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AZERBAIJAN
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AZERBAIJAN SOCIO-ECONOMIC ASSESSMENT FOR COVID-19

AUGUST 2020



PART 1

FINAL REPORT

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Foreword

The Covid-19 pandemic presents an unprecedented global challenge that goes beyond a health crisis, as it is impacting economies and societies in ways that risk derailing development gains. Without urgent actions, lives and livelihoods will be seriously compromised, with negative consequences for poverty, inequality and the achievement of Agenda 2030 and its Sustainable Development Goals.

The Government of the Republic of Azerbaijan has taken immediate actions in response to the pandemic, including a broad economic support package that equals 3.1 percent of the Gross Domestic Product. These actions helped contain many of the immediate consequences of the crisis on the population, particularly through investments in the health infrastructure and the launch of several social protection schemes.

To support the efforts of the Government, the United Nations undertook this Socio-economic Assessment for Covid-19 in Azerbaijan to measure the effects and impacts of the crisis across key sectors and to provide the evidence base needed to formulate effective recovery policies and strategies. To this end, the UN harnessed its collective expertise, both national and international, as well as that of the Government of Azerbaijan and development partners.

The findings of the assessment suggest that, unless policy measures and programmatic interventions are designed for the medium-term, the pandemic will have a disproportionate impact on the most vulnerable populations. Therefore, recovery interventions are suggested to help avoid a deterioration of the country's socio-economic conditions, ensuring that no

one is left behind. The proposed recovery strategy and policy recommendations aim to link the immediate response with medium-term recovery measures that promote sustainable development and build resilience, recognizing that the long-term development trajectory of Azerbaijan will be affected by the choices made today.

This report is the result of a 12-week consultation process led by UNDP under the auspices of the UN Resident Coordinator's Office. It has brought together experts from the UN Country Team with the active participation of various United Nations entities in Azerbaijan: the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), International Organization for Migration (IOM), United Nations Children's Fund (UNICEF), the United Nations High Commissioner for Refugees (UNHCR), the United Nations Population Fund (UNFPA), UN Women (UNWOMEN), and the World Health Organization (WHO).

The United Nations would like to extend a special acknowledgment to the Ministry of Economy for supporting the set-up of a team that brought together UN and government experts. The United Nations expresses its appreciation to all the Ministry focal points within the Government of the Republic of Azerbaijan whose contribution and support made possible this assessment: The Ministry of Agriculture, the Ministry of Health, the Ministry of Education, the State Statistical Committee, Ministry of Labour Social Protection of the Population, the State Agency on Mandatory Health Insurance, and the Ministry of Ecology and Natural Resources.

Acronyms

AZN	Manat, the local currency of Azerbaijan
CBAR	Central Bank of Azerbaijan
CIS	Commonwealth of Independent States
DOST	Agency for Sustainable and Operational Social Security
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
GoA	Government of Azerbaijan
GBV	Gender Based Violence
ICT	Information and Communications Technology
ICU	Intensive Care Units
IDP	Internally Displaced Persons
ILO	International Labour Organization
IOM	International Organization for Migration
KII	Key Informant Interviews
LGBTIQ	Lesbian, Gay, Bisexual, Transgender, Intersex and Questioning
MICS	Multi-Indicator Cluster Survey
MLSP	Ministry of Labor and Social Protection of the Population
MoA	Ministry of Agriculture
MoE	Ministry of Education
MoH	Ministry of Health
MoI	Ministry of Interior
MOLSP	Ministry of Labor and Social Protection of the Population
MSME	Micro, Small and Medium Enterprises
NGO	Non Government Organization
OPD	Organization of Persons with Disabilities
OSCE	Organization for Security and Cooperation in Europe
PoE	Points of Entry
PwDs	Persons with Disabilities
RCO	Resident Coordinator's Office
REER	The real effective exchange rate
SAMHI	State Agency of Mandatory Health Insurance
SCFWCA	State Committee for Family, Women and Children Affairs
SDG	Sustainable Development Goals
SMS	State Migration Service
SOFAZ	State Oil Fund
SSPF	State Social Protection Fund
TABIB	Administration of the Regional Medical Divisions
TSA	Targeted Social Assistance
TVET	Technical and Vocational Education and Training
UHC	Universal Health Coverage
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations International Children's Fund
UNHCR	United Nations High Commissioner for Refugees
UNWOMEN	United Nations Women
VET	Vocation Education and Training
WB	The World Bank
WHO	World Health Organization

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Introduction

THE ASSESSMENT

The present Socio-economic Assessment for Covid-19 in Azerbaijan was undertaken by the United Nations to support the Government of Azerbaijan in its efforts to respond to the pandemic and its consequences. UN agencies joined their collective efforts to undertake the assessment with the support of a team of national and international experts.

The Assessment followed the overall methodology of the Post Disaster Needs Assessment Guidelines, developed jointly in 2013 by the UN System, the World Bank and the European Union. The methodology incorporates a collection of analytical methods and techniques developed for post-disaster assessments and recovery planning, such as desk reviews, the collection of secondary information and statistics, interviews and surveys.

The following sectors were assessed: health, education, employment and livelihoods, agriculture and food security, gender and social inclusion (vulnerable population groups), and social protection. The choice to conduct an overall assessment of the gender implications of the crisis stems from the recognition that

successful recovery must be embedded in long-term policies that support gender equality across all sectors. In addition, the assessment considered the human impact of the pandemic and lockdown as well as the impact on the economy.

All sector assessments followed a standard framework and approach, including an analysis of the pre-covid context, an assessment of the effects of Covid-19 and lockdown on each sector, a review of the government response, the main gaps and challenges. This common approach ensures homogeneity and comparability in the definition and application of key assessment concepts and methods.

The recovery needs identified for each sector respond to the analysis and findings on the effects, gaps and challenges. It includes needs to ensure basic service provision, the reactivation of productive activities to support livelihoods and social protection, as well as capacity building and operational costs such as for service delivery and for implementing recovery. A budget is included for all sectors reflecting the resources required to finance recovery needs.

THE NATIONAL CONTEXT BEFORE COVID-19

Azerbaijan's population of nearly 10 million people lives across 10 economic regions, of which roughly 53% lives in urban areas and 47% in rural areas.¹ The capital of Baku is the largest city with a population of 2.6 million. Over the past two decades, Azerbaijan made remarkable economic progress, with an average growth of 11% per year during the period 2000-2015, accompanied by increases in wages, employment and social transfers, as well as a reduction in poverty. The country saw an increase in transfers from the budget (pensions and other social assistance) totaling 5.4% of the Gross Domestic Product (GDP) in 2013.²

However, the economy faced two major contractions, the first in 2009 due to the global financial crisis and the second in 2015 as a result of the dramatic fall in international oil prices. Nonetheless Azerbaijan's economy weathered these two crises and has been slowly recovering since 2015. In 2019, the economy grew by 2.2% and the unemployment rate stood at 5%.

The country's economy is highly dependent on natural resources. The oil and gas sector, for example, accounts for more than 35% of GDP, compared to manufacturing with 4.8% and agriculture with 5.7%. However, the composition of employment indicates that 36% of the population is employed in agriculture, forestry and fishing.³

Azerbaijan's Human Development Index is 0.754, which places the country in the high human development category, positioned at 87 out of 189 countries and territories. Above 20% of total government spending goes to essential services such as education, health, social protection and social security.⁴

However, the country faces some development challenges. As of 2019, the maternal mortality rate was 14.9 (per 100,000 live births) and the infant mortality rate for under fives was 13 (per 1,000 live births), both of which are higher in urban areas. Gender disparities remain pronounced as well. Women's average monthly nominal earnings is 360.7 manats compared to 670 manats for men.⁵

The unemployment rate before the pandemic stood at 4.9%, although it is higher in urban areas compared to rural areas, and higher for women (5.8%) compared to men (4.1%). The proportion of the population living below the national poverty line was 4.8% before Covid-19⁶, down from 9% in 2010.⁷

Regional disparities are significant. The national poverty headcount ranges from 16% in Baku to 33% in Ganja-Gazakh Economic Region. While a person in Baku earns on average 789 AZN per month in 2018 (\$USD 464), this is two and a half times more than the average salary of 288 AZN in Shaki-Zagatala.⁸ Access to drinking water and heating is near universal in Baku and other urban areas, but not in rural areas, where only 76% of households have access to water, and 82% to gas. Access rates are higher in Absheron and Baku and lower among poorer populations in Aran, Dakhlik-Shivran, Ganja, and Guba.

On the political front, since the 2018 presidential election the Government of Azerbaijan underwent significant changes, including the nomination of a new Prime Minister and the appointment of several key ministers. Although Azerbaijan has experienced political stability the country continues to face the decades-long Nagorno-Karabakh conflict which has produced over 600,000 Internally Displaced Persons (IDPs).

¹ The State Statistical Committee of the Republic of Azerbaijan, 2019.

² WB, South Caucasus In Motion, 2019.

³ The State Statistical Committee of the Republic of Azerbaijan, Statistical Yearbook, 2020; and Sustainable Development Goals, 2019.

⁴ UNDP, Azerbaijan 2019 Human Development Report, 2020; and The State Statistical Committee of the Republic of Azerbaijan, Sustainable Development Goals, 2019.

⁵ The State Statistical Committee of the Republic of Azerbaijan, Statistical Yearbook, 2020; and Sustainable Development Goals, 2019.

⁶ Based on official statistics on poverty provided by the State Statistical Committee Representative, as of 01.01.2020.

⁷ The State Statistical Committee of the Republic of Azerbaijan, Sustainable Development Goals, 2019. Note: The national poverty line is based on the subsistence minimum for different groups of the population, and the subsistence minimum is the sum of the cost of the minimum consumer basket and the amount of compulsory payments.

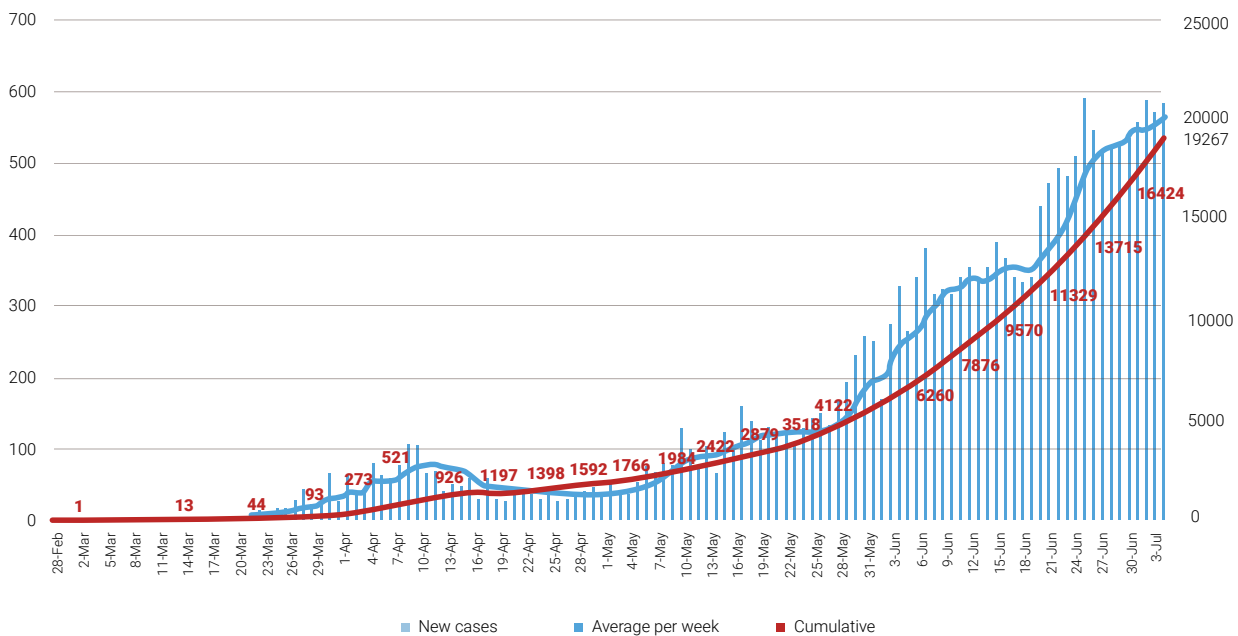
⁸ World Bank, South Caucasus In Motion, 2019.

COVID-19 IN AZERBAIJAN & THE GOVERNMENT RESPONSE

Azerbaijan had 32,157 confirmed cases of Covid-19 and 454 deaths as of 01 August 2020. According to the Administration of the Regional Medical Divisions (TABIB), a total of 610,523 tests had been conducted in the country by that date. As indicated in Fig-

ure 1, cases have been increasing rapidly since May 2020 and continue to climb. In terms of the geographic distribution of Covid-19 cases, over 55% of cases are concentrated in the city of Baku, followed by 16.3% in Absheron, 8.4% in Ganja- Gazakh, and 7.5% in Aran.

Figure 1: Number of Covid-19 cases, cumulative and per day



Source: Administration of the Regional Medical Divisions (TABIB)

On March 19 2020, the President of the Republic of Azerbaijan introduced Decree number 1950 to reduce the negative impact of the Covid-19 pandemic due to sharp fluctuations of world energy markets on the country.

The government imposed a “Special Quarantine Regime” on 24 March. Measures included border closures, the prohibition of mass gatherings, restrictions on domestic movements, closure of restaurants and some other businesses, airports, and transportation hubs, as well as physical distancing and disinfection of public spaces. In

late April, the country began to lift some restrictions to allow some services and businesses to resume operations.

In response to the epidemiological situation, the special quarantine regime was extended until August 31st, albeit to varying degrees across the country based on the evolving dynamics of Covid-19 in cities and economic regions. The Government extended the “strict quarantine regime” in 14 cities and districts until August 5th, which included the cities of Baku, Ganja, Sumgayit, Jalilabad, Masalli, Yevlakh, and Mingachevir, as well as the districts of Absheron, Barda, Goranboy,

Goygol, Khachmaz, Siyazan, and Sheki (orange zone).

The COVID-19 Operational Headquarters was created under the Cabinet of Ministers, and includes the Minister of Economy, the Minister of Finance, the Minister of Labor and Social Protection of the Population and the Chairman of the Central Bank of Azerbaijan. On April 4th 2020, the Cabinet of Ministers approved an Action Plan to implement Decree 1950 with measures to protect the national economy, employment and entrepreneurship.

The country's initial economic support package was equal to 3.1 percent of GDP⁹, which is expected to be followed by a second package, and consists of the following three broad categories of assistance.¹⁰

SUPPORT FOR ECONOMIC GROWTH AND ENTREPRENEURSHIP

A) Implementation of time-critical interventions to reduce the negative effects of the pandemics on the national economy in the short term

- For emergency coordination of the activities of economic institutions
- For protection of workplaces and social stability
- To increase transparency in the economy
- To provide tax incentives for maintenance of economic activity
- To provide state loan guarantee support to the economy and entrepreneurship
- For implementation of additional support measures in the areas of activities affected by the pandemic

B) Urgent measures for the implementation of the new model of economic growth in the post- pandemic period

- To maintain the pace of economic growth and employment;
- To reduce dependency on the oil and gas sector;
- Prepare proposals for the implementation of the following reforms in order to improve the system of state property management;
- To establish the Azerbaijan Construction Corporation and the prepare

proposals for the implementation of the following activities in order to accelerate the development of cities and regions;

- Make changes in the relevant legislation to create a favorable condition for the expansion of public-private partnerships.

EMPLOYMENT AND SOCIAL WELFARE SUPPORT

- For protection of public sector employees from unemployment risk and their social protection
- Protect paid workers in the non-government sector against unemployment risk and ensure their social protection
- For employment and social protection of unemployed and dismissed persons
- For enhancing the social protection of special vulnerable people

MACROECONOMIC AND FINANCIAL STABILITY

- Develop macroeconomic policy framework to reflect the new economic realities
- Expand the sterilization portfolio depending on the monetary situation
- Provide regulatory holiday to credit institutions in order to regulate the obligations of entrepreneurs operating in areas affected by the pandemic during the quarantine regime
- Take comprehensive measures and strengthen control over the movement of capital and increase the efficiency of currency regime

⁹ UNESCAP (https://www.unescap.org/sites/default/files/Azerbaijan_COVID%20Policy%20Responses.pdf)

¹⁰ Government of the Republic of Azerbaijan (<https://cabmin.gov.az/az/document/4367/>). Further details on the country's support package is presented in Annex 1.

The impact of covid-19

THE MACRO-ECONOMIC IMPACT

THE PRE COVID-19 CONTEXT ANALYSIS

Before the pandemic, Azerbaijan was looking forward to the third consecutive positive annual growth rate, as the economy continued its recovery from the 2015 banking and currency crisis. The State Budget for 2020 forecasted a real growth rate of 2.4% in 2019, followed by a 3% growth rate in 2020.

In terms of sectoral growth, the agriculture, tourism, transport and ICT sectors recorded strong growth performance in 2019, while the construction sector recorded another year of declining real output. Going forward, the non-oil growth rate was projected to grow at substantially higher rate in 2020 (3.8 percent) compared to the growth in hydrocarbon sector (0.9 percent).

During 2019 inflation remained within the 2 to 6 percent target range of the Central Bank (CBAR) - below 3 percent. The relative appreciation of the manat with respect to the currency of major trading partners translated into lower imported inflation. Inflation was projected to pick up in 2020 to over 4 percent.¹¹

The exchange rate remained the main nominal anchor. Despite being de jure classified as free floating, de facto manat remained fixed at manat 1.70 per US\$1. However, it is worth noting that before the pandemic, CBAR and the government were working to build the necessary infrastructure to ensure smooth transition towards a floating exchange rate and inflation targeting. Despite this plan, the near term exchange rate was expected to stay fixed.

The current account balance in 2018 recorded a sizeable surplus (US\$ 6 billion or 12.9 percent of GDP), with reasonably large surpluses projected for 2019 and onwards. The surplus in the current account balance was only partially offset by net capital and financial outflows, resulting in accumulation of reserves. At the end of 2019, the

reserves of the CBAR stood at over US\$ 6 billion, while assets of the State Oil Fund (SOFAZ) reached US\$ 43 billion (nearly 90 percent of the GDP). The latter has been an indispensable part of the State Budget formation, providing nearly 50 percent of the total revenue over the past few years.

To reduce the reliance on SOFAZ and ensure macroeconomic stability, the government introduced a new fiscal rule in 2018, restricting spending growth, including expenditure on non-oil revenues. The government planned to return to fiscal consolidation by improving revenue collection via structural reforms and optimizing expenditure. As such, the 2020 State Budget forecasted an 8 percent growth in total revenue excluding SOFAZ transfers.

THE POST-COVID SITUATION AND OUTLOOK

This section discusses the short-term effects of Covid-19 on key macroeconomic indicators, including output, the external sector and fiscal balance.

The Gross Domestic Product

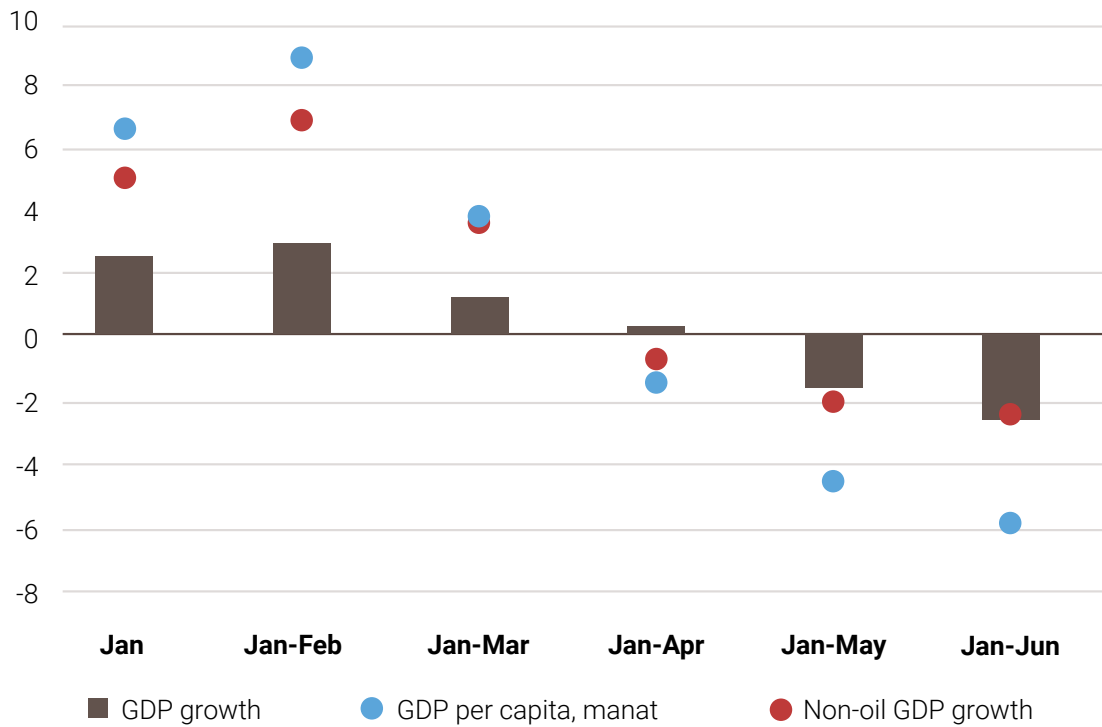
National output during the first half of 2020 declined by 2.7 percent in real terms compared to the same period in 2019.¹² The decline was driven by a downturn in the hydrocarbon (2.9 percent) and non-oil and gas sectors (2.5 percent). Similarly, GDP per capita in this period declined by 3.4 percent. While this drop is large, it should be noted that most of the demand shock came in mid-March. Considering that the special quarantine regime was extended until August 31st the decline in output could be much stronger in the second quarter.

The effect of the pandemic is also reflected in fixed capital investment. Despite the robust growth in the beginning of the year, the decline in economic activity was reflected in capital investment during April and May, with an estimated 2.7 percent decline year-on-year in real terms.

¹¹ According to various estimates by the government and IFIs.

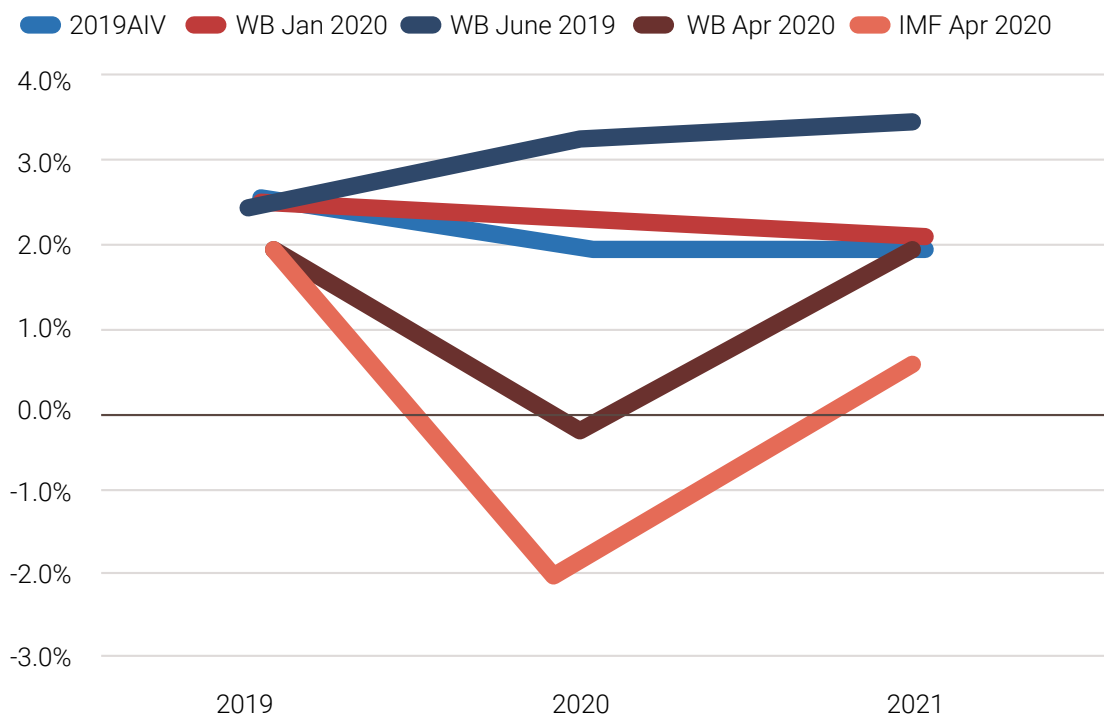
¹² Based on the latest data available from the State Statistics Committee

Figure 2: GDP percentage change compared with the same period in 2019



Source: Staff calculations based on SSC data

Figure 3: GDP forecast



Source: Staff calculations based on SSC data

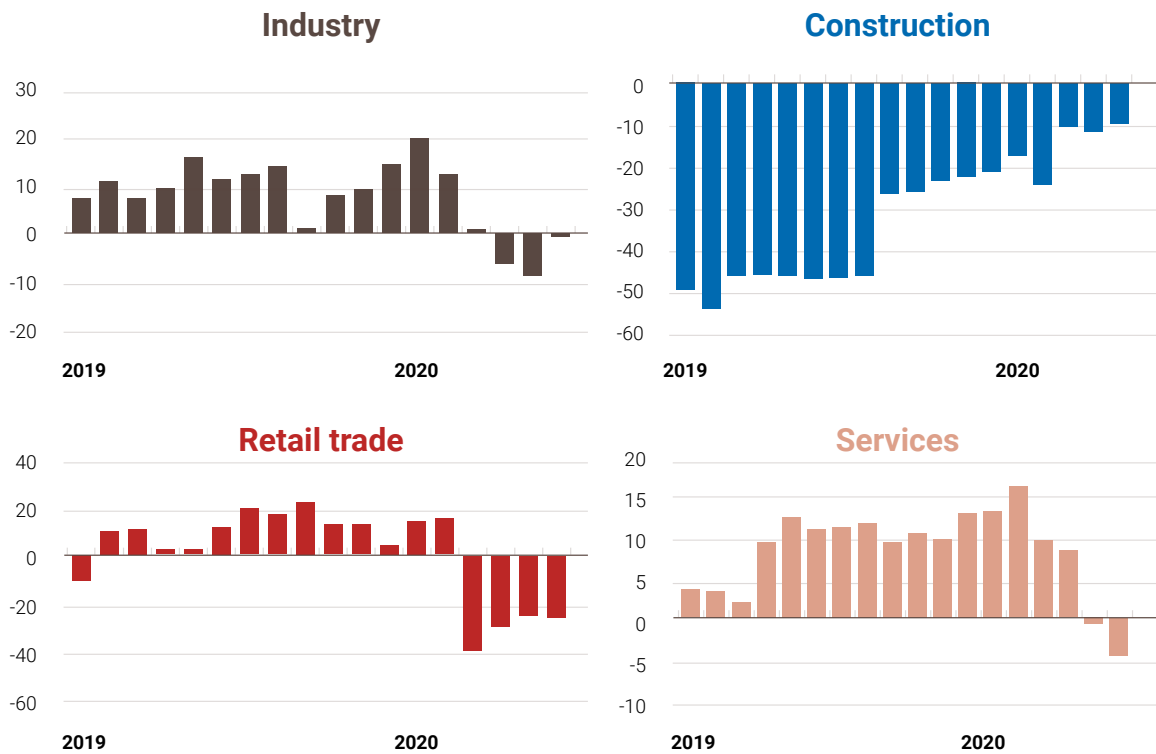
Reflecting the subdued economic environment over past three months and uncertainty about the future, confidence indices have dropped substantially across the real sector. The shaded area corresponding to the period since quarantine measures were put in place reflects a substantial reduction in economic activity, including production, inventory and expectations about price and employment.¹³

Given the massive supply and demand-side shock, Azerbaijan faces a recession in 2020. Low energy prices and demand, combined with suppressed consumption and investment, is likely to push the economy into recession in 2020. The

Government expects a 2.6 percent contraction in output in 2020.

All international financial institutions and rating agencies expect reduced growth in the economy of Azerbaijan. The IMF's recent outlook forecasts a 2.2 percent contraction in real GDP in 2020, followed by a modest recovery in 2021.¹⁴ The World Bank also shares this pessimistic view. The latest Macro Poverty Outlook forecasted a 0.2 percent decline in 2020 with rebound growth in 2021.¹⁵ However, the recent Global Economic Prospects publication forecasts a 2.6 percent decline in economic activity.

Figure 4: Confidence indicator in sectors of the economy



Source: Central Bank of Azerbaijan

¹³ Negative territory suggests that majority of the respondents in the corresponding industry have a negative outlook about the near future.

¹⁴ IMF, World Economic Outlook Database (April 2020).

¹⁵ World Bank, The Macro Poverty Outlook: Europe and Central Asia, Spring 2020.

THE EFFECT ON SECTORS

The pandemic and lockdown measures have hit almost all sectors of the economy, albeit to varying degrees. In the transport sector, average passenger transportation per month stood close to 150 million between January and March, while in April this figure declined substantially to 70 million, driven by the ban on international travel and limited domestic mobility during the lockdown. Partial relaxation of the rules resulted in an uptick in May and June of around 90 million. Overall, the total number of passenger transportation shrank by 30 percent between January and June compared to the same period in 2019. Similarly, cargo transport shrank by 14 percent. Retail trade turnover recorded a slight decline of 1.9 percent.

Although there is no monthly production data on tourism and related industries (e.g. food and beverage, entertainment and transport), it is likely that these sectors will be among hardest hit. The World Tourism Organization estimates that in 2020 global international tourist arrivals could decline between 20-30 percent. In Azerbaijan, this would translate into a loss of between US\$ 0.5 and 0.8 billion.

Some sectors have fared better, namely the agriculture and ICT sectors, which recorded steady year-on-year growth. The former expanded by over 2.2 percent, while the latter grew by 4.4 percent in real terms.

INFLATION

The pandemic and quarantine measures subdued domestic demand, which contributed to lower inflation. Inflation averaged 3.3 percent year-on-year in March 2020, when the government announced initial quarantine measures. These measures were toughened in early April. As a result, overall price level went up only by 0.1 percent in April, followed by a deflation of 0.5 percent in May.

A spike in demand for staple foods drove food prices up by 5.7 percent in May on annual basis, with potential consequences for the poor and vulnerable populations. On the other hand, the price of services recorded a 0.4 percent annual growth. There was no discernible increase in non-food inflation, which grew by 1.4 percent compared to the same period of the previous year.

Although disruptions to the supply chain may put upward pressure on prices, inflation is expected to stay within the target range (4±2) in 2020. In addition, recent monetary policy easing by the CBAR in response to the slump in economic activity and deflationary pressure is likely to put upward pressure on prices. Depreciation of currencies of major trading partners against manat is likely to be an offsetting factor against inflationary pressure by reducing imported inflation.

