

IsDB Group Engagement in Azerbaijan

Fostering Growth
and Unlocking
Opportunities

IsDB 
البنك الإسلامي للتنمية
Islamic Development Bank





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Message of the Chairman, Islamic Development Bank Group



On behalf of the Islamic Development Bank Group, I wish to extend my sincere appreciation to His Excellency Ilham Aliyev, President of the Republic of Azerbaijan, and to the Government and people of Azerbaijan, for their gracious hospitality in hosting the landmark 51st Annual Meeting of the Bank's Board of Governors in Baku from 16 to 19 June 2026.

This year's Annual Meetings will explore **Regional Integration for Sustainable Prosperity**, a fitting theme reflecting our collective quest for shared well-being by working together to enhance cooperation across economic and social domains.

Over the years, the IsDB Group has been **supporting Azerbaijan across diverse sectors** through financing and non-financing activities, particularly trade finance, insurance and investment promotion, and private sector development.

As a member of the Bank and the other entities of the IsDB Group, Azerbaijan has been a valued partner and strong supporter of our noble mission. Over the years, the IsDB Group has been supporting Azerbaijan across diverse sectors through financing and non-financing activities, particularly trade finance, insurance and investment promotion, and private sector development. At the same time, Azerbaijan has been a strong advocate of the Bank's development agenda, especially through sharing its knowledge and expertise, and working with other member countries to promote sustainable growth and cooperation.

This Booklet provides an overview of the IsDB Group's engagements in Azerbaijan supporting of sustainable, inclusive, and green development in the country and advancing regional integration initiatives. The IsDB Group's overall financing for Azerbaijan stands at US\$1.328 billion, in addition to US\$296.7 million of insurance commitments to enable trade with the country's partners.

The Bank's presence in Azerbaijan is diverse, covering strategic sectors such as energy, agriculture, water, sanitation and urban services, and finance. Our interventions help improve the quality of life for communities, strengthen economic resilience, and enhance human capital. Our ties extend beyond providing financing; they are anchored in solidarity and sharing resources among the member countries.

As part of our efforts to deepen our partnership with Azerbaijan, we have implemented the very first IsDB Group-Azerbaijan engagement framework which sets the stage for a more structured collaboration. Covering the period from 2024 to 2026, the framework provides for the IsDB Group's contribution to Azerbaijan's national priorities by focusing on areas that drive sustainable growth, resilience, and shared prosperity. The framework serves as a roadmap for joint action, aligning the IsDB Group's support with the country's development agenda.

The IsDB Group affirms its resolve to deepen its partnership with Azerbaijan and to support priorities that strengthen prosperity and resilience. With a shared sense of purpose, we will continue working together to expand opportunity, promote cooperation, and advance sustainable development for the benefit of our member countries.

Dr. Muhammad Al Jasser
Chairman, IsDB Group

Message of the Minister of Economy, Republic of Azerbaijan (IsDB Governor for the Republic of Azerbaijan)



It is with great honour and pride that the Republic of Azerbaijan welcomes, for the second time, the Islamic Development Bank Group family to Baku for the 2026 Annual Meetings. As the host country, we are privileged to receive the distinguished Governors, development partners, and delegates from across 57 member countries in a city that has long stood at the crossroads of civilisations and today stands as a symbol of resilience, renewal, and ambition. Convened under the theme “Regional Integration for Sustainable Prosperity”, this important gathering reflects the international community’s confidence in Azerbaijan and underscores our country’s strong commitment to advancing multilateral cooperation and collective economic progress.

The relationship between Azerbaijan and the IsDB Group, spanning more than three decades, is not merely one of institutional partnership — it is built on enduring solidarity and shared dedication. The Islamic Development Bank was among the first international financial institutions to extend support to internally displaced persons in Azerbaijan in the early 1990s — at a time when their plight demanded urgent international attention — demonstrating the true meaning of Islamic solidarity and multilateral commitment. That support has never been forgotten by our people.

Decades later, when Azerbaijan embarked on the monumental task of restoring and rebuilding its liberated territories, the IsDB Group once again demonstrated its unwavering partnership. The Bank became the first

international financial institution to approve a project in our liberated regions — the landmark irrigation canal project from the ‘Giz Galasi’ reservoir in the East Zangezur region. This pioneering decision, which will service approximately 1.6 million people and transform the agricultural landscape of the region, carries a significance that extends far beyond its financial value. It was a powerful affirmation of Azerbaijan’s sovereignty, its vision for post-conflict reconstruction, and the potential of these territories to once again flourish as engines of prosperity and livelihood.

The Islamic Development Bank Group has supported Azerbaijan’s journey toward sustainable economic growth through a comprehensive partnership that combines sovereign financing, private-sector development, strategic infrastructure, trade support, and investment risk mitigation. Under the 2024–2026 Country Engagement Framework, this cooperation has been aligned more closely with Azerbaijan’s national development priorities, including resilience, reconstruction, and climate action.

This partnership unfolds at a pivotal moment for our country. Today, Azerbaijan is defined by the boldness of its vision for the future. The economy is being shaped through diversification, structural reforms, and a stronger business environment, with a focus on unlocking private sector potential and attracting investment. Regional connectivity is being strengthened through the development of transit and logistics infrastructure, reinforcing Azerbaijan’s position as

a key hub on the Middle Corridor — the Trans-Caspian International Transport Route linking Asia and Europe — and at the crossroads of other major international routes.

