



**WORLD BANK GROUP**

# **Azerbaijan Country Partnership Framework (CPF) for 2015-2020**



# **World Bank Group's Twin Goals**

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**Goal 1: End extreme poverty by 2030**

**Goal 2: Promote shared prosperity**



# Azerbaijan's story: *Remarkable progress over ten years*

**High growth rates (13 % in 2002-2013), though slowing down since 2014**

**Poverty declined (49 % in 2000 – 5%\*in 2013)**

**Consumption** of bottom 40% grew by over 2 % annually in 2007 -2012

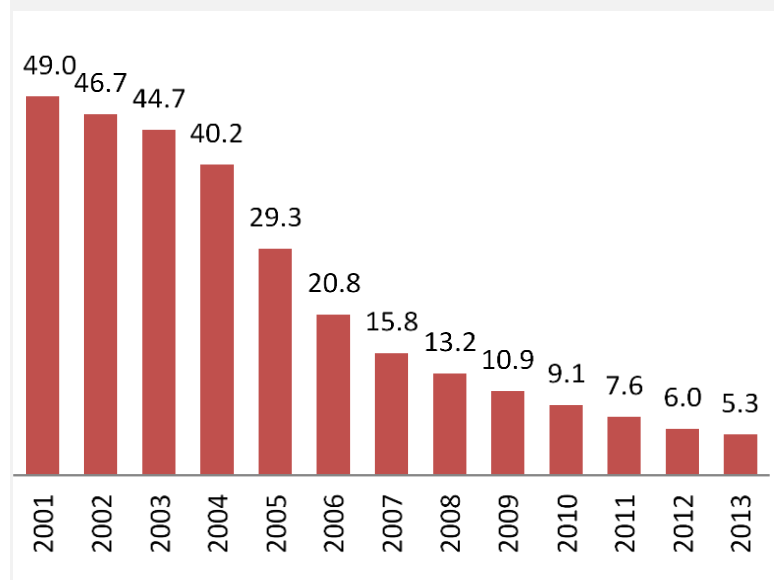
..which is **twice** the rate of Top 60%.

**middle class grew** from 4.3 to 28.9 % of population.

\* Not verified by the World Bank

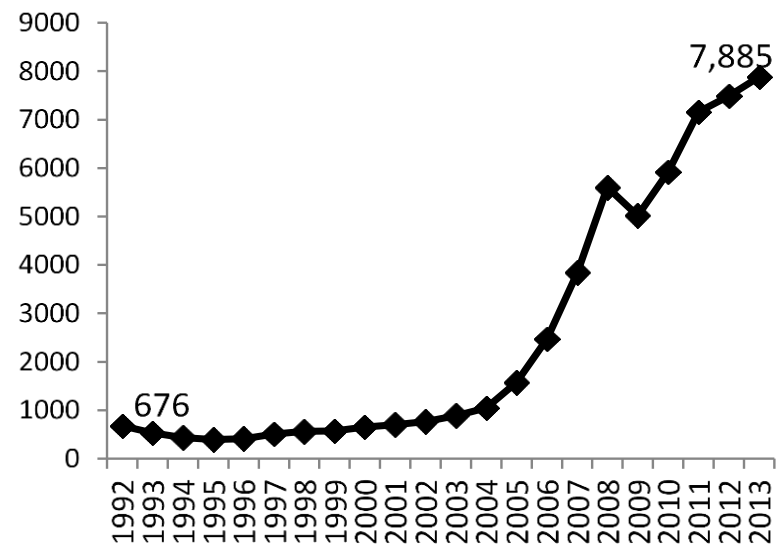
# Azerbaijan's story: *progress on twin goals*

**Figure 1: Poverty headcount rate at the national poverty rate in Azerbaijan, 2001-2013**



Source: World Bank staff calculations based on Statistical Committee data as reported in the Systematic Country Diagnostic. Notes: Poverty lines are set each year through an administrative process. The nominal lines in 2007 and 2013 refer to AZN 64 and AZN 125, respectively. Individuals with a per capita consumption below the poverty line are considered poor.

