.4	..	6.1	5.2	13.6
<b>Fiscal Accounts **</b>								
General government revenue (% of GDP)	45.7	45.5	40.5	39.4	38.8	42.0	..	..
General government total expenditure (% of GDP)	31.7	34.0	36.7	38.0	38.4	35.7	..	..
General government net lending/borrowing (% of GDP)	14.0	11.6	3.8	1.4	0.4	6.2	..	..
General government gross debt (% of GDP)	11.1	10.1	11.6	13.8	16.4	12.6	..	..
<b>Social Indicators</b>								
<b>Health</b>								
Life expectancy at birth, total (years)	70.5	70.6	70.6	70.7	..	70.6	72.1	70.6
Immunization, DPT (% of children ages 12-23 months)	81.0	87.0	89.0	93.0	..	87.5	92.2	83.4
Improved sanitation facilities (% of population with access)	82.0	82.0	82.0	..	..	82.0	94.0	63.3
Improved water source (% of population with access)	80.2	80.2	80.2	..	..	80.2	94.8	88.9
Mortality rate, infant (per 1,000 live births)	33.8	32.4	31.1	29.9	..	31.8	21.1	35.2
<b>Education</b>								
School enrollment, preprimary (% gross)	25.6	26.6	24.8	..	..	25.7	45.2	..
School enrollment, primary (% gross)	93.8	95.6	97.9	..	..	95.8	99.5	108.4
School enrollment, secondary (% gross)	98.8	99.5	100.3	..	..	99.5	93.0	72.1
<b>Population</b>								
Population, total (Millions)	9.1	9.2	9.3	9.4	..	9.2	269.6	7,004.2
Population growth (annual %)	1.2	1.3	1.3	1.3	..	1.3	0.7	1.2
Urban population (% of total)	53.4	53.6	53.9	54.1	..	53.7	59.8	52.3

Source: WDI Central as of 12/19/14

\*\*International Monetary Fund, World Economic Outlook Database, April 2015 (Estimates Start After 2012)