At the same time, the country is enhancing its competitiveness by advancing digital transformation, AI-driven solutions, and green growth priorities in line with global economic trends. Supported by macroeconomic stability, a strategic geographic location, and a skilled workforce, Azerbaijan continues to consolidate its role as an attractive and resilient investment destination.

As we host these Annual Meetings, we do so with a determination to contribute meaningfully to the collective aspirations of the IsDB Group and its member countries.

I invite all participants to engage in the important deliberations ahead with the spirit of cooperation and ambition that has always defined this institution. I also invite partners to explore opportunities in Azerbaijan, particularly in priority sectors such as non-oil industry, digitalization, green energy, innovation, infrastructure, transport, as well as public-private partnership projects. Together, we can chart pathways toward more diversified, resilient, and prosperous economies — enriching the lives of the communities we are privileged to serve.

Welcome to Baku. Welcome to Azerbaijan.

H.E. Mr. Mikayil Jabbarov
Minister of Economy, Republic of Azerbaijan
Chairman, IsDB Board of Governors

The relationship between Azerbaijan and the IsDB Group, spanning more than three decades, is not merely one of institutional partnership — it is built on enduring solidarity and shared dedication.

I. Azerbaijan, a Member Country of the IsDB

Azerbaijan joined the Islamic Development Bank (IsDB) in 1992. Today, Azerbaijan is a member of all IsDB Group entities, namely the Islamic Development Bank, the International Islamic Trade Finance Corporation, the Islamic Corporation for the Development of the Private Sector, and the Islamic Corporation for the Insurance of Investment and Export Credit.

Thanks to this close cooperation, the IsDB Group has been actively supporting Azerbaijan's socio-economic progress through technical assistance, promoting trade and investment, and strengthening institutional capacities. Over the years, their partnership has strengthened and become closely aligned with the country's Vision 2030 and long-term sustainable development goals, while reflecting the country's strong commitment to the IsDB's values of solidarity and shared prosperity.



II. IsDB Group Support to Azerbaijan: A Partnership Journey

Cumulative operations from the ITFC stood at US\$93.4 million.

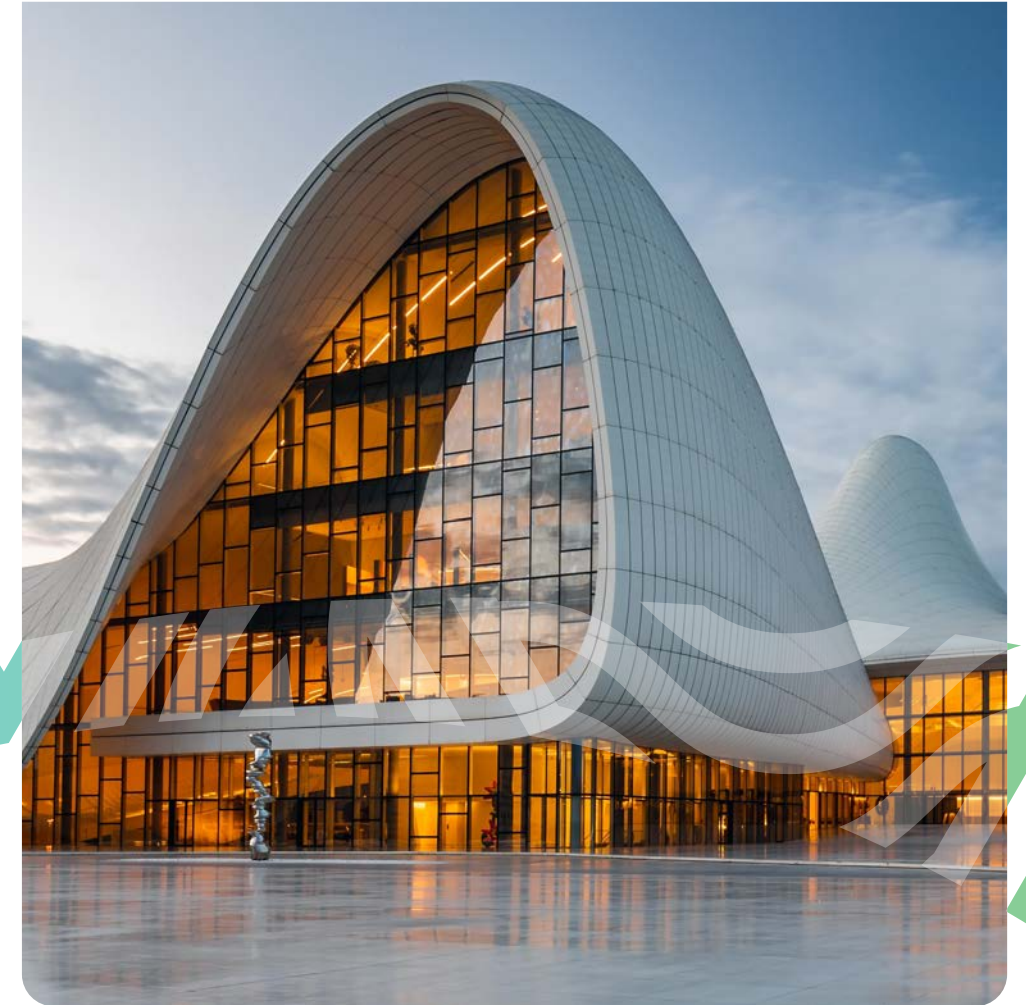
Since its inception, the IsDB Group has been supporting Azerbaijan's development efforts through numerous financing and non-financing activities, particularly focused on investing in critical infrastructure, enhancing food and energy security, strengthening trade capacity, and fostering private sector growth. The Group's efforts have also been instrumental in advancing capacity-building initiatives, facilitating policy dialogue, and providing technical assistance, thereby helping Azerbaijan integrate global best practices into its national development strategies.

