

Azerbaijan : Republic of Azerbaijan COVID-19 Active Response and Expenditure Support (CARES) Program

1. Project Information

Project ID:	P000505	Instrument ID:	L0505A
Member:	Azerbaijan	Region:	Western Asia
Sector:	CRF-Economic Resilience/PBF	Sub-sector:	N/A
Instrument type:	<input checked="" type="checkbox"/> Loan:100.00 US Dollar million <input type="checkbox"/> Guarantee	Lead Co-financier(s):	Asian Development Bank
ES category:	C	Borrowing Entity:	Ministry of Finance, Azerbaijan
Implementing Entity:	Ministry of Finance, Azerbaijan		
Project Team Leader:	Nat Pinnoi		
Responsible DG:	Gregory Liu		
Responsible Department:	INF2		
Project Team Members:	Christopher Damandl, Project Counsel; Bernardita Saez, Alternate Counsel; Shodi Nazarov, OSD - Financial Management Specialist; Yang Shuai, OSD - Environment & Social Development Specialist; Komron Rajabiyon, Back-up PTL; Siyang Wang, Project admin		
Completed Site Visits by AIIB:			
Planned Site Visits by AIIB:			
Current Red Flags Assigned:	0		
Current Monitoring Regime:	Regular Monitoring		
Previous Red Flags Assigned:	0		
Previous Red Flags Assigned Date:	2022/09		

2. Project Summary and Objectives

The Program's objective is to support the Government of Azerbaijan's (GOA) fiscal stimulus measures to mitigate the adverse impacts of COVID-19 on the population's health, incomes, and economic opportunities, as well as the country's macroeconomic stability. The Program scope includes (i) enhancement of the GOA's COVID-19 response and health system; (ii) expansion of social protection for the poor and vulnerable; and (iii) assistance for impacted economic sectors to prevent job losses from the economic downturn due to COVID-19 mitigation and prevention measures.

The Program is cofinanced with the Asian Development Bank (ADB). ADB is providing a sovereign-backed, policy-based loan of USD250 million under the Countercyclical Support Facility COVID-19 Pandemic Response Option (CPRO). The Program promotes social protection and economic resilience to prevent long-term damage to the productive capacity, including human capital, of Azerbaijan's economy.

3. Key Dates

Approval:	Jul. 15, 2021	Signing:	Nov. 03, 2021
Effective:	Dec. 09, 2021	Restructured (if any):	
Orig. Closing:	Jun. 30, 2022	Rev. Closing (if any):	

4. Disbursement Summary (USD million)

Contract Awarded:		Cancellation (if any):	0.00
Disbursed:	100.00	Most recent disbursement (amount/date):	100,000,000.00/Dec. 31, 2021
Undisbursed:	0.00	Disbursement Ratio (%) ¹ :	100.00

5. Project Implementation Update

As a budget support program, all program disbursement of USD 100 million was made on December 21, 2021. Status of the Government Countercyclical COVID-19 pandemic response budget is provided here. Overall, 55 percent of the 2022 budget was completely disbursed by the end September 2022. Three major spending measures were supported by the program.

Countercyclical COVID-19 pandemic response budget Budget 2022 Disbursement by December 31, 2022 (USD mil) Percent of Budget

A. Health-related measures 784 710 91%
 B. Social protection measures 1,029 982 95%
 C. Macroeconomic stabilization measures 303 282 93%
 Total 2,116 1,974 93%

A. The provision of the additional payments to health care workers in the range of a three- to five-fold increase in monthly wages which started in 2020 carried on in 2021 and 2022 as well. Due to the sharp decrease in COVID-19 cases, this spending has also declined from USD 60 mil. in 2021 to USD 30 mil. in by the end of 2022. The spending for the operation of the modular hospitals for dealing with COVID-19 patients has also decreased, due to the same reason, from USD 78 mil. to USD 21 mil. in 2021 and 2022, respectively.

B. The Government continued supporting targeted social assistance to low-income households during 2022 as part of the regular program such as the expenditures of the State Social Protection Fund (SSPF) for labor pension, paid out to about 1.2 million pensioners.

C. The continued measures of the macroeconomic stabilization of the Government are part of the regular programs during 2022, independent of the pandemic effect. As the business are operational as usual and without a serious limitations related to the pandemic, no subsidies provided to the agriculture producers affected by the increase in fuel prices because of tariff adjustment as of January 2021.

¹ Disbursement Ratio is defined as the volume (e.g. the dollar amount) of total disbursed amount as a percentage of the net committed volume.

Components	Physical Progress	Environmental & Social Compliance	Procurement
------------	-------------------	-----------------------------------	-------------

Financial Management:

As a policy-based financing/budget support loan, the audit of Deposit Account or any specific finance report was not requested.

6. Status of the Grievance Redress Mechanism (GRM)

This is a co-financed operation with ADB as a lead-cofinancier. Accordingly, AIIB's Policy on the Project-affected People's Mechanism (PPM), which addresses issues raised under AIIB's Environment and Social Policy as applicable to investment projects, will not apply to this operation. Submissions to the Project-affected People's Mechanism (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 operation and allows them to report alleged noncompliance with ADB's operational policies and procedures, including its Safeguard Policy Statement (SPS).

No complaints has been recorded in the draft quarterly progress report.

7. Results Monitoring (please refer to the full RMF, which can be found on the last page of this PIMR)

By the end of 2022, many of the target outcome indicators of the program have been achieved. Other targets are achieved by 80% or more from the targets. These are National poverty rate of 5.3% or below; Regular pension payments to old-age pensioners (63% women target); Monthly allowance and subsidies for utility services to internally displaced persons (2022 data have yet been released); and Additional temporary public jobs (40% women target).

Remarks:

Project Objective Indicators	Indicator level	Unit of Measure	Cumulative Target Values									Frequency	Responsibility	Comments	
			Baseline		2021		2022		End Target						
			Year	Value	Target	Actual	Target	Actual	Year	Target	Actual				
COVID-19 testing capacity	Project	Number	2021					10,000	100,000	2022	10,000	100,000	Daily	PMU	
National poverty rate	Project	%	2021					At or below 5.3	5.9	2022	At or below 5.3	5.9	Annually	PMU	
Output of MSMEs as a share of GDP	Project	%	2021					23.3 or more	24	2022	At or above 23.3	24	Annually	PMU	

Project Intermediate Indicators	Indicator level	Unit of Measure	Cumulative Target Values									Frequency	Responsibility	Comments	
			Baseline		2021		2022		End Target						
			Year	Value	Target	Actual	Target	Actual	Year	Target	Actual				
Personal protective equipment for health care workers dealing with COVID-19 patients	Project	Number	2021					64,000 (Female: not defined)	82,965 (70% female)	2022	64,000	82,965 (70% female)	Annually	PMU	
Additional payments to health care workers dealing with COVID-19 patients	Project	Number	2021					64,000 (Female: 65%)	82,965 (70% female)	2022	64,000 (Female: 65%)	82,965 (70% female)	Annually	PMU	
Physical infrastructure for treatment of COVID-19 patients	Project	Number	2021				35 with 8,000 beds	Modular hospitals: 12; Beds: 4,700	not applicable for 2022	2022	Modular hospitals: 12; Beds: 4,700	not applicable for 2022	Annually	PMU	COVID-19 has sharply decreased
Mandatory health insurance coverage	Project	%	2021					Total population: 90%; Women: 50%	100% with 50% women	2022	Total population: 90%; Women: 50%	100% with 50% women	Annually	PMU	
Targeted social assistance to low-income households	Project	Number	2021					80,000 households; 335,000 individuals; 50% are women	53,680 HH; 237,922 persons; 53% women	2022	80,000 households; 335,000 individuals; 50% are women	53,680 HH; 237,922 persons; 53% women	Annually	PMU	
Regular pension payments to old-age pensioners	Project	Number	2021					AZN 287 (+15%); 742,000 old-age pensioners;	AZN 360.9 (+8% from 2021) 707,001 with 59%	2022	AZN 287 (+15%); 742,000 old-age pensioners;	AZN 360.9 (+8% from 2021) 707,001 with 59%	Annually	PMU	

							63% were women	women		63% were women	women			
Interest-free loans for higher education to students from low-income families	Project	Number	2021			15,000 students with 45% girls	Total: not defined; Girls: 50%	not applicable for 2022	2022	Total: not defined; Girls: 50%	not applicable for 2022	Annually	PMU	
Monthly allowance and subsidies for utility services to internally displaced persons	Project	Number	2021			480,974 IDPs 420,297 for AZN60 60,677 for AZN33 Women: 50.4%	495,306 persons; Monthly allowance of AZN33- AZN60; Women: 50%	2022 data not yet available	2022	495,306 persons; Monthly allowance of AZN33- AZN60; Women: 50%	2022 data not yet available	Annually	PMU	
Additional temporary public jobs	Project	Number	2021				17,000 temporary jobs; 40% women	33,500 additional jobs 33% women	2022	17,000 temporary jobs; 40% women	33,500 additional jobs 33% women	Annually	PMU	
Subsidy on bank loans to MSMEs	Project	Number	2021				1990 loans; 25% owned by women	1226 loans provided 25% owned by women	2022	1990 loans; 25% owned by women	1226 loans provided 25% owned by women	Annually	PMU	
Number of subsidized mortgage loans	Project	Number	2021			4,880 loans (+44%)	20% increase	No subsidy allocated in 2022	2022	20% increase	No subsidy allocated in 2022	Annually	PMU	
Credit available to the private sector as a share of GDP	Project	%	2021				16.1% or more	20.8%	2022	16.1% or more	20.8%	Annually	PMU	
Operational costs of 11 tourism information centers	Project	Number	2021			Yes	Covered by the State Tourism Agency	Yes	2022	Covered by the State Tourism Agency	Yes	Annually	PMU	