FISCAL DEVELOPMENTS

Economic contraction will put pressure on fiscal balance and is likely to violate fiscal rule. Reduced demand coupled with geopolitical tensions resulted in a sudden drop in oil prices, and the prospects of oil price recovery are highly uncertain. As a result, Azerbaijan is facing a triple macro-fiscal burden:

1. Decline in non-oil economic activity: lockdown halted most of the non-essential economic activity contributing to lower revenue.
2. Lower oil revenue: In early June stood at around US\$ 40 per barrel, which is lower compared to what was enshrined into 2020 Budget (US\$ 55).
3. Increased spending: the GoA announced a support package equal to 3.1 percent of GDP¹⁶, and is expected to be followed by a second package. By late May, 533 million manats was allocated to fight the pandemic and its economic consequences. Major expenditure items under this support package were one-off support payments (229 million manats), salary support (69 million manats), provision of additional funding to Mortgage Fund (40 million manats) and support to micro entrepreneurs (55 million manats), and financial assistance to SOEs (90 million manats).¹⁷

The fiscal position is expected to deteriorate for the rest of 2020. Error! Reference source not found. shows the difference between forecasted and actual monthly revenue. The graph indicates that despite the pandemic, the total revenue of the State Budget in the first half of the year has been higher than forecasted revenue. This result has been largely

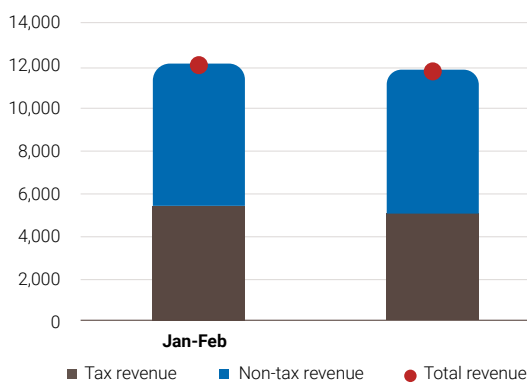
¹⁶ UNESCAP (https://www.unescap.org/sites/default/files/Azerbaijan_COVID%20Policy%20Responses.pdf)

¹⁷ According to information provided by the Ministry of Finance

driven by tax revenue, which exceeded the forecast by over 400 million manats. The positive results can be explained by a number of factors, including measures aimed at reducing the shadow economy.¹⁸

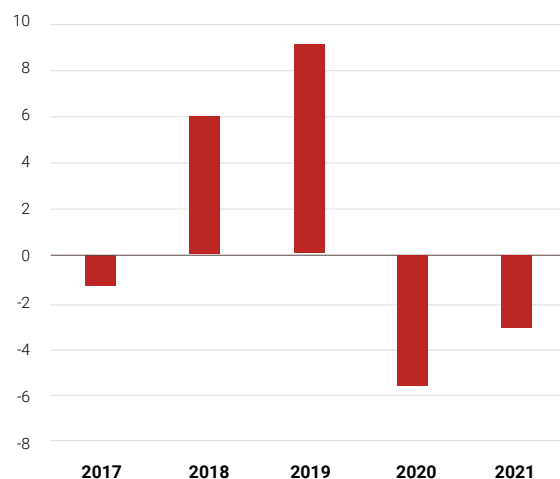
Reflecting these negative developments both in revenue and expenditure sides, the fiscal balance is set to record a large deficit in 2020. The latest estimate of the WB suggests a fiscal deficit of 5.7 percent in 2020, followed by a smaller deficit of 3.2 percent in 2021.

Figure 5: Actual vs. forecasted revenue (million manats)



Source: Ministry of Finance

Figure 6: Fiscal balance, % of GDP



Source: Staff calculations based on SSC data

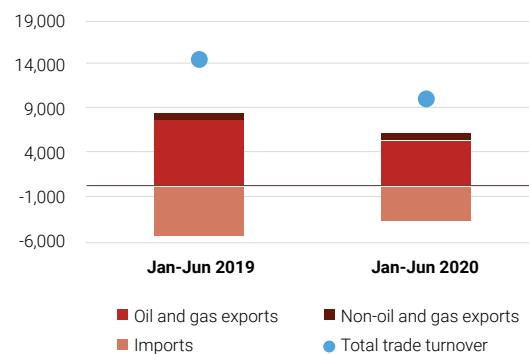
THE EXTERNAL SECTOR

Given the composition of Azerbaijan's exports, the vulnerability of its currency and the economic conditions of major trade partners, the external sector of the economy is forecast to worsen in 2020.

The current account balance will record a large deficit, reflecting a deteriorating

trade balance. This, coupled with low oil prices, will lead to further pressure on domestic currency, which has appreciated against the currency of major trading partners in recent months. In addition, remittances will decrease, reflecting poor economic conditions in source countries.

Figure 7: Trade turnover (US\$ million)



Source: Staff calculations based on SSC data

TRADE

The global economic downturn resulted in reduced demand for Azerbaijani exports, mainly hydrocarbon products. Azerbaijan's major export partner - Italy, was among the hardest hit countries by Covid-19. In addition, the collapse of oil prices has substantially affected the value of Azerbaijani exports. These developments are likely to be compounded by lower global demand for oil. The International Energy Agency (IEA) sees lower global oil demand in 2020 and 2021 caused by the coronavirus and stalling mobility.¹⁹

During the first half of 2020, total trade turnover stood at close to US\$ 10 billion, which represents a 40 percent decline compared to the previous year. The decline is largely driven by oil and gas exports. Year-to-date non-oil exports shrank only by 9 percent compared to the previous year. Imports have also fallen compared to 2019, partially offsetting the reduction of exports. As a result, there has been a trade surplus during the January-June period.

THE EXCHANGE RATE

Reflecting subdued economic conditions among trading partners, the real effective exchange rate (REER) of the manat appreciated in recent months. Since the start of the year, the REER appreciated by over 6 percent, suggesting a decline in competitiveness. The non-oil REER has appreciated by 9.1 percent

¹⁸ <https://www.cnbc.com/2020/08/13/oil-and-coronavirus-ia-sees-lower-demand-in-2020-2021-on-stalling-mobility.html#:~:text=Oil,IEA%20sees%20lower%20oil%20demand%20in%202020%2C%202021%20on%20surge,coronavirus%20cases%20and%20stalling%20mobility&text=The%20IEA%20said%20it%20now,day%20year%20on%20year.>

¹⁹ <https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

from January to May 2020. In both cases, the appreciation of REER has been largely driven by a nominal exchange rate.

The current exchange rate regime leaves the domestic currency highly susceptible to sentiment change among households and businesses. The sharp decrease in oil prices in early 2020 triggered a panic among citizens who feared currency devaluation. Consequently, the manat faced strong headwinds in March. The Government of Azerbaijan protected the manat by providing dollar liquidity to the market using SOFAZ assets. The Fund sold nearly US\$ 2 billion of foreign exchange to local banks in March amid soaring demand. As oil prices started to recover, the pressure eased on manat. Going forward, the manat is expected to face further pressure if oil prices remain low for a prolonged period.

REMITTANCES

A large number of households, particularly in rural areas, rely on remittances from overseas for their living expenses. In 2019, the share of remittances to GDP stood at 2.3 percent, which translated into

\$1.1 billion.²⁰ A large share of these remittances comes from the Russian Federation, where almost 1 million Azerbaijani migrants reside.²¹

A recent study by the WB estimates a 20 percent drop in the flow of international remittance as a result of the pandemic. Given low oil prices and pressure on the Russian ruble, there could be a higher impact on remittances to Azerbaijan. This decline was already visible in the first quarter of 2020. Remittances from Russia to Azerbaijan dropped by almost 40 percent compared to the first quarter of 2019. Overall, during the first quarter of 2020 total remittances to Azerbaijan declined by USD\$ 27 million (a 14 percent drop) compared to last year.²² If past trends continue, remittance flows from Russia to Azerbaijan may drop between 30 to 40 percent, translating into \$150 to \$200 million drop year-on-year.

CONCLUSIONS

The economy of Azerbaijan is facing unprecedented challenges underpinned by two external shocks- low oil prices and coronavirus pandemic. Both shocks may have severe socio-economic consequenc-

es if not managed well. They are already taking a toll on the economy in the form of lower revenue, higher expenditures, pressure on the national currency and low aggregate demand among other concerns. These macroeconomic effects were accompanied by a significant human cost, including loss of income, and a negative impact on the health and education of millions of people. Despite this, the crisis also presents a unique opportunity to introduce and accelerate important reforms to build back better. As such, at this critical juncture, macroeconomic policies should not only aim at confining the impact on the economy that is of an immediate nature, but also address long-term structural challenges.

Some of these challenges have been acknowledged by the Government of Azerbaijan. For example, **reducing dependence on the hydrocarbon sector** has been on the agenda of the government for a long time. Despite past efforts, the economy remains heavily dependent on the oil and gas sector, and a long-term vision for economic reform is yet to be developed. Enhancing competition in non-oil sectors is crucial to ensure the diversification of the economy. Many sectors of the economy, including the financial sector, remain dominated by a few firms. Removing barriers to entry, continuing tax and customs reforms are among actions that could improve the business environment and contribute to private sector led economic growth. Policies designed to support green growth and the energy transition carry potential to create new and decent jobs and foster innovation, as well as to loosen the dependency on hydrocarbons and contribute towards achieving the SDGs.

Reforms are also necessary in the public sector. A large fiscal deficit is expected in 2020, reflecting the impact of COVID-19 and lower oil prices. Under these circumstances, the government should prioritize public investment projects to ensure that public funds are spent more carefully. In other words, tighter fiscal space prescribes more careful assessment of big-ticket investment projects. Reforming SOEs, where necessary privatizing them could also be useful towards fiscal consolidation. In addition, SOEs that are more efficient could lead to better competition and more quality services for customers. The establishment of the Azerbaijan Investment Holding is a welcome development in this direction.

²¹ Central Bank of Azerbaijan. <https://www.cbar.az/page-43/external-sector-statistics>

²² Central Bank of Azerbaijan. <https://www.cbar.az/page-43/external-sector-statistics>

THE HUMAN IMPACT

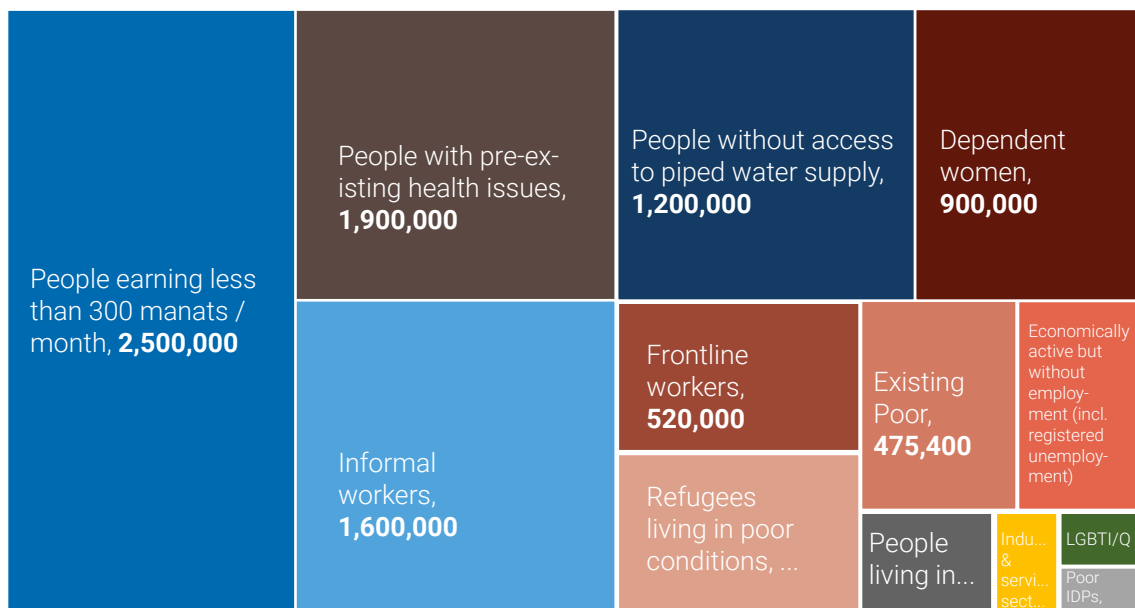
The Covid-19 crisis is going to have **direct health implications** on many people, especially those who are pre-disposed to illnesses such as respiratory issues, cancer, or blood system related issues. It will also affect those who are living in conditions where physical distancing may be difficult, such as those sharing water or sanitation facilities, or those living in over crowded conditions such as IDPs. This will also be the case for those employed in jobs that expose them to a greater risk, such as front-line workers.

Covid-19 related measures have **affected people economically**. This is especially the case for people whose income has been lost and savings depleted, those who are

facing difficulty in affording food due to price inflation, and those who may fall into poverty, if not already poor. This includes people earning just above the poverty line, informal workers who do not have access to social safety nets, dependent women, those who have lost their jobs or are unemployed, and marginalized communities such as the LGBTI/Q.

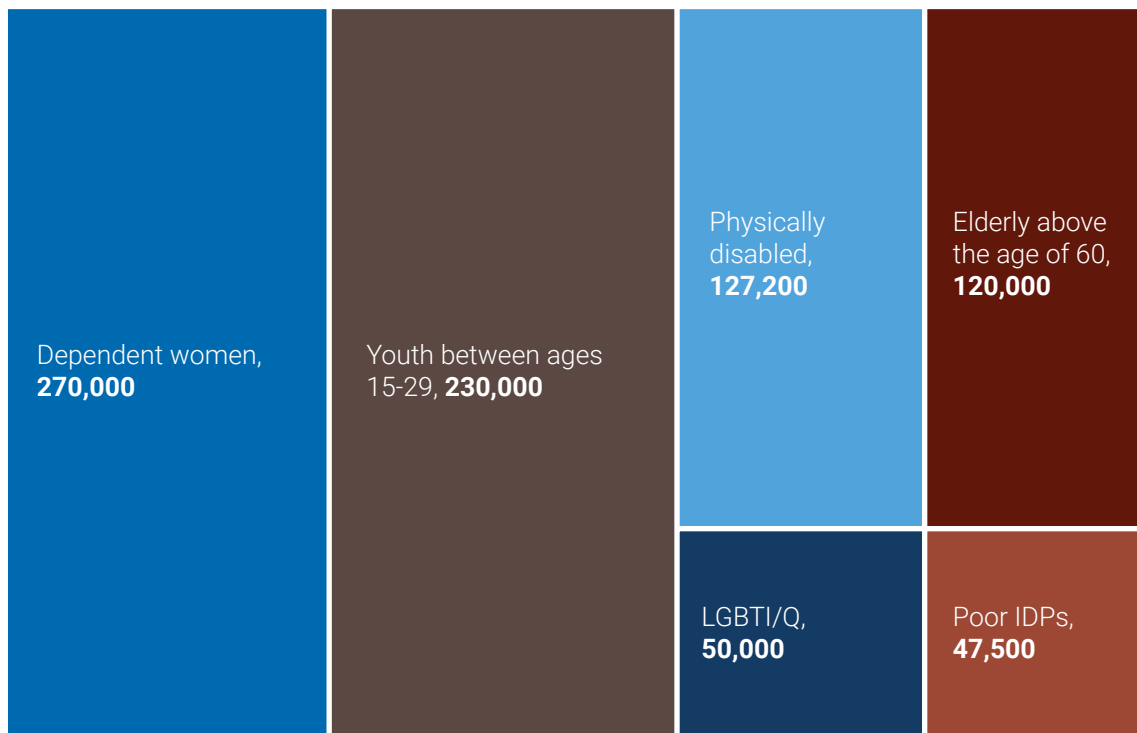
With economic stress, some people are experiencing **food insecurity as an emerging crisis**, largely experienced by the poor, unemployed, informally employed, pregnant women, children below 5-years of age; leading to stunting, long-term nutritional losses and increased health problems.

People facing the risk of health, income loss or poverty, and food insecurity



Some groups of people are also experiencing increased **domestic violence, psychological distress and stigma**. This is experienced largely by women (especially those who are dependent on others), the LGBTI/Q community, children below 18, older persons (especially those above 65 and not working), persons with disabilities, and IDPs.

People facing domestic violence and psychological distress



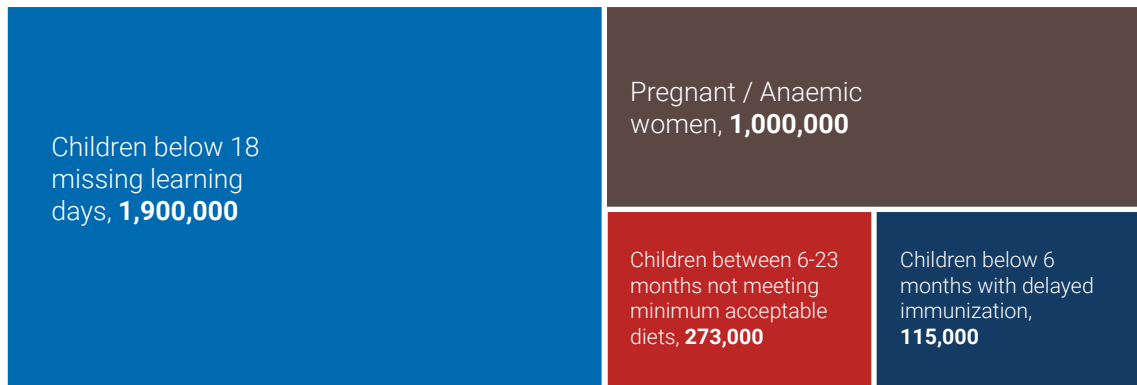
Although **women are relatively more vulnerable due to pre-existing conditions of marginalization** and lack of assets and power, the government’s immediate intervention strategies and responses remain largely gender-blind. There is a need to reconsider the intersectionality criteria, and offer additional support to women who are older, disabled, are IDPs/refugees, pregnant/have children, or who are informally employed.

Affected women



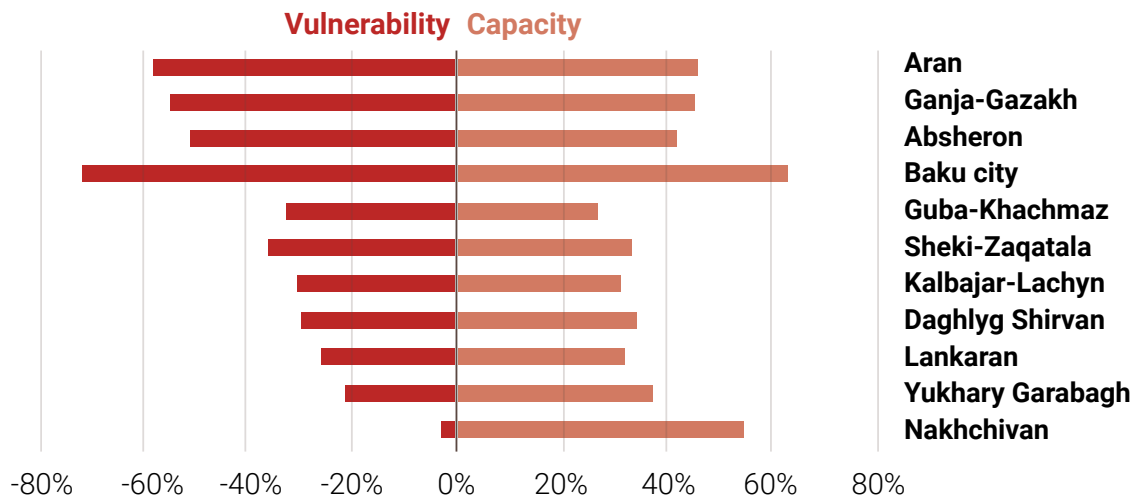
People are also facing indirect impacts that may have more **long-term implications**. This includes children below 18 missing learning days, children between 6-23 months not consuming the minimum acceptable diet which may lead to stunting, and pregnant or anemic women. There are also people who are facing **indirect but more temporary impacts**, such as in- and out-migrants who are unable to move back to their native place of origin, youth between 15-29 years missing on their learning or work days, or the elderly above 60 years who are currently more dependent on others for their everyday needs.

People facing indirect long-term impacts



There are **regional inequalities** than make people living in some regions more vulnerable to these impacts than others. As per the human impact vulnerability and capacity indicators across the five areas of impact considered in this assessment (livelihoods, living conditions, food security, social inclusion, and gender equality), Aran, Ganja-Gazakh, Absheron and Baku are likely to be most impacted. Baku city and Nakhchivan have higher human impact capacity indicators, indicating better coping abilities in people and systems in these areas.

Human impact in sub-national regions



Overall the assessment results make evident the following two human impacts: (1) different groups of people are affected in different ways largely owing to pre-existing structural deficiencies and vulnerabilities, and (2) there are spatial inequalities across economic regions that are likely to affect the people living in each differently. The following key principles are recommended for the recovery process:














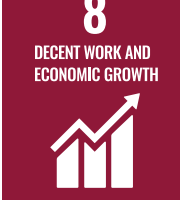





- In addition to the allocations provided, steps need to be taken to address more structural vulnerabilities, inequities, and deficiencies, using a location-based approach. Policy responses need to recognize the pre-existing spatial and social disparities and take sub-national context-appropriate actions.
- Recognize the intersectionality in

social groups (across gender, age, income class, type of work, residence, etc.), ensuring there is no further deterioration in the lives and circumstances of vulnerable groups, and that the recovery process is inclusive. This will mean simplifying and facilitating access to support programmes, ensuring well-targeted services and universally available resources where targeting may be more expensive than the costs.

- Bring together national, sub-national, and municipal agencies to work in tandem to minimize fragmented responses or competition for resources during the crisis. Overall, the policy responses should be consistent and coordinated, adopted in consultation with agencies, and well communicated to the public.

According to the United Nations Support for Agenda 2030 in Azerbaijan, the focus was on the following goals for Azerbaijan with respect to the human impact: SDG 1, 2, 3, 4, 5, 8, and 10. The following diagram summarizes the status before 2020 for each goal, indicating as well the potential impact of Covid-19 on their achievement.

Figure 8: Potential impact of Covid-19 on SDGs

SDG	Pre-2020 Status	Potential impact on the SDG achievement
 <p>1 NO POVERTY</p>	<p>According to the 2017 VNR, this goal was removed from the priority areas, considering the achievement of below 5% poverty rate in the country.</p>	 <p>More people are likely to face multi-dimensional poverty following the economic crisis, and shocks and stresses over the long period of lockdown</p>
 <p>2 ZERO HUNGER</p>	<p>According to the 2017 VNR, this goal was removed from the priority areas, considering there is no food insecurity experienced in the country.</p>	 <p>Some people are likely to face access to food challenges owing to the prolonged lockdown and food price inflation</p>
 <p>3 GOOD HEALTH AND WELL-BEING</p>	 <p>Child and maternal mortality rates, cases of malaria, TB went down</p>	 <p>Additional stress on the health systems, and COVID-19 related morbidity and mortality</p>
 <p>4 QUALITY EDUCATION</p>	 <p>Significant improvements were made in both quality and access of education for girls and boys</p>	 <p>Temporarily affected. Owing to timely actions taken by the government, the impact may be minimal. Additional support to children without access to internet and those with disabilities required.</p>
 <p>5 GENDER EQUALITY</p>	 <p>Although with improvements over previous years, labor market composition, and wages were still lower for women than for men</p>	 <p>Women are likely to face additional stresses in terms of income loss, gender-based violence, and increasing caretaking responsibilities</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	 <p>GDP & wages had been improving (barring 2015-16). Still a large proportion employed in low-productive jobs like agriculture and informal work</p>	 <p>Unemployment has increased, Tourism (identified priority area) affected, informally employed people and MSMEs are being affected, with an aggregate negative impact on the GDP</p>
 <p>10 REDUCED INEQUALITIES</p>	 <p>Inequality between urban & rural areas, people of different gender, types of employment (formal/informal) existed</p>	 <p>Existing inequalities will have disproportionate implications on people and regions. It will focus attention for a longer period to reduce the existing inequalities</p>

Overview of effects on sectors

THE HEALTH SECTOR

THE PRE COVID-19 CONTEXT ANALYSIS

Since 2006 the Government of Azerbaijan has increased significantly the state budget for healthcare, reaching 1.369 billion manat in 2020 (US\$806.96 million). Between 2016 and 2019 the Government introduced a pilot programme for a mandatory insurance system in Mingachevir, Aghdash and Yevlakh. The plan was to expand, in January 2020, this mandatory nation-wide health insurance in 4 stages. As of December 2018, all institutions with the Ministry of Health, except for eleven, had to shift to the State Agency of Mandatory Health Insurance (SAMHI), and the new Administration of the Regional Medical Divisions (TABIB) was created under the SAMHI. Yet the country's score on Universal Health Coverage (UHC) is 65, nearly unchanged in the past ten to fifteen years.

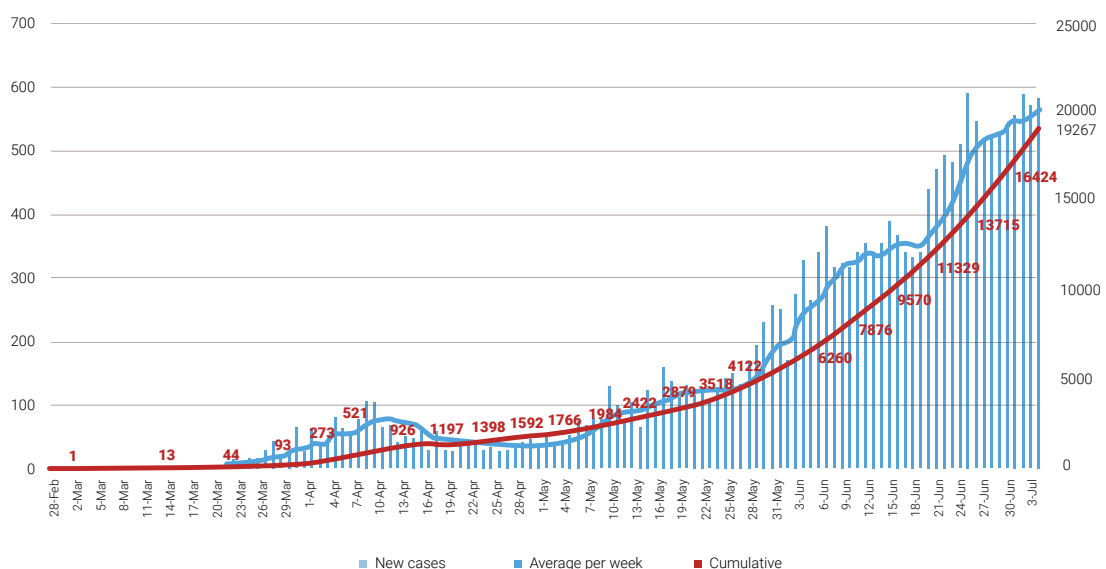
There are about 37,630 nurses and 32,485 physicians in the country. The total number of hospital beds is around 42,000, while the number of beds in Intensive Care Units

(ICU) is 1,045. While the overall quantity of personnel and hospital beds is satisfactory, their distribution is highly uneven across the country with most health personnel and beds concentrated in Baku. This can be explained partly by the fact that tertiary level and specialized health facilities are naturally located in Baku. Most private clinics, general hospitals and maternity wards are also based in Baku, and health workers prefer to work in Baku, resulting in many vacancies in rural areas.

THE EFFECTS OF COVID-19 ON THE HEALTH SECTOR

Azerbaijan had over 33,000 confirmed cases of Covid-19 as of 06 August 2020, of which more than 28,000 have recovered and over 470 cases were fatal. According to the Operational Headquarters under the Cabinet of Ministers, a total of 610,523 tests had been conducted in the country. As indicated in Figure 9, cases have been increasing rapidly since May 2020 and continue to climb.

Figure 9: Number of Covid-19 cases, cumulative and per day



Source: Operational Headquarters under the Cabinet of Ministers

In terms of the geographic distribution of Covid-19 cases, 56% of cases are concentrated in the city of Baku, followed by 16.6% in Absheron, 8% in Aran, and 7.2% in Ganja-Gazakh.

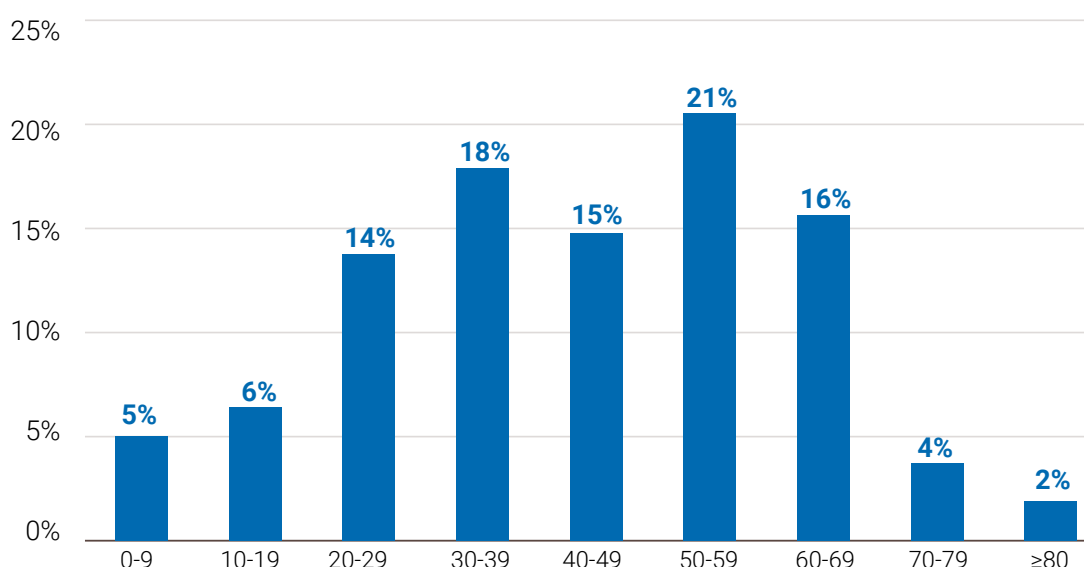
Table 1: Geographic distribution of Covid-19 cases

Region	Distribution of cumulative cases (%)
Baku	56.0%
Absheron	16.6%
Aran	8.0%
Ganja-Gazakh	7.2%
Lankaran	5.0%
Guba-Khachmaz	2.2%
Shaki-Zagatala	1.6%
Mountainous Shirvan	1.5%
Upper Garabagh	1.0%
Nakhchivan Autonomous Republic	0.0%

Source: Operational Headquarters under the Cabinet of Ministers (data as of 23 July 2020)

Women account for 54% of all cases of Covid-19 in the country while men account for 46%. Children between 0 and 19 years of age represent 11% of all cases, while youth between 20 and 39 years of age represent 32% of all cases, and people over the age of 60 represent 22% of all cases in the country.

Figure 10: Distribution of Covid-19 cases by age group



Source: Operational Headquarters under the Cabinet of Ministers

THE GOVERNMENT RESPONSE, CHALLENGES AND GAPS

As part of the Covid-19 response the Government increased spending on public health (AZN 8.3 million) and created a Corona Virus Response Fund, to which it has transferred AZN 20 million manat, with additional contributions from the public and private sectors.

The Government allocated more than \$10 million to build 10 modular 200-bed hospitals specifically for the treatment of Covid-19 patients and introduced incentives for medical personnel working with Covid-19 patients. Moreover, the Government announced that all expenses associated with treatment would be covered by state funds, both for nationals and

foreigners with temporary permits. Over 20 hospitals (in addition to 10 modular hospitals) were established in the country for the treatment of Covid-19 patients (with over 10,000 beds).