The total IsDB Group net approvals for Azerbaijan as of 31 December 2025 reached US\$1,328.0 million, of which US\$1,043.7 million came from the IsDB ordinary capital resources. Cumulative operations from the ITFC stood at US\$93.4 million, the ICD's approvals reached US\$165.2 million, while operations under other funds amounted to US\$25.7 million. The total ICIEC operations in Azerbaijan included business insured at US\$164.4 million and new commitments in the amount of US\$132.3 million*.

The IsDB Group interventions in Azerbaijan are delivered through various modes of financing, including Istisna'a (US\$542.3 million), Ijarah (US\$287.6 million), trade finance (US\$215.8 million), instalment sale (US\$159.5 million), loans (US\$92.5 million), equity (US\$24 million), and special and technical assistance (US\$6.3 million).

The IsDB Group's portfolio in Azerbaijan features 85 operations out of which 75, worth approximately US\$1.138 billion, have been completed, while 10, accounting for US\$189.2 million, are still active.













** Data covers the period starting from the commencement of operations to 31 December 2025.*



III. Alignment for Growth: IsDB’s Interventions and Sector Development

The IsDB’s interventions are well-aligned with Azerbaijan’s priority sectors to ensure maximum development impact. The breakdown of operations underscores the country’s economic needs.

Total IsDB Group net approvals for Azerbaijan by sector (as of 31 December 2025)

Sector	No. of Operations	Total Approvals US\$ million	Percentage %
 Energy	7	495.0	37.3
 Water, Sanitation and Urban Services	4	265.2	20
 Agriculture	16	219.3	16.5
 Finance	34	218.9	16.5
 Transportation	6	45.9	3.5
 Industry and Mining	3	30.4	2.3
 Health	4	21.7	1.6
 Real Estate	1	20.0	1.5
 Information and Communication	1	10	0.8
 Public Administration	5	1.2	0.1
 Trade-related Activities	1	0.3	0.0
 Education	3	0.2	0.0
Total	85	1,328.0	100

This section highlights four sectors:

-  **Energy**
-  **Water, sanitation and urban services**
-  **Agriculture**
-  **Finance**





Energy

Energy is the top beneficiary sector, with the largest share of operations, **37.3% (US\$495 million)**.

Seven operations in Azerbaijan's energy sector, worth US\$495 million, have been completed and new operations in the sector are earmarked for IsDB's financing.



The Baku Waste-to-Energy Plant supplies clean power to thousands of households, reducing landfill and cutting greenhouse gas emissions.

Turning Waste into Clean Energy

The Baku Waste-to-Energy Plant was constructed within the framework of the Comprehensive Action Plan on Improving the Environmental Situation in Azerbaijan (2006-2010), approved in 2006. The plant stands as one of Azerbaijan's landmark achievements in sustainable urban development. Commissioned to address the growing challenge of municipal waste, the project transformed Baku's waste management system into a model of environmental innovation and clean energy generation.

Achieved with IsDB financing of US\$201 million approved in 2010, the facility has become the largest waste-to-energy plant in the region, capable of processing up to 500,000 tons of household waste from the Greater Baku Area each year. Through advanced combustion and energy recovery technology, the plant generates approximately 231 million kWh of electricity per year, supplying clean power to thousands of households while significantly reducing landfill use and greenhouse gas emissions.

The project's benefits extend beyond energy generation. It has improved public health conditions, reduced landfill use and greenhouse gas emissions, and created new jobs. The Baku Waste-to-Energy Plant bears witness to Azerbaijan's commitment to a green circular economy, showcasing how sustainable development can transform challenges into opportunities for innovation and progress.



The Baku Waste-to-Energy Plant is capable of processing up to 500,000 tons of household waste from the Greater Baku Area each year.



Water, sanitation, and urban services

Water, sanitation, and urban services constitute the second largest beneficiary sector, **20.0% (US\$265.2 million)**.

Four operations, worth US\$265.2 million, have been completed in the water, sanitation, and urban services sector and new operations are being prepared for IsDB's financing.

After Azerbaijan left the former Soviet Union in 1991, the quality and efficiency of water service delivery in the country deteriorated because of poor management and inadequate investments. Despite an 83% piped-network coverage in secondary towns as of 2009, poor water supply sources and decaying or absent water treatment facilities left most households with no access to safe water. Sewage infrastructure also worsened and wastewater was discharged into ditches or nearest watercourses. Poor sanitation and leaking sewers posed serious health risks and environmental hazards. Also, insufficient and unreliable infrastructure and services presented an additional burden on households and diminished the quality of life in secondary towns.



Through programs launched to reduce poverty and achieve sustainable development (2008-2015) and to attain socioeconomic development in the regions (2009-2013), Azerbaijan had committed to improving access to basic services. Considering the crucial importance of safe drinking water and sanitation, the programs targeted improved water supply and quality sanitation coverage and services by 2015, including 100% coverage and 24-hour water supply in Baku and 80 to 85% coverage in secondary towns and villages.

