

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	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:	2022/05		

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
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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):	0.00/Dec. 14, 2022
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 September 31, 2022 (USD mil) Percent of Budget

- A. Health-related measures 809 612 76%
- B. Social protection measures 667 223 34%
- C. Macroeconomic stabilization measures 264 120 45%
- Total 1,740 955 55%

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 13 mil. in the first nine months 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 25 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
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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

By the end September 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).

Project Objective Indicators #1

COVID-19 outbreak more effectively managed and its adverse social and economic impacts reduced a. a. COVID-19 testing capacity b. National poverty rate c. Output of MSMEs as a share of GDP

Year	Target	Actual	Comments, if any
Jun. 30, 2022	a. Daily: 10,000 Tests completed; b. At or below 5.3%; c. 23.3% or more	a. Weekly: 80,000 Tests completed - 3,7 million; b. 5.8% (estimate); c. 23.8% (estimate)	2021 results

Intermediate Result Indicators #1

COVID-19 response and health system strengthening measures implemented 1.1. Personal protective equipment for health care workers dealing with COVID-19 patients 1.2. Additional payments to health care workers dealing with COVID-19 patients 1.3 Physical infrastructure for treatment of COVID-19 patients 1.4. Mandatory health insurance coverage

Year	Target	Actual	Comments, if any
Jun. 30, 2022	1.1 Total: 64,000 Female: not defined 1.2 Total: 64,000	1.1 Total: 99,517 Female: 70% 1.2 Total: 99,517 Female:	2021 results

	Female: 65% 1.3 Modular hospitals: 12 Beds: 4,700 1.4 Total population: 90% Women: 50%	70% 1.3 Modular hospitals: 35 Beds: 8,000 1.4 Total population: 100% Women: 50%	
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Intermediate Result Indicators #2

Social protection for the poor and vulnerable households expanded 2.1. Targeted social assistance to low-income households
2.2. Regular pension payments to old-age pensioners 2.3. Interest-free loans for higher education to students from low-income families
2.4 Monthly allowance and subsidies for utility services to internally displaced persons

Year	Target	Actual	Comments, if any
Jun. 30, 2022	2.1 80,000 households 335,000 individuals; 50% are women 2.2 AZN 287 (+15%); 742,000 old-age pensioners; 63% were women 2.3 Total: not defined Girls: 50% 2.4 495,306 persons Monthly allowance of AZN33-AZN60 Women: 50%	2.1 84,100 households More than 350,000 53% are women 2.2 AZN 331.41 (+14%); 716,222 old-age pensioners; 60% were women 2.3 15,000 students of which 45% are girls 2.4 AZN60 60,677 for AZN33 Women: 50.4%	2021 results

Intermediate Result Indicators #3

Affected sectors supported to prevent job losses from the economic downturn 3.1 Additional temporary public jobs 3.2 Subsidy on bank loans to MSMEs 3.3 Number of subsidized mortgage loans 3.4 Credit available to the private sector as a share of GDP 3.5 Operational costs of 11 tourism information centers

Year	Target	Actual	Comments, if any
Jun. 30, 2022	3.1 17,000 temporary jobs; 40% women ; 3.2 1990 loans 25% owned by women; 3.3 20% increase; 3.4 16.1% or more; 3.5 Covered by the State Tourism Agency	3.1 17,861 additional jobs 31% women; 3.2 1905 loans provided 30% owned by women; 3.3 4,880 loans (+44%); 3.4 16.6% 3.5 Yes	2021 results

Remarks: