

<b>Project title</b>	<b>Financial Market Crisis Project</b>
<b>General information</b>	Region: Azerbaijan Duration: 2010 to 2012 Budget: USD 1.37 million
<b>Project partners</b>	<ul style="list-style-type: none"> <li>• Institutional partner: Central Bank of Azerbaijan, pilot banks (AG Bank, Damir Bank, Turan Bank)</li> <li>• Implementing partner: International Finance Corporation (IFC)</li> </ul>
<b>Project objectives</b>	The objective of the project is to make Azerbaijan's financial sector more resilient against crises through developing more sustainable business practices.
<b>Background</b>	A vibrant and diverse private sector and a stable macroeconomic environment needs an efficient and sound financial sector that is resilient to external shocks and operates according to sound business practices. The second round effects of the financial crisis of 2008 resulted in a slump in economic growth and affected Azerbaijan through a fall in property prices, deterioration of loan portfolios and reduction in refinancing abilities. Many financial institutions were unprepared to face the fallout from this crisis. The project helps to address their shortcomings.
<b>Project activities</b>	<p>The following activities are carried out under the project:</p> <ul style="list-style-type: none"> <li>• Increasing awareness of best practice in non-performing loan management, portfolio monitoring and risk management practices in the financial sector</li> <li>• Improving the capacity of financial institutions to implement best practices in risk and non-performing loan management and help build the market for distressed assets</li> <li>• Strengthening the crisis resilience of the housing finance sector and its ability to quickly recover after the crisis by improving the mortgage lending infrastructure and enabling environment for mortgage lending</li> </ul>
<b>Project results</b>	<p>The following results were achieved:</p> <ul style="list-style-type: none"> <li>• Completed comprehensive bank diagnostic work (including operational, credit, interest rate and market risk) at Damir Bank, Turan Bank and AG Bank</li> <li>• Conducted series of seminars and trainings on distressed asset resolution and mortgage lending</li> <li>• Developed a road map for banks on selling bad assets</li> <li>• Non-performing loans significantly decreased and financial performance improved in pilot banks</li> <li>• Supported changes to the legal framework for mortgage lending (draft law on covered bonds, law on investment funds, recommendations to the law on securities regarding the securitization of assets, amendments to foreclosure mechanisms)</li> <li>• Set up a training and certification program for local appraisers in mortgage lending and trained and certified 10 appraisers</li> </ul>