In 2011, the IsDB approved an Istisna'a financing of US\$200.05 million for the National Water Supply and Sanitation Project designed to cover six regions. The

main objective of the project is to improve people's well-being by satisfying water demand and basic sanitation needs in the regions of Astara, Dashkasan, Gadabey, Gazakh, Samukh and Tartar. The project consists of building new water and wastewater treatment plants and installing new water distribution networks and sewage collection systems by 2030. It will contribute to providing access to clean and safe drinking water and sewerage connections for the 320,267 inhabitants, including refugees and internally displaced people, of the six regions, at an affordable cost. The project carries positive social and financial impacts on the population and local economies.



Transforming Lives through Clean Water and Modern Infrastructure

Thanks to the National Water Supply and Sanitation Program, thousands of people across six regions of Azerbaijan, namely Astara, Dashkasan, Gadabay, Gazakh, Samukh and Tartar, now enjoy reliable access to safe drinking water and improved sanitation services.

This transformative program addressed long-standing challenges in water infrastructure. It allowed the rehabilitation and expansion of supply networks, the construction of modern wastewater treatment systems, and the enhancement of water management efficiency at the community level. As a result of the IsDB's investment, 20,503 households have access to reliable water supply, while 11,788 households, totaling approximately 142,400 people, benefit from newly established sewage collection systems. This milestone raised the access rate to safe drinking water from just 10 to 100% in the project areas.

In addition to improving water and sanitation infrastructure, the program created 153 new jobs across the six regions, supporting local employment and skills development during the implementation and operation phases.

The program stands as a powerful example of how strategic partnerships and innovative development financing can deliver tangible, life-changing results – providing clean water, protecting public health, and laying the foundation for inclusive and sustainable regional growth.



Access to clean water and improved sanitation is transforming lives and livelihoods across Azerbaijan.

As a result of the IsDB's investment, **20,503 households** have access to reliable water supply.

The total cost of the project is US\$96.73 million, which includes **US\$96.48 million** from the IsDB ordinary capital resources and US\$250,000 from the IsDB Waqf funds.



Construction of the Main Irrigation Canal from the Maiden Tower (Qız Qalası) Reservoir

In 2024, on the sidelines of the COP29 UN Climate Change Conference in Baku, the President of Azerbaijan and the President of the IsDB attended the signing ceremony of a landmark agreement for the construction of the Main Irrigation Canal from the Maiden Tower Reservoir. This project holds a particular significance as it is the first to be approved and signed by a multilateral development bank in support of the reconstruction effort in the country's liberated territories.

The total cost of the project is US\$96.73 million, which includes US\$96.48 million from the IsDB ordinary capital resources and US\$250,000 from the IsDB Waqf funds.

The project is fully aligned with the national priorities for socio-economic development and Azerbaijan's Vision 2030. It demonstrates IsDB Group's commitment to supporting the country's effort to rebuild and develop the liberated territories. Its aim is to establish a climate-resilient and smart irrigation infrastructure that will enhance water and food security in the region.

Through this project, a modern irrigation canal will be built to supply water to 8,400 hectares of agricultural land in the liberated districts of Jabrayil and Fuzuli. It will also improve irrigation conditions for 252,000 hectares of farmland across the Mil-Mugan Economic Region which plays a key role in the country's agricultural production. By improving access to reliable water resources, the project will boost agricultural productivity and help restore economic activity in the liberated areas. Approximately 855 farmers and 1,627,500 people will benefit from agricultural services and investments, and crop production is projected to increase by around 80,000 tons.

Looking ahead, Azerbaijan and the IsDB Group will explore interventions that will further strengthen water supply, wastewater management, and climate-resilient infrastructure. Such interventions may include:

- Reconstruction of Garabagh Irrigation Canal
- Construction, with the Arab Coordination Group, of water supply and sewage systems for 33 settlements
- Construction of main collectors and a wastewater treatment plant for the Alat Basin to support the operationalization of the Alat Economic Free Zone



Agriculture

Agriculture is the third largest sector benefiting from IsDB Group financing, **16.5% (US\$219.3 million)**.

Two IsDB-financed interventions in agriculture are being implemented in Azerbaijan. One is in Garabagh region and consists of building the Main Irrigation Canal from the Maiden Tower Reservoir. It showcases the IsDB's unwavering support for the country's reconstruction effort in this liberated territory. The other active intervention is a Reverse Linkage project between Azerbaijan and Pakistan on the development of cotton lines with economical traits and resistance to wilting diseases. The IsDB remains actively engaged in financing new operations in this sector.

Approximately, **855 farmers and 1,627,500 people** will benefit from agricultural services and investments.



Reviving Agriculture and Restoring Land Productivity

The Main Mill–Mughan Collector Canal Project has played a significant role in improving irrigation and drainage infrastructure across one of Azerbaijan's most fertile agricultural regions. Its aim was to rehabilitate the main collector canal system in order to address severe soil salinity, poor drainage, and waterlogging that had long limited agricultural productivity and affected rural livelihoods.

The project consisted of the construction of a 52.7-km main collector canal, with modern hydraulic structures designed to improve the drainage of 300,000 hectares of agricultural land. Also, the project included the development of a 53-km service road and 7 bridges along the canal

in order to improve access to production areas, administrative centers and social services, and facilitate system maintenance and operation.

Approximately, 60,000 people directly benefit from increased agricultural productivity and improved rural livelihoods. The reclaimed lands have led to a substantial rise in the yields of key crops, including wheat, cotton, maize, fodder, and vegetables, contributing to greater food security and income generation for farming communities.

Overall, the project has contributed to poverty reduction, food security, and environmental sustainability, while strengthening the country's rural economy.



Finance

Finance is the fourth largest sector, with 34 operations accounting for **16.5% (US\$218.9 million)**.

