

Japanese ODA Loan Agreement with Azerbaijan - Water Supply and Sewer System Improvements for Core Cities -

1. On May 29, JICA (President Sadako Ogata) signed an agreement with the Republic of Azerbaijan for a Japanese ODA loan for up to 32.851 billion yen for the Provincial Cities Water Supply and Sewerage Project.
2. Azerbaijan is an important junction tying together Asia and Europe as well as Russia and the Middle East. Occupying a geopolitically critical location in the Caucasus region, Azerbaijan is about one-fourth that of Japan in land area. An agricultural nation of approximately 8.5 million people (as of 2007), it holds abundant oil and natural gas resources in the Caspian Sea. In addition to constructing and improving water supply and sewer facilities, the Provincial Cities Water Supply and Sewerage Project will strengthen the maintenance and control system in 10 major regional cities. This will ensure a sanitary and sustainable living environment and contribute to geographically balanced social and economic development in the country. The cities that will receive the improvements are: Barda, Gobustan, Khachmaz, Khizi, Naftalan, Nefchala, Qusar, Salyan, Shirvan and Yevlakh.
3. Azerbaijan is still under transition, having gained independence from the former Soviet Union in 1991. Although steady economic growth has been achieved in recent years due to the production of petroleum and natural gas, inadequate work on infrastructures during the Soviet era has made water supply and sewage facility improvements a pressing issue, particularly in regional cities. Compared to the 95 percent penetration rate of water service in the capital city of Baku, the average rate in regional cities is a mere 33 percent, with twenty-four hour service unavailable in most cities, such that residents must purchase water in tanks. Furthermore, sewage goes untreated in regional cities with few areas outside of Baku having any sewer pipes at all. This not only has an adverse effect on regional cities in terms of sanitation, but is the largest source of environmental pollution as untreated sewage flows into groundwater and river systems. There are also concerns about the effects on crops.
4. To effectively provide infrastructures including water supply and sewage treatment facilities, technical cooperation and transfers must be made from the construction stage all the way through operation, maintenance and management. In addition to improving facilities, JICA is also investigating the use of technical cooperation; one of the ODA schemes that include dispatching specialists, the direction being taken is to utilize the vast experience of Japan and JICA to contribute to the knowledge in Azerbaijan concerning water supply and sewer facilities. This will be carried out in cooperation with the World Bank, the Asian Development Bank, the Kreditanstalt für Wiederaufbau (KfW) and other donor organizations.
5. Since the late 1990s when Azerbaijan gained independence and the political situation stabilized, JICA has been providing support for the construction of power stations as key infrastructures. In such projects, the technical capacity and expertise of Japan is widely applied to provide effective support. JICA will work to use advanced Japanese technology and expertise to educate human resources in addition to making facility improvements, thereby supporting sustainable economic growth in Azerbaijan while promoting the visibility of Japanese aid.

(For further details, [click here.](#))

Reference

Loan amount, Terms and conditions

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)	Repayment Period/Grace Period (years)	Procurement
Provincial Cities Water Supply and Sewerage Project	32,851	Water supply portion: 1.4 Sewer works portion:0.65 Consulting Services: 0.01	Water supply portion: 30 / 10 Sewer works portion: 40 / 10* Consulting Services: 30/10	General Untied

* Concessional loan terms are applied when environmental issues are involved in order to actively support developing countries tackling environmental problems. This applies to the sewer works portion of the project because of its environmental contribution.

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