Surveillance and testing

Active case finding and event-based surveillance for influenza-like illness were activated in early March. The current surveillance strategy is based on the rapid identification and isolation of suspected cases and contact tracing. Surveillance is conducted jointly by TABIB under the State Mandatory Health Insurance Agency and the Ministry of Health. MoH together with TABIB is responsible for collecting the information on new cases. A single unified database for Covid-19 was developed to collect information.

A new E-TƏBİB (e-TABIB) mobile phone application was introduced to keep track of people who may have Covid-19. A notice is sent to those likely to have been exposed to Covid-19 to conduct testing.

Almost 30 laboratories were assigned to perform PCR tests. The maximum testing capacity is about 10,000 tests per day. By early August, a total of 610,523 tests had been conducted in the country.

Staff shortage, IPC and PPE

Although there are enough medical personnel in Azerbaijan (37,630 nurses and 32,485 physicians in 2019), the number of IPC specialists (infection prevention and control) and staff for intensive care units (ICUs) are relatively limited. At the beginning of the pandemic, doctors with other specializations were trained to establish proper IPC in their facilities and to manage Covid-19 cases. Most health workers who were infected in the early stages were infected not because they directly treated Covid-19 cases, but because of a lack of skills on necessary precautions for self-protection from infections at the workplace, public places, etc. With limited IPC specialists, health professionals from other fields of expertise were involved in the treatment of patients at later stages. However, many doctors were reluctant to work with Covid-19 patients, due to fear, long shifts and lack of motivation (incentives often seen by clinical staff as inadequate) and burnout. Announcements to recruit volunteers and doctors have been advertised continuously. In recent weeks around 200 professionals from Turkey, Russia, Cuba, China and Italy arrived in the

country to support.

Stocks of PPE and other essential equipment available in the country at the beginning of the pandemic ran out soon and with globally increased demand for PPEs, closed borders and other obstacles. There were periods when PPEs (namely masks) were out of stock for the general public as all available stock was directed to health workers. Later, however, the country opened several mask and other PPE production plants, which helped improve coverage of national needs.

Essential health services

Maintaining essential health services has been one of the challenges since the outbreak of Covid-19. Primary care institutions in the country reduced staff and minimized services provided, as did specialized and general hospitals. Certain areas of health care such as maternity and child-care, immunization, NCDs and TB have to be addressed. As the annual number of live childbirths for the last several years was around 140,000, associated health services cannot be postponed, including Essential Antenatal, Perinatal and Postpartum Care for women and their babies, as well as vaccinations.

Maternity wards continued their normal work until the first cases of Covid-19 infected pregnant women arrived to give birth. Special internal protocols were quickly developed for managing births, although these protocols have to be reviewed as they interrupt early initiation of breastfeeding. Pediatric home visiting is still suspended, creating concerns for proper care of healthy newborns and the timely identification of sick babies. In April, the vaccination of children was resumed according to the national vaccination calendar. However, it is expected that coverage will be lower than during the same period in 2019. The emergency procurement and supply of vaccines was not affected, and the country had some stock before and during quarantine.

Health services for patients with chronic diseases, and those needing some planned procedure (such as surgeries) were either postponed or redistributed so patients do not have to travel to Baku from other regions. Telemedicine was established for endocrinology patients (diabetes, thyroid issues etc.). Nonetheless, there are around 255,000 persons (259 per 10,000 population) with diabetes officially registered with the MoH and receiving medication with an

annual incidence (newly registered cases) of around 24,000. Ischemic heart disease (IHD) and circulatory system diseases are the top mortality causes in Azerbaijan, accounting for around 60% of all deaths, with a morbidity prevalence of 147.4 per 10,000 people. Chronic respiratory diseases are also a concern in the country.

The demand for health services decreased for different reasons. People, particularly pregnant women and parents of young children avoid visiting health facilities due to fear of infection. Another reason has been the fear of being identified as COVID-positive and taken to hospital, as the Government practiced hospitalization of asymptomatic people as well as those with symptoms. Employment and income loss also limits the ability of households to apply for health services, particularly diagnostic and lab services and procurement of medicines.

Medical supplies and logistics

To respond to the pandemic, medical supplies were purchased and brought to Azerbaijan by the Ministry of Health, SAMHI, TABIB, UN agencies (WHO, UNDP, UNICEF etc.), European Union, private donors, and donated by other countries such as the Turkey, China, South Korea, Poland and United Arab Emirates. Coordination through UN also helped the country maintain access to international epidemiological expertise and receive further advice on risk communication. Azerbaijan never experienced a serious PPE shortage, yet COVID-19 assigned hospitals were the priority and non-COVID-19 hospitals and PHC were not prepared enough.

Health information management, monitoring & evaluation

Collecting health data was very challenging at the beginning of the pandemic due to the transitional phase of Azerbaijan's health care system. The MoH was collecting part of the information digitally, however most of the records were made on paper. The SAMHI and TABIB were implementing a new system for medical institutions but it took some time to establish the database. Currently, there are several databases that are going to be integrated, and the PHC, ambulance services and COVID-19 assigned hospitals have access to these health information systems. There are some duplications, loss of information and the interface is not always user-friendly,

which will hopefully be fixed by unifying into one system.

Mental Health, burn-out and other increased health needs

Global studies indicate a worsening of mental health conditions as a result of the pandemic, such as trauma, depression, phobias among the population and medical professionals, and burnout among health workers and those involved in the pandemic response such as the police and government officials. According to surveys conducted by UNICEF in Azerbaijan, around 13% of respondents reported feeling unhappy, 28% believe that the pandemic has worsened their life quality by late June. The latter increased drastically to 64% by the beginning of July. Around 41% of respondents were feeling depressed or hopeless.

RECOVERY NEEDS AND BUDGET

Health recovery for the coming 18 months should build on the COVID-19 Country Preparedness and Response Plan (CPRP) and its 10 priority areas²³ to manage the epidemic, and will likely need to continue for as long as there is no adequate vaccine or effective medication. The approach should increasingly add emphasis on medium to longer term capacities for health security, based on an all-hazard risk management approach, while regaining progress toward Universal Health Coverage.

The forecast for recovery and resilience assumes that a balance will be found between mitigating economic versus health effects. As public health and social measures are lifted to restore the economy, it is highly likely that transmission levels will increase, with the subsequent need to reintroduce such measures at least locally.

As the CPRP was being updated during the drafting of this report, this section and budget estimates will continue being revised accordingly when the new CPRP is published. In the meantime, the following priority interventions are proposed, particularly to control the epidemic, to maintain essential services, and the general functions that support both.

1) Ongoing Preparedness and Response to Contain and Manage the Epidemic

Surveillance will need to be maintained and further enhanced. The ability to monitor

²³ CPRP version 27 April 2020.

tor changes in incidence at local levels are crucial to inform national and subnational policies for the lifting or reintroduction of specific Public Health and Social Measures to reduce transmission risks. This will need to be complemented by increased capacities for **testing, and subsequent timely contact tracing** when positive cases are identified.

Case management capacity under the forecasting assumptions indicated above can be kept at the current surge capacity of up to 10.000 beds, with an average of 2.500 beds occupied. Mild and family. Kits with basic medication for treatment and for protective measure will be made available to affected households. Health workers in Covid-19 treatment facilities will continue to receive incentives.

2) Regain Functionality for the Safe Delivery of Essential Services, while Addressing Increased Health Needs

While initially it was necessary to suspend certain routine health services to create surge capacity for Covid-19, planning now includes interventions required to **address the consequences of the interrupted services** and resuming services where this becomes possible again.

Waiting lists created by the suspension of elective surgical procedures will have to be shortened, while maintaining capacities for patients with acute and time sensitive illnesses requiring emergency care.

Catch up campaigns to address interrupted immunisation and other preventive programs, as more complications may be seen among patients with chronic illnesses whose access to services has been affected. The increase in mental health and psychosocial problems also needs to be anticipated and further assessed.

Adaptations, including **shift in delivery modalities** from facilities to community interventions, need to be further explored and sustained, including the introduction of digital platforms (for online consultations and health promotion counselling, mobile phone messages, among other).

The routine health information systems need to be strengthened to monitor disruptions in essential services, and to adhere to quality and safety measures required to manage the transmission risks in health service provision settings at all levels.

Additional measures may be needed to **address barriers to access health services**, such as financial barriers for patients who lost income.

3) General Support Functions

Governance and coordination is a crucial factor to control transmission and avoid health system capacities to be compromised. Ongoing risk management capacities are required within and between the Ministry of Health and TABIB, as well as with key partners in the health sector, including the private sector. Timely advise based on latest evidence and data on the evolution of the epidemic is needed to inform policies.

Guidelines and protocols, both for the epidemic control as well as for maintaining essential services need to be updated regularly, as new evidence becomes available.

The functioning of the **coordination mechanisms** will be evaluated through Inter-Action Reviews.

Lessons will inform further strengthening, as well as clarifications on mandates, terms of reference and building longer term capacities for emergency risk management.

IPC and PPE with adequate supply chain management will be needed for as long as there is transmission risk, in Covid-19 treatment centres and in routine health services at all levels, as well as in long care facilities. Refresher training will continue to ensure that health workers know how to apply IPC measures, and create the enabling physical environment for it.

Coordination for the **management of essential medical supplies** to address needs between different types of health facilities will be strengthened to ensure optimal allocation of supplies between them.

Risk communication and community engagement need to be intensified to maintain awareness and willingness to adhere to Public Health and Social Measures.

Exemptions need to be agreed within PHSM, to **avoid that transport and movement restrictions become barriers for patients** to seek services and obtain their medication.

THE EMPLOYMENT AND LIVELIHOODS SECTOR

THE PRE COVID-19 CONTEXT ANALYSIS

The economically active population in Azerbaijan is about 5.1 million and the unemployment rate is 4.9%. There is near equal participation by men and women in the labor market. Of the 5.1 million workers, 1.55 million are waged workers (0.88 million state and 0.67 million non-state) having labour contracts formally registered with state authorities. It is estimated that about 1.3 million workers are engaged in individual enterprises or are self-employed or are working without formal labour contracts*. These entrepreneurs or informally employed workers are also likely to be excluded from Government financial support programmes when they lose their jobs or other sources of income.

THE EFFECTS OF COVID-19 ON EMPLOYMENT AND LIVELIHOODS

The Effects on the Workforce

Economic sectors were affected differently by the pandemic and lockdown measures. Restaurants, retailers, shopping centers, event halls, as well as metro services were completely closed, while enterprises providing essential services and other sectors such as manufacturing were either fully or partially operating. A rapid survey to assess income loss for the non-

state employees in identified economic sectors was undertaken and the findings are reported below.

The estimate on income loss used two datasets: (a) a rapid survey of Micro, Small and Medium Enterprises (MSMEs) and Key Informant Interviews (KII), and (b) official statistics and other government data. The survey captured the impact on employment and the resulting income loss of the workforce. It was conducted through tele-interviews of key informants (sector experts) and MSMEs.²⁴ The impact on the workforce was estimate for two periods: 1) The Initial Impact: from 1st April to 15th June 2020 (2.5 months); and 2) The Short-Term Impact: from 15th June to 30th September 2020 (3.5 months). The income loss was estimated only for the non-state workforce as the salaries and wages of the workforce engaged in state enterprises, joint stock and foreign companies were protected by their employers.

The findings indicate that the initial income loss could be between AZN 92.3 million and AZN 139.7 million, while the Short-Term Impact could be even higher: between AZN 774.4 million and AZN 958.2 million. Thus, the workforce could face an overall income loss between AZN 866.8 million and AZN 1,097.9 million over a period of six months.

Table 2: Income loss estimate of non-state workforce by economic sector

Sector	Total workforce (non-state)	Initial Impact Estimate (1 st April – 15 th June)				Short Term Impact Estimate (15 th June – 30 th September)			
		Impacted Workforce		Income Loss (Million Manat)		Impacted Workforce		Income Loss (Million Manat)	
		Lower* Bound	Upper* Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Industry	170100	16790	25295	26.38	39.76	83290	133220	183.06	292.80
Service	452700	36100	59455	65.96	99.95	301960	342635	591.36	665.37
Total	622800	52890	84750	92.34	139.72	385250	475855	774.43	958.16

Source: SSC Azerbaijan 2019, Own Calculation. *The impact on the workforce and their likely income losses are estimated to be in the interval between the Lower Bound and Upper Bound. Details are provided in the methodology (Annex 3).

^(*) this assessment is based on latest estimates and will be updated in the future to reflect new official data and government analyses

²⁴ The tabulation is described in the methodology (Annex 3).

As the pandemic shock cascades through the economy, a further contraction in demand and disruption of supply chains are expected, implying a further fall in income and job loss across sectors that were relatively less affected in the first phase. The impact may reduce long-term growth leading to a loss of human capital as well as infrastructure deterioration.²⁵

The Effects on Micro, Small and Medium Enterprises

As a result of lockdown measures, many of the MSMEs have closed their operations (survey findings), and their employees in many of these MSMEs have either not been paid or have been given leave without pay. The sectors

worst affected such as tourism, travel, catering, cafes, restaurants and hotels have terminated the contracts of their employees. Although the government partially compensated income losses only twelve sectors were considered,²⁶ leaving out MSMEs in the other sectors.

The survey findings on the Initial Impact on MSMEs during 1st April to 15th June 2020 are presented in Table 3. Only 17.5% of MSMEs could conduct their normal operations between 1st April and 15th June, and they envisaged continuing their operations afterwards i.e. when lockdowns are likely to become stricter. About 30% of the MSMEs had to partially close down their operations and an even larger number of MSME (52.5%) had to completely close down their operations.

Table 3: Initial Impact of COVID-19 on MSMEs: 1st April - 15th June 2020

	Impact on Business Turnover	Impact on Workforce	Impact on Access to Raw Materials	Impact on Access to Finance
Industry	49% - 56%	22% - 50%	43% - 59%	48% - 64%
Services	76% - 82%	47% - 84%	20% - 34%	33% - 51%
Overall Avg. Impact	72% - 75%	42% - 77%	25% - 40%	37% - 54%

Source: MSME Rapid Survey

Only about 12.5% of firms could begin to cope with the pandemic and start bringing back their business in the Short-Term vis-à-vis the initial impact which had either fully or partially closed their businesses during 1st April – 15th June. A significant majority (62.5%) of the MSMEs were either in the same state of full or partial closure and an additional 7.5% reported closing their partially running operations as time progressed.

The above findings indicate that as the pandemic shock cascades through Azerbaijan's economy it will become more difficult for MSMEs to operate and could result in even more closures in the short term. In addition, given the nature of most MSMEs, their workers cannot telecommute. According to the rapid survey, only 2.5% of the MSMEs (in the services sector) could operate with their workers telecommuting during lockdown. This could be attributed either to the nature of their businesses or their capacities and possibilities to adopt digital technologies. Thus, if the pandemic spreads, lockdowns continue, and social distancing norms are enforced, 97.5% of

the MSMEs will face severe challenges to sustain their operations through telecommuting.

From a gender perspective, businesses led by women were more affected than those led by men. In the MSME rapid survey, women-led businesses comprised 22.5% of the sample, most of them in the severely impacted sectors such as in art, entertainment and recreation; and human health and social work activities. In the period 1st April to 15th June, all-women entrepreneurs in the sample survey had closed down their businesses completely. Most of the women led MSMEs reported that telecommuting was not possible and they did not have the means to operate their businesses remotely.

The impact on MSMEs varied by and between economic regions. A larger number of MSMEs are based in Baku, the economic hub of Azerbaijan, and this was reflected in the composition of the sample survey. The findings show that businesses in Baku were impacted up to 15% more than businesses in other regions.

²⁵ The Center for Global Development, The Economic Impact of COVID-19 in Low- and Middle-Income Countries, 2020.

²⁶ The sectors which were considered as impacted by the COVID19: industry: production (excluded food, medicine, tobacco and alcohol); trade: retail and wholesale (excluded food, medicine, oil and gas stations); tourism; goods delivery; exhibitions, cinema, leisure, theaters, museums, concert halls, entertainment, sport centers; education and specialized training/courses, kids clubs etc.; barber shops, beauty saloons, kinder gardens, private education institutions; car repair; transportation (including taxi service).

The income loss of the non-state workforce in private sector MSMEs was estimated (Table 4) and the results indicate that income loss ranged between AZN 36.1 million and AZN 50.8 million during the current term (1st April – 15th June, 2.5 months). The income losses were likely to

escalate and range between AZN 208.1 million and AZN 269.9 million during the near term (15th June – 30th September, 3.5 months). Thus, the MSME workforce could face an overall income loss between AZN 244.9 million and AZN 320.7 million in these six months.

Table 4: Income loss of non-state private MSME workforce by economic sector²⁷

Sector	MSME Workforce non-state private property	Initial Impact (1 st April – 15 th June)				Short Term Impact (15 th June – 30 th September)			
		Impacted Workforce		Income Loss (Million Manat)		Impacted Workforce		Income Loss (Million Manat)	
		Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound	Lower Bound	Upper Bound
Industry	64640	6464	9696	10.23	15.34	31796	50861	70.42	112.65
Service	109069	14692	21484	25.86	35.48	72584	82881	137.64	157.23
Total	173709	21156	31180	36.09	50.82	104380	133742	208.06	269.88

Source: SSC Azerbaijan 2019, Own Calculation.

Impact on Informal Workers, Migrant Workers, Refugees and Asylum-seekers

Informal workers: The MSME rapid survey found that 17.5% were themselves unregistered due to their small size or because they lacked the necessary qualification to register their businesses. About 20% of registered firms reported having informal employees (though there may be some under-reporting and the incidence could be higher). The KIIs also highlighted that many formal MSMEs have unregistered informal employees. In sectors where there is seasonal work such as tourism and event management, the enterprises hire temporary workers to meet demand without electronically registering their labour contracts.

Overall, the key informants interviewed unanimously believed that informal workers were the worst affected by the pandemic and lockdown. Informal employees cannot access government assistance and most do not have any continuous stream of work coming their way. As the pandemic shock persists in the economy, informal workers become more vulnerable to lay-offs, salary cuts and leave without pay.

Informal workers are also likely to have higher exposure to occupational safety and health (OSH) risks. Typically, most of them

have no appropriate health protection and face an increased likelihood of suffering from illness, accident or death. If they fall sick, most workers do not have guaranteed access to medical care and no income security through sickness or employment injury benefits. As a result, many of them are likely to incur out-of-pocket costs that may force them to go into debt or to sell their productive assets, plunging them deeper into poverty.

Refugees and asylum seekers: Azerbaijan is home to some 1,110 refugees and 843 asylum-seekers.²⁸ Some 63% of refugees and asylum seekers (persons of concern) are of working age (18-59 years old). In terms of their employment, a brief survey of some 401 refugees revealed that 72% of them had irregular daily jobs working for small wages, 20% were engaged in unpaid work such as volunteers, apprenticeships and internships, while 7% were employed in the service sector, and the rest were involved in farming (1%).

In relation to the pandemic, refugees and asylum-seekers face the additional pressure of losing their minimal and often inadequate source of income, mainly coming from informal jobs in construction, small trade, etc. Most of the refugees and asylum seekers in Azerbaijan were already

²⁷ The calculation in this table gives a range of income loss that the 'Non-state, private property MSME workforce' is likely to face due to COVID-19 impact. It may be noted that the income loss estimated for the 'Non-state private property MSME workforce' is a subset of the income loss for the entire non-state workforce.

²⁸ UNHCR Azerbaijan assessment (2020)

(<https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>)

living below the poverty line prior to the pandemic and were struggling to make ends meet. Refugees also lack access to minimal social security granted by the Government for unemployed persons. The lack of formal employment puts refugees and asylum-seekers in an extremely vulnerable situation as they lose the little income they earned in the informal sector.

Migrant workers: Remittances from international migrant workers help support their families and relatives in Azerbaijan. On average, migrants send home 15% of their earnings. Emigrant remittances to Azerbaijan in 2019 were USD 1.1 billion (2.3% of GDP).²⁹ A large share of these remittances comes from the Russian Federation, where almost 1 million Azerbaijani migrants reside.³⁰ According to World Bank's global estimates, international remittances are at the risk of falling by 20% in 2020.³¹ Overall, during the first quarter of 2020, the total remittances to Azerbaijan declined by USD\$ 27 million (a 14% drop) compared to last year.³² Specifically, remittances from Russia to Azerbaijan dropped by almost 40% in the first quarter of 2020 compared to the same period in 2019. As oil prices continue to be low, and there is pressure on the Russian rouble, it could culminate in a higher impact on remittances to Azerbaijan for the full year 2020. If past trends continue, remittances from Russia to Azerbaijan may drop between 30 to 40 percent. Also, with border closures, it is not possible for emigrants to return to Azerbaijan, which is likely to increase the burden on women members of emigrant families in Azerbaijan.

THE GOVERNMENT RESPONSE

Support to the Workforce

In response to the crisis, the Government allocated AZN 400 million for social protection measures. Within this package, a monthly allowance of AZN 190 was allocated to 600,000 unemployed citizens from April to June 2020. Besides this, to retain employees in their jobs and prevent layoffs, the government supported employees (through their employers) with a monthly social assistance capped at AZN 712.³³ The unemployment insurance for laid-off workers was further expanded with an allocation of AZN 20 million to cover 20,000 people. The government also warned the companies to fulfill their social liability duties

and to avoid unnecessary labour contract cancellations.

The MLSPP in cooperation with the Banks Association expanded the scope of the self-employment program. This self-employment program, financed by the Banks, has the potential to add an extra 1,000 beneficiaries, mostly for vulnerable groups. Besides this, a scholarship amount (AZN 250 per month) was paid to around 4,000 people enrolled in VET training courses, even though the training program was halted due to the pandemic. The government also allocated AZN 40 million for training students from low-income families.

The number of households receiving Targeted Social Assistance (TSA) increased by 14% in April 2020 and covered around 79,500 households. The government further plans to increase the number of households to 90,000 by the end of 2020. Under the TSA each household is entitled to an average monthly payment of AZN 225. Besides this, as a direct social protection intervention, the government created 90,000 paid public jobs, an increase of 40,000 jobs from 50,000 jobs at present. These additional jobs were created for sanitation and waste management.

Support to Enterprises

The Cabinet of Ministers introduced a programme to assist businesses, entrepreneurs and their employees during the current crisis. The programme covered 300,000 employees, 42,000 employers and about 300,000 private micro-entrepreneurs. It allocated AZN 215 million to support the salaries of workers and AZN 80 million to support individual entrepreneurs. The minimum amount to be paid to entrepreneurs was AZN 250 and the maximum amount was AZN 5,000.

Additionally, AZN 1.5 billion was allocated under the credit and guarantee support program, to enable businesses to get loans with preferential terms. Through this program, the government provided state guarantees for 60% of newly issued loans amounting to AZN 500 million, and 50% interest subsidy on state guaranteed loans. The guarantee ceiling of these loans was 15% and half of the payments (in percentage terms) were to be

³⁰ Central Bank of Azerbaijan. <https://www.cbar.az/page-43/external-sector-statistics>

³¹ World Bank (2020), see <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>

³² Central Bank of Azerbaijan. <https://www.cbar.az/page-43/external-sector-statistics>

³³ Data from the State Statistical Committee in 2018 shows that the average monthly salary of the non-state workforce was AZN 711.1.

subsidized through the budget. The programme also supported existing loan portfolios of entrepreneurs in the COVID-19 affected sectors, by allocating AZN 1 billion as a 10% interest expense subsidy on the existing loan portfolio for one year.

The economic support program of the government also envisaged tax benefits, privileges and holidays for business entities. Tax benefits include the extension of the deadline for income tax payments, the provision of simplified tax exemptions to micro-enterprises, exemption from the property and land taxes until the end of the year, the exemption from tax payments for

specific industries, and exemption for taxpayers from income tax payments.

RECOVERY NEEDS AND BUDGET

Short term measures (0-12 months)

The recommended short-term recovery needs are grouped into five budgeted pillars which can be activated immediately. The cost to implement these is estimated to be AZN 2.25 billion (Table 5). Some of these will need to transition into the medium to long term to ensure that the enterprises and the workforce are able to adjust to the 'new normal' of a post Covid-19 economy.

Table 5: Summary of recovery needs and recommended assistance estimates

NoS	Recovery need and recommended assistance	Assistance Estimate (Million Manat)
1	Estimated budget provision to support AZN 1264.55 million Working Capital credit guarantee to impacted MSMEs; with 50% interest subsidy and technical assistance to businesses for initiating recovery	309.81*
2	Total cash assistance support to vulnerable employees incl. trainees	801.67
3	Cash assistance support for the unemployed	775.20
4	Temporary expansion of the Targeted Cash Assistance (TSA) program	365.85
5	Launching digital initiatives to reactivate the labour market	2.00
	Total recovery need assistance	2254.53
	Total recovery need assistance (Rounded Off)	2250.00

*Of this estimate, AZN 189.68 million is the impact if 25% of all credit guarantees are invoked

1) Working Capital assistance for impacted MSMEs: provide a comprehensive assistance package to all impacted MSMEs (estimated from the rapid survey to be around 70% of the MSMEs across economic sectors) to support their working capital needs over a period of six months (Table 6). This working capital package may be designed to partially support the rental costs, business procurement, transportation, logistics, utilities and other costs (except social security payment obligations which is discussed as a part of the employee support package subsequently) and be made available by the government through the banking sector.

The total working capital assistance is estimated to be about AZN 1264.55 million for six months (Table 6). All preferential terms provided for in the first government package of the credit and guarantee support programme³⁴ may be extended to this package as well, such as 60% guarantee ceiling of state guarantees for all new

loans and subsidizing 50% of the interest for these loans. The projected government budget impact is AZN 189.68 million if 25% of all credit guarantees are invoked, and for the 50% interest subsidy it is AZN 94.84 million considering 15% interest on the loan portfolio for one year.

Besides working capital financial assistance, most of the entrepreneurs also need expert technical assistance as they may not be equipped to navigate out of this crisis by themselves (findings from the MSME survey). Hence, for the intervention to be effective, the working capital assistance package needs to be bundled with technical assistance to get the entrepreneurs initiated on recovering their businesses. The technical assistance amounting to AZN 25.29 million (2% of the working capital assistance) could be operationalized through a cell housed in a nodal Ministry enlisting sector experts, analysts and other professionals.

³⁴ International News, "Modern Diplomacy: Azerbaijan's response to COVID-19 related economic problems", 23 April 2020. (<https://www.news.az/news/modern-diplomacy-azerbaijans-response-to-covid-19-related-economic-problems>)

Table 6: Working Capital assistance for impacted MSMEs

	Micro	Small	Medium	Total
	Number of Non-State, private property			
Total number of MSMEs	232520	3788	1238	237546
MSMEs to be impacted (estimated to be 70% from the rapid survey)	162764	2652	867	166282
	Amount (Million Manat)			
Cost of Goods Sold (COGS) in a year: goods loaded, works executed, services rendered (source: SSC)	6621.94	1701.96	4222.52	12546.41
Average COGS for the full year per MSME	0.028	0.45	3.41	3.89
Working Capital assistance need for each MSME for a full year (assumption: 25% for Micro, 30% for Small, 35% Medium of average COGS per MSME)	0.007	0.135	1.19	-
Working Capital assistance need for six months for estimated number of MSME to be impacted	569.67	179.01	515.87	1264.55
Credit guarantee by government (60% of the Working Capital assistance need as a loan)				758.73
(A) Projected government budget impact if 25% of all credit guarantees are invoked				189.68
(B) 50% interest subsidy considering 15% interest on the loan portfolio for one year				94.84
(C) Technical Assistance to support MSME recovery (2% of W. Capital Assistance)				25.29
Estimated budget impact of W. Capital assistance credit guarantee package (A+B+C)				309.81

Source: SSC Azerbaijan, MSME Rapid Survey, Own Calculations

2) Cash assistance support for vulnerable employees, who are at risk of losing their jobs and also provide opportunities to new entrants into the labour market: This intervention could provide cash assistance for six months to vulnerable employees who are at risk of losing their jobs working with the impacted MSMEs who would be eligible to

get a maximum monthly assistance of AZN 414.4 per employee from the government disbursed through their employers. The cash assistance may be expanded to include apprentice wages as they enter the labour markets, which will work as a win-win proposition for enterprises as well as for young, inexperienced job seekers (Table 7).

Table 7: Cash assistance support for vulnerable employees

NoS		Micro	Small	Medium	Total
		Non-State, Private property			
1	MSMEs estimated to be impacted (estimated to be 70% from the rapid survey)	162764	2652	867	166282
2	Average number of employees per MSME (findings from the MSME rapid survey)	3	8	22	-
3	Total number of employees working in the impacted MSMEs (1x2)	488292	21213	19065	528570
4	Estimated number of employees who are now vulnerable, may be impacted and lose their jobs (60%, findings from MSME rapid survey)	292975	12728	11439	317142
5	Total assistance for employees who are now vulnerable, may be impacted and lose their jobs @ AZN 414.4 per vulnerable employee per month ³⁵ for six months (Million Manat)	728.45	31.65	28.44	788.54
6	Apprentices recruited by enterprises (estimated 50% of the 4000 VET institute students enrolled and are being supported by MLSPP during pandemic)				2000
7	Stipend for the recruited apprentices @ AZN 250 plus 25% social security payment per apprentice per month for six months (Million Manat)				3.75
8	On-Job-Training (OJT) to be given by enterprises to inexperienced youth who are registered with Public Employment Service				5000
9	Stipend for the OJT youth recruits registered with PES @ AZN 250 plus 25% social security payment per recruit per month for six months (Million Manat)				9.38
	Total cash assistance support to vulnerable employees including apprentices and other trainees for six months (Million Manat)				801.67

Source: SSC Azerbaijan, MSME Rapid Survey, Own Calculations

³⁵ It is recommended that out of wage support assistance AZN 414.4, employers pay AZN 331.5 as salary and wages to their employees and transfer the remaining AZN 82.9 (25%) towards social security obligations.

3) Support for the unemployed workforce: continue to support the unemployed workforce (now registered with MLSP and receiving AZN 190) for another six months and increase the beneficiary coverage to 680,000 which includes the 300,000 beneficiaries currently assisted (Table 8).

Table 8: Cash assistance support for the unemployed

S. No	Cash Support for the Unemployed	Unemployed Persons	Assistance per person per month (Manat)	Assistance for six months (Million Manat)
1	Presently availing assistance	300,000	190	342.0
2 (a)	Unemployed who could not apply either due to logistical issues or were not in the worst affected areas	300,000	190	342.0
2 (b)	Informally employed, now lost job and getting registered disclosing details of previous employment			
2 (c)	Refugees and asylum seekers. ³⁶			
3	Contingency in case of additional formal job losses due to pandemic spread and the business impact of continued depression in demand for goods and services. ³⁷	80,000	190	342.0
	Total cash assistance support for the unemployed	680,000	190	775.20

4) Temporary expansion of the Targeted Social Assistance (TSA) programme for six months: extend the TSA for an additional six months to those currently receiving support (85,000 households). In addition, expand the TSA to cover a) 68,000 households that may not have been covered earlier and that unless supported now will fall deeper into poverty b) 153,000 households that were at the margin of poverty before and now risk falling into poverty, and c) 50,000 households affected by the loss of remittances from family abroad (Table 9).