Another sector in which the IsDB is active in Azerbaijan is Islamic finance. Through its Institute, which is the knowledge beacon for the entire IsDB Group, spearheading the design of innovative Islamic finance solutions for challenges in the member countries and Muslim communities in non-member countries, the IsDB has provided Azerbaijan with technical assistance to boost the country's Islamic finance sector.



Building Islamic Finance Architecture and Boosting Capital Market Development

Through its Institute, the IsDB approved a technical assistance operation in 2019 for Azerbaijan for an amount of US\$200,000. The operation was intended to develop a legal framework for Islamic finance in the country. This critical intervention aimed at creating an enabling environment for the introduction and growth of Islamic finance.

Building on the success achieved by this operation, the IsDB Institute approved a new technical assistance operation amounting to US\$255,000 in

2025 for Azerbaijan. The operation was approved in response to a request from the Central Bank of Azerbaijan. Still under implementation, the technical assistance focuses on establishing a regulatory framework for capital market development to enable the introduction of Sukuk and other Islamic finance products in the country. This is a new phase, designed to enhance and complement the earlier one, with the objective of creating a comprehensive legal and regulatory ecosystem for Islamic capital markets.

IsDB Institute approved a new technical assistance operation amounting to **US\$255,000 in 2025** for Azerbaijan.

IV. Promoting South-South Cooperation

As the provider country, Azerbaijan leverages and shares its knowledge and expertise with IsDB member countries.

Azerbaijan plays a prominent role in promoting South-South cooperation through the IsDB's Reverse Linkage mechanism. As the provider country, Azerbaijan leverages and shares its knowledge and expertise with IsDB member countries. Designed as a win-win mechanism, Reverse Linkage also allows Azerbaijan to draw from the proven experience of member countries.

Alliance to Fight Avoidable Blindness

Through its International Development Agency (AIDA), Azerbaijan has partnered with the IsDB to implement the second generation of the Alliance to Fight Avoidable Blindness. With AIDA's support, eye care interventions consisting of 107,000 consultations and 15,000 cataract surgeries have been carried out in Burkina Faso, Chad, Côte d'Ivoire, Djibouti, Mauritania, Niger, and Somalia. These interventions were implemented in close collaboration with national blindness control programs in the beneficiary countries and specialized technical partners.

In addition to cataract treatment campaigns, AIDA has contributed to strengthening human capacities in eye care through training programs in Somalia where 132 eye care personnel have been trained to enhance primary eye care services and early detection capacities.



AIDA has also supported the provision of essential ophthalmic and medical equipment to reinforce eye health infrastructure in Burkina Faso, Chad, and Guinea, enhancing diagnostic and treatment capacity in underserved areas.

Through this impactful partnership under the second generation of the Alliance to Fight Avoidable Blindness, Azerbaijan continues to demonstrate its strong commitment to South-South cooperation and the improvement of eye care services across IsDB member countries in Sub-Saharan Africa.

Partnership under Reverse Linkage

Ongoing initiatives

In 2023, the IsDB approved a US\$260,000 Reverse Linkage grant for Azerbaijan. Under this grant, Pakistan, as the provider country, put at the disposal of Azerbaijan, as the recipient country, its expertise in developing cotton lines with economical traits and resistance to wilting diseases. The first phase consisted in dispensing, in Pakistan, a training course which was successfully completed in 2025, while the rest of the grant's components are still underway.

The overall objective of the grant is to build Azerbaijan's capacity in developing genome-edited cotton varieties capable of resisting environmental conditions (verticillium wilt and drought along with insect and weedicide, etc.). Specifically, it will be achieved by introducing at least two to three Azerbaijani cotton varieties with traits capable of resisting verticillium wilt, salt, and drought, and training a minimum of three personnel to plan and execute the experiments with cross-validation.

Eventually, cotton yields in Azerbaijan will become more resistant to different stress factors with improved economic viability.

In 2025, the IsDB approved a US\$258,000 Reverse Linkage grant to enhance public service delivery in Tajikistan based on innovative solutions. Azerbaijan is the provider of the expertise and Tajikistan the recipient. The grant will support Tajikistan in initiating the development of a digital platform that will serve as a centralized platform similar to the ASAN Service of Azerbaijan to enable digital public service delivery in selected line ministries in Tajikistan. This centralized platform, as the first comprehensive digital solution, directly benefits users by simplifying their daily utility transactions.

Future collaboration

The IsDB is preparing a Reverse Linkage project between Azerbaijan as the recipient country and Kazakhstan as the provider country to enhance the capacity of the Azerbaijan Accreditation Center with the ultimate goal of gaining full membership in the International Organization for Accreditation.

Through these engagements, Azerbaijan demonstrates leadership in promoting solidarity-driven cooperation between the IsDB member countries.

The overall objective of the grant is to build Azerbaijan's capacity in developing **genome-edited cotton varieties** capable of resisting environmental condition.



In 2025, the IsDB approved a **US\$258,000 Reverse Linkage grant** to enhance public service delivery in Tajikistan.

V. IsDB Group Support to Trade Insurance in Azerbaijan

Azerbaijan became a member of the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) in January 2023. This marked an important milestone in expanding its partnership with the IsDB Group.

Since its inception in 1994, ICIEC has been providing insurance and reinsurance coverage to Azerbaijan spanning imports of strategic commodities and capital goods into the country. Also, ICIEC has supported investments made by Azerbaijan's entities in other ICIEC member countries.

