



KNOWLEDGE FORUM 2018



6-9 November 2018 | Manila, Philippines

Strengthening “One ADB”

Tale of Azerbaijan’s *Country Diagnostic Study* and *SOE Sector Review*

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KEY NEEDS



AZE country context in nutshell

- Former USSR, oil&gas rich, Dutch disease, landlocked, ~10ml people, open UMIC economy; 5% poverty
- North: RUS, South: IRA, West: TUR; critical link on BRI Middle Transport Corridor
- Double digit growth in 2000–2009 down to ~2% pa afterwards
 - 2016 recession after oil price crisis in 2014; >100% devaluation of AZN => banking sector crisis; public debt x3 times due to bail-out of SOEs and large gas production project investment
- Govt very serious on diversification: 12 Strategic Roadmaps with many reforms

ADB operations context (~ same time in 2017)

- Public borrowing austerity: virtually no prospect of new sovereign lending (only for high-tech content)
- Private sector (real and financial sector) - still recovering from crisis : also limited prospects from PSO
- BUT: increasing demand for ADB's knowledge support (govt appreciates our "family doctor" approach)
- Need to prepare a well-informed and responsive new CPS for 2019-2023
- MOF interested in better prioritization of economic diversification reforms and raising efficiency of SOEs



CHALLENGES



- Lots of knowledge on AZE: TAs, RETAs, public and private projects, ADBI, CAREC Institute, staff papers and notes
- Unleashed potential of ADO: issues of country chapters to be more strategically selected; follow-up deep-dive KPS to be delivered later in year
- Stealth knowledge: lack of hands to collect, screen, prioritize, and *effectively* deliver
- Missing last mile: marginal cost with huge potential impact (knowledge creation/generation cost already incurred)
- Op Dept staff prioritize operation processing: KPS-s yet to evolve as tasks equally rewarded as operations
- Inadequate sync of knowledge/non-op depts' and Op Depts' programming
 - RM perspective: little info on knowledge departments' (i) country/regional work program and modalities, and (ii) available in-house staff expertise



SUCCESS STORIES



AZE CDS and SOE Sector Review: ERCD+AZRM Joint Venture

- Upstream work with client (explanation of approach, ADB experience, rationale) by AZRM
 - Based on pro-active estimation of the client's needs: robust prioritization of reforms under Strategic Roadmaps and facilitation of SOE reform momentum
 - Previous experience with CDS-s in INO and PHI and SOE fiscal issues helped!
- Timely discussion with ERCD/EREA – to enable inclusion in next year program
- High-level commitment from ERCD/EREA and constructive openness to AZRM requests and suggestions
- Joint-venture: EREA-AZRM co-lead throughout the KPS cycle (methodology, outlines, TORs of consultants, selection/management of consultants, co-authoring)
- CDS and SOE Review – critical knowledge inputs to new CPS
 - CPS strategic pillars come from CDS!
- High appreciation by govt



OPPORTUNITIES



- Address “inequality” btw KPS and operation products (especially in Op Depts)
 - Why not business processes for key KPS-s like for loans and TAs?
- Unleash “stealth” knowledge potential: implement the “knowledge last mile”
 - Country or regional TAs to finance “packaging” and “going public” of most pertinent knowledge (blow life in knowledge annexes of COBPs)
- Strategically select and include KPS in RM WPs; include at least one KPS in RM staff WPs
 - Can be joint ventures like CDS and SOE Sector Review
- “Roadshow” of knowledge/non-op depts products and modalities: to enable Op Depts to better understand and then put an “order” for knowledge product
- Make ADO country chapters more programmatic, followed by deep-dive KPS

Thank you