Table 9: Temporary expansion of the TSA programme for six months

Targeted Social Assistance (TSA)	Households to be covered	Assistance per month per household (Manat)	Assistance for six months (Million Manat)	Remarks
Households presently covered	85,000	225	114.75	Pre COVID-19 measure: Households registered for TSA; will continue to be assisted beyond the six months.
Recommended additional measures for temporary expansion of TSA programme				
(A) Number of households who may not have been covered earlier and, unless supported now, can fall into deeper poverty	68,000	225	91.80	Considering 5.1% poverty rate of 2.1 million households and assuming 70% as the targeting efficiency, in the pre COVID-19 scenario, 153,000 households may have been vulnerable. Of these 85,000 households were targeted. Thus, the existing deficit may have been 68,000 households. Unless supported now, these households can fall into even deeper poverty
(B) Households who were at the margin have now become vulnerable and could transition into poverty	153,000	225	206.55	Another 153,000 households living marginally above poverty level (assumed same as the Pre COVID-19 number of poor households) who may have now become vulnerable, and could transition into poverty
(A+B) Sub Total of Additional households proposed to be covered under the temporarily expanded TSA	221,000	225	298.35	Estimated households that may become vulnerable to fall into poverty due to the pandemic.

³⁶ The consequences of the pandemic have been especially devastating for the refugees and the asylum seekers in Azerbaijan. There is a need to enable them to generate income legally in order to recover from the Covid-19 consequences.

³⁷ Contingency budget to cater for additional job losses in MSMEs whose business viability will become even more precarious as the pandemic progresses. It is estimated that approximately 25% of the workforce may be further impacted from the vulnerable employees vide Table 7, S. No. 4.

Affected households of international migrants who may not be able to send remittances	50,000	225	67.50	The number of Affected households of international migrants may be in the range of 70,000. However, no on-ground assessment was possible. A new TSA window is proposed for 50,000 emigrant households.
Total Estimated Additional TSA	271,000	225	365.85	Additional measures for temporary TSA expansion

Source: SSC Azerbaijan, IOM Report, World Bank, Own Calculations

5) Digital initiatives to activate the labour market: Besides extending the social protection to cover a larger number of beneficiaries for a longer period, there is a need to implement active labour market programmes. In COVID-19 times such initiatives could be operationalized through digital interventions such as a) digitalizing Vocation Education and Training (VET) for the unemployed (termed BAJAR) with an allocation of AZN 1.4 million and b) launching digital initiatives to support the self-employment programme with an allocation of AZN 0.2 million. Besides this, another programme of operationalizing a digital Labour Exchange (termed Ish Var with an allocation of AZN 0.4 million) can bring together employers, training providers, other labour market intermediaries, and job seekers in one platform. The total budget provision for these three digital initiatives would amount to AZN 2.0 million.

LONGER TERM MEASURES (+12 MONTHS)

1) Develop support packages that include technical assistance schemes for MSMEs. Assistance may include support to new start-ups, especially firms that put environmental and social considerations at the heart of their business, as well as up-skilling of the existing workforce to help entrepreneurs grow their post COVID-19 businesses.

2) Scale up active labour market programmes to enable the workforce to align their skills to the new demands of the post Covid-19 economy. Such programmes could include creating conventional as well as digital skill acquisition opportunities for job seekers, implementing a quality apprenticeship system, and an on-the-job-training mechanism through the Public Employment Service.

3) Accelerate the shift to a more resilient and cleaner energy future to create additional, green jobs. The largest potential for the creation of new jobs comes from retrofitting buildings to improve energy efficiency and in the electricity sector, particularly in grids and renewables, as well as through energy efficiency in industries including food and low-carbon transport opportunities.

4) Expand other public work programmes to include the creation of more green jobs. Two specific pathways that can create green jobs through the expansion of public works programmes are (a) ecosystem restoration and tree planting, and (b) transitioning into sustainable agriculture and agroforestry.

THE EDUCATION SECTOR

THE PRE COVID-19 CONTEXT ANALYSIS

Azerbaijan achieved notable progress in the education sector over the last decade, driven by the National Strategy of Education Development. The state budget allocation for education was 2.6% of the GDP over the last five years with an increase to 3.2% in 2020.

Pre-school, Primary and Secondary Education

Preschool education in Azerbaijan is provided at 1,803 preschools, including 1,679 public and 124 private preschool institutions, where 126,866 children are enrolled (46% girls and 54% boys) or 28.7% of children ages 1-5 in 2019. The enrolment rate is significantly lower in rural areas compared to urban areas, with 17.9% and 39.8% respectively.³⁸

In Azerbaijan, 1,562,000 children (46% girls and 54% boys) attended 4,439 public and private education institutions in 2018-19, out of which 949,000 children were in urban schools while 613,000 were enrolled in rural areas.³⁹ There were 154,808 teachers employed by primary and secondary schools in 2019.

The enrolment rate in primary and secondary school education in the country is near universal, with 99% enrollment for girls and 98% for boys. However, the adjusted net secondary attendance rate is 86%, especially in relation to dropouts among children in rural areas.

About 85% of school students and 73% of teachers in public schools have access to Internet at schools in Azerbaijan, as well as e-resources through the single information system, e-textbooks and digital resources for teaching and learning.⁴⁰

In Azerbaijani schools free lunches are not available for children. Schools outsource nutrition services to private providers and there are standards in place stipulating requirements for school nutrition, including types of food allowed for sale in school canteens. The majority of children of primary school age bring food from home.

Vocational and Higher Education

Azerbaijan has 211,716 full-time students and 20,514 educators teaching in 56 sec-

ondary professional education institutions and 52 higher education institutions. In addition, there are 23,965 students enrolled in 111 vocational schools. Quality and relevance of the higher and vocational education in Azerbaijan is a priority to ensure university and vocational school graduates meet the demands of the labour market.

Water, Sanitation and Hygiene in Schools

A UNICEF survey found that, although many schools in the country have functional water sources, handwashing facilities were not available in 31% of schools, equivalent to 1,367 schools surveyed.⁴¹ Soap was available in handwashing facilities in 60% of surveyed schools, while handwashing facilities were available to school children with disabilities in 19% of schools. However, hygiene was taught in the vast majority of schools, and school children were aware of the importance of handwashing practices in the majority of surveyed schools. In addition, the survey found that the majority of schools had functional toilet facilities separate for boys and girls, but the national standards were adhered to in 27% of toilets for boys and 17% toilets for girls. Sanitation is not always adequately provided and maintained, particularly in rural and remote schools.

THE EFFECTS OF COVID-19 ON EDUCATION

The nationwide quarantine announced on 3 March 2020 resulted in the closure of all education institutions, including kindergartens, primary and secondary schools, vocational schools, colleges and universities, affecting over 1.9 million children and youth.

School closures and remote learning due to the pandemic and lockdown will have a stronger impact on the education of poorer children, including children living in rural and remote areas where most parents are engaged in agricultural work and children do not have access to distance education. Rough estimates suggest that only 70 per cent of families with school age children have access to distance education, while remaining students may have limited connectivity. However, given the registration and use of the content of virtual.edu.az platform are available through mobile phones and numerous digital tools, it has

³⁸ State Statistics Committee of the Republic of Azerbaijan, 2019.

³⁹ The State Statistical Committee of the Republic of Azerbaijan, Children of Azerbaijan Statistical Yearbook, 2019.

⁴⁰ Ministry of Education of the Republic of Azerbaijan, Annual Report, 2018.

⁴¹ UNICEF, the National Assessment of WASH in Schools in Azerbaijan, 2018.

largely eased the access to educational resources amid COVID-19.

There is a likelihood that children who already lived in poverty are affected even more as their parents or caregivers lose jobs. Although the national government is providing social and unemployment allowances and benefits, these are short term. The potential impact on poorer learners might result in significant learning losses.

Children with disabilities have also been among the most affected. It is estimated that about 27%* of children with disabilities can access education through special schools, boarding schools or through home learning schemes. However, all special education institutions, including special schools and boarding schools, were closed since the beginning of the quarantine period, affecting an estimated 6,297 children previously enrolled in 16 schools. Remote education is available for about 70 children with disabilities who are enrolled in 4 pilot schools in Baku.

THE GOVERNMENT RESPONSE

As an immediate response strategy to ensure the continuity of school education, the Ministry of Education (MoE) launched a remote education project on two national TV channels 'Culture' and 'ARB Gunash' TV on March 13th. Between March and June 2020 over 2,125 TV lessons for all grades and subjects were produced and broadcasted nationwide by the MoE. In partnership with UNICEF the MoE also launched preschool education classes broadcasted twice a week on two national TV channels starting on April 23rd.

Another important strategy introduced by the MoE is the Virtual School digital learning platform in partnership with Microsoft Azerbaijan using the MS Teams platform. Within 2 months over 1 million primary and secondary school students and teachers from all regions of the country had self-registered. The Virtual school provides a collaborative learning and communication space, and access to a variety of education materials for learning and teaching, including tests, textbooks and useful third-party instruments for learning. An estimated 530,000 children are active users of the Virtual School platform.

About 40,089 full-time students in higher education institutions were completing their final year and involved in independent coursework, however the remaining 171,627 students and 20,514 educators were in need of distance education. Before the pandemic, only two out of 52 universities

and none of the secondary professional education institutions had solid distance learning arrangements, such as relevant software solutions, trained faculty or digital content. The MoE launched an initiative to provide educational institutions with a free online collaboration and learning management system using Microsoft Teams. As a result, 39 secondary professional education and higher education institutions currently offer platforms for distance education. Over 110,000 students and teachers are among the active users.

To address the gap in digital skills for teaching, the MoE in cooperation with private sector partners started providing online trainings on use of MS Teams platform for 14,000 schoolteachers. A series of training videos were developed to support a wider audience of educators and students. Moreover, in agreement with the Ministry of Transportation, Communication and Higher Technologies, several mobile companies provided Internet access to about 40,000 school teachers (26% of the total in the country). Another critical measure taken by the government was to ensure that all teachers, school leaders and other school staff retained their salaries and other incentives during the school closure period.

CHALLENGES AND GAPS

While recognizing the impressive efforts made by the country towards quickly switching to remote learning, there are a number of challenges that need to be addressed to ensure all learners have access to quality education during the pandemic and lockdown.

The results of UNICEF's weekly assessment on children's access to education conducted in various districts of Azerbaijan revealed that 70% of school children in families surveyed were supported by some form of distance education (Virtual School, messaging, videoconferencing platforms) and about 93% of school children received regular support from teachers. About 36% of preschool age children were supported by home-based learning platforms.

There are inequalities in who has access to devices and Internet. The UNICEF surveys reveal that 73% of families surveyed had access to internet at home and 70% of school children had access to devices to access remote learning. Given the limited availability of internet across the country, especially in rural areas, some students and teachers have to use mobile internet which is significantly more expensive, potentially leaving children from disadvantaged families with limited or no access to online learning and resources.

Moreover, while 95% of families in the country have access to TV at home, there is no accurate data on how many school children were actively using TV classes for learning. Although 111 TVET schools (Technical and Vocational Education and Training) in Azerbaijan have switched to distance education through TV and remote education platforms, remote learning in TVET schools remains challenging due to its focus on practical skills and work-readiness often through learning-by-doing approaches and occurring in school-based workshops and laboratories or through practical experience at the workplace.

Teaching practices face challenges in relation to home-based distance learning at the primary and secondary education levels. In some cases, teaching practices are limited to uploading lessons and requesting homework. There is also a lack of consistency in teaching strategies and approaches among teachers, some learners are flooded with homework that they and their families struggle to manage, while others receive limited engagement and support from their teachers. Teachers often lack the knowledge, skills and resources required for e-teaching with child-centered methodologies. Another challenge of online teaching and learning is the insufficient level of digital literacy among schoolteachers, and their lack of knowledge of online learning management systems and platforms, especially in rural areas.

The UNICEF survey also revealed that only 30% of parents who participated in the surveys provided regular support to children in home-based education. Some parents have a limited level of digital literacy or time to help their children with online learning.

RECOVERY NEEDS

Emergency and early recovery needs (0-6 months)

- Develop and implement a roadmap, strategies and action plans for school reopening in September. Adapt and develop “back to school” protocols and ensure proper guidance and communication to all schools.
- Conduct an impact assessment of school closure on children’s learning and socio-emotional wellbeing and develop national policies and action plans for remedial education and support programmes to address learning loss.
- Improve WASH facilities in schools, including access to water, handwashing stations, and proper sanitation conditions including, where possible,

sex segregated toilets.

- Provide all schools with essential hygiene supplies & services (soap, hand sanitizers, masks).
- Improve monitoring systems and capacities to strengthen reporting on enrolment and attendance in general education schools and TVET schools with focus on vulnerable children.
- Advocate for more active use of virtual learning platforms by schoolchildren in case schools continue in distance education modality in September 2020.
- Provide training to teachers in schools and TVET on the use of digital technologies for teaching and on distance and blended learning instructional strategies and practices.
- Address the digital divide for the most vulnerable children in selected communities by providing them with access to devices and connectivity.
- Conduct a “Back to School” Advocacy Campaign, on healthy and safe behaviors in schools on prevention and control of Covid-19 and supporting safe return.

Early recovery needs (6-12 months)

- Enhance hygienic policies and practices for all staff in schools.
- Ensure hygiene and sanitation materials in schools (soap, hand sanitizers and masks).
- Develop government policies and remediation programmes for mitigating potential long-term learning gaps and losses by adapting school curriculum, instructions and assessments.
- Train teachers on dropout prevention and communication and parent engagement strategies.
- Increase mental health and psychosocial support services that address stigmatization/discrimination and coping with stress and mental health issues.
- Ensure regular and safe delivery of essential services in all education institutions, including health services and protection referrals (violence against children, gender-based violence, etc.).
- Strengthen policies and capacities to ensure disaggregated EMIS and tracking systems to identify out-of-school and dropout students (including for girls and children with disabilities).
- Support development of innovative skills education programmes and learning support solutions for adolescents and young people at TVET schools in partnership with employers and other social partners to respond to structural changes in labour market as a result of Covid-19 impact.

THE AGRICULTURE AND FOOD SECURITY SECTOR

AGRICULTURE

THE PRE COVID-19 CONTEXT ANALYSIS

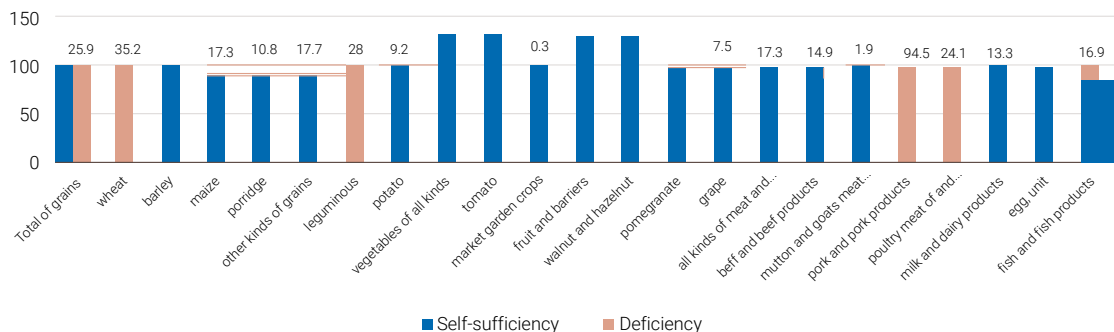
Agriculture is one of the most important sectors of the economy in Azerbaijan, one of the earliest sites of human agricultural activity. In 2019, agriculture, forestry and fisheries contributed 5.7% to the GDP⁴² and the sector employs around 36 % of the active labour force in the country (41.7% are women and 30.5% are men).⁴³

Azerbaijan has 4.8 million hectares of agricultural land, of which 39.6% is arable. Crop production accounts for around 50.1% of agricultural production and livestock farming 49.9%. A large proportion of Azerbaijan households living in rural

areas are engaged in subsistence agriculture accounting for 32.8 per cent of private agricultural holdings. Nearly 90% of farms (620,000) are smallholdings which occupy 85% of the farming lands.⁴⁴ These small-scale farmers are highly dependent on their agriculture production and small disruptions can have direct implications on their income and food consumption. Approximately 100,000 households own small parcels of land (less than 0.5 hectares of land per person in the household).

Azerbaijan's domestic production of the main food products falls short of meeting domestic market demand, as shown in Figure 11. According to the statistics on the food balance in 2018, the country's annual grain consumption is about 4 million tons, of which 1 million tons are imported.⁴⁵

Figure 11: Level of self-sufficiency of agro products by %, 2018



Source: State Statistical Committee, https://www.stat.gov.az/source/food_balances/

The country's food-processing industry plays an important role in the manufacturing sector, contributing about 29% of total manufacturing output. Azerbaijan also exports agricultural and food products. The main exports are fresh and processed vegetables and fruits, vegetable and animal oils, sugar products, tea, beverages, tobacco products and cotton. Traditionally the main destination of agricultural and food exports has been the Commonwealth of Independent States (CIS), but in recent years export destinations have diversified and now include some countries in the European Union, Asia and the near East.

⁴² Agrarian Research Centre Azerbaijan, Monthly Bulletin, 2019 (<https://atm.gov.az/pdf/bulleten-2019-dekabr-aze749.pdf?v=65>)

⁴³ According to the World Bank collection of development indicators, compiled from officially recognized sources. Employment in agriculture - actual values, historical data, forecasts and projections were sourced from the World Bank on May 2020.

⁴⁴ UN, Common Country Analysis for UNSDCF and the 2030 Agenda, last updated 08 may 2020

⁴⁵ The State Statistical Committee, Food Balances of Azerbaijan, (https://www.stat.gov.az/source/food_balances/?lang=en)

THE EFFECTS OF COVID-19 ON AGRICULTURE

Between January and June 2020, the total volume of agricultural production increased by 2.2% compared with the same period last year. The largest share of this increase comes from crop production. The value of agricultural exports was 397.7 million USD between January and June 2020, which represents a 3.2% decrease compared with the same months in 2019. The reduction of exports is directly related to the pandemic and lockdowns in importing countries.

As of July 27, 2020, about 94,6% of the country's harvest of grain crops was completed. An estimated 2,6 million tons was harvested from the fields, of which over 1 million tons was barley and 1,8 million tons was wheat. According to Government statistics, during the last five years the country's annual wheat production was 2 million tons and imports 1 million tons. As shown in Table 10, this year's production will have a deficit of 1 million tons of wheat, which makes it important to import this volume. **Problems with imports caused by the pandemic make this issue even more urgent and requires special support.**

Production in 2019 (million tons)	Deficit in 2019 (million tons)	Production in 2020 (million tons)	Deficit, 2020 (million tons)
2.167	1.028	1.81	1.001

To assess the impact of the COVID 19 pandemic on the agricultural supply chain, the FAO Regional Office for Europe and Central Asia has been conducting weekly nationwide surveys. The surveys cover crop, livestock, fishery and forest products, input supply, and the trade and processing sectors. These surveys have highlighted the following challenges:

- A reduced demand for exports and hence of export opportunities, leading to lower selling prices in the crop and livestock sectors;
- Farmers used to procure the inputs needed for production at the beginning of the production year with delay payments scheme but due to quarantine problem in sale of products caused problems in repayment for purchased supplies;
- Quarantine restrictions have limited public access to agro supply markets, which is located in big cities, presenting a major barrier for suppliers to deliver inputs to farmers.

The inability of the country's agricultural advisory and information services to meet the needs of agricultural producers became more pronounced during the pandemic. Restrictions on population movement and group gatherings due to the pandemic has limited access to agricultural advice and extension services, affecting about 1.2 million producers.

In relation to agricultural employment, the impact of Covid-19 on rural farm workers has been relatively less than other sectors during lockdown (1st April to 15th June), however, the impact on agro-industries may have been as high as those in other manufacturing sectors, especially in food processing value chains and agriculture input supply chains, such as for fertilizers, tools, and fishing equipment.⁴⁶

⁴⁶ Based on the employment and livelihoods sector assessment in the present report.

THE GOVERNMENT RESPONSE, CHALLENGES AND GAPS

The following measures have been implemented by the GoA to support the agriculture sector:

- Unimpeded implementation of import and export of agricultural and food products;
- Organization of uninterrupted sale of agricultural products in local markets (supermarkets);
- Organization of free movement of trucks across the regions of the country;
- Organization of the movement of agricultural producers and suppliers, and agricultural specialists;
- Sustainable organization of the agricultural supply chain.

In addition, employees of the Ministry of Agriculture (MoA) and its subordinate agencies have been allowed to work based on service cards or work certificates, in accordance with the decision of the Cabinet of Ministers to implement special measures to prevent the spread of Covid-19 in the country. Therefore, the MoA continues its regular activities during the special quarantine regime. The Ministry, in cooperation with central and local executive authorities, held regular meetings with farmers and suppliers of critical inputs such as seeds, fertilizers, pesticides and machinery to ensure the prompt resolution of potential problems. The following additional measures were adopted:

- The establishment of a mechanism for providing unsecured microloans to the agricultural sector through the Agrarian Credit and Development Agency, with an allocation of USD 18 million for this support programme in line with the presidential decree;
- The allocation of USD 16.5 million to Agro leasing to meet the technical needs of agricultural producers;
- The provision of corn seeds to producers to ensure a second harvest within the next year and increase the income of farmers, for which USD 3 million has been allocated;
- The provision of bags to potato growers for packing and exporting potatoes to Russia, provided by the Haydar Aliyev Foundation.

The assessment found that the lack of

communication and coordination between stakeholders in the purchase and sale of agricultural products creates barriers to market planning (imports and exports). This ultimately affects the ability of small farmers to sell their products and of people to find food in local markets.

Timely and accurate data collection from the field should be considered an important activity to identify the evolving effects of the pandemic on the agricultural sector, and to develop appropriate support mechanisms. For this, the creation of a common database between the relevant public and private organizations should be considered an essential service.

The suspension of public transport between cities and villages in rural areas or their limited schedules has created some difficulties in the sale of products by small producers. The availability of private vehicles for large farms allowed the transport of their products to large wholesale markets. However, small farmers and rural people depend on the more affordable public forms of transport to deliver their goods to markets and bazaars. These constraints on access to markets has reduced the incomes of small farmers.

Exports have been hampered by delays in the preparation of export documentation due to quarantine measures that limit the schedule of shifts in state-owned enterprises, and by the lack of adequate storage infrastructure for agricultural products in the country.

In addition, the lack of an adequate quality control mechanism to protect product quality in the export and domestic markets has created barriers to exports and to the sale of products by small farms in local markets. This is reflected in the decline of market demand and growing competition. This situation is exacerbated by changes in consumer preferences, as people shift to better quality and healthier foods to strengthen their immune system against Covid-19.

The challenges posed by the pandemic are further aggravated by the shortage of irrigation water due to global climate change, the improper use of water resources and the lack of adequate irrigation infrastructure. Both factors threaten small-scale producers, especially those who sow less than 0.5 hectares of land, which are estimated to be 100,000 farmers by the Center for Agrarian Research.

FOOD SECURITY

THE PRE COVID-19 CONTEXT ANALYSIS

The country's minimum subsistence level for the next year is AZN 190. More specifically, for able-bodied citizens it is AZN 201, for pensioners AZN 157 and for children AZN 170.⁴⁷ Table 11 indicates the food list in the country's consumption basket.

Table 11: The food list in the consumption basket

Food item	Unit	Volume of consumption (on average per capita per year)		
		Working age people	Pensioners	Children (0-14 years)
Bread and bakery products (by turning into flour)	kg	150	109	98
Potato	kg	46.7	36.5	40.2
Vegetables and melons	kg	95.7	85.5	101.2
Fruits and berries	kg	38	38	76
Meat and meat products	kg	30	19.2	25
Milk and dairy products (by converting to milk)	kg	193.6	223.1	247.5
Fish and fish products	kg	5	5	5
Eggs	unit	135.0	91.0	169.0
Sugar and confectionery (by converting to sugar)	kg	16.3	14.6	19.5
Vegetable oil, margarine and other fats	kg	11	7.9	8.3
Beef fat	kg	8	5.5	6
Other products (tea, salt)	kg	3.6	2.8	3.3

THE EFFECTS OF COVID-19 ON FOOD SECURITY

The Availability of Food In National and Local Markets (Food Supply)

The two main planting seasons in the country took place before the Covid-19 pandemic, namely the autumn sowing season in October-November 2019 and the spring in January 2020. Both had an adequate supply of seeds, fertilizers, pesticides and seedlings. The country's harvest has also been adequate. As noted above, the total volume of agricultural production increased by 2.2% between January and June 2020, compared with the same period last year. About 94,6% of the country's harvest of grain crops was completed as of July 27, 2020.

However, as mentioned, this year's national production will have a deficit of 1 million tons of wheat, and this shortage needs to be addressed to ensure food security.

The decision of the Cabinet of Ministers to allow the unrestricted transport of agricultural and food products by medium and heavy trucks in the country ensured an adequate supply of food and agricultural

products to the capital and major cities.

People's Access to Food (Physical and Economic Access)

The provision of home delivery services and access to shops continued uninterrupted during the special quarantine period, which, combined with the government's provision of an allowance equivalent to AZN 190 per month to low-income families and the unemployed as part of its response to Covid-19, is ensuring that people in need have access to food.

The loss of jobs and income due to the pandemic and lockdown reduced people's purchasing power and hence their ability to buy food. It is estimated that the non-state workforce affected by the pandemic ranges between 52,890 and 84,750 workers during the first period (between April 1st and June 15th), and between 385,250 and 475,855 workers during the second period (between June 15th and Sept 30). The total income loss between April to September 2020 ranges from AZN 866.77 million to AZN 1,097.88 million for the non-state private sector workforce (excluding those in primary sectors).⁴⁸

⁴⁷ According to the law on the minimum subsistence level for 2020 in the Republic of Azerbaijan.

⁴⁸ Based on the employment and livelihoods sector assessment in the present report.

The consumer price index in January-June 2020 compared to the same months in 2019 increased by 103%, including 105.5% for food, beverages and tobacco products, and 101.3% for non-food products. In June of the current year, the consumer price index was 99.7% compared to the previous month, and 103% compared to June of the previous year.⁴⁹

People's Utilization of Food

Between January and June 2020, 18245,7 million manat were sold to the population via the retail trade network, including 9729,7 million manat worth of food products, beverages and tobacco products, 8516,0 million manat worth of non-food products. In order to prevent the spread of Covid-19, the introduction of a special regime in the trade sector has weakened business activity in this area. In general, compared to the corresponding period in 2019, trade turnover in January-June of this year decreased by 1.9%, including a 6.9% drop for non-food products, and increased by 3.1% for food, beverages and tobacco products. Trade turnover in electronic products was 1.8 times more than in January-June last year. During the reporting period, 53.6% of consumer goods were spent on food, beverages and tobacco products.

Due to the lack of statistical data on food supply in the country, especially the daily intake of essential nutrients, and the lack of time for a relevant survey on household food consumption, the assessment considered price increases of basic foodstuffs, purchasing power and consumption volume. The analysis found that compared to last year, this year's consumption of food products increased and, conversely, the volume of sales of non-food products decreased, which can be explained by the fact that people's income is spent more on food. Despite the increase in food prices and consumption, there was no shortage in the country.

Food Stability

A simplified mechanism for the import and export of agricultural and food products was developed and applied. Proper planning and adoption of regulations to secure the uninterrupted functioning of the food supply chain during the lockdown is expected to protect food stability.

Future risks to food security in the country may arise from the inability to import wheat in order to cover the deficit of 1 million tons, from a prolonged pandemic and lockdown measures creating further loss of jobs and income, and from a continued

increase in food prices.

The Government Response, Challenges and Gaps

In addition to the AZN 190 government allowance, some local governments and volunteer organizations provided food to the elderly, orphaned children and other vulnerable groups. The Haydar Aliyev Foundation and the Regional Development social union planned to distribute about 100,000 packages of food and basic need items to low-income households.

It is estimated that approximately 475,400 people live below the poverty line in Azerbaijan, equivalent to 4.8% of the population.⁵⁰ People engaged in informal labor with limited or no access to social protection are of particular concern. According to various estimates, there are 1.3 to 1.6 million informal workers (20-25% of the working-age population). During lockdown, many of them have no income and will likely be pushed further into poverty and face food insecurity.

In addition, the pandemic and contraction of economic activity in other countries where Azerbaijanis reside will reduce the receipt of remittances by households with relatives abroad, which depend on remittances as a major source of income in rural areas.

RECOVERY NEEDS

In order to address the effects of the pandemic and lockdown, the following have been identified as the main recovery needs for the agriculture and food security sector:

Emergency needs (0-3 months)

- Provide vulnerable groups of agricultural producers with single income support to cover their needs for agricultural inputs.

Early Recovery Needs (3-6 months)

- Establish better coordination and reliable bazaar/market to agro foods.
- Compensate small farmers to overcome the impact of the pandemic and lockdown.
- Establish food stock for emergency needs.

Long term 6 to 12 months

- Support the development of an information system for food security.
- Organize better export mechanisms for agro foods.
- Improve food safety systems / standards and other required infrastructure.

⁴⁹ The State Statistical Committee (<https://www.stat.gov.az/?lang=en>)

⁵⁰ Based on official statistics on poverty provided by the State Statistical Committee Representative, as of 01.01.2020.

GENDER

THE PRE COVID-19 CONTEXT ANALYSIS

Azerbaijan has an adequate legal basis for promoting gender equality and women's empowerment. Yet, there is a lack of institutional mechanisms to enact the existing legal frameworks and foster accountability. This situation is exacerbated by the lack of systematic efforts to transform patriarchal attitudes and stereotypes that are deeply embedded within social institutions and have harmful effects on women and girls.

Data shows that one of the root causes of gender inequalities are the harmful traditional customs and practices in Azerbaijan. The preference for sons over daughters stems from the perception of sons as major financial providers of parents in old age, which continues to be a major driving force behind the heavily distorted sex ratio in Azerbaijan (114 boys/100 girls vs. a biological norm of 105-106 boys/100 girls).⁵¹

Women also have limited access to economic resources. Female participation in the labor market is 62.9% compared to 69.5% for men. The gender pay gap is significant - in 2018 the average monthly wage of women represented 53.8% of the average monthly wage of men.⁵² Educational disparities are also responsible for the persistent horizontal and vertical segregation faced by women in the labour market. Women are mainly concentrated in low-wage sectors, deemed suitable for the 'female nature', such as education, health and social services. Nearly 74% of women work in the field of education, and 76.5% work in health and social services.⁵³ Women accept sub-standard employment conditions, low paid formal jobs, or informal employment to ensure that their jobs are not in conflict with their family related responsibilities.⁵⁴

Evidence also suggests that gender differences as well as its social reproduction in institutions and cultural practices affect women's health and well-being.⁵⁵ For example, women have limited decision-

making power concerning their health status, discrepancies between official statistics on maternal mortality rates and international estimates; high rates of anemia among women; the utilization of abortions as a major means of birth control; the very low use of modern contraceptive methods; and poor health care infrastructure, especially in rural areas.⁵⁶

Throughout their lifetime, women and girls also face different forms of gender-based violence that are directly linked to gender inequality in power and resources, and result from the subordinated position of women in families and society. Approximately one in three men (32.5 %) report perpetrating violence, and a similar proportion of women (32.1 %) report experiencing physical violence in their lifetime in Azerbaijan.⁵⁷ Although the Law on the prevention of domestic violence was adopted in 2010, the national referral mechanism for preventing and addressing gender-based violence (GBV) is still not in place.