Prior to Azerbaijan's formal accession to ICIEC, the latter had extended its support to the former through reinsurance arrangements with KazakhExport, the national export credit agency of Kazakhstan. This collaboration facilitated the export of diesel locomotives for Azerbaijan Railways, with a total insured value amounting to approximately US\$24.91 million.

Additionally, ICIEC has offered insurance coverage to banks and exporters from other countries for shipments to Azerbaijan and supported Azerbaijan's commercial banks in their investments in other member countries.

In June 2024, ICIEC provided US\$11.9 million in insurance coverage to support a major telecommunications project in Azerbaijan. The coverage was extended for the installation of advanced telecom equipment for Bakcell, one of the country's leading



mobile network operators. This transaction underscores ICIEC's growing contribution to Azerbaijan's digital infrastructure which is vital for enhancing connectivity, economic competitiveness, and access to digital services.

In 2024, ICIEC and Azerbaijan's Export and Investment Promotion Agency signed a memorandum of understanding setting the stage for joint efforts to promote trade and investment.

In alignment with its mandate and in coordination with Azerbaijan's Ministry of Economy, ICIEC also works on advancing public-private partnerships in the country in order to support infrastructure development and economic diversification.

ICIEC is closely following Azerbaijan's progress in renewable energy and is engaged in discussions with Socar Green to explore risk mitigation and credit enhancement solutions capable of attracting international financing for green energy projects. These efforts reflect ICIEC's commitment to supporting Azerbaijan's energy transition and its growing role as a partner in promoting sustainable and climate-resilient development.

ICIEC attended the COP29 event held in 2024 in Baku, reaffirming its dedication to fostering partnerships that contribute to a greener and more resilient future for all member countries.

In June 2024, ICIEC provided US\$11.9 million in insurance coverage to support a major telecom project in Azerbaijan.

VI. IsDB Group Support to Private Sector Development in Azerbaijan

The ICD has injected a total of **US\$165.2 million** in Azerbaijan's private sectors.

The Islamic Corporation for the Development of the Private Sector (ICD) has been a long-standing development partner of Azerbaijan, playing a pivotal role in strengthening the country's private sector and advancing Islamic finance solutions. Since its inception, the ICD has been supporting Azerbaijan's private sector enterprises through Shariah-compliant financing, equity participation, and advisory services, helping in promoting entrepreneurship, job creation, and sustainable economic growth.

The ICD has deployed a total of US\$165.2 million in Azerbaijan's private sector. Out of 17 operations, 4, accounting for US\$52 million, are still active and 13, totaling US\$113.2 million, have been completed. The ICD's approvals are mostly intended to support the finance sector (US\$145.2 million or 88% of the funds) and the real estate sector (US\$20 million). The Corporation's consistent engagement reflects a strong commitment to empowering private sector players and improving access to finance.

Looking ahead, the ICD will focus on scaling up its activities in Azerbaijan by mobilizing local currency funds to provide long-term sustainable financing to businesses and expanding its sector coverage. The future interventions will place particular emphasis on financial services, logistics and transport, infrastructure, renewable energy and power, manufacturing, and agribusiness.



Recognizing the strategic importance of food security, the ICD prioritizes the development of agribusiness and food processing industries in Azerbaijan. It explores financing opportunities for local food processing companies with strong export potential to the markets of the Commonwealth of Independent States and the Gulf Cooperation Council, while fostering partnerships with the Azerbaijan-Uzbekistan Fund and the Azerbaijan-Kazakhstan Fund to enhance co-financing and parallel financing opportunities for private sector enterprises across the member

countries. In addition, the ICD leverages its expertise in Sukuk to design innovative capital market solutions that enable the country's companies to raise financing from global investors in compliance with Islamic finance principles.

Through these initiatives, the ICD continues to play an instrumental role in supporting Azerbaijan's private sector growth, strengthening regional trade links, and promoting a dynamic, resilient and inclusive economy, anchored in sustainable Islamic finance practices.

VII. | IsDB Group Support to Islamic Finance in Azerbaijan

The primary objective of the project is to cultivate a **modern sustainable Sukuk sector** that will significantly enhance the country's initiatives.

The Islamic Development Bank Institute (IsDBI) has approved a technical assistance grant of US\$255,000 to support the Central Bank of Azerbaijan in developing a comprehensive regulatory framework for capital market development in the country. This new initiative builds on an earlier IsDB-funded project valued at US\$200,000. Completed in 2020, the project provided technical assistance to establish a legal framework for Islamic finance in Azerbaijan.

Another ongoing project by the IsDBI in Azerbaijan aims to create a conducive environment for the introduction of Sukuk and other Islamic finance instruments in the country. Through the project, the IsDBI helps the country in strengthening its financial ecosystem and diversifying its capital markets.

The primary objective of the project is to cultivate a modern sustainable Sukuk sector that will significantly enhance the country's initiatives. By mobilizing resources, promoting financial inclusion, and creating jobs, the project will contribute to the country's overall socioeconomic development.