**Figure 2: Evolution of GDP per capita**




Source: Azerbaijan Systematic Country Diagnostic, 2015

# Azerbaijan's story: *Sources of Growth*

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Economic growth was bolstered by:

- high foreign direct investment in the oil sector
  - and then by growing oil production and exports, and prices
  - heavy public investment programs boosted non-oil sector
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# Azerbaijan's story: *Challenges ahead*

Despite the progress on Twin Goals, many remain **vulnerable** to shocks:

- 65 % of Azerbaijanis are **vulnerable** and far from reaching the ranks of the middle class

*Because of*


**Inadequate asset base** - poor housing conditions, lack of education and skills, limited employment and income generation opportunities

**Uneven access and quality** of public services, rural –urban divide

# **Azerbaijan's story: *Risks to development***

- **Uncertainty around oil prices (the current declining trend)**
  - **Regional and global turmoil**
  - **Unfinished reform agenda, inadequate institutional framework**
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# Azerbaijan's story: *What needs to be done...*

- Effective management of fiscal shocks in the *short run*
  - Scaled up implementation of reforms in the *medium term*
  - and a new growth model based on increasing the role of private sector over the *longer term*.
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- A faint, stylized blue globe graphic is visible in the bottom-left corner of the slide, partially overlapping the text of the third bullet point. It consists of several intersecting curved lines representing latitude and longitude.

# **Azerbaijan's story: ... *to develop resilient and sustainable sources of growth***

Priority lines of action are:

1. Create **fiscal space** through efficient public spending
  2. Strengthen **governance** by building credible and accountable institutions
  3. Develop **human capital**
  4. Improve **connectivity**
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# The World Bank Group's CPF for 2015-2020

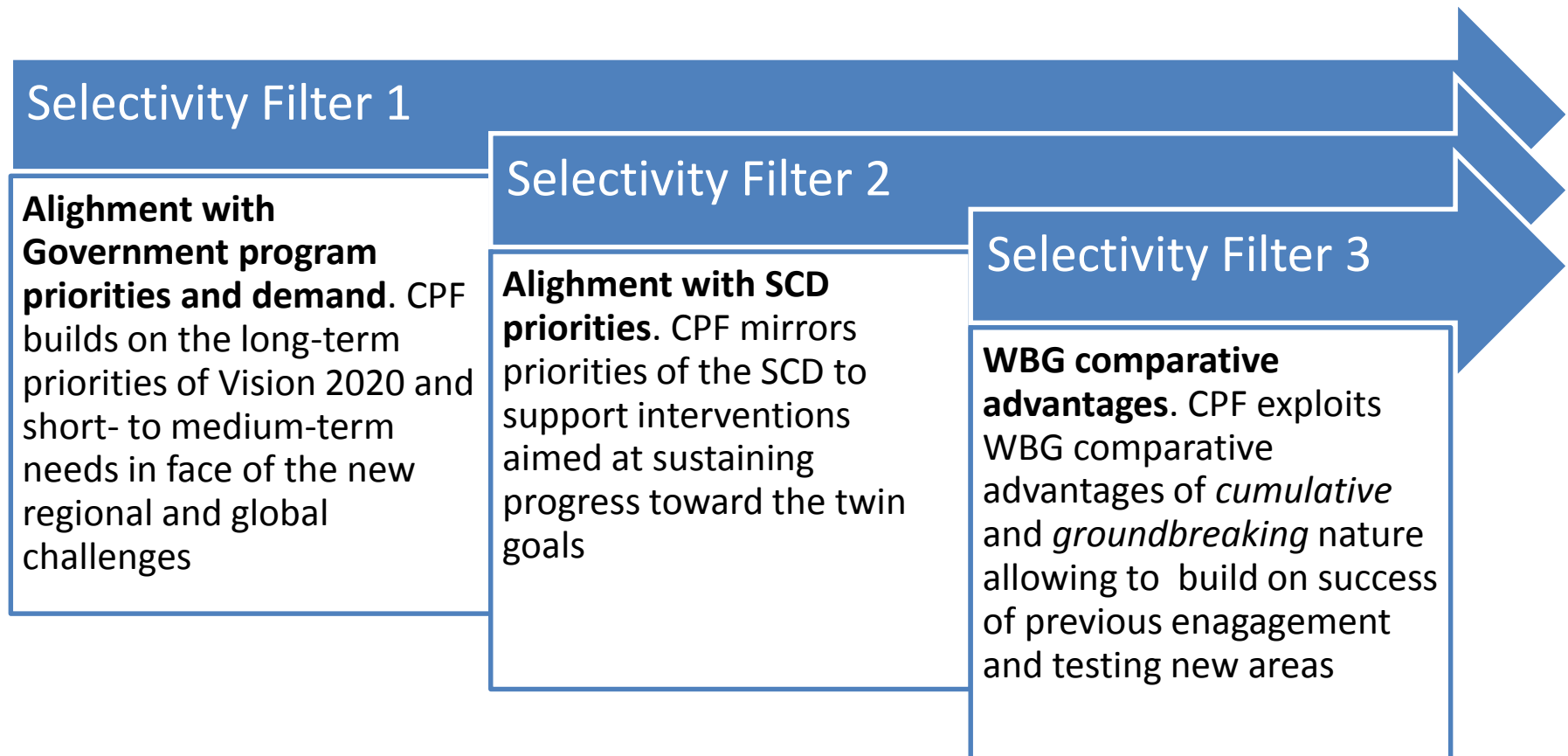
CPF Objective:

***To support Azerbaijan toward sustainable, inclusive and resilient growth***

is based on:

- priorities of Azerbaijan's *Vision 2020* and WBG's *Systematic Country Diagnostics (SCD)*
- WBG *comparative advantages* (strong engagement and rich experience in certain areas, ability to engage in new areas)

# Selectivity: what to do and when?



# CPF Focus Areas

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Focus Area 1: **Public Sector Management and Service Delivery**

Focus Area 2 **Economic Competitiveness**



# Focus Area 1: Public Sector management and Services

- **Build Capacity for Public Resource Management** (*improving public finance management systems, strengthening public procurement practices, improving external audit capacity, promoting cashless transactions, improving asset management of the Oil Fund*)
- **Facilitate Access to Public Services** (*supporting ASAN Xidmet for making its services available to entire population, particularly in underserved regions and groups, improving access to e-services, better targeting of the social programs and access to safety nets, especially in rural areas and for vulnerable groups*).
- **Improve access to water, sanitation and communal services** (*expanding access to and quality of utility services in the poor communities, improving management of solid waste in Greater Baku area*)
- **Improve quality of environmental assets** (*cleaning heavily contaminated lakes in Absheron peninsula, and mitigating adverse health impact and improve economic opportunities*)

# Focus Area 2: Economic Competitiveness

To open space for the private sector to lead the growth of the non-oil economy through:

- **Contributing to development infrastructure for growth** (*roads and railways to link Azerbaijan to regional and global markets, and proper maintenance systems for transport corridors*)
- **Supporting enhanced access to finance for small and medium enterprises** (*increased financial inclusion, modern financial services, financial literacy and consumer protection*)
- **Contributing to reduced regulatory burden for SMEs** (*streamlining business inspections, simplification of tax policies and administration*)
- **Supporting enhanced competitiveness of agriculture and rural development** (*promoting new financial instruments for farmers and agribusinesses, value chain analysis, improving irrigation*)

# Azerbaijan CPF Implementation

## CPF:

- covers the six year period from FY15 to FY20
  - underpins lending program with analytical work
  - will be reviewed and refined every 2 years
  - coordinated with other development partners
  - consulted with stakeholders
  - to be discussed by the Board of Directors in June 2015
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