Research suggests that women and girls are not only exposed to high risks of violence, but they also have fewer options and less resources to escape abusive relationships and to seek justice by accessing mechanisms of redress, quality legal aid, counseling services and shelters.⁵⁸ Although the Law refers to the establishment of public support centers for victims of domestic violence to provide them with legal and medical assistance, psychological rehabilitation, social protection and allowances, and emergency shelter, among others, on a no cost basis (art.7.1), there is little progress on this. There is a limited number of support and referral centers and these are mainly provided by NGOs that are extremely dependent on donor funding. There is not a single state-funded shelter to accommodate the victims of violence. There are no accreditation standards/guidelines on provision of coordinated inter-agency support and referral services. The UN Special Rapporteur on violence against women noted with concern that

⁵¹ UNFPA/SCFWCA, Mechanisms Behind the Skewed Sex Ratio in Azerbaijan: qualitative and quantitative analyses. Baku, Azerbaijan, 2014.

⁵² The State Statistical Committee, Labor Market Statistical Yearbook. 2019. 53 Ibid.

⁵⁴ UNDP/UNFPA, Women in the Private Sector in Azerbaijan: Opportunities and Challenges, Gender Assessment Report. Baku, Azerbaijan, 2018; UNFPA/UNDP, Population Situation Analysis: Beyond the Demographic Transition in Azerbaijan. Baku, Azerbaijan. 2015.

⁵⁵ World Health Organization, Engaging Men and Boys in Changing Gender-based Inequity in Health: Evidence for Programme Interventions. Geneva, 2007.

⁵⁶ Committee on the Elimination of Discrimination Against Women, Concluding Observations on the Fifth Periodic Report of Azerbaijan. CEDAW/C/AZE/CO/R.5, 2015.

⁵⁷ UNFPA/SCFWCA, Gender Equality and Gender Relations in Azerbaijan: current trends and opportunities. Findings from the Men and Gender Equality Survey (IMAGES). Baku, Azerbaijan, 2018.

⁵⁸ UNFPA/SCFWCA (2018) The economic Costs of Violence Against Women in Azerbaijan (unpublished draft).

“the lack of shelters throughout the country was alarming and represented a major obstacle in the protection chain”.⁵⁹ There is no 24/7 national helpline for victims of domestic violence.

THE EFFECTS OF COVID-19 ON GENDER

A Rapid Gender Assessment of the impact of Covid-19 was undertaken in March-April 2020 by the UNFPA Country Office to understand how the pandemic is affecting the lives of women and men in the country. The survey managed to reach 1,512 respondents. The stratified random sampling was applied to ensure the representativeness of data by sex and age groups. The findings of the assessment indicate that Covid-19 had major impacts on the socio-economic security and livelihoods of women and men in Azerbaijan, and that the government should pay particular attention to gender-based responses in its relief and recovery measures to alleviate the negative consequences of the pandemic. The following are some of the key findings of the assessment:

Access to Information About Covid-19.

Major disparities were observed regarding the population's access to and use of various information sources relating to Covid-19. TV channels were the primary source of information about Covid-19 (67.7% for females and 63.3% for males). Men have more access to information from the Internet and social media networks compared with women (27.2% versus 22.4% respectively).

Impact on Employment and Livelihoods.

The pandemic had a major impact on the ability of the population to earn an income. Among the 17.9% of respondents who lost their jobs, men were more affected than women (23.8% versus 8.3% respectively). Younger men aged 18 to 34 were most affected by job losses, accounting for 37.5%.

A significant share of both women and men stated that the number of hours devoted to paid work decreased, and women significantly outnumbered men in this regard with a difference of 13 percentage points. Since women's participation in the labour market prior to the pandemic was lower as compared to that of men, such a reduction in paid working hours is highly likely to further affect women's economic prospects in the long run.

The majority of men (57.3%) continued to go to work outside their home, women constituted the majority of those who had to work

from home during lockdown (74.9%). The data disaggregation by sex shows that women constituted the majority of those who had to take a leave with full pay (42.6% vs. 16.9%); however, women also outnumbered men (50.3% to 23.1%) in the total number of respondents (4.3%) who were sent on leave without pay. This is highly likely to be attributable to women being predominantly employed in the sectors that have been shut down due to lockdown, including the education sector and service provision, among others.

The proportion of women who own and operate businesses was almost negligible: Almost 15% of men in the sample and only 2.6% of women were engaged in any business activity. While men outnumbered women regarding downsizing their business enterprises, women constituted the majority among the respondents whose businesses were severely affected and had to close.

Impact on the Distribution of Household Work. Women's disproportionate burden of unpaid domestic work has significantly increased during lockdown. The share of women spending more time in domestic work is greater than for men (62.9% and 55.8% respectively). The majority of women (86.4%) working from home also experienced an increase as regards the burden of all household chores.

The gender disparities become more evident as the number of reported unpaid domestic activities increases. Almost every second woman reported an increase in at least one unpaid domestic chore compared to only every third man. About 9% of women and 5% of men report increased time spent on at least three unpaid domestic activities. While 81% of male respondents and 51.3% of female respondents said that their spouses helped them more with household chores, women dominate among those who manage the household on their own (44.1% of women versus 30.5% of men).

Women and men play different roles in household work. During the pandemic, 27.8% of respondents spent more time on cleaning (33.9% of women and 19.4% of men), 18.9% spent more time on cooking (29.9% of women and 2.4% of men), 18.6% spent more time on household management (12.6% of women and 24.7% of men), 14.2% on grocery shopping (12.2% of women and 16.2% of men). Data shows that 40.7% of men reported an increase in time spent playing with children (44.5% of female respondents). However, 10.9% of male re-

⁵⁹ Manjoo R., Report of the Special Rapporteur on Violence Against Women, its Causes and Consequences: Mission to Azerbaijan, 2014.

spondents do not spend time with children, 42.3% do not participate in doing children's homework, 41.3% are not involved in child care (for female interviewees this figure is 10.9%, 25.9%, 12.9%, respectively).

Health and Access to Basic Services and Safety. In the context of suspended progress in rolling out the mandatory health insurance, the survey found that only around one-fifth of female and male interviewees are covered by health insurance. During the pandemic, more women (62.4%) than men (47.8%) did not seek medical care services, not only because of the pandemic, but in general women lack awareness on preventive care such as gynaecological and obstetric care. Alongside this, though a high proportion of women did not see a need for contraceptives, the vast majority of women who reported needing it faced major difficulties in accessing contraceptives.

There were more respondents whose psychological condition was negatively affected than those with a physical illness. Of the 32.3% of respondents whose mental and emotional health was adversely affected, women constitute the majority (37.5%) compared to men (26.9%).

Domestic and Gender-Based Violence (GBV). In the gender study 10.6% of interviewees reported that they felt an increase of any form of discrimination during the pandemic and lockdown. About 9.5% said that they felt or heard about increasing cases of domestic violence. According to the interviewees who reported an increase in domestic violence (144 people), the vast majority (83%) believes that women are the ones who suffer most. There were more men who said that women were subjected to violence (84.1% of male respondents compared to 82.7% of female respondents).

Only half of the population (50.6%) is aware of assistance and support services provided to victims of domestic violence. Unfortunately, women are less aware of the help and support services that can be provided in the event of violence (44.5% of women compared with 57% of men). The low awareness of women who are more exposed to violence results in their lack of access to the services. On the other hand, women's silence about violence exposes them more to violence and may even lead to serious injuries and fatal consequences.

THE GOVERNMENT RESPONSE AND GAPS

The Government's intervention strategies to mitigate the immediate negative consequences of the pandemic and lock-

down are largely gender-blind. Women, especially the most vulnerable groups of women including those from refugee and IDP communities and those with disabilities haven't been included among those identified for special support measures.

The available social protection plans and emerging economic schemes to mitigate the negative consequences of Covid-19 are not gender-responsive and little attention is given to unpaid care work provided by women.

The victims of Gender-Based Violence have not been specifically mentioned among those allowed to leave home to seek protection and support during the tightened quarantine measures. There is need to expand the scope of essential services to include services for the prevention and response to GBV.

RECOVERY NEEDS

To following are recommendations to address the specific needs of women and girls during the pandemic and lockdown:

Ensure that the social protection plans and emerging economic schemes are gender responsive. This should include equal access to existing social protect schemes such as TSA and any financial assistance provided by the government to mitigate the impact of Covid-19, including the employment allowance, unemployment insurance and lumpsum payments (190 AZN), as well as financial support to informal employment and small business enterprises operated by women.

Ensure continuity of health services to women, including reproductive health, gynecological and obstetric care and psychological and mental health support.

Address domestic violence and GBV in the response and recovery actions. This should include launching a single 24/7 national helpline as part of the national referral mechanism, and introducing additional entry points to connect the survivors of GBV with the services they need.

Ensure that gender is mainstreamed across all sectors.

Ensure that the Covid-19 related information includes the necessary information on available GBV protection measures. This should be incorporated in the ongoing Covid-19 risk communication materials and in the community engagement initiatives.

SOCIAL INCLUSION

This chapter on social inclusion presents the assessment results on the impact of Covid-19 and lockdown on vulnerable population groups, namely on children, older persons, persons with disabilities, refugees, asylum seekers and migrants.

CHILDREN

THE PRE COVID-19 CONTEXT ANALYSIS

Azerbaijan is home to 2,622,400 children aged 0 to 17. The share of school-aged children in the total population is 17% while adolescents represent 13%.⁶⁰ Under the social protection system of Azerbaijan, some 420,799 children received social benefits in January 2020, of which 72,979 received an allowance for disability (82 AZN), 46,002 for losing the head of the family (68 AZN), 16,124 for other categories (15 AZN) and 78,224 received a one-time allowance of 103 AZN. Taken together, a total of 162,561 children benefited from the Targeted Social Assistance (TSA 36.39 AZN) and other social allowances, and around one-fifth of children benefit from social protection schemes⁶¹.

THE EFFECTS OF COVID-19 ON CHILDREN

More Children are at risk of poverty. Income shocks at the household level, even if only temporary, can have devastating effects on children, particularly those living in poor households. A rapid impact assessment survey of Covid-19 conducted by UNICEF⁶² between April and July 2020 found that 45% of families with children under 18 reported that their income had significantly decreased, and 41% reported that they started spending less for the household, which may be creating child deprivation in the country.

Children in rural areas and poor families and children with disabilities are left behind in distance education. About 1.5 million school-aged children were affected school closures, for over 4 months since March. While the MoE introduced TV and

online teaching, access is limited and quality has been compromised. According to the UNICEF Survey, only 32% of pre-school children and 71% of school-aged children could access distance education, leaving at least one out of four children behind.⁶³ The survey found around 45% of fathers and 36% of mothers did not spend their time with children. This indicates that there is a strong need to support parenting education.

Reduced access to maternal and child health services and possible delays in immunization. While only 5% of all cases of Covid-19 were children aged 0-10, and 6% were 10 to 19 years old (as of 15th July), access to maternal and child health care is becoming challenging due to reduced services of health facilities, such as the shifts made in schedules for hospitals not treating Covid-19 patients. In addition, around 140,000 new-borns may experience delayed immunization during the year.

Social services for children with disabilities are suspended. Over 800 children living in residential institutions (boarding schools, child homes and special schools) were sent back to their families due to the pandemic, most of them are children with disabilities. According to the government's report, all juvenile offenders were immediately released after the pandemic outbreak. Quarantine restrictions created additional challenges on social rehabilitation and psychosocial services for children as family visits and face to face contacts were reduced.

Quarantine measures and related restrictions may increase mental health issues and cases of violence against children, including gender-based violence across the country. According to the UNICEF Survey, more than 2% of parents used physical punishment with their children during the quarantine. The UNFPA/UNWomen Study⁶⁴ found that about 8% of domestic violence that occurred during the pandemic were towards children, equivalent to about 78,000 to 200,000 children in Azerbaijan. Among

⁶⁰ UNICEF, TransMonEE, Monitoring the situation of children and women in Europe and Central Asia, (<http://transmonee.org/>). ⁶¹ The State Statistical Committee (<https://www.stat.gov.az/news/index.php?id=4517?lang=en>).

⁶² The Survey has been conducted since mid-April on a weekly/biweekly basis through telephone interviews. It covers 8 economic regions proportionately to population size (Absheron, Aran, Baku, Daghlig Shirvan, Ganja-Gazakh, Lankaran, Guba-Khachmaz, Shaki-Zaqatala) and has accumulated a sample size of 1625 from April 13 to July 11. Quota sampling was applied to have a sex and age group distribution that is proportionate to the population.

⁶³ According to the same survey only 73 per cent of households had access to internet.

⁶⁴ UNFPA/UNWomen Rapid Assessment on COVID-19 and Gender, March-April 2020 with 1,625 samples.

the 980 calls received by the Azerbaijan Child Helpline (11611) between May to July, 99 of them were seeking psychological support related to violence against children. Meanwhile, children's reliance on online platforms for distance learning has also increased their risk of exposure to inappropriate content and online predators.

Covid-19 has negatively affected adolescents and youth in terms of education and employment. Youth were among those who have been unemployed by the pandemic and lockdown, as found in the Focus Group Discussions and key-informant interviews with 120 youths and four NGOs working with adolescents and youths. Also, adolescents and youth had to shift to online education platforms following the closure of schools, and those with limited or no access to digital tools and/or Internet connection face uncertainty in terms of their future education. Quarantine measures have also limited their participation in sports and recreational activities, and increased stress levels and psychological challenges.

THE GOVERNMENT RESPONSE AND GAPS

The Government introduced distance education through TV and Virtual Schools, however only 70% of school aged children could use these because of limitations in access to the Internet and devices. More details on the government's response in the education sector can be found under the Education chapter of this report.

Maternal and child health services have been maintained at minimum level. It affected particularly the antenatal and postnatal care for pregnant women and new-borns. The Government made a good decision not to suspend child immunization but redesigned the schedule to minimize the exposure of children to Covid-19. However, its implementation may be largely delayed, potentially affect nearly 140,000 children under one year. Access to other maternal and child health services are also limited, including home visits for sick and malnourished children.

The existing social benefits for children continue. From January 2020, social benefits for children under the age of 18 with disabilities were increased. However, no new financial assistance was introduced specifically for children. While children continue

to benefit from the existing social protection schemes, the amount of various social benefits are relatively low compared with the basic living standard for children (160 AZN), which creates additional challenges to families with children since their unemployed parents are not eligible for the unemployment assistance (190 AZN). The UNICEF Survey found that 34% of families with children under 18 reported that their main need is for cash assistance, and only 16 % of them received the government lumpsum payment.

RECOVERY NEEDS

- Provision of additional financial support to families receiving social benefits.
- Exploration of alternative care solutions for deinstitutionalization.
- Community-based integrated social services for resilience building.
- Strengthening psychosocial support to children and their parents.
- Continuation of risk communication and community engagement
- Parenting education intervention especially for early childhood development
- Young people can be an agent for change and resilience building.
- In-depth impact assessment to support post-Covid-19 strategy development for build back better for children.

OLDER PERSONS

THE PRE COVID-19 CONTEXT ANALYSIS

Although the country has a relatively young population structure with 23.3% of youth aged 15-29, the population is aging and there are about 719,900 older persons in Azerbaijan.⁶⁵

Universal coverage of pensions for older persons in Azerbaijan is provided through a combination of labour pensions (social security) and social allowances for those not qualified to receive a labour pension (social assistance)⁶⁶. In 2019, a total of 756,136 older persons (275,459 males and 480,677 females) received pensions in the amount of 249 AZN per month, equal to the minimum wage and salary of AZN 250 (as of Sept. 2019). An additional 53,394 older persons received 73 AZN per month as a social benefit.⁶⁷

⁶⁵ The State Statistical Committee, 2019.

⁶⁶ World Bank, ILO et al., Universal Social Protection: Universal Pensions in Azerbaijan, (<https://www.social-protection.org/gimi/gess/RessourcePDF.action?id=53948>).

⁶⁷ The State Statistical Committee (<https://www.stat.gov.az/source/labour/?lang=en>)

Social services provided to older persons attend to 213 older people who reside at the social service centers of the MoLSPP. The Centers of the Agency for Sustainable and Operational Social Security (DOST) also provide services to older persons and before the pandemic, 8,508 older persons were reached by different social services.

THE EFFECTS OF COVID-19 ON OLDER PERSONS

Older persons face high morbidity and mortality due to Covid-19. Older persons are the most vulnerable to the COVID-19 virus as they have a high morbidity and mortality rates. As of 23 July, the country had 28,633 confirmed cases and 385 deaths. **Among the confirmed cases, 22% were older people above 60 years of age, and 21% were between 50 and 59, which together represent 43% of total number of cases in the country.** In addition, older women usually provide care for other older relatives, which increases their risk of infection.

One-third of older persons had reduced income during the pandemic. While the government continues to provide pensions during the pandemic, a UNICEF survey found that 36% of pensioners reported that their income had been reduced.

Lack of access to regular health services. The lockdown and concentration of health resources on the Covid-19 response may marginalize older persons and create barriers for them to obtain health services for their pre-existing health conditions, which may also increase their vulnerability to Covid-19. Older persons with disabilities and chronic conditions may experience further difficulties in accessing healthcare and become more marginalized.

Lack of information about the Covid-19 pandemic. Older persons have a relatively low level of social activity and their ability to use the Internet and other technologies is relatively low. The UNICEF survey did not find that older people were experiencing high levels of distress (36% compared with the average of 35%), which may reflect their limited access to information.

GOVERNMENT RESPONSE, CHALLENGES AND GAPS

During the pandemic, the government continued to deliver social protection

schemes including pensions and social benefits for older persons with no major disruptions. However, older people may face difficulties in receiving their pensions on time due to the special quarantine.

As part of social protection reform, the pension rate was increased in January 2020 to 349 AZN per month, which is almost double the national minimum living standard (190 AZN). However, the rate of pensions under the social benefit category is only 73 AZN, affecting 53,394 older people who may not have enough to meet their basic needs.

In-kind support was provided to older people by the government, NGOs and the private sector. According to the Ministry of Labor and Social Protection of the Population (MoLSPP), about 13,000 food packages were distributed to 8,616 older persons.

After the outbreak of Covid-19, 8 out of 213 older people living in the MoLSPP service centers left and returned home. Some 13,719 received social support through MoLSPP/DOST/Social Service Agency, since the minimum age criteria was changed from 70 to 65, allowing more older people to receive this support. These services involved assistance with shopping and other practical support, thereby minimizing their risk of infection.

The following are measures recommended to address the needs of the older population during the pandemic and lockdown:

Ensure the dissemination of accurate information to older persons to ensure that they have clear messages and resources on how to stay physically and mentally healthy, and know what to do if they should fall ill. Work with communities and use a variety of media such as radio, print, and text messages;

Ensure timely health services to older persons for both Covid-19 treatment and essential health services, especially for those with underlying health conditions and those living alone. Ensure that medical decisions are based on individualized clinical assessments, medical need, ethical criteria and on the best available scientific evidence. This will be addressed in the Health Sector.

Provide additional financial and in-kind support to older persons with low

income. Provide an additional 100 AZN for 6 months to older people who are under social assistance and receive less than the basic living standard to ensure they can meet their basic needs. Provide food to 20,000 older persons.

Resume social service support to older persons by strengthening the MoLSPP and involving NGO/CSO partners, particularly to address the needs of those who are more isolated or have limited mobility or cognitive challenges, including mental health and psychosocial support. Consult with older persons, ensure their meaningful participation and enable targeted action in the response;

Include older persons in economic recovery initiatives by removing the age caps in livelihood and job rehabilitation programmes, and other income-generating activities, engaging 1,000 healthy older people in public work.

RECOVERY NEEDS

The following recovery needs have been identified in relation to the challenges that older persons are facing as a result of the pandemic.

- Dissemination of accurate information to older persons.
- Additional financial support to older people covered by social benefits.
- Continuation of food distribution and other support to older persons living alone.
- Resume NGO support to older people including provision of psychological and mental health support to older people through strengthening the services of the MoLSPP and involving NGO/CSO partners.
- Include older persons in economic recovery initiatives.

PERSONS WITH DISABILITIES

THE PRE COVID-19 CONTEXT ANALYSIS

The number of persons with disabilities (PwD) in Azerbaijan was reported to be 636,004 in 2019, amounting to 6.4% of the total population, lower than the global average of 15%, which suggests a possible

under estimation of disabilities due to the national definition.⁶⁸ Of this total, about 72,979 are children, equal to 11.5 % of the total, and 390,113 are retired persons or 61.3% of the total (227,851 men and 162,262 women).⁶⁹ The rate of children with disabilities (2.6%), is lower than global average of 5%, which may reflect challenges in early detection and early prevention of child disabilities. The unemployment rate is very high among PwD as it amounts to 95%, compared to 5.4 percent among the general population.

The right to universal social protection is guaranteed by the Constitution, including people with disabilities. The law on the Rights of People with Disabilities (2018)⁷⁰ requires that enabling conditions be provided for PwD to lead an independent lifestyle and to participate fully in all aspects of life. The Law on Pensions of the Citizens provides PwD with a disability labour pension and a social pension (also referred to as social allowance). In 2020, the labour pension amounted to a minimum of 200 Manat (118 USD) and the average pension was 293 Manat (173 USD)⁷¹, slightly higher than the basic living standard (190 AZN). Since January, 2020, children under the age of 18 with disabilities and Group I receive 150 manat, while Group II group receives 130 manat, and Group III receives 110 manat, which are lower than the basic living standard for children (160 AZN).

THE EFFECTS OF COVID-19 ON PERSONS WITH DISABILITIES

Persons with disabilities may face an **increased risk of exposure, complications, and death** due to Covid-19 because they are disproportionately represented among the elderly, which is known to be a high-risk population group.

Children and adults with disabilities may have underlying health conditions that increase their risk of serious complications from Covid-19. In addition, front-line health workers are prohibited from visiting homes due to the high infection rate among them, which makes their situation more challenging.

The lack of relevant and accessible information on the Covid-19 pandemic has created anxiety among persons with disabilities, according to a focus group dis-

⁶⁸ WHO, 2001.

⁶⁹ The State Statistical Committee of the Republic of Azerbaijan (<https://www.stat.gov.az/source/healthcare/?lang=en>)

⁷⁰ Article 12

⁷¹ MoLSPP website (<http://sosial.gov.az/en/allowances>)

cussion organized by UNFPA and UNICEF with 12 local Organizations of Persons with Disabilities (OPDs).

Mental health issues have increased among persons with disabilities during the pandemic (panic attacks, fear, anxiety, phobias etc.), and there are limited psychosocial services available. Parents of children with disabilities have increased stress as a result. In some cases, persons with disabilities are taken care by elderly parents and both of them face high-risks in relation to Covid-19.

The restrictions related to the pandemic have negatively affected their access to food, medicine, assistive devices and PPEs. Furthermore, people with certain types of disabilities are difficult to keep at home during lockdown, such as people with autism, nervous system disorders or with chronic diseases. Others, such as people with hemophilia, faced serious challenges in their access to medicines, though it was later addressed by the government.

The pandemic has negatively affected the education of children with disabilities, as they are not able to access online courses or to get enough support.

Some persons with disabilities with previous employment lost their jobs and have requested OPDs to support them with employment.

The registration of children with disabilities was suspended since mid-March which affected hundreds of children now unable to receive the official disability status needed to receive allowances, or the decision of medico-psychological pedagogical commission for their education. The hotline of the Social Protection Fund was also suspended, which responds to calls from persons with disabilities.

Another challenge relates to financial support from the 190 AZN lump-sum payment, since none of the persons with disabilities receiving disability pensions have received this aid because of the eligibility criteria. Due to the pandemic, social grants to NGOs/OPDs that work with persons/children with disabilities were stopped, which has a negative impact on persons with disabilities as well as on NGOs/OPDs.

GOVERNMENT RESPONSE, CHALLENGES AND GAPS

The Government continued to provide labour pensions for disability and social

benefits during the pandemic. In March, April, May and June of 2020, the disability status of 15,659 people whose eligible time expired during the pandemic were extended and payments continued. However, the process for identifying and registering new eligible beneficiaries was suspended, leaving some without social benefits, and especially children with disabilities who cannot receive the assessment needed for their education.

The MoLSPP reported that about 40,000 families that have children with disabilities received food packages, however these packages were provided by NGOs and the private sector. There have been reports that the distribution of these packages was not well coordinated and some families received more and others did not.

The Prosthetic and Orthopedic Rehabilitation Center of the MoLSPP continued to provide mobile services in an intensified mode during the special quarantine period. In general, 664 people with disabilities were provided with mobile services in different regions of the country this year. Some 2,000 rehabilitation aids were provided in the first half of 2020.

However, as mentioned, most of the social services to persons with disabilities operated by NGOs were suspended in 2020. So far there has been no collaboration between the ministry and the NGOs, though there are plans to organize awareness-raising and advocacy activities.

RECOVERY NEEDS

- Engage with OPDs in designing and delivering prevention and response plans for PwDs.
- Strengthen communication on prevention of Covid-19 and on available assistance / resources, in multiple formats to ensure it is available to people with visual, hearing or intellectual impairments.
- Resume services for the registration of new persons/children with disabilities.
- Support NGO partners to continue providing services to persons/children with disabilities through virtual/tele-counselling and support.
- Resume as early as possible the social grants to NGOs/OPDs that support PwDs.
- Provide mental health support to persons/children with disabilities.

REFUGEES AND ASYLUM SEEKERS

THE PRE COVID-19 CONTEXT ANALYSIS

Azerbaijan is host to 1,110 refugees (442 women and 668 men), as well as to 843 asylum seekers (348 women and 495 men), and to 65 stateless persons. These populations, in need of international protection, don't have access to the national social protection system due to legal and technical issues. They do not have formal legal status and lack the legal documents required to access the labour market, social allowances and other state programs designed to assist vulnerable population groups.

Through the support of UNHCR and in collaboration with the GoA, refugees and asylum-seekers have access to primary and secondary education and to primary healthcare protection. UNHCR provides additional services, including legal assistance in the form of legal counseling and court representation; social assistance in the form of social assessments to identify eligibility for financial assistance, financial assistance for the most destitute refugees and asylum-seekers, education assistance through mediation between refugee children and education institutions/authorities, provision of an education allowance, among other.

Table 12: Number of refugees and asylum seekers

Status	Female	Male	Total
Refugees	442	668	1110
Asylum seekers	348	495	843
Stateless	28	37	65

THE EFFECTS OF COVID-19 ON REFUGEES AND ASYLUM SEEKERS

While the consequences of the pandemic had negative impact on the whole of the Azerbaijani population, it was especially devastating for the refugees and the asylum seekers in Azerbaijan who were already in an extremely vulnerable situation. The following are some of the main effects the pandemic and lockdown has had on refugees and asylum seekers.

Additional hardships after losing their minimal and often inadequate source of income. Refugees and asylum seekers have mainly informal jobs such as in construction and small trade. As a result of budgetary constraints early in 2020, UNHCR had to substantially reduce the percentage of asylum-seeker and refugee families who

were eligible to receive monthly financial assistance, focusing only on the extremely vulnerable. These and other factors have created a major economic challenge for many refugee families.

Negative impact on the education of children in refugee and asylum-seeker families due to difficulties in their access to internet to benefit from online education.

Difficulties in access to Covid-19 health services was reported by at least one refugee family that was rejected by an ambulance for a Covid-19 test because they lacked the necessary ID documents.

As the pandemic continues to unfold, critical interventions are required to address the needs and constrains of refugees such as: maximizing the use of information technology to reach out and provide advice, mental health support, counseling and follow up in a number of languages; enabling refugees to access such information; providing sanitary equipment and related materials; increasing the resilience of the most vulnerable refugees to deal with the consequences of the pandemic, scaling up the support and assistance to the refugees with existing medical conditions; as well as preparing for a prolonged lockdown. Currently the total number of refugees that requires assistance stands at 987 households.

The socio-economic impact on refugees and asylum seekers will worsen over time, not only increasing the risk of food insecurity and malnutrition but also potentially creating serious protection risks as they run out of resources and survival options, and are forced to adopt negative coping strategies, such as begging, reducing their health related expenses, or eating less.

UN AND GOVERNMENT RESPONSE AND CHALLENGES

One month ago, as a result of advocacy efforts by UNHCR, the UNRC and other actors, the Azerbaijani Government granted refugees and asylum seekers the legal right to work, although implementation has just started and is in the process of being fully implemented.

The government considered UNHCR's letter sent to the Prime Minister on 2 of April requesting inclusion of refugees and other persons of concern into the national actions taken in response to Covid-19.

UNHCR distributed Emergency Cash Based Interventions (ECBIs) equal to 254,400 AZN, and food packages were distributed to 1,088 families by the State Migration Service (233), the Ministry of Labour and Social Protection of Population (658), and the private sector and individual donors (717). UNHCR will start a second round of ECBIs to meet the needs of refugees and asylum-seekers, which will help them pay their rent and cover their daily expenses for food and sanitary items.

However, the following are challenges and gaps that need to be met in order to ensure support to refugees and asylum seekers during the pandemic and lockdown periods:

- The Government allowance for unemployed persons (190 AZN) does not cover refugees and asylum seekers, even though many of them lost their informal jobs and income.
- The Legal and technical gaps in the registration create difficulties for refugees to access state social services. Since PIN codes to refugees have not been issued yet, access to social services is further constrained during quarantine since text messaging is required to leave the place of residence.
- 344 Children of refugee families need support to access distance education to ensure they can continue their education.

RECOVERY NEEDS

- Provide one-off assistance for unemployed refugees and asylum-seekers of working age.
- Provide one-off assistance for unemployed stateless people of working age.
- Provide tablets for 344 refugee children enrolled in primary and secondary education
- Provide Internet packages for 344 refugee children enrolled in primary and secondary education for online education if the schools do not re-open.

MIGRANTS

THE PRE COVID-19 CONTEXT ANALYSIS

Migration, both internal and external, is one of the coping strategies used by population groups to overcome unemployment and low incomes. Geography, kinship, and cultural ties, in general, determine the main destinations of the migratory processes. The Russian Federation remains both the main country of destination and origin (of immigrants and returning migrants). A growing number of (short-term) migrants come to Azerbaijan mostly from neighboring countries.

According to United Nations Department of Economic and Social Affairs (UNDESA), there are 253,900 international migrants in Azerbaijan, which is equal to 2.5% of the general population.⁷² The same sources indicate that there are 1,155,381 international migrants from Azerbaijan.⁷³ Additionally, there are 652,326 internally displaced persons (IDP), largely due to the ongoing conflict with Armenia and 1,896 people internationally recognized as refugees.⁷⁴

THE EFFECTS OF COVID-19 ON MIGRATION

Almost all countries have responded to the spread of Covid-19 closing borders and tightening immigration regimes. As options for cross-border movements dwindle, incoming migrants and travellers are pushed back or quarantined at borders and forced to stay in informal, overcrowded, and underserved transit sites, where they face threats to their health, dignity and survival.

Covid-19 has impacted and is impacted by human mobility. The possible impacts on migration and migrants are multiple, some of which are summarized as follows:

- Border closures affect the ability of migrant workers to contribute to key sectors of the national economy.
- International migrant workers are stranded, losing their livelihoods while not having access to social protection, and others are forced to return to situations of risk.
- Migrants have difficulty accessing health services and income subsidies.