VIII. | IsDB Group Support to Trade Development in Azerbaijan

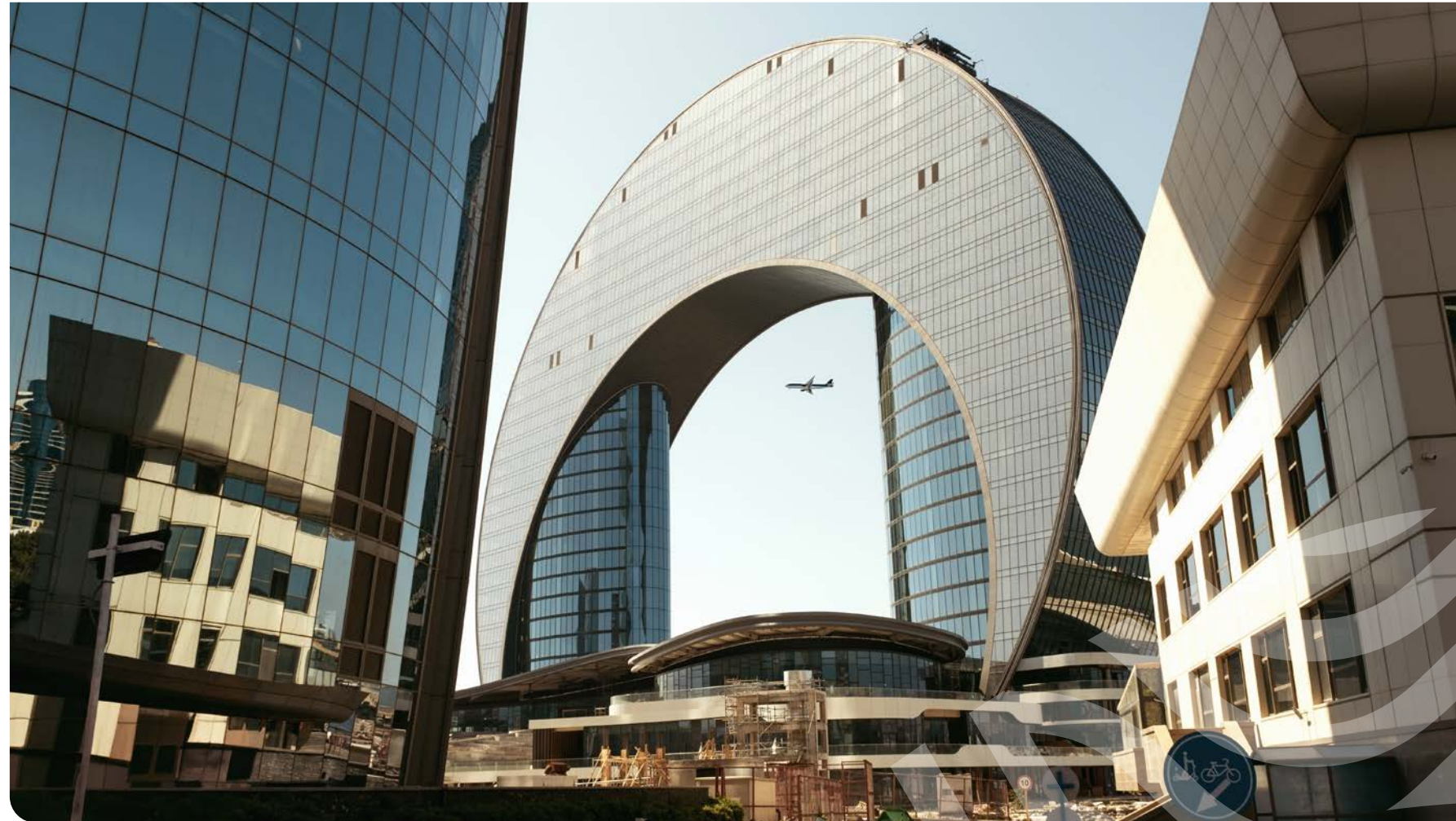
The ITFC's support to Azerbaijan covers **financial institutions** and **corporations**.

The International Islamic Trade Finance Corporation (ITFC) continues to play an important role in supporting Azerbaijan's trade and private sector development.

i. Trade Finance Operations

The ITFC's support to Azerbaijan covers financial institutions and corporations. Several Azerbaijani financial institutions, including AGBANK, Bank Technique, Amrahbank, Unileasing, TuranBank, the International Bank of Azerbaijan and Bank of Baku, utilize ITFC's Murabaha financing and lines of financing. The ITFC's total approvals in the country amount to US\$93.4 million. Out of the ITFC-financed 15 projects, 13 have been completed and two are still under implementation, with a value of US\$40 million.

Building on its long-standing cooperation with Azerbaijan, the ITFC stands ready to provide its trade financing support to small and medium-sized enterprises, particularly in the country's liberated territories. The Corporation is also prepared to consider financing under a sovereign structure, with a tenor of up to three years, either directly with the relevant Ministry as beneficiary or through other entities, with a government guarantee. This financing could be implemented in close coordination with the Small and Medium Business Development Agency, to stimulate entrepreneurship and local economic activity.



The ITFC stands ready to provide its trade financing support to small and medium-sized enterprises.

In 2023, the ITFC reactivated its trade financing operations in Azerbaijan by signing a US\$10 million facility with Rabitabank. The arrangement aims to meet both the funded and unfunded trade financing needs of private sector clients, including SMEs. In parallel, the ITFC is engaged in discussions with other commercial banks in the country to explore new avenues for cooperation under its line of financing mechanism in order to further expand access to Islamic trade finance across the country.

ii. Trade Development Interventions

The ITFC plays a pivotal role in promoting regional economic cooperation and strengthening trade connectivity among the member countries. One of the ITFC's flagship initiatives in this area is the Trade Connect Central Asia+ Program which was officially launched in 2024, during the Third Tashkent International Investment Forum held in Uzbekistan.

The program is spearheaded by the ITFC. It is a flagship regional initiative designed to strengthen economic integration, promote inclusive growth, and stimulate trade among six beneficiary countries, namely Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan.

