

Project Summary Information

	Date of Document Preparation: July 15, 2021
Program Name	Republic of Azerbaijan COVID-19 Active Response and Expenditure Support (CARES) Program
Document Code	P000505
AIB Member	The Republic of Azerbaijan
Sector/Subsector	Economic Resilience/PBF
Status of Financing	Approved
Program Description	<p>Azerbaijan economy has experienced economic contraction of 4.3 percent in 2020 led mainly by the adverse economic impacts of COVID-19 pandemic and the decline in oil prices combined with oil production cut due to the agreement with OPEC+ countries. These two external shocks and comprehensive government responses to COVID-19 pandemic have led to widening of fiscal position, relative to the GDP, from a surplus of 8.2 percent in 2019 to a deficit of 6.3 percent in 2020 and 5.8 percent in 2021. Due to sound macroeconomic management Azerbaijan's pegged foreign exchange regime has remained stable with the exchange rate of AZN 1.70 to the USD, despite severe economic shocks.</p> <p>Since the first COVID-19 case was confirmed on February 28, 2020, there were 335,568 confirmed COVID-19 cases and 4,963 deaths, as of June 23, 2021. Starting in early March 2021, a new surge in confirmed COVID-19 cases has led the Government to tighten the restriction of public activities to contain and reduce the spread of the disease. Despite the recent improvement in the Azerbaijan's public-sector-led healthcare system in providing universal basic medical care in public hospitals, the growing number of COVID-19 cases has placed significant stress on the initial testing and diagnosis, prevention, and treatment capacity of the system due to inadequate specialized medical facilities, staff, and equipment. Essential health services for emergency care, chronic illnesses and surgical procedures have been challenged due to prioritization on the pandemic.</p> <p>To mitigate the adverse socioeconomic impacts of COVID-19 pandemic, an inter-agency COVID-19 Task Force chaired by the Prime Minister was established along with working groups under key ministries. The government approved the first Action Plans on January 30, 2020. Following the President's Executive Decree on 19 March 2020, the government has allocated AZN 3.5 billion (USD 2.06 billion or 4.8 percent of GDP) to implement the pro-poor countercyclical pandemic response package, covering Health-related, Social Protection and Macroeconomic Stabilization measures. In responding to the recent surge of new COVID-19 cases in 2021, the government has recently approved an additional budget of USD 1.77 billion (3.6 percent of GDP) to extend and expand the implementation of the countercyclical pandemic response program that has started in 2020.</p>

	<p>Due to the deteriorating fiscal situation, the total fiscal deficit is expected to reach USD 2.61 billion in 2021, of which the domestic financing will cover USD 2.26 billion, while the external financing will be USD 350 million, closing the financing gap. Through the ADB COVID-19 Active Response and Expenditure support (CARES) program under the Countercyclical Support Facility Option (CPRO), ADB has prepared to finance USD 250 million while AIIB has been requested by the Government to provide USD 100 million of sovereign-back financing to bridge the financing gap. The Government will finance the rest of the pandemic response package of USD 1.42 billion.</p> <p>The proposed program structure comprises of three Countercyclical COVID-19 Pandemic Response Measures:</p> <ul style="list-style-type: none"> A. Enhancement the Government's COVID-19 response and health system; B. Expansion of social protection for the poor and vulnerable; and C. Assistance to impacted economic sectors to prevent job losses from economic downturn due to COVID-19 mitigation and prevention measures.
Objective	The Program's objective is to support the Government of Azerbaijan's fiscal stimulus measures to mitigate adverse impacts of COVID-19 on the population's health, incomes, and economic opportunities as well as macroeconomic stability.
Expected Results	Outcome indicators (i) The COVID-19 testing capacity reached at least 10,000 tests per day and at least a cumulative of 2.6 million tests completed (2019 baseline: none); (ii) The national poverty rate maintained at or below the average of pre- COVID-19 levels (2016–2019 average baseline: 5.3 percent); and (iii) Output of MSMEs as a share of GDP maintained at or above pre-COVID-19 level (2019 baseline: Output of Micro, and Small and Medium Sized Enterprises (MSMEs) as a share of GDP was 23.3 percent).
Environmental and Social Category	ADB Category C for each of Environment, Involuntary Resettlement and Indigenous Peoples. This would be similar to Category C under AIIB's Environmental and Social Policy (ESP).
Environmental and Social Information	<p>This Loan will be co-financed with the ADB as lead co-financier, and the Program's environmental and social (ES) risks and impacts have been assessed in accordance with the provisions of ADB's Safeguard Policy Statement (SPS) applicable to policy-based lending (PBL). AIIB's Environmental and Social Policy (ESP) was designed to apply to investment projects and has no provisions for its application to PBL operations. Therefore, as permitted by the decision of the AIIB's Board of Directors set forth in the Decisions to Support the COVID-19 Crisis Recovery Facility, the provisions of ADB's SPS applicable to PBL will apply to this operation in lieu of AIIB's ESP. This will ensure a harmonized approach to addressing the ES risks and impacts of the Program.</p> <p>Under its SPS, ADB has categorized the program as Category C each for environment, involuntary resettlement, and Indigenous Peoples on the basis of an assessment of the countercyclical expenditures to be supported by the Program support towards (i) COVID-19 response and health system strengthening measures, (ii) Social protection for the poor and vulnerable households</p>

	<p>expanded, and (iii) Affected sectors supported to prevent job losses from the economic downturn, and concludes that the program is not expected to have any environmental or social safeguards impacts. These focus on expanding and strengthening social safety nets for the poor and most vulnerable groups, strengthening COVID-19 response and are not expected to have any adverse environmental or social impacts.</p> <p>The Program is categorized by ADB as “effective gender mainstreaming at entry”, and has included gender measures including among others (i) continuous supply of appropriately-sized personal protective equipment to at least 64,000 healthcare workers dealing with COVID-19 patients, including individual packages for female healthcare workers; (ii) provision of additional payments in the range of 3-5-fold increase in monthly wages to at least 64,000 healthcare workers dealing with COVID-19 patients, of which at least 65% are women; (iii) coverage of at least 90% of the population under the mandatory health insurance, of which 50% are women; (iv) increase in the number of low-income households receiving support under TSA to at least 80,000, covering 335,000 individuals, of which 50% are women; and (v) increase in average monthly old-age pension payments by at least 15% and continuous provision of pensions to more than 742,000 old-age pensioners, of which at least 63% are women.</p>														
Cost & Financing Plan	<p>The total program cost is estimated to be USD 1,773.2 million; the Government will cover USD 1,423.2 million. The financing plan is shown in the table below:</p> <table border="1" data-bbox="674 818 1494 1062"> <thead> <tr> <th>Source of Fund</th> <th>Amount (USD million)</th> </tr> </thead> <tbody> <tr> <td>Government of Azerbaijan</td> <td>1,423.2</td> </tr> <tr> <td>AIIB</td> <td>100</td> </tr> <tr> <td>ADB</td> <td>250</td> </tr> <tr> <td>Total AIIB and ADB</td> <td>350</td> </tr> <tr> <td>Total Program Cost</td> <td>1,773.2</td> </tr> </tbody> </table>			Source of Fund	Amount (USD million)	Government of Azerbaijan	1,423.2	AIIB	100	ADB	250	Total AIIB and ADB	350	Total Program Cost	1,773.2
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Total AIIB and ADB	350														
Total Program Cost	1,773.2														
Borrower	Republic of Azerbaijan														
Implementing Entity	Ministry of Finance (MOF), Government of Azerbaijan (GOA)														
Estimate date of loan Closing	December 31, 2021														
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Date of Concept Decision	May 19, 2021		
Date of Appraisal Decision	May 19, 2021		
Date of Financing Approval	July 15, 2021		

Independent Accountability Mechanism	AIIB's Policy on the Project-affected People's Mechanism (PPM) addresses issues raised under AIIB's ESP, which does not apply to this operation. Submissions to the PPM under the Program would, therefore, not be eligible for consideration by the PPM. ADB's independent accountability mechanism addresses issues raised by persons adversely affected by an ADB-assisted project and allows them to report alleged noncompliance with ADB's operational policies and procedures, including SPS.
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