⁷² UN Department of Economic and Social Affairs, Population Division website (<https://www.un.org/en/development/desa/population/migration/data/estimates2/countryprofiles.asp>)

⁷³ Migration Data Portal (https://migrationdataportal.org/?i=stock_abs_origin&t=2019&cm49=31)

⁷⁴ UNHCR Fact Sheet Azerbaijan, April 2020 (http://unazerbaijan.org/wp-content/uploads/2019/03/UNHCR-AZE-Fact-Sheet-EN_-01-April-2020_v6.pdf)

- Lower remittances from abroad have a detrimental financial impact on national economies and vulnerable households who depend on this income, especially in rural areas.
- People in detention centers face physical and mental stress.
- Migrants and refugees experience stigma, discrimination, and xenophobic attacks due to perceived links between migration and disease transmission.
- Families are left behind when the breadwinner is a migrant abroad.

The scale of pre-existing vulnerabilities related to migrants and migration increases the scale of the impact of the pandemic and lockdown. The vulnerabilities include the followings:

- Limited awareness of preventive measures, including because of linguistic barriers.
- Language barriers hindering communication with service providers.
- Inability to follow social distancing in crowded, multigenerational homes.
- Reliance on public transportation.
- Continued exposure in close contact professions.
- Limited access to key hygiene items and personal protective equipment in the workplace.
- Anxiety linked with being stranded, potentially arrested or as victim of xenophobia.
- Inability to maintain regular migration status⁷⁵

The lockdown and other restrictive measures are likely to have a negative impact on the flow of remittances into the country. According to the World Bank, international remittances risk falling by 20% in 2020. Remittance inflows to Azerbaijan in 2019 was 1,1 billion USD (2.3% of GDP).⁷⁶ A serious decrease is expected as Covid-19 hit the oil-dependent markets like Azerbaijan, but also Russia which is the top country with Azerbaijani emigrants. As it becomes increasingly difficult for migrants to send remittances back to families in Azerbaijan, the burden will increase for households dependent on remittances, including women headed households.

RECOVERY NEEDS

- Strengthen capacities of Points of Entry (POE) at the borders to support timely health care and referrals
- Research and provide recommendations to overcome the existing barriers that migrants face (legal, structural, cultural or logistical) and that may impede their access to essential medicines and services.
- Support Government efforts to combat irregular migration, smuggling, human trafficking and improve the capacity of protection and assistance providers to migrants
- Support to shelters for women and children operated by NGOs (for victims of trafficking, domestic violence) to ensure their uninterrupted provision of services
- Provide consular assistance (visa/identity documents) to stranded migrants in need, so they can obtain temporary extension of visa or regularization and can access services, including critical health services.
- Provide reintegration assistance to returning migrants, including livelihood opportunities, access to basic services
- Provide livelihood support and training to migrants and vulnerable groups (particularly youth and women), and support their access to education and financial support to create job opportunities.
- Produce updated information packages tailored to migrants, on Covid-19, migration and social services.
- Raise awareness through tools and information campaigns to address Covid-19 related discrimination, exclusion and xenophobia.

⁷⁵ Lorenzo Guadagno, Migrants and the COVID-19 Pandemic: An initial Analysis, International Organization for Migration, Migration Research Series NO 60. 2020 (<https://publications.iom.int/system/files/pdf/mrs-60.pdf>)

⁷⁶ World Bank Migration and Remittances Data (<https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>)

SOCIAL PROTECTION

THE PRE COVID-19 CONTEXT ANALYSIS

Azerbaijan's social protection system is under the responsibility of the Ministry of Labour and Social Protection of the Population (MoLSPP), and includes the State Social Protection Fund (SSPF). It consists of four broad categories: 1) social insurance, 2) social assistance, 3) social compensation, and 4) social services. Nearly half the population is covered by at least one social protection benefit.⁷⁸ Some of main schemes are described below:

Target Social Assistance (TSA). The TSA is a social assistance package through cash transfers for poor families based on a 'needs criterion' currently set at 160 Manat for 2020.⁷⁹ In 2019, there were 350,000 people receiving TSA in the country.

Pension for older people along with increase of retirement age. Universal coverage of pensions for older people is achieved through a combination of labour pensions (social security) and social allowances for those who are not qualified to receive labour pensions (social assistance)⁸⁰. In 2019, 756,136 older people received pensions (275,459 males and 480,677 females) in the amount of 249 AZN per month, equal to the minimum wage and salary (AZN 250, Sept. 2019). An additional 53,394 older people received 73 AZN per month as social benefits.⁸¹

Disability pension and social benefits covers all persons with disabilities based on official statistics. According to the State Statistical Committee⁸², there are about 636,004 disabled people⁸³ in the country. In 2019, 390,113 person received disability pension in the amount of AZN 185 and 166,756 received a social allowance of AZN 61, and 72,979 children with disabilities

received AZN 85 per month.

Financial support to children: In addition to the benefits for children with disabilities, several other social benefits are provided to vulnerable children and their families, albeit smaller amounts at a relatively small scale. In 2019, some 16,124 children received an average monthly amount of AZN 15.44; 796 poor families with children under one-year-old received ANZ 55 per month; 8,987 women with more than five children received AZN 33 per month; and 292 orphans and children deprived of parental care were provided with ANZ 61 monthly. Also, a one-time lumpsum payment of AZN 103.48 was allocated to 78,224 children including birth allowance, and an additional 165,728 children benefited from the TSA with AZN 36.39 on average. Overall about one-fourth of children received at least one social assistance in the country.

Internally Displaced Persons (IDPs): since February 1, 2017 the State Committee for Refugees and Internally Displaced Persons provides a monthly allowance for IDPs that ranged from AZN22 and ANZ40 per person, depending on their particular situation. As of April 1, 2019, these amounts were raised and now range from AZN 33 to 60.⁸⁴ At present, 81,476 IDPs receive a monthly allowance of AZN33 and 415,081 IDPs receive ANZ 60.⁸⁵ According to data from the Committee for Refugees and IDPs, an average of AZN 956 was spent per IDP in 2019; and the poverty rate is estimated to be 8% among IDPs.⁸⁶

⁷⁸ ILO, World Social Protection Report 2017-19. 2020 (https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_604882.pdf)

⁷⁹ The Law on the minimum cost of living of the Republic of Azerbaijan. <http://www.e-qanun.az/framework/43845> The minimum cost of living changes for labour force (201 AZN), elderly (157 AZN) and children (170 AZN).

⁸⁰ World Bank, ILO et al., Universal Social Protection: Universal Pensions in Azerbaijan (<https://www.social-protection.org/gimi/gess/ResourcePDF.action?id=53948>)

⁸¹ The State Statistical Committee (<https://www.stat.gov.az/source/labour/?lang=en>)

⁸² The State Statistical Committee on health, social protection and sport in Azerbaijan, 2020 (<https://www.stat.gov.az/source/healthcare/>)

⁸³ The State Statistical Committee on Disability Among the Population (https://www.stat.gov.az/source/healthcare/en/002_2_1en.xls)

⁸⁴ State Committee for Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (<http://idp.gov.az/az/content/7/parent/21>).

⁸⁵ State Committee for Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (<http://idp.gov.az/az/content/7/parent/21>).

⁸⁶ State Committee for Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (<http://idp.gov.az/az/content/7/parent/21>).

Table 13: Summary of key social protection schemes

Type of Scheme	Total population	Number of beneficiaries (Persons)	Monthly rate per person in 2019/2020 (AZN)
Target Social Assistance (TSA)	475,40087	326,631	36.39/54.00
Old age - labour pension	719,900	756,136	249.30/329.00
Old age - social benefits		53,394	73.00
Disability - pension	636,004	390,113	185.00
Disability -social benefits		166,756	60.75
Children<18 with limited health/disability		72,979	82.00 / 110 - 15088
Loss of family heads - pension		149,243	175.00
Loss of family heads - social benefits		46,002	68.00
Unemployment insurance (2018)	20,088 – 256,000	1,11789	
IDP - with gas	592,929	81,476	33.00
IDP - without gas		415,081	60.00
Children<18	2,622,400	460,151	15.44 - 61.00

Social services for vulnerable populations. Social services for vulnerable populations are provided by the Agency for Sustainable and Operative Social Provision (DOST) and Social Service Agency under MoLSPP. DOST provides 132 different services, currently through three DOST Centers, with plans to expand to 31 by 2025, and to 34 by 2030 across the country.

There are 9 social service institutions for older people, disabled persons and neglected children. Social services are also provided to vulnerable populations through NGOs under the State Social Protection Fund. In 2019, 73 NGOs received social grants to implement 224 projects benefiting around 9,000 people. These projects support daycare services in 70 districts, rehabilitation centers for children with disabilities in 54 districts, 2 centers for children with hearing and speech issues, 3 centers for children with seeing challenges, 9 support centers for parents, 10 daycare centers for the elderly, 11 centers of vocational training for people with disabilities, 3 centers for the victims of domestic violence, 16 centers for autism and down syndrome, etc.

THE GOVERNMENT RESPONSE

On March 19, 2020, the President of the Republic of Azerbaijan issued an order⁹⁰ to introduce a number of measures to

reduce the negative impact of the Covid-19 pandemic. the GoA announced a support package equal to 3.1 percent of GDP⁹¹, which is expected to be followed by a second package. From this budget, a total of AZN 400 million was allocated to support social welfare.⁹² The following are the main social protection related measures introduced in the country to date:

A monthly allowance of AZN 190 was allocated to 600,000 unemployed citizens from April to June 2020. For the employees who have a salary higher than the monthly average, the upper limit of this social assistance was set at AZN 712. The eligibility criteria includes being registered as unemployed with the State Employment Service, and that the person is not receiving 1) TSA, 2) labour pension, 3) monthly allowance, 4) unemployment insurance, 5) stipend for vocational education, 6) subsidy for agriculture, 7) either husband or wife should not have active Tax ID, or 8) have active labour contract, or 9) receive subsidies for agricultural works. Those who do not have Internet access can call the Employment Centers of the district or city in which they live to register as unemployed and provide the required information.

The number of households receiving the TSA increased by 14% in April 2020 and cov-

⁹⁵ State Committee for Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (<http://idp.gov.az/az/content/7/parent/21>).

⁹⁶ State Committee for Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (<http://idp.gov.az/az/content/7/parent/21>).

⁹⁷ The State Statistics Committee, 2020

⁹⁸ From January 2020, children under the age of 18 with disabilities and I group disabled were provided with social benefits of AZN 150, II group disabled - AZN130, and III group disabled - AZN110, based on severity of disabilities. <https://www.stat.gov.az/news/index.php?id=4517?lang=en>

⁹⁹ December 2019.

⁹⁰ President of the Republic of Azerbaijan (<https://president.az/articles/36228>)

⁹¹ UNESCAP (https://www.unescap.org/sites/default/files/Azerbaijan_COVID%20Policy%20Responses.pdf)

⁹² Trend News Agency, 9 April 2020 "Azerbaijani minister: 400 million manat allocated to support social welfare" (<https://en.trend.az/business/3220685.html?fbclid=IwAR3cmCDMNN1mDW4ixsWkMDkNNUJ6TihWcLTrmMueEVp-qRXGrTW9zHXCLMg>)

ered around 79,500 households. The government further plans to increase the number of households to 90,000 by the end of 2020. Under the TSA each household is entitled to an average monthly payment of AZN 225.

The creation of 90,000 paid public jobs, an increase of 40,000 jobs from 50,000 jobs at present. These additional jobs were created for sanitization and waste management. It was reported that 88,000 people were involved in these public works, of which 38,000 were permanent jobs and 50,000 temporary, for a period of 2 months with a monthly salary of 250 AZN.

The reimbursement of tuition fees for students: AZN 40 million was allocated to reimburse tuition fees for students who are members of families belonging to socially vulnerable groups. The MoLSPP reported that 535 students who enrolled in vocational education received 250 AZN for March, April, May and June.

Increasing the limit of discounted electricity: AZN 10 million was allocated to increase the limit of discounted electricity for the population by 100 kWh in April-May.

Increasing the amounts allocated to social protection schemes: During the pandemic, the government continued to deliver the pre-existing social protection schemes for vulnerable population groups with no major disruptions. In addition, based on the social protection reform made in 2019 which increased the national budget for social protection, the rate of several schemes was increased in 2020. This includes the TSA with ANZ 224 per family, the labour pension for the elderly with AZN 329, and the nominal wage with ANZ 712.3, thereby ensuring that many of the vulnerable population groups received enough to cover their basic needs.

Existing social protection schemes are continued and extended with increase of basic rates. During the pandemic, the government continues to deliver the existing social protection schemes with no major disruptions. As part of the 2019 social protection reform with increased government budget in social protection, rates of most of the social protection schemes have been increased in 2020 (TSA – ANZ 224 per family, elder labour pension – AZN 329, and nominal wage – ANZ 712.3) that ensured

most of vulnerable population receiving assistance for their basic needs.

Additional resources allocated to cover the deficit for continuing existing schemes, including the unemployed and the TSA recipients whose eligibility time-frame expired during the pandemic. In March, April, May and June of 2020, the social allowance payment to 15,659 persons with disabilities whose disability status expired during the pandemic were extended. For the same period, the TSA that had expired for 9,408 households (38,049 people) was extended. In addition, 9,000 new families (37,350 persons) were granted TSA without a comprehensive assessment of their household conditions.

Food distribution: In April and May, government entities, NGOs, international organizations and the private sector, provided over 150,000 food packages to vulnerable groups, including to elderly families, to families with persons/children with disabilities and other deprived children, to families that lost their head of household, to low-income families, and refugees.⁹³ In addition, 100,000 food packages were distributed by the MoLSPP together with the Heydar Aliyev Foundation, benefiting 93,416 vulnerable persons.

According to the MoLSPP, government spending on social protection increased from 402.5 million to 480 million between June and July 2020, an increase of 77.5 million (19.25%).⁹⁴ The Ministry reports that it provide assistance to 4.8 million people (48% of the population) with employment and social welfare programs including job protection for 1.67 million people, pensions and allowances for 2 million people, TSA for 320,000 people, a one-time payment for 600,000 people, public works for 90,000 people, self-employment program for 12,000 families, and food assistance for 100,000 families.⁹⁵

CHALLENGES AND GAPS

The AZN 190 allowance may not cover all populations in need: The eligibility criteria for the AZN 190 payment may have some exclusion errors. Some vulnerable families with persons with disabilities or receiving minor social benefits were not eligible to receive the lumpsum payment.

⁹³ Estimation based on statistics of the MoLSPP and reports of other partners.

⁹⁴ The amount of assistance by the government. http://sosial.gov.az/uploads/images/2020/07/image_750x_5f030262c0fab.jpg

⁹⁵ State support to employment and social protection during pandemic. http://sosial.gov.az/uploads/images/2020/06/image_750x_5ef2f8c1539d8.jpg

The TSA may not cover needs: The amount allocated under the TSA and other social benefits may have become insufficient to support families in need considering that the overall income of some of these families may have decreased due to Covid-related unemployment of some family members, making it difficult for these families to meet their basic needs. Table 14 compares the monthly allocation of various social protection schemes with the country's basic living standards, which illustrates some of the gaps.

Table 14: Comparison between grants and cost of living

Social protection scheme	Beneficiaries - 2019 (persons)	Monthly Basic living standards/ bare need criteria ⁹⁶ (AZN)	Monthly rate -2020 (AZN)	Monthly rate per person in 2019/2020 (AZN)
Target Social Assistance (TSA)	350,000	160	54	-106
Old age - labour pension	703,342	160	329	169
Old age - social benefits	53,394	160	73	-87
Disability - pension	390,113	160	185	25
Disability -social benefits	166,756	160	60.75	-99.25
Children<18 with limited health	79,135	160	110/130/150	-50/-30/-20
Loss of family heads - pension	149,243	160	175	15
Loss of family heads - social benefits	46,002	160	68	-92
IDP - with gas	592,929	160	33	-127
IDP - without gas		160	60	-100
Children<18	2,622,400	160	15.44-61	-100 to -145

Registration of new pension for persons with disabilities and other social benefits are suspended. As a result of the suspension of registrations, around 18,500 persons with disabilities and 5,800 children with disabilities⁹⁷ will not be able to register and receive the disability pension and social benefits. This assistance is particularly critical for children to ensure they don't miss the opportunity to enter school on time.

Interruption of social services to vulnerable populations. During the pandemic, 266 children with disabilities or severe health issues remained in the Child Care Institutions of the MoLSPP and 69 left, while 213 older people stayed in their nursery homes and 8 returned home temporarily. While DOST continued their services, social services that used to be provided by NGOs are fully suspended, interrupting the critical support they provide to support vulnerable populations with legal aid, rehabilitation and other

support programmes.

PRE-EXISTING EXCLUSION ERRORS

Target Social Assistance (TSA). The TSA targets poor families based on a 'needs criterion' currently set at 160 Manat for 2020.⁹⁸ In addition to the assessment of income, there are a number of additional 'filters' which may exclude people even when they would otherwise qualify on the basis of their low income.⁹⁹ With the introduction of an online application and electronic assessment system for the TSA, the number of recipients declined in recent years. A high proportion of rejection was noted because of simple errors on claimant information during the application process.

Pension for older people along with increase of retirement age. The depreciation of the exchange rate that followed the oil-price crisis caused the real value of pensions in Azerbaijan to decline by some 13% during 2015-2016. In addition, there has

⁹⁶ Azerbaijan has not calculated the food basket to define the basic living standards. The "Need Criterion" is an annually established limit which is confirmed together with state budget depending on the living wage of the main social-demographic groups of the population.

⁹⁷ Refer to the data on newly recognized persons with disabilities in 2018.

⁹⁸ The Law on the minimum cost of living in the Republic of Azerbaijan. <http://www.e-qanun.az/framework/43845> The minimum cost of living changes for labour force (201 AZN), elderlies (157 AZN) and children (170 AZN).

⁹⁹ These include where consumption is more than 12 times the minimum subsistence level over the past 12 months; where the household owns a means of transport; where the amount of utility and communication costs exceeds 10% of the subsistence minimum; and where the household owns two or more properties. In addition, as in all countries, applicants are required to provide various administrative documents (e.g. identity document) and may be refused if these details are not provided.

been a decline in the coverage of pensions since the retirement age was increased to 63 (from 57 for women and 62 for men) in 2016. These changes were followed by a significant decline in the number of pensioners receiving assistance. According to data from the SSC, about three quarters of Azerbaijani men aged 63 or more were actually collecting old age pensions in 2016.¹⁰⁰

Disability pension and social benefits. As per the official definition of disability, only those who are diagnosed medically as having a physical impairment are counted as persons with disabilities. This definition may largely underestimate the number of persons who have other types of disabilities that impair their normal functioning or limit their ability to obtain employment. In Azerbaijan the disability rate in the population in general is 6.3% and 2.9% among children, which may be an underestimate. Globally it is estimated that 15% of the general population has a disability at some point in their lives, and that 5.1% of children are likely to have a moderate to severe disability, according to the WHO and World Bank.

RECOVERY NEEDS

The recovery needs for social protection are included in other sector chapters in the present report, namely in the chapters on Employment & Livelihoods, on Gender and on Social Inclusion (vulnerable populations). In addition the following needs have been identified:

Close the gap in social protection for the remaining vulnerable population. The Government is committed to investing in human capital development including social protection, in line with the 2030 Agenda, with various reforms introduced in 2019. The Covid-19 pandemic creates tremendous challenges for the Government to meet the needs of the population affected to ensure that No One is Left Behind. The country needs to urgently review and adjust social protection schemes to meet the needs of the most vulnerable families.

Prevent the reversal of the country's progress in reducing poverty. The pandemic's shock to all social and econom-

ic sectors may reverse the country's progress in reducing poverty in the past decades. It will deepen vulnerabilities and widen inequalities with negative consequences for the next generation. According to the World Bank there are potentially 2.5 million people who live below the poverty line in Azerbaijan, and they further estimate that 57% of the population is highly vulnerable¹⁰¹ to falling back into poverty should they suffer a shock, such as aggregate or idiosyncratic shocks in the labour market, health, or other sectors.¹⁰² The short-term strategy should protect these populations from falling further into extreme poverty and food insecurity, while the long-term social protection strategy needs to lift them out of poverty based on a re-assessment of the population in poverty.

Measure the impact of Covid-19 on poverty and explore policy options to improve existing social protection schemes. The Government is currently developing a second package of social and economic support, and the implementation of the strategy still requires evidence-based decisions. The purpose of the proposed study is to estimate the impact of the pandemic on poverty and assess possible cash transfer scenarios that can be effective in alleviating poverty. This will provide the evidence base for formulating effective policies and programmes.

Adjust and soften the eligibility requirements for existing cash assistance during the pandemic and in the early recovery stage. The current TSA and other social allowances may not be enough for poor families. Since the operational cost for targeting is significant, an alternative is to introduce a universal single package of enhanced TSA to all vulnerable populations.

Conduct a Multi-Indicator Cluster Survey (MICS) in 2021-22 following the Statistics Strategic Plan, which is the most important single source of data for monitoring the SDGs and other global human rights frameworks, providing rich data for identifying pockets of social issues and vulnerabilities.

¹⁰¹ Vulnerable populations are defined as people living above the US\$5 and below the US\$10 poverty lines, both per capita per day in 2005, purchasing power parity international U.S. dollars.

¹⁰² World Bank, South Caucasus In Motion, 2019.

Recovery needs

Based on the final results of the Socio-economic Assessment for Covid-19 in Azerbaijan, the recovery needs are estimated to be AZN 3.57 billion OR USD 2.09 billion. The sector breakdown of these costs is summarized in Table 15, followed by a breakdown of all needs by sector.

Table 15: Summary of recovery needs by sector

#	Sectors	Cost (AZN)	Cost (USD)*
1	Employment and Livelihood	2,250,000,000	1,323,529,412
2	Health	49,458,793	29,093,408
3	Food Supply and Nutrition	503,155,000	295,973,529
4	Education	600,366,236	353,156,609
5	Social Inclusion		
	5.1 Children	146,832,000	86,371,765
	5.2 Women	2,413,260	1,419,565
	5.3 Older people	13,506,400	7,944,941
	5.4 Persons with Disability	2,700,000	1,588,235
	5.5 Refugees	362,610	213,300
	5.6 Migrants	1,642,696	966,292
	Social Protection	2,175,127	1,279,486
	TOTAL	3,572,612,122	2,101,536,542
	TOTAL (Billion)	3.57	2.1

*Conversion rate: 1 USD = 1.70 AZN

Table 16: Recovery needs for the employment & livelihoods sector

S. No	Recovery need and recommended assistance	Cost (Million AZN)
1	Estimated budget provision to support AZN 1264.55 million Working Capital credit guarantee to impacted MSMEs; with 50% interest subsidy and technical assistance to businesses for initiating recovery*	310
2	Total cash assistance support to vulnerable employees incl. trainees	802
3	Cash assistance support for the unemployed	775
4	Temporary expansion of the Targeted Cash Assistance (TSA) program	366
5	Launching digital initiatives to reactivate the labour market	2
	Total recovery need assistance	2,254
	Total recovery need assistance (Rounded Off) (AZN MILLION)	2,250
	Total recovery need assistance (Rounded Off) (AZN)	2,250,000,000

*Of this estimate, AZN 189.68 million is the impact if 25% of all credit guarantees are invoked

Table 17: Recovery needs for the health sector

#	Estimation of needs	Cost (AZN)
1	Country-level C-19 coordination (incl international EMT), and on MEHS s: planning, and monitoring (7500 per month)	229,500
2	Inter-action review every 3 months: lessons from the response, and forecasting	25,500
3	IPC and PPE, with adequate supply chain management (COVID and all health facilities for EHS)	5,821,650
4	Risk communication and community engagement: Both for C-19, as well as addressing barriers to access essential services	4,590,000
5	Hospital facility management, Staff incentives. Higher expenditures for treatment COVID-19 patients (excluding incentives for staff)	7,038,000
6	Surveillance, case definition and contact tracing	2,386,800
7	Laboratory capacity (Supplies and equipment for testing, IPC/PPE, protocols, and training)	153,000
8	Points of entry (screening and management suspect cases); is under port authority, not MOH/TABIB	2,677,500
9	Investments in preparedness and response capacities (initial focus on IHR core capacities)	638,520
10	Maintaining essential health services safely: Optimize service delivery settings and platform, Establish effective patient flow at all levels (screening, triage, and targeted referral, Decentralisation of services, strengthen PHC and regional hospitals	2,530,000
11		10,098,000
12		1,224,000
13	Interventions to address backlog of patients and preventive programs due to suspension and/or reduced demand, and/or delays in seeking care - Catch up campaigns (e.g. immunisation, ANC, etc); Intensified tracing of patients with chronic illness and interrupted treatment	5,731,805
14	Interventions to address increased psychosocial and mental health needs based on the current and projected increase in prevalence	428,400
15	Emergency specific M&E, HIMS that measures changes in utilisation, mapping functionality and adherence to patient safety protocols facilities, assessments of effects on EHS, surveys on barriers and health seeking, etc	4,293,415
16	Ongoing investments in service delivery to ensure safety and resilience after the first 'wave' of the epidemic; Reduce risks for disruptions and barriers in case public health measures are reintroduced (Consider longer term capacity building for adaptations that will make services safe and financial protection for the poor (e.g. IPC, using digital platforms, etc), support health seeking PHC approach; To inform new national Health Strategy Plan for PHC/UHC)	1,592,704
TOTAL		49,458,793

Table 18: Recovery needs for the agriculture and food security sector

#	Proposed measure	Cost (AZN)
	Emergency needs (0-3 months)	
	Measure 1- Assistance to vulnerable groups in access to food and in agriculture	
1	Provide vulnerable group of agricultural producers (100,000 people) with single income support to cover their needs to inputs (seeds, fertilizers, pesticides and tools) where it is required according to subsidy amount	20,000,000
	Early Recovery Needs (3-6 months)	
	Measure 2- Establish better coordination and reliable bazaar/market to agro foods.	
2	Organization of knowledge sharing platforms among key stakeholders (one data of stakeholders created) in the agriculture industry to better communicate (one platform for communication) agricultural objectives and anticipate possible responses required to better support the sector's recovery efforts	170,000
3	Supporting short agro food delivery system such as logistical support to farmers and promotion of online sales platform (high income for farmers cheap food for people) (620,000 small farmers)	5,000,000
4	Establish mobile application (one application created for all farmers, direct target is 620,000 small scale produces) for quick consulting and extension services for farmers	50,000
	Measure 3- Compensation for small farmers to overcome COVID 19 impact	
5	Introducing alternative irrigation system to small farmers in the areas with water scarcity problems (one time grant to 100,000 producers, 50.000 ha);	100,000,000
	Measure 4 – Establishment of food stock for emergency needs	
6	Ensure import of sufficient volume of wheat (1 million ton of wheat)	372,000,000
	Long Recovery Needs (6 to 12 months)	
	Measure 5- Support of development information system for food security	
7	Establishment of integrated (one-database) information systems to provide timely and accurate data from the field in order to better identify impacts on the agricultural sector during a pandemic and to develop appropriate support mechanisms. Common database to be created between (mainly will be involved Ministry of Economy, Ministry of Labour and Social Protection of Population, Ministry of Agriculture) the relevant public and private organizations. Measure 6 – Organize better export mechanism for agro foods	850,000
8	Promotion of usage of digital trade for export of agricultural products. Establishment of special trade regime with the main destination countries (target all agro producers, around 1.2 mln producers) Measure 7 - Support improvement of food safety systems/ standards and other required infrastructure	85,000
9	Supporting regulatory mechanism for local food safety regulations at par with international standards (one guideline and monitoring system);	5,000,000
10	Establish tracking system (one system created and farm inventory system promoted) for agricultural products	
	TOTAL	503,155,000

Table 19: Recovery needs for the education sector

S. No	Interventions/Needs	Cost (AZN)
	Emergency and early recovery needs (0-6 months)	
1	Technical assistance to the MoE in development of the roadmap for school reopening and remedial education	20,000
2	National assessment for the evaluation of the impact of COVID-19 on students' academic outcomes	120,000
3	Enhancing WASH conditions in schools, including access to water, enough hand-washing stations and proper sanitation in school toilets	13,620,000
4	Providing all schools with essential hygiene supplies and services (soap, hand sanitizers, masks)*	190,597,158

5	Training teachers in distance and blended learning instructional strategies and practices	600,000
6	Devices and connectivity for learning for the most vulnerable children in selected communities, including refugee and IDP children, girls, children from remote areas, etc.	11,215,600
7	Develop and use IT solutions to include children with disabilities in distance education programmes	300,000
8	Communication campaign 'Back to School' to enhance hygiene behaviours and promote safe return to school	300,000
	Subtotal	216,772,758
	Early recovery needs (6-12 months)	
1	Technical assistance to the MoE for enhancing hygienic policies and protocols for all pillars of the education system with focus on proper hygiene and sanitation and respiratory etiquette.	20,000
2	Technical assistance to the MoE for development of policies and action plan for mitigating long-term learning gaps and losses through adapting school curriculum, instruction and assessment requirements and practices	20,000
3	Training for the Ministry of Education, local education managers and school leaders in improving data collection and tracking system for out-of-school children and dropouts	45,000
4	Training teachers in dropout prevention, communication/parent engagement strategies and socio-emotional support to children with signs of distress	1,610,370
5	Training for school psychologists for improving psychological support to teachers and students and protection referrals	30,000
6	Providing all schools with essential hygiene supplies and services (soap, hand sanitizers, masks)*	381,368,108
7	Support development of innovative skills education programmes and learning support solutions for adolescents and young people at TVET schools	500,000
	Subtotal	383,593,478
	Sector Total	600,366,236

Table 20: Recovery needs for gender

C	Recovery Needs Description	Cost (AZN)
	Emergency Interventions	383,260
1	Ensure that the social protection plans/emerging economic schemes are gender responsive	0
2	Ensure that GBV service providers and those staying at shelters are provided with PPEs at no cost (the findings of the last GBV research show that the women affected by GBV constitute 15% of ever married women on average. So, this is quite a high figure. But here the cost is derived based on the regular intake of victims by the 2 shelters in Baku and Ganja (50 persons each per month))	24,000
3	Ensure that the Covid-19 related information includes the necessary information on available GBV protection measures through various information materials/short videos, etc.	10,000
4	Launch state-funded shelters/provide funding to the existing shelters to accommodate the victims of violence with necessary refuge, protection and rehabilitation; (It tentatively includes 4 shelters, very rough estimations, including rent/building costs, equipment, service personnel, maintenance fees, etc.)	319,260
5	Launch a single 24/7 national helpline as a part of the national referral mechanism for the victims of DV.	30,000
6	Recovery interventions	2,030,000
	Endorse without any further delay the costed National Action Plan on GBV prevention and response currently pending approval to set up a national coordination body on GBV prevention and response;	2,000,000
7	Endorse the standards/guidelines on provision of coordinated inter-agency support and referral services;	0
8	Ensure that duly trained human resources including volunteers are available to identify and assist the victims. This can be ensured by initiating and running specialized pre and in-service trainings (development of curriculum, integration into the academic programmes for health, justice, interior personnel, etc.)	30,000
	Total	2,413,260