The TCCA+ aims to unlock the potential of intra-regional trade and forge stronger linkages with external markets. The program promotes inclusive economic growth, deepens regional cooperation, and enhances trade connectivity, particularly among the member countries of the Organisation of Islamic Cooperation in Central Asia and beyond.



Key outcomes of the Trade Connect Centra Asia+ Program

The program is structured around four key outcomes:

- 1. Improved product quality and competitiveness** – by helping producers upgrade standards and consistency to compete more effectively in regional markets.
- 2. Trade facilitation** – through simplifying border processes and lowering time and cost barriers in cross-border trade.
- 3. Increased regional business interaction** – by enabling firms to better connect with markets

across Central Asia and within the Organisation of Islamic Cooperation (such as the Gulf Cooperation Council, Asia and Africa).

- 4. Strengthened regional competitiveness** – through trade policy reform, capacity building of trade support institutions, and institutional efficiency.

Main projects and interventions

Among its flagship projects, the TCCA+ is currently implementing the following:

- Building a Trade Promotion Organizations Network:** to foster

collaboration among national trade promotion agencies across the region.

- Boosting Exports through Foreign Direct Investment:** in partnership with the United Nations Economic and Social Commission for Asia and the Pacific, to encourage investment-led export growth and regional value chain integration.
- Enhancing Cross-border Trade Facilitation and Digitalization:** in collaboration with the United Nations Economic and Social Commission for Asia and the Pacific, to develop paperless trade systems, harmonize customs procedures, and modernize regional trade infrastructure.

IX. First IsDB Group-Azerbaijan Country Engagement Framework

Azerbaijan has initiated a structured high-level dialogue with the Arab Coordination Group to align the country's strategic priorities.

The first Country Engagement Framework (2024–2026) between the IsDB Group and Azerbaijan marks a new phase of strategic partnership between the institution and the country. The framework is closely aligned with Azerbaijan's National Development Strategy 2030 and key reform programs that focus on economic diversification, green transition, digital transformation, and human capital development. It seeks to ensure that every intervention contributes to long-term resilience and inclusive prosperity.

The framework is structured around three mutually reinforcing pillars:

1. Green, resilient and sustainable infrastructure
2. Productivity-based growth, competitiveness, and a diversified economy
3. Crosscutting areas of digital transformation, Islamic finance, regional cooperation and integration, capacity development, and South-South cooperation

The framework is operationalized through a coordinated approach across all the entities of the IsDB Group, ensuring coherence, synergy and measurable impact. A joint monitoring mechanism will track progress, assess outcomes, and allow flexibility to respond to evolving national priorities and emerging global challenges.

The framework demonstrates the IsDB Group's commitment to a long-term transformative partnership with Azerbaijan.

Moreover, as part of this growing engagement, Azerbaijan has initiated a structured high-level dialogue with the Arab Coordination Group to align the country's strategic priorities, coordinate financing opportunities, and advance joint interventions across key development sectors.



The first Country Engagement Framework marks a new phase of **strategic partnership** between the institution and the country.

Arab Coordination Group High-Level Roundtable in Azerbaijan

In 2025, Azerbaijan hosted the Arab Coordination Group High-Level Roundtable. Organized by the Azerbaijan’s Ministry of Economy, the event brought together senior representatives of the Arab Coordination Group institutions, including the Islamic Development Bank Group, the Abu Dhabi Fund for Development, the Kuwait Fund for Arab Economic Development, the OPEC Fund for International Development, and the Saudi Fund for Development. They explored opportunities for scaling up development cooperation in support of Azerbaijan’s long-term national priorities.

The central theme of the roundtable was strengthening collaboration in infrastructure development, water and transport systems, digital connectivity and other key sectors as per Azerbaijan’s national priorities. Public entities, including the Ministry of Economy, State Water Resources Agency, Azerbaijan Railways, Baku Metropolitan, Baku City Executive Power, the State Agency of Azerbaijan Automobile Roads and the Ministry of Digital Development and Transport, presented their strategic investment priorities and project proposals with the aim of garnering support from the Arab Coordination Group.

The Roundtable concluded with the signing ceremony of a statement of intent which reaffirms the shared commitment of the institutions of the Arab Coordination Group and the Government of Azerbaijan to enhance collaboration in identifying, preparing and co-financing priority infrastructure projects. The statement also emphasizes cooperation in preparing feasibility studies, technical assessments, knowledge sharing and capacity building.



The central theme of the roundtable was strengthening collaboration in infrastructure development, water and transport systems.

X. | IsDB Group Commitment to Innovative Support for Azerbaijan National Development

The IsDB Group seeks to foster a **dynamic ecosystem** that accelerates Azerbaijan's sustainable development.

Looking ahead, the IsDB Group aims to further integrate innovation, digital transformation, and green growth solutions into its portfolio for Azerbaijan, ensuring that future interventions deliver high development impact.

Key areas of focus include:

- Expanding renewable energy and green projects to advance climate goals
- Supporting digital transformation in governance and service delivery
- Strengthening agriculture and food security through smart farming technologies
- Deepening trade and private sector partnerships to boost competitiveness

By combining innovative financing instruments with knowledge solutions and private sector engagement, the IsDB Group seeks to foster a dynamic ecosystem that accelerates Azerbaijan's sustainable development.

As Azerbaijan advances on its national transformation journey, the IsDB Group remains the country's trusted partner, supporting its aspirations for inclusive growth, economic diversification, and global competitiveness.





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