Table 21: Recovery needs for the social inclusion sector

A OLDER PERSONS		
	Recovery Needs Description	Cost (AZN)
	Dissemination of accurate information to older persons	
1	UNICEF has developed materials. Reprinting, Distribution will be under Children Act. 10	56,400
2	Develop radio/video materials for older persons.	50,000
	Continuation of food distribution and other support to older people living alone	
3	Food package. Distribution and engagement by NGO/CSO/Volunteers	6,000,000
4	Resume NGO's support to older persons including provision of psychological and mental health support to older people through strengthening DOST services and involving NGO/CSO partners	
5	Support to strengthen DOST services and 10 NGOs working for older persons. Identify older people and support individuals through the expansion of community social service module in 10 districts (Act. Under Children #7)	500,000
6	Additional financial support to elders covered by social benefits	5,400,000
	Include older persons in economic recovery initiatives	
7	Support at least 1,000 healthy older persons in public work and other incomegeneration activities (6 months)	1,500,000
	Total	8,106,400
B REFUGEES		
	Strategy and Interventions	Costs (AZN)
	Emergency (1-6 months)	
1	One-off assistance for unemployed refugees and asylum-seekers of working age (1,267 pers. X 190 AZN)	240,730
2	One-off assistance for unemployed stateless of working age (44 pers. X 190 AZN)	8,360
	Early recovery (7-18 months)	
3	Tablets for refugee children enrolled in primary and secondary education (344 schoolchildren X 150 AZN)	51,600
4	Internet packages for refugee children enrolled in primary and secondary education for online education if the schools do not re-open (20 AZN X 344 X 9months)	61,920
	Total	2,413,260
C PERSONS WITH DISABILITIES		
	Recovery Needs Description	Costs (AZN)
1	Engage with OPDs in designing and delivering prevention and response plans for PwDs.	0
2	Risk communication on prevention of COVID-19 and available assistance should be available in multiple and accessible formats to people with visual, hearing or intellectual impairments.	100,000
3	Resume services for the registration of new persons/children with disabilities	100,000
4	Support NGO partners to continue support to persons/children with disabilities through virtual/tele-counselling and support.	450,000
5	Resume as earlier as possible the social grants to NGOs/OPDs in supporting PwDs with their projects	2,050,000
6	Provision of mental health support to persons/children with disabilities	
	Total	2,700,000
D CHILDREN		
	Recovery Needs Description	Costs (AZN)
1	Provision of additional financial support to 460,000 the most vulnerable children and their families in subsidizing the loss of income of the families	138,000,000
2	Expansion of the community-based social service module (UNICEF) to 10 more districts	800,000
3	Support family-based alternative care to prevent children return to institutions	1,632,000
4	Strengthening psycho-social support to people especially vulnerable people including young people and Persons with disabilities through hotlines, web- platforms, such as DOST and Child Helpline, etc.	300,000
5	Continuation of Risk Communication and Community Engagement (RCCE) on health behavior change with gender, age, and disability-specific materials through strengthening partnership between the government and NGO/CSO partners - Health practices on hand wash, social distancing and mask-wearing practices. Parenting education in supporting ECD and Learning At Home	1,800,000

6	Develop new RC materials both in digital and in hardcopies, including gender, age, and disability-specific materials	300,000
7	Mobilize 30 NGOs/CSOs to support RCCE (50,000/NGO)	1,500,000
8	Parenting Education programmes in the COVID-19 context in supporting Early Childhood Development, Learning At Home and prevention of violence against children at home	1,000,000
9	Support of adolescents and young people including Volunteer Initiatives in participation and community engagement on risk communication, supporting vulnerable people and online safety	1,000,000
10	Intensive analysis of COVID-19 and impact on children and generate evidence to guide policy decision and support the development of medium and long term social and economic recovery plan	500,000
Total		146,832,000
E	MIGRANTS	
	Activity description	Cost (AZN)
1	Strengthen capacities of Points of Entry (POE) at the borders to support timely health care and referrals (including provision of necessary protective items) during human mobility - Capacity building training for staff and provision of necessary PPE for the selected POE (5 POE x 40K USD each)	339,400
2	Conduct a research and provide recommendations existing (legal, structural, cultural or logistical) barriers that migrants, both regular and irregular, may experience which may impede their access to essential medicines, especially during the roll out of COVID-19 treatments or vaccinations.	50,910
3	Support Government efforts to combat irregular migration, smuggling, human trafficking and improve the capacity of protection and assistance providers to provide services to at-risk migrants, especially those in vulnerable situations, including stranded migrants and migrant workers - Strengthening capacities and of the related government agencies and support to their operations.	186,670
4	Support to NGO-run women and children shelters (for victims of trafficking, domestic violence) to ensure their uninterrupted operations and provision of services in post-pandemic period (including provision of free PPEs) - Support to three NGO-run shelter (3 NGO x 3000 per month x 12 months)	183,276
5	Provide consular/visa/identity document assistance to stranded migrants in need, so they can obtain temporary extension of visa or regularization during the necessary time, which can be key to access services, including critical health services.	84,850
6	Provide reintegration assistance to returning migrants, including livelihood opportunities, access to basic services (i.e. housing, health care, schooling), labour market inclusion support including through training/education, entrepreneurship and business support, recognition of qualifications and prior learning and reestablishment of social ties with their communities	356,370
7	Provide livelihood support and training to vulnerable groups of population - migrants (particularly youth and women). Foster their access to education and financial support that would create job opportunities and ensure their participation in labour market	356,370
8	Produce different Covid-19 related information package that includes the necessary information available on COVID, migration and social services - Updated information packages tailored for migrants in the country	50,910
9	Raising awareness through tools, information campaigns to address COVID-19 related discrimination, exclusion, xenophobia	33,940
Total		1,642,696

Table 22: Recovery needs for social protection

	Recovery Needs Description	Cost (AZN)
Emergency Interventions		
1	Conduct quantitative analysis and assessment in measuring impact of COVID-19 on poverty and explore policy options for improvement of current social protection schemes.	60,000
2	Initiation of social protection reform	300,000
3	Conduct MICS survey	1,815,127
Total		2,175,127

Recovery strategy and building back better

I. PRINCIPLES OF RECOVERY

The following are some of the main principles of recovery that are recommended to guide the Covid-19 recovery strategy for Azerbaijan.

Embed the COVID-19 response in the 2030 Agenda and the Paris Agreement on Climate Change

Frame the Covid-19 recovery strategy for Azerbaijan around the 2030 Agenda and the Paris Agreement, and ensure that recovery objectives are shaped by the Sustainable Development Goals. Climate action provides an unprecedented opportunity to unlock massive growth and employment and accelerate structural transformations for sustainable development. It is imperative that fiscal and monetary measures within stimulus packages do not support economic activities that cause environmental degradation. Pursuing these will not only ensure coherence, but it will also help to protect the gains already achieved by the country or to prevent progress from being lost.

Ensure equitable access to services and resources, leaving no one behind

The assessment results indicate that the pandemic response has had a collateral effect on the delivery of basic services and some population groups affected by lockdown still need assistance. For this reason the recovery strategy should have a strong commitment to providing equitable access for all to Government assistance. A targeted approach should prioritize the identified gaps in people in need and in access to basic services, and be informed by disaggregated data on these groups. The strategy should also help close the gap in social protection following the interruption of some social services for groups such as children with disabilities and the older persons, and the suspension of services provided by some NGOs. Some allowances have exclusion errors in their selection criteria that leave vulnerable groups without assistance. To achieve the

promise of leaving no one behind, review and adjust the country's social protection system, give priority to the resumption of vital social services, and ensure that the fiscal space is stable and does not sacrifice social protection.

Promote participation and partnership

Ensure public engagement throughout the response and recovery process, and strengthen existing civil society efforts supporting communities with food distribution and other essential services. Leveraging these efforts and those of community-based and civil society organizations improves outreach, supports government efforts, enhances public trust, and ensures inclusive participatory processes. Use the crisis as an opportunity to build new partnerships that facilitate the design of policy and the implementation and monitoring of the recovery process. Join the collective contribution of civil society organizations, academia, the private sector, multilateral partners, philanthropic and non-profit organizations, and other global, regional and national organizations. Creative partnerships can harness collaboration, innovative solutions, and resources to meet the country's needs.

Build on and strengthen existing mechanisms and structures

Responding to the pandemic has posed added demands on public institutions and government services, including the suspension of some vital government functions and basic services. Reinforcing capacities, at national and sub-national levels, with added resources and support will be critical to ensuring that they continue delivering their public functions and services. Creative and innovative approaches should also be designed to ensure business continuity under further lockdown and physical distancing measures, including for judicial processes and policing functions that ensure the public's access to justice.

Ensure accountability and transparency

Determine the governance, transparency and accountability mechanisms that will be integrated into all the elements of the national Covid-19 response and recovery package. Such mechanisms will help to build trust and measure progress. The response should ensure that target beneficiaries have access to reliable information, including facts on Covid-19, public policies responding to the crisis, and services and social protection measures available to the public. Proactive communication strategies can help reach vulnerable and at-risk populations with the information they need in accessible formats. Other critical measures that can ensure transparency and accountability include legislative and judicial oversight mechanisms, internal and external audits that ensure effective public financial management and procurement systems, and a multi-stakeholder oversight body involving government bodies, civil society, academia, and other potential oversight institutions. Community-led monitoring mechanisms are also vital to ensure bottom-up social accountability.

II. RECOVERY STRATEGY

In order to put the above principles into practice, the recovery strategy should be anchored in the draft UN Cooperation Framework for 2021-2025, which is currently undergoing joint UN-Government review. The draft framework emerged out of a joint visioning exercise that was conducted in early 2020 and reviewed in mid-2020 to account for the socioeconomic implications of the COVID-19 crisis. It calls for a sustainable development strat-

egy that promotes resilience to economic shocks both at the level of Government institutions and individuals. It also articulates a set of mid- and long-term results in the sectors covered by this assessment; including health, employment, education, agriculture and social protection.

The COVID-19 response and recovery should link up every sectoral response with relevant outputs in the draft UNSDCF. This provides an 18-month roadmap in which national capacities are strengthened to help build back better each sector. The outputs target changes at the level of beneficiaries of Government assistance as well as the institutions that are involved in COVID-19 recovery efforts. In addition, the response should outline the SDGs towards which it will help Azerbaijan advance, and the changes it will help achieve in the situation of people left behind by 2025, should it be successful.

Emphasis should be placed on five SDGs that are at risk worldwide and require close monitoring: SDG 1 on poverty, SDG 2 on hunger, SDG 3 on health, SDG 8 on employment and SDG 10 on equality. Therefore, it is recommended that the national recovery strategy helps to monitor these five SDGs in Azerbaijan, ensuring that the necessary social protection measures are in place to prevent a human development crisis in the country. All actions should ensure that equal outcomes are achieved in the situation of men and women as well as boys and girls who will be targeted by the COVID-19 recovery efforts.

UNSDCF OUTCOMES	SOCIOECONOMIC FRAMEWORK PILLAR	UNSDCF OUTPUTS	SDGs
By 2025 people furthest behind benefit from enhanced national capacities and governance structures for social protection and quality public and social services.	HEALTH FIRST	National healthcare and nutrition systems are strengthened to ensure universal coverage and quality, inclusive and high-impact interventions	SDG3 (Health)
	PROTECTING PEOPLE	The national education system is strengthened to ensure inclusive access to quality education and training	SDG4 (Education)
		Providers of public and social protection services have improved capacity to target the most vulnerable groups with quality, effective and innovative solutions	SDG1 (No poverty) SDG 2 (No Hunger) SDG10 (Inequalities)
	SOCIAL COHESION AND INCLUSION	Institutional capacities are enhanced to develop and implement governance programmes, public service delivery, and modernize services to bridge the digital divide	SDG16 (Justice) SDG9 (Industry)
		Costed action plans on gender equality are set up and implemented	SDG5 (Gender)
By 2025 people furthest behind participate in and benefit from a diverse and innovative economy encompassing future-oriented labour market transformation and access to decent work	ECONOMIC RESPONSE AND RECOVERY	Enhanced human capital and a skilled workforce are available in key economic sectors	SDG8 (Work)
		MSMEs and social enterprises, including women-led businesses, are set up and sustained for the benefit of the furthest behind	SDG9 (Industry)
By 2025 people including those left behind benefit from climate strategies and environment protection policies that ensure natural resources are sustainably managed, livelihoods protected and resilience strengthened	ECONOMIC RESPONSE AND RECOVERY	Rural populations are able to diversify their income sources and sustainably improve their livelihoods	SDG10 (Inequalities)
		Evidence-based policies, mechanisms and practices are adopted to reduce environmental hazards	SDG12 (Environment)
	MACROECONOMIC RESPONSE	Institutional capacities are strengthened to improve monitoring and reporting on the SDGs and on furthest behind persons	SDG17 (Partnerships)

Design an integrated multidimensional recovery package

Using this results framework as a roadmap, the Government should ensure that recovery is multidimensional and that it responds to short, medium and long-term needs, focusing on the following five pillars:¹⁰³

1) Health First

Promote a two-phase strategy. First, targeted actions to maintain essential lifesaving health services even while addressing the pandemic and as they surge, to meet the spike in demand for acute care. Second, a complementary effort targeting health systems recovery, preparedness and strengthening with a focus on primary health care and Universal Health Coverage (UHC) and preparedness for future waves of Covid-19.

2) Protecting People

To protect people and most vulnerable: 1) Scale up and expand resilient and pro-poor social protection systems; 2) Maintain essential food and nutrition services; 3) Ensure continuity and quality of water and sanitation services; 4) Secure sustained learning for all children, and adolescents, preferably in schools; 5) Support the continuity of social services and access to shelters; and 6) Support victims of Gender-Based Violence.

3) Economic Response and Recovery

Consider in the economic recovery strategy that: Most vulnerable workers are in the informal economy; Because of pre-existing gender-based inequalities, women will likely experience more difficulty finding new jobs or entrepreneurship opportunities for their economic recovery; Economic recovery is about protecting jobs and workers, ensuring decent work, and protecting productive assets, productive units and productive networks during the crisis; Policy decisions across multiple sectors and mitigation of adverse policy effects are needed to avoid disruption and permanent job losses; Climate change and environmental considerations should also be taken on board across all sectors of response and recovery efforts. The stimulus packages should support the transition to a healthier, resource efficient, and green economy.

4) Macro-economic Response and Multi-lateral Collaboration

A three-step approach is essential for the

macro-economic response to the crisis, ensuring it does not derail Azerbaijan's efforts to achieve the SDGs. First, quantify the spending necessary to contain the crisis. Second, identify the fiscal space available for increasing spending, as it will in large part determine the government's capacity for action. Third, determine policy priorities and available policy measures considering both financing and implementation constraints faced by the government.

For the above it will be necessary to consider that: 1) to properly assess the scope and scale of the needed increase in expenditure, a clear understanding of the various channels of economic impact is essential; 2) Large-scale fiscal measures, supported by targeted monetary easing, will be needed to contain the spread of the disease, ease the shock to jobs, reduce layoffs and guarantee minimum living standards, with a special focus on vulnerable population groups; 3) key implications of the proposed policy measures will need to be analyzed as well, to ensure that policymakers are aware of policy trade-offs and that the desired impacts of such measures are sustained over time without causing economic and social instability and environmental degradation.

Four areas of regional coordination are particularly relevant: First, regional cooperation on trade policy to coordinate and harmonize trade measures; Second, improved connectivity and lower transaction and transport costs need to be promoted; Third, monetary coordination and financial stability through regional coordination must be strengthened, to avoid, for example, a "beggar-thy-neighbor" policy; and Fourth, cooperation to strengthen environmental resilience will be crucial to avoid future pandemics.

5) Social Cohesion and Community Resilience.

Communities will bear the brunt of the socio-economic impact of Covid-19, but they also hold the key to flatten the curve, respond to the pandemic and ensure longer-term recovery. Therefore 1) Ensure inclusive social dialogue, advocacy, and political engagement; 2) Empower community resilience, participation, and equitable service delivery; 3) Support to governance, fundamental freedoms and the rule of law

¹⁰³ Based on the UN Framework for the Immediate Socioeconomic Response to Covid-19, April 2020.

III. BUILDING BACK BETTER

We need to turn the recovery into a real opportunity to do things right for the future

– United Nations Secretary-General.

As attention shifts to planning for a post-pandemic recovery, supported by development visions for 2030 and beyond, the United Nations is calling on Governments to seize the opportunity to “build back better” by creating more sustainable, resilient and inclusive societies. While responding urgently to stem the impact of the pandemic, recovery can respond in a way that builds a better future. Development trajectories in the long-term will be affected by the choices countries make now and the support they receive. Therefore, responses now must be undertaken with an eye to the future. Tackling inequality, greening the economy, bridging the digital divide, and upholding human rights and good governance will be critical for recovery.

Consider a new social compact

Building back better through the Covid-19 recovery strategy means building back with a new social compact focused on people, human rights and equality. Consider this opportunity to introduce a universal social protection system in the country that guarantees universal access to health, education, unemployment insurance and universal income.

Close the digital divide

The pandemic has increased the world's reliance on digital technologies. Access to universal, open, affordable, secure, and stable Internet is vital to save lives, to protect human rights, to create employment opportunities, increase access to health services, and to secure access to online education for children and youth.

By ensuring access to the internet and electronic equipment to close the digital

divide, the Government can multiply the benefits of its stimulus package, protect the SDGs, and ensure no one is left behind. It is estimated that closing the gap in access to the Internet for low- and middle-income countries would cost just 1% of the extraordinary fiscal support packages the world has so far committed to respond to Covid-19.

Promote a green recovery and strengthen climate action

The six climate-related actions to shape national recovery, as proposed by the UN Secretary General, can be considered:

- First, the huge amounts of money to be spent on recovery from the coronavirus must deliver new jobs and businesses through a clean, green transition.
- Second, where taxpayers' money is used to rescue businesses, it must be tied to achieving green jobs and sustainable growth.
- Third, fiscal firepower must drive a shift from the grey to green economy, empowering societies and people to be more resilient.
- Fourth, public funds should be used to invest in the future, not the past, and flow to sustainable sectors and projects that help the environment and the climate. Fossil fuel subsidies must end, and polluters must start paying for their pollution.
- Fifth, climate risks and opportunities must be incorporated into the financial system as well as all aspects of public policy making and infrastructure.
- Sixth: we need to work together as an international community.

Avenues to achieve green recovery are further detailed in Annex 2 of this report.

Policy recommendations

In view of the effects and impacts of Covid-19 on Azerbaijan as identified in this assessment, the following are the main policy recommendations to support the recovery process.

Macro-economic recommendations

- **A multi-year Action Plan:** consider introducing a new social support package due to prolonged quarantine and start planning for the impact of the pandemic beyond the initial response and short-term measures in 2020.
- **Policy reform:** the pandemic highlighted structural flaws in the economy of Azerbaijan. Once the pandemic subsides long-term structural reforms should be carried out, including:
 - **Reducing the size of the informal sector.** This crisis showed that the size of the informal economy is still large, leaving over 20 percent of working-age population with no job security. Reducing the size of the informal economy will yield substantial benefits down the road in the form of higher tax revenues.
 - **Prepare for a prolonged period of low oil prices.** This recommendation is in line with recent IMF paper on fiscal policy response to low oil prices. Despite attempts to diversify the economy, Azerbaijan's GDP, exports and revenue largely depend on oil prices. With continued uncertainty, oversupply of market, prolonged recession (potentially depression), it is unlikely there will be a quick recovery in oil prices. The GoA should use this momentum to further diversify the economy and, specifically the power sector by advancing the energy transition, optimizing government expenditure over the medium term. If fiscal rule ends up being violated, the GoA should also underline its commitment to this rule beyond the crisis. Public commitment to fiscal rule is likely to support a gradual consolidation over medium to long-term.

Build a stronger shock-responsive social protection system

- Develop and strengthen sustainable, comprehensive and inclusive long-term shock responsive social protection systems.
- Work towards universality of social protection packages for children mirroring the universal pension for older people.¹⁰⁴ A full implementation of the Universal Child Grant (UCG) will build more sustainable, shock-responsive and inclusive social protection systems.
- Consider introducing a new social support package in response to a prolonged quarantine period and start planning for the impact of the pandemic beyond the initial response and short-term measures in 2020.
- Widen the beneficiary identification criteria for social benefit distribution of cash assistance to include all those earning less than 300 manats (120 manats above the poverty line) to ensure they do not fall into poverty.
- Temporary expansion of the Targeted Social Assistance Programme to bring under cover at least an additional 221,000 households (153,000 new vulnerable households and 68,000 households who were excluded before Covid-19) for six months. Special provision of TSA should also be extended to 50,000 affected emigrant households who may face difficulty in the destination countries (such as Russia, Turkey and others).

Ensure the food security of the most vulnerable households in each region

- Ensure that there is no shortage of basic food supplies through regular inspection, control and surveillance of commercial businesses to control the prices of staple foods such as grains and pulses and the supply chain of food items, and ensure

¹⁰⁴ ILO, World Social Protection Report 2017-2019. 2020.

that access is restored to markets.

- Plan for alternative forms of assistance such as providing food vouchers, or grocery packs to families in need with civil society and community networks assisting the government to deliver support to the more isolated individuals.
- Facilitate the movement of food and food-production related items including transport of agricultural goods and food workers while ensuring the health and safety of workers.
- Reinforce the duty of competent authorities to ensure transparent market information by: i) assigning powers to request data from actors in the supply chain of production, distribution, retailing and other forms of intermediation for the purpose of monitoring prices, and ii) requiring competent authorities to publish the prices of basic food commodities to safeguard the well-being of the most vulnerable consumers.
- Promote changes in consumer behavior, including encouraging local procurement and reducing food loss and waste, and support local production, in particular small farmers' access to alternative markets, through enabling rules that facilitate fair contracts in the supply chain, as well as safe direct sales.
- Establish mechanisms to strengthen the collaboration between 'food banks' and community-based groups to ensure food delivery (including home food delivery) and food redistribution to avoid food loss and waste.

Revive the economy and restore livelihoods

- Provide a comprehensive financial working capital assistance and technical assistance package to all impacted MSMEs, across economic sectors to cover six months of their operations to support the recovery of their businesses.
- Introduce apprenticeship stipends and cash assistance support for vulnerable employees and young and inexperienced job seekers to work in MSME's for a duration of six months, enabling the businesses to revive while building the skills of youth that discontinued VET training due to the pandemic.
- Expand Unemployment Insurance support to all 600,000 unemployed workforce registered with MLSPP for a duration of 6 months by adopting a differentiated approach for people in the following categories (a) unemployed from pre Covid-19 time, (b) employees in MSMEs who may get affected if further job losses happen, (c) refugees and asylum-seekers, and (d) informal workers working without labour contracts and who lost their jobs due to the pandemic.
- Develop a strategy to reduce the size of the informal sector so that 20 percent of the working-age population will have job security and contribute to the economy including providing higher tax revenue for the government.

Advance use of digital technology in all spheres of the economy and society

- Build on the country's innovative DOST initiative and digital social protection and social service system, develop completed Social Protection Information Management System (SPIMS) with updated real-time information using new technology including development of real-time monitoring and data collection tools/applications and establishment of case management databases.
- Launch digital initiatives to reactivate the labour market for a self-employment programme for youth and promote a digital platform for labour exchange to serve job seekers for both regular wage as well as self-employment (full or part-time) markets. The aim is to reduce job-to-skill mismatches, incentivize employers and job seekers to move towards formalization of labour contracting processes and help the government to better target relevant assistance schemes.
- Digitalize Vocation Education and Training (VET) for the unemployed as a part of the BAJAR initiative to prepare youth to enter the labour market and take up apprenticeship programmes by linking the VETs to enterprises. Train teachers in schools to enhance digital literacy skills, innovation and alternative teaching methods to expand learning for all.
- Use social media and other innovative means such as WhatsApp, phone calls to deliver certain essential services including counseling pregnant women, care givers, home visits (including counseling parents/caregivers on breastfeeding, child feeding and development, provision of child growth and development monitoring), using existing experience and guidelines from other countries.
- Use alternative ways (online, WhatsApp, phone calls, etc.) of delivering certain essential services related to maternal and child health.
- Develop completed Social Protection Information Management System (SPIMS) with updated real-time information using new technology, including the development of real-time monitoring and data collection tools/applications and the establishment of case management databases.

Green recovery

- In the power sector, focus on enhancing the generation and use of renewable energy through targets, enhanced grid flexibility, institutional changes, and tapping synergies between the power and end-use sectors.
- Strengthen its climate change adaptation priorities as part of its climate change response and upgrading of its NDC, especially focusing on agriculture and forestry sectors.
- Promote private sector investment in sustainable agriculture and agroforestry.
- Provide small grants to MSMEs to develop new value-added products and supply chains: Increasing value-added processing and diversifying the supply chains of new products could bring significant increases in income.
- Develop publicly funded incentives and reform subsidies to catalyze sustainable agriculture and agroforestry: the Government of Azerbaijan subsidizes conventional agriculture, including the use of chemical pesticides and fertilizers. By adjusting a range of subsidies and incentives, the government could both reduce the use of these inputs, while also promoting a transition to sustainable, regenerative agriculture and agroforestry.
- Direct public works for reforestation: hiring people directly in each of the various stages of reforestation – is a viable pathway if Azerbaijan plans on including direct public works in its Covid- 19 recovery plan. This could include the cultivation of seedlings in nurseries, as well as the planting of seedlings in degraded or converted forestlands.
- Private sector investment to undertake forest restoration: this can be achieved through four steps to access private sector finance for forest restoration, namely identifying relevant investors, developing a business plan, setting up an investable entity and tracking performance.
- Provide small grants to communities to conduct reforestation: the benefits of forests far surpass the cost and effort, and communities directly accrue many of the benefits. Dedicated small grants to communities can be one of the fastest, most cost-effective ways to accelerate action on forest restoration.
- Develop publicly funded incentives for private land: there are two viable approaches to catalyze forest restoration and protection through private incentives: a) payment for ecosystem services; and b) private conservation tax incentives. Payments for ecosystems services are already widely used around the world, have already been explored in Azerbaijan within a UNDP-supported project, and are one of the core recommendations of a study of forests in Azerbaijan.

Gender and Social Inclusion

- Develop and implement a gender and vulnerable-sensitive emergency response plan with mechanisms for consultation and the participation of women in the development of social protection plans/emerging social and economic response plans and social protection schemes to ensure they are gender responsive.
- Launch a single 24/7 national helpline as part of the national referral mechanism for the victims of domestic violence and Gender Based Violence to connect the survivors with required services. Ensure that there are enough shelters and social workers to address domestic and gender based violence.
- Develop targeted women's economic empowerment strategies, including cash transfers coupled with support services such as parenting and caregiver support programmes to mitigate the impact of the outbreak and support families to recover and build resilience for future shocks.
- Improve protocols for disaggregating data by age, gender, disability, children, region and on social welfare, violence, marital status, household (or family) composition and type of living quarters to provide for granular and meaningful data analysis to inform policies affecting social protection and other services.
- Recognize the intersectionality in social groups (across gender, age, income class, type of work, residence, etc.) to ensure well-targeted services and simplify and facilitate access to support programmes to ensure that there is no further deterioration in the lives of the most vulnerable.
- Enable refugees to earn income legally in Azerbaijan to recover from the impact of the Covid-19 through skills training followed by access to employment opportunities facilitated by Employment Centers of the Ministry of Labour and Social Protection of Population.
- Prioritize and resume services for identifying and registering new persons/children with disabilities as early as possible. Enable communication for people with disabilities in multiple and accessible formats for people with visual, hearing or intellectual impairments.

Annexes

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Annex 1:

GOVERNMENT'S SUPPORT PACKAGE IN RESPONSE TO COVID-19

The Government of Azerbaijan introduced a broad economic support package in response to Covid-19, outlined below.

INSTITUTIONAL FRAMEWORK

- President of the Republic of Azerbaijan signed the order on "Action Plans to reduce the negative impact
- of the coronavirus (COVID-19) pandemic on the economy of the Republic of Azerbaijan";
- According to the order of the President of the Republic of Azerbaijan, the Cabinet of Ministers of the Republic of Azerbaijan approved the Action Plan on the implementation of paragraph 10.2 of the Order of the President of the Republic of Azerbaijan dated March 19, 2020 No. 1950.

The Action Plan includes measures in the following three areas:

SUPPORTING ECONOMIC GROWTH AND ENTREPRENEURSHIP

- Coordination of economic entities;
- Protection of jobs and social stability;
- Strengthening transparency of economy;
- Providing tax incentives to support economic activity;
- Expanding access to credit of entrepreneurs;
- Additional support measures in the areas affected by the pandemic;
- Implementation of urgent measures to shift to a new model of economic growth in the post-pandemic period.

SUPPORTING THE EMPLOYMENT AND SOCIAL-WELFARE

- Protection of public sector and private sector employees from unemployment risk;
- Social protection of unemployed people and vulnerable groups.

MACROECONOMIC AND FINANCIAL STABILITY

- Develop a macroeconomic policy framework in line with the new economic realities;
- Taking comprehensive measures and strengthening control over the capital account and enhancing the effectiveness of the currency regime;

IMPLEMENTATION OF THE ACTION PLANS

- The support program is estimated at USD 1,47 billion (3,1 percent of GDP), which covers both anti-crisis measures and a program of economic and credit expansion to support domestic demand.
- Direct financial support to 300,000 private entrepreneurs in the areas of economy affected by the pandemic (\$ 47 million);
- Wage subsidy of 300,000 employees in the areas of economy affected by the pandemic; (\$ 127 million);
- Temporary tax other fiscal exemptions in the areas of economy affected by the pandemic; (\$ 68 million);
- Financial support to passenger transport enterprises (\$ 165 million);
- Ensuring state guarantees and subsidizing interest rates on new bank loans to be issued to businesses and entrepreneurs (USD 0.3 billion);
- Subsidizing part of the interest rate on existing bank loan portfolio (total amount 0.6 billion USD) without state guarantees.

IN THE FIELD OF EMPLOYMENT, SOCIAL WELFARE AND PUBLIC HEALTH

- Providing lump sum payment in equal amount to subsistence minimum to persons registered as an unemployed during the pandemic period (600 thousand people);
- Creation of 90,000 paid public jobs;
- Reimbursement of tuition fees for students in category of socially vulnerable families (\$ 24 million);
- Allocation of financial resources from

the state budget to protect the health of the population and provide the needs of citizens for medical masks (\$ 2.7 million);

- Temporarily increase the size of the existing discount limits on the usage of electricity (\$ 5.9 million).

TAX PRIVILEGES AND EXEMPTIONS

- President of the Republic of Azerbaijan approved the Law on Amendments to the Tax Code of the Republic of Azerbaijan on temporary tax exemptions and reliefs;

THE FOLLOWING TAX EXEMPTIONS AND RELIEFS HAVE BEEN APPROVED:

- Full exemption from property and land tax and 75 percent (%) exemption from corporate (profit) income tax for the following activities:
 - Hotels and other hotel-type facilities considered as means of accommodation;
 - Domestic (intercity and inter-district, intra-city and intra-district) passenger transportation by road (including taxi);
 - Carriage and (or) delivery of goods on orders, including food, food and non-food products from sellers to buyers;
 - tour operator and travel agent activities;
 - catering activities;
 - organization of exhibitions, theatrical events, entertainment (games), cinemas, theaters, museums and concert halls;
 - activities of sports and recreation facilities;
 - activities of training (education) and refresher courses, children's education and development centers, children's clubs, psychological centers;
- 50 percent discount on the amount of the simplified tax on domestic (intercity and inter-district, intra-city and intra-district) passenger transportation by road (including taxi) and catering activities;
- 50 percent discount on the amount of the simplified tax to persons exercising the right to be a payer of the simplified tax;
- Reduction of the tax rate from 14% to 7% in respect of income from the rental of real estate leased from individuals;
- Deferral of calculation of interest on debts until the end of the year;
- Tax holidays on calculation and pay-

ment of taxes, as well as current tax payments.

OTHER EXEMPTIONS

- Deduction of expenses, incurred by the taxpayer for the purpose of carrying out necessary preventive measures, including disinfection, with a view to stem the epidemic and protect the life and health of the population, from income without limitation.
- In order to ensure the health and needs of the population with the necessary food products during the temporary tax regime, the import of products (goods), the list of which is approved by the body (institution) determined by the relevant executive authority, is exempt from VAT.

DETAILED GOVERNMENT ECONOMIC PACKAGE

The table below is a more detailed list of measures included in the Government's economic support package.¹

I. SUPPORT FOR ECONOMIC GROWTH AND ENTREPRENEURSHIP

A. IMPLEMENTATION OF TIME-CRITICAL INTERVENTIONS TO REDUCE THE NEGATIVE EFFECTS OF THE PANDEMICS ON THE NATIONAL ECONOMY IN THE SHORT TERM		
Measure	Coverage (# of people)	Period of execution
FOR EMERGENCY COORDINATION OF THE ACTIVITIES OF ECONOMIC INSTITUTIONS		April to Dec 2020
FOR PROTECTION OF WORKPLACES AND SOCIAL STABILITY		
Partial payment of salaries of employees working in the areas affected by the pandemic (in order to prevent workplace reductions)	300,000	During 2020
Provide financial support to private (micro) entrepreneurs operating in areas affected by the pandemic (in order prevent reduction of jobs – as the main criteria to be applicable to taxpayers who paid taxes, mandatory state social insurance and unemployment insurance in 2019)	300,000	During 2020
TO INCREASE TRANSPARENCY IN THE ECONOMY		
Consider capital and property amnesty in the country in order to expand financial sources of economic growth and investments		
TO PROVIDE TAX INCENTIVES FOR MAINTENANCE OF ECONOMIC ACTIVITY (to business entities (including small and medium enterprises) operating in areas affected by the pandemic): Short-term simplified tax abatements to micro-sized enterprises; temporary exemptions from property and land taxes; short-term profit (income) and simplified tax abatements to taxpayers; temporary exemptions from ongoing profit (income) and property tax payments; extend deadlines for submission of tax statements on micro-entrepreneurship entities (income, profit, property and simplified tax) and for payment of taxes; extend deadlines for payment of taxes in economic activity affected by the pandemic; grant temporary tax exemption to certain types of products necessary for food and medical needs; VAT exemptions to imports of raw materials and supplies related to the production of certain types of products in order to meet the needs of the population in food, medicine and other necessary products in short term; ensure deduction from income of expenses incurred for necessary preventive, including disinfection measures carried out by the taxpayer in order to prevent the epidemic and protect the life and health of the population; abatements on taxes payable from rents; short term deferral of interest calculations on unpaid taxes, mandatory state social insurance and unemployment insurance premiums; reduce the social insurance burden of a number of business entities.		

¹ Government of the Republic of Azerbaijan (<https://cabmin.gov.az/az/document/4367/>)

<p>TO PROVIDE STATE LOAN GUARANTEE SUPPORT TO THE ECONOMY AND ENTREPRENEURSHIP (Issuance of state guarantee on bank loans of 0.5 billion manat to be granted to business entities (including small and medium enterprises) operating in areas affected by the pandemic and subsidization of the loan interests.</p> <p>Issuance of state guarantee for 60% of new loans in the amount of 500 million manat; Subsidizing 50% of interest rates on guaranteed loans from the state budget;</p> <p>Prepare and submit maximum interest rate, term, scope for areas of activities and other criteria within 2 weeks;</p> <p>Establish mechanisms for providing unsecured microloans in the agricultural sector by the Agrarian Credit and Development Agency</p> <p>Allocation of additional funds to the Entrepreneurship Development Fund Subsidize loan interest rates on the existing loan portfolio of business entities (including small and medium enterprises) operating in the pandemic-affected areas in the amount of 1 billion manat as of March 10, 2020:</p> <p>Subsidize 10% interest rate on existing bank loans without state guarantee as of March 10, 2020</p> <p>Prepare and submit loan durations, scope for areas of activities and other criteria within 2 weeks</p> <p>Increase the amount of funds allocated for privileged mortgage loans Provide financial support to the passenger transportation area of vital importance</p> <p>Establish a Coordinating Council to coordinate the activities of all financial and incentive institutions and funds, which are established by the State, and that support entrepreneurial activities (including small and medium entrepreneurship) in the country</p> <p>Implement urgent measures in the areas of activities of financial and incentive institutions and funds established by the State in the following directions:</p> <ul style="list-style-type: none"> -enhance the financing tools of the Entrepreneurship Development Fund, including the issuance of loans and subsidize interest rates and improve credit guarantee instruments by the Mortgage and Credit Guarantee Fund 		
<p>FOR IMPLEMENTATION OF ADDITIONAL SUPPORT MEASURES IN THE AREAS OF ACTIVITIES AFFECTED BY THE PANDEMIC</p>		
<p>Non-calculation of rent from business entities (including small and medium entrepreneurs) that leased state property and affected by the pandemic by the end of 2020.</p> <p>Non-calculation of rents paid by entrepreneurs (including small and medium entrepreneurs) who leased state owned lands and affected by the pandemic by the end of 2020.</p> <p>Non-calculation of rents of residents operating in industrial areas affected by the pandemic by the end of 2020</p> <p>Take measures in the following areas to increase and stimulate the export of non-oil products: enter in the Tax Code the mechanism of sale of goods with export note used in international practice in order to increase interest in the export of non-oil products (provided that the payment of taxes is secured by bank guarantee and other methods in case of non-export of goods); application of customs duty exemptions on relevant list in order to increase the competitiveness of local production areas that depend on imported and non-locally produced raw materials and intermediate goods; take measures to stimulate the use of special customs procedure internally by entrepreneurs.</p> <p>Implement the following measures in order to fully and uninterruptedly provide the population with relevant products necessary for food and medical needs and imported into the country: temporal cutting to "0" (or reduction) of import duties on products deemed necessary; extraordinary (accelerated) application of customs clearance, control and issuance of permits (certificates) during the import of products deemed necessary.</p> <p>To take additional measures to support small and medium enterprises in acquisition of local products (goods and services) in public procurement</p> <p>Waive fees paid by professional participants of the banking and insurance market to the Financial Market Supervisory Authority</p>		

B. TAKE URGENT MEASURES FOR THE IMPLEMENTATION OF THE NEW MODEL OF ECONOMIC GROWTH IN THE POST-PANDEMIC PERIOD

To maintain the pace of economic growth and employment through the expansion of domestic demand, to identify the following areas of economic activities as the main priorities of the state policy in the medium term in order to create new jobs, to provide government support for the development of these areas and encourage private investments: in the following sectors: construction, mining, petrochemicals, the digital economy, transport, trade, logistics, telecommunications, agriculture and processing, and domestic tourism.

Prepare proposals for the implementation of the following reforms in order to improve the system of state property management, including the State's stakeholder (investor) role in relation to state-owned companies: establish the State Investment Holding for centralized management of companies on behalf of the State, to increase the transparency and economic efficiency of their activities, as well as of investment

programs, to ensure competitiveness; improve the management of state-owned companies, apply corporate standards and ensure financial transparency within the activities of the State Investment Holding; and develop privatization program for state-owned enterprises.

To establish the Azerbaijan Construction Corporation and the prepare proposals for the implementation of the following activities in order to accelerate the development of cities and regions to create a new mechanism for the development and implementation of strategic projects in the construction sector: long-term management of the strategic projects portfolio, development of new projects; attract investors to finance these projects; the State allocation of lands for new construction projects and establishment of necessary infrastructure; and implementation of pilot project providing multi-functional construction.

Make changes in the relevant legislation to create a favorable condition for the expansion of public-private partnerships

II. EMPLOYMENT AND SOCIAL WELFARE SUPPORT

FOR PROTECTION OF PUBLIC SECTOR EMPLOYEES FROM UNEMPLOYMENT RISK AND THEIR SOCIAL PROTECTION		
1. Prevent unjustified dismissal, layoffs of public sector employees and maintenance of salaries of employees on leave	910,000	April-May 2020
PROTECT PAID WORKERS IN THE NON-GOVERNMENT SECTOR AGAINST UNEMPLOYMENT RISK AND ENSURE THEIR SOCIAL PROTECTION		
2. Conduct legislative work on employers and ensure daily control in order to prevent unjustified dismissals and layoffs of employees in the private sector	664,000	April-May 2020
FOR EMPLOYMENT AND SOCIAL PROTECTION OF UNEMPLOYED AND DISMISSED PERSONS		
3. Ensure temporary employment of unemployed through the creation of 50,000 paid public jobs	50,000	
4. Provide lump sum payment in the amount of the subsistence minimum (190 manat) to persons registered as unemployed in the State Employment Service	200,000	
5. Expand and accelerate the implementation of the self-employment program implemented in cooperation with the Unemployment Insurance Fund, Nations Development Program and the World Bank the United	11,000	April-Dec 2020
6. Expand the coverage of unemployment insurance payments and create proactive appointment mechanism	20,000	April-Dec 2020
7. Continue to pay insurance payments and stipends during the special quarantine regime for persons whose unemployment insurance payments have expired but are not employed, and students who are in break from vocational training courses, and improve the salaries co-financing program	2,000	April-May 2020
FOR ENHANCING THE SOCIAL PROTECTION OF SPECIAL VULNERABLE PEOPLE		
8. In order to bridge deficit in the face of declining social insurance premiums and ensure the sustainability of social payments (pensions and benefits) to the population. Use of 200 million manat reserves of the State Social Protection Fund for 2019		April-Dec 2020
9. Continue assistance to families (individuals) whose targeted state social assistance expires during the special quarantine regime until the end of the special quarantine regime and simplify the determination of targeted state social assistance during this period	62,000	April-May 2020
10. Provide social services to homes of lonely people over the age of 65 and provide services to people in need of special care in social service institutions	14,000	April-May 2020
11. Cover the tuition fees of students who are members of socially vulnerable families		During 2020
12. Increase 100 kWh the volume of discounted electricity limit for the population in April-May.		April-May 2020

Annex 2:

GREENING PROSPERITY

A PATHWAY TOWARDS GREEN JOBS, GREEN LIVELIHOODS, AND GREEN RECOVERY IN AZERBAIJAN



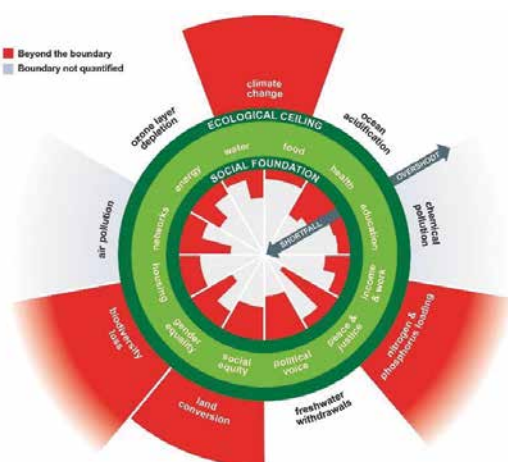
GREENING PROSPERITY:
A PATHWAY TOWARD GREEN JOBS,
GREEN LIVELIHOODS AND GREEN
RECOVERY IN AZERBAIJAN



INTRODUCTION

THE IMPERATIVE OF GREEN PROSPERITY

It is clear that the current business-as-usual trajectory of how we produce and consume everything is not sustainable. Not only have we far surpassed four planetary boundaries – our ‘ecological ceiling’ – but we are also falling far short in providing the social foundations for humanity. The result is a triple crisis – of climate change, biodiversity loss, and global inequality. Figure 1 shows the ‘doughnut’ that defines these upper and lower limits to growth and prosperity.²



A recent UNDP paper on Covid-19 identifies seven emerging tipping points for Covid-19 recovery, that could help change the trajectory of business as usual practices. Two of these are at the heart of green prosperity: a capabilities revolution that focuses on addressing income inequalities; and a climate and nature transition that decouples growth from carbon emissions and unsustainable consumption and production.³

A focus on green jobs, green livelihoods and green

recovery can together help to accelerate a transition toward ‘green prosperity’ – toward a green economy that sustains people, planet and prosperity. The purpose of this briefing note is to provide an analysis of potential pathways for green prosperity for Azerbaijan, with a focus on

nature-based solutions. Additional guidance is available at UNDP’s Covid-19 Green Economy Offer, and UNDP’s Covid-19 Nature, Climate and Energy Offer.

WHAT IS A GREEN ECONOMY?

A green economy is an economy that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities, and that aims for sustainable development without degrading the environment.⁴ A green economy can be achieved through green jobs and livelihoods, as well as through green economic, social and environmental policies.

WHAT ARE GREEN JOBS?

Green jobs include paid formal employment that contributes to environmental health. This employment may cut across many sectors, including manufacturing and construction, food production, energy production, and management of natural resources. Green jobs can help to improve the efficiency of energy systems, production systems and food systems; reduce or eliminate greenhouse gas emissions; minimize waste and pollution; protect and restore ecosystems; reduce the use of natural resources and raw materials, including water; and support adaptation to the impacts of climate change.⁵ Examples of green jobs include installing solar panels, retrofitting outdated buildings with energy efficiency measures, recycling and upcycling waste streams, jobs in ecotourism, and paid employment in the protection, restoration or sustainable management of natural resources (e.g., jobs in agriculture, fisheries, forestry and other nature-dependent sectors).

WHAT ARE GREEN LIVELIHOODS?

A livelihood is the means of securing the basic necessities of life, including income, food, water, medicine, energy and materials. In the context of this briefing note, a green, nature-based livelihood is defined as a means of securing the basic necessities of life through interacting sustainably with

² See Raworth, 2017, Meet the Doughnut: The new economic model that could help end inequality. Available at <https://www.weforum.org/agenda/2017/04/the-new-economic-model-that-could-end-inequality-doughnut/>

³ See UNDP (2020): Beyond Recovery. Available at: <https://www.undp.org/content/undp/en/home/librarypage/hiv-aids/beyond-recovery-towards-2030.html>.

⁴ See UNDP (2019). Green Economy and Green Jobs: Challenges and Opportunities in Europe and Central Asia. Available at: <https://www.eurasia.undp.org/content/rbec/en/home/library/sustainable-development/green-economy-and-green-jobs-challenges-and-opportunities.html>

⁵ See https://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang-en/index.htm

nature. This includes livelihoods (including subsistence, unpaid labor and paid labor through informal employment) in sustainable agriculture, fisheries, forestry and other nature-dependent sectors, as well as livelihoods along the supply chains of sustainably produced natural products.

WHAT IS A GREEN RECOVERY TO COVID-19?

Countries around the world are charting an economic recovery to Covid-19. The contours of each economic packages will have an enormous influence on the trajectory for the country, and can either hinder or accelerate a transition to a green, circular economy. For the purposes of this briefing note, a green economic recovery is defined as a suite of economic measures that accelerate the transition to a green, circular economy, including through subsidies, incentives,

and direct and indirect expenditures. A green recovery may favor green jobs and livelihoods, as well as green infrastructure development, economic divestment from 'gray' investments, and direct green public works, among other measures.

WHAT IS THE ROLE OF NATURE-BASED SOLUTIONS FOR GREEN PROSPERITY?

Nature-based solutions are actions that protect, sustainably manage and/or restore ecosystems, while simultaneously contributing to the achievement of multiple sustainable development goals, including national goals for climate, food security, water security, disaster risk reduction and livelihoods, among others. Nature-based solutions can play a key role in green prosperity by providing the backbone for a sustainable nature-based green economy.

ECONOMIC SNAPSHOT OF AZERBAIJAN

Azerbaijan's economy has grown at impressive rates over the past two decades, driven primarily by a boom in oil sales and fiscal expansion. Key points to note about Azerbaijan's economy today:

- **Oil dependency** – Azerbaijan's economy is still highly dependent upon oil and gas. However, the price of oil has recently plummeted from \$55 per barrel to \$25.
- **Formal vs. informal economy** – The informal or 'shadow' economy in Azerbaijan has been estimated to be as high as 68% of GDP⁶
- **National currency devaluation** - the demand for dollars has spiked in Azerbaijan amid fears of national currency devaluation which will decrease the purchasing power of the population and will causes negative ripple effects throughout the economy
- **Human Development Index:** Azerbaijan's Human Development Index value for 2018 was 754, positioning the country at 87 out of 189 countries, and representing an increase of 23% between 1005 and 2018.⁷
- **GINI Index:** Azerbaijan ranks very low on the GINI index of inequality, ranking 153 out of 159 countries, with a score of 26.6.⁸
- **Poverty:** Azerbaijan has almost eliminated extreme poverty, dropping from 7.3% in 1995 to 2.7% in 2001.⁹

⁶ See Bayramov (2012), The Shadow Economy in Azerbaijan, Sizes and Causes, available at <https://bit.ly/30mGFQb>.

⁷ See http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/AZE.pdf

⁸ See <https://www.indexmundi.com/facts/indicators/SI.POV.GINI/rankings>

⁹ See <https://data.worldbank.org/topic/poverty?locations=AZ&view=chart>

POLICY SNAPSHOT OF AZERBAIJAN

This section analyzes existing policies to identify potential actions that already have political will and commitment. These actions may be related to green jobs and livelihoods, economic recovery, and/or related economic strategies.

POLICIES AND PLANS RELATED TO DEVELOPMENT AND ECONOMY

National Development Plan

Azerbaijan's National Development Plan¹⁰ cites the following steps as priorities

- Increase forest restoration efforts
- Plant road-protecting green areas to protect roadside areas and the atmosphere and to reduce traffic noises
- Conduct measures to protect biodiversity, neutralize the negative impact of the fuel-energy
- complex on the environment, and eliminate the pollution of the sea and its basin
- Protect and restore green areas

Strategic Road Map on National Economy

One of Azerbaijan's key sectors in its Strategic Road Map on National Economy¹¹ cites the following steps as priorities is the development and processing of agricultural products, and the document encourages the growth of micro-, small- and medium-sized enterprises.

National Sustainable Energy Action Plan

Azerbaijan's National Sustainable Energy Action Plan¹² proposes several types of actions related to green jobs, livelihoods and recovery:

- Use of alternative and renewable energy sources (section 5.1.2)
- Promote the replacement of tractors and harvesters with energy-efficient ones (section 6.3.2)
- Switch to energy-efficient irrigation methods (section 6.3.3)

Micro-, Small- and Medium-Sized Enterprises

To address the negative consequences of the pandemic, President Ilham Aliyev signed an order allocating AZN 1 billion from the state budget to finance the measures required to reduce the negative con-

sequences of the COVID-19 pandemic and the impact of volatility in the global energy and stock markets on Azerbaijan's economy, macroeconomic stability, employment, and business. Following this, the Cabinet of Ministers outlined an Action Plan that elaborates measures to be taken to address the socio-economic consequences of the pandemic, which includes issues on wages, unemployment payments, support to the MSMEs and other benefits. Azerbaijan is currently conducting an assessment of the impact of Covid-19 on the labor market, including MSMEs.¹³

POLICIES AND PLANS RELATED TO CLIMATE AND ENVIRONMENT

National Forest Program

Azerbaijan's National Forest Program¹⁴ is committed to the following actions:

- Restore, conserve and ensure sustainability of natural forests
- Establish new forest plantations
- Cultivate and process fast growing trees (e.g., acacia, poplar) for subsequent use in the furniture construction industries
- Ensure the prevention of illegally cut timber procurement
- Promoting the use of alternative energy sources for decreasing illegal fuel wood cuttings from forests
- Increase more efficient consumption of fuel wood through efficiency measures, including promoting house insulation, introduction of more efficient stoves
- Creation conditions for sustainable use of renewable non-timer forest products, including fruits and berries, medicinal and other plants

¹⁰ See https://president.az/files/future_en.pdf

¹¹ See <http://www.ier.az/en/page.php?id=49>

¹² See https://www.unece.org/fileadmin/DAM/project-monitoring/unda/16_17X/E2_A2.3/Action_Plan_of_Azerbaijan-new-03.12.2019.pdf

¹³ From Terms of Reference, Impact assessment of the COVID-19 pandemic on employment and labour market in Azerbaijan

¹⁴ See <http://www.fao.org/forestry/39774-0e03f4576d53ec8aeeba6da1d02f63922.pdf>

Bonn Challenge Commitment

Azerbaijan's Bonn Challenge¹⁵ commitment is to restore 27 million hectares of forests

National Biodiversity Strategies and Action Plan

Azerbaijan's National Biodiversity Strategies and Action Plan¹⁶ includes the following actions:

- Implement best practices in pasture management of pastures (section 6.3.1.3)
- Develop and implement urgent measures for ensuring the restoration and conservation of rare species (section 6.3.1.7)
- Promote the use of crop rotation and other efficient agro-technical actions and cultivation of crops created by traditional methods by taking into account land and climatic conditions of the regions (section 6.3.2.1)
- Promote the use of organic fertilizers in agricultural areas, including high mountain areas (section 6.3.2.4)
- Increase the use of traditional agricultural plant varieties and animal breeds that are resistant to the detrimental effects of global climate change (section 6.3.2.5)
- Expand protected areas, including in the Azerbaijani sector of the Caspian Sea and terrestrial areas (section 6.4.1)
- Expanding the use of alternative and renewable energy sources in the regions for conservation of biodiversity (section 6.9.2)

¹⁵ See <https://www.bonnchallenge.org/commitments#region-35>

¹⁶ See <https://www.cbd.int/doc/world/az/az-nbsap-v2-en.pdf>

PATHWAYS TOWARD GREEN PROSPERITY

INTRODUCTION TO PATHWAYS TOWARD GREEN PROSPERITY

This section describes two potential pathways for promoting green jobs, sustaining green livelihoods, and ensuring a green economic recovery – ecosystem restoration and regenerative agriculture. These pathways were identified on the basis of the Azerbaijan’s current economic status, existing policy commitments and opportunities, and the potential benefits of implementation. This is not a comprehensive list, but an indicative list of potential areas to explore further. Additional avenues to explore, but not included in this briefing note, include recycling and upcycling waste; transitioning to renewable energy; and energy efficiency measures in Baku.

PATHWAY 1: ECOSYSTEM RESTORATION AND TREE PLANTING

Description

Ecosystem restoration is the process of assisting the recovery of an ecosystem that has been degraded, damaged, or destroyed. Because ecosystem restoration requires often requires a high volume of unskilled labor, it can be an ideal vehicle for creating employment, either through public works funding, or through channeling grants and recovery funding.

Rationale

Azerbaijan’s forest cover stands at about 936,000 hectares, or about 11.3% of the country,¹⁷ distributed primarily in the northern, southern and western regions of the country. From 2001 to 2019, Azerbaijan lost slightly more than 7,000 hectares of tree cover (see Map 2) equivalent to a 0.59% decrease in tree cover since 2000,¹⁸ much of which is restricted to isolated areas in the southeast. About 43% of Azerbaijan’s forests (400,000 hectares) are classified as primary forest, and Azerbaijan has about 20,000 hectares of planted forest.¹⁹

Although the loss of forest cover has been trivial over the past two decades, more than a third of the country was historically covered by forests. Moreover, the idea of forest restoration has been popular at least since 2003, when there was a clear vision for forest restoration (see Map 3), and when more than 31 million seedlings were planted in just two years, with the aim of restoring forest cover to 22% of the country.²⁰ In addition, the Government of Azerbaijan committed in 2019 to restoring an additional 170,000 hectares of degraded forest lands by 2030 as part of its commitment to the Bonn Challenge.²¹ Map 4 shows the high degree of forest disturbance and degradation.

¹⁷ See <https://rainforests.mongabay.com/deforestation/2000/Azerbaijan.htm>

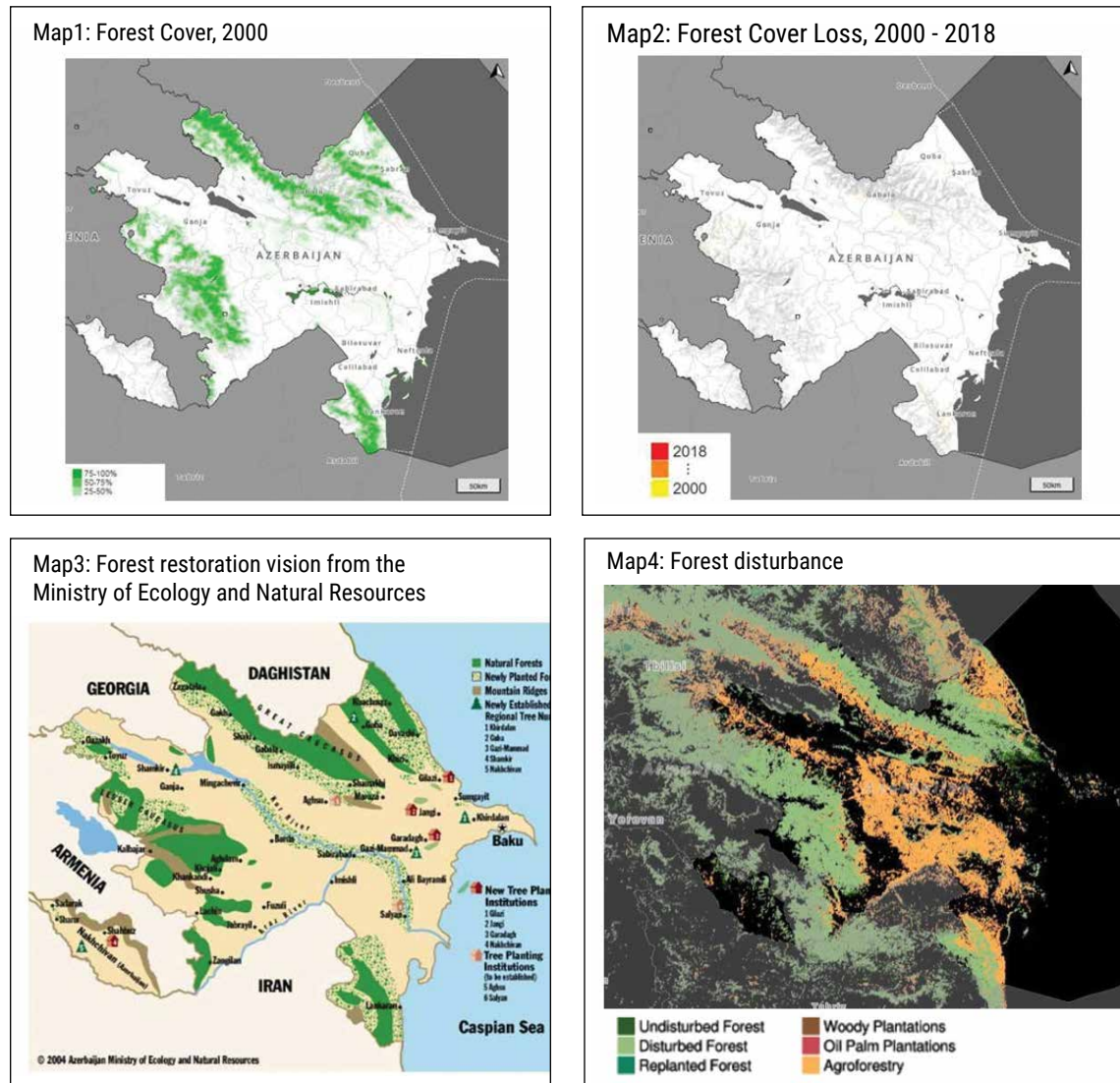
¹⁸ See World Resource Institute’s Forest Watch (shortcut available at <https://bit.ly/2XhxP3V>) ¹⁹ See <https://rainforests.mongabay.com/deforestation/2000/Azerbaijan.htm>

²⁰ See https://www.azer.com/aiweb/categories/magazine/ai114_folder/114_articles/114_planting_future.html

²¹ See <https://www.iucn.org/news/eastern-europe-and-central-asia/201906/azerbaijan-brings-regional-restoration-commitments-3-million-hectares>

The issue of reforestation has also been recognized by UNDP in several different cases. A successful GEF project in 2011²² focused on enhancing the enabling environment within the forest sector by creating systems for payments for ecosystem services, and that promote sustainable forest management and restoration. In addition, plans to strengthen Azerbaijan's climate adaptation and resilience included forest restoration efforts.²³

In addition, there is already political will for increasing forest cover, including through restoration, as seen in the policy snapshot.



AVENUES FOR ACCELERATION AND EXPANSION

The avenues for acceleration and expansion for ecosystem restoration include the following:

Direct public works for reforestation

Direct public works – hiring people directly in each of the various stages of reforestation – is a viable pathway if Azerbaijan plans on including direct public works in its Covid-19 recovery plan. This could include the cultivation of seedlings in nurseries, as well as the planting of seedlings in degraded or converted forest lands. An example is the government of Pakistan, which has created nearly 64,000 jobs to grow and plant trees, as part of their 10 Billion Trees campaign, and as part of their green recovery plan for Covid-19.²⁴ A recent UNDP publication outlines a range of strategies for using direct public works and employment to catalyze green jobs.²⁵

²² See <https://www.thegef.org/project/sustainable-land-and-forest-management-greater-caucasus-landscape>

²³ See <https://www.adaptation-undp.org/projects/supporting-azerbaijan-advance-their-nap-process>

²⁴ <https://www.weforum.org/agenda/2020/04/green-stimulus-pakistan-trees-coronavirus-covid10-environment-climate-change/>

²⁵ See <https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/green-jobs-for-the-poor-a-public-employment-approach.html>

Private sector investment to undertake forest restoration

Although the market for private sector investment in forest restoration is still emerging, a recent of the state of private sector investment in conservation is experiencing rapid growth. A recent report by World Resources Institute charted a roadmap for attracting private investment to landscape restoration.²⁶ This report provides four steps to access private sector finance for forest restoration, including identifying relevant investors, developing a business plan, setting up an investable entity and tracking performance. Complementing this report is a recent report the emerging 'restoration economy' by The Nature Conservancy and World Resources Institute profiles 14 companies that invest in forest restoration for a profit. These strategies and examples, while interesting, are most likely viable only with several years of dedicated time and energy to attract investors.

Provide small grants to communities to conduct reforestation

Because the benefits of forests far surpass the cost and effort, and because communities directly accrue many of the benefits, dedicated small grants to communities can be one of the fastest, most cost-effective ways to accelerate action on forest restoration. Azerbaijan has already seen how investments in community restoration can be cost effective, through a

UNDP- GEF Small Grants Program in Western Azerbaijan.²⁷

Develop publicly funded incentives for private land

Two viable approaches to catalyze forest restoration and protection through private incentives include: a) payment for ecosystem services; and b) private conservation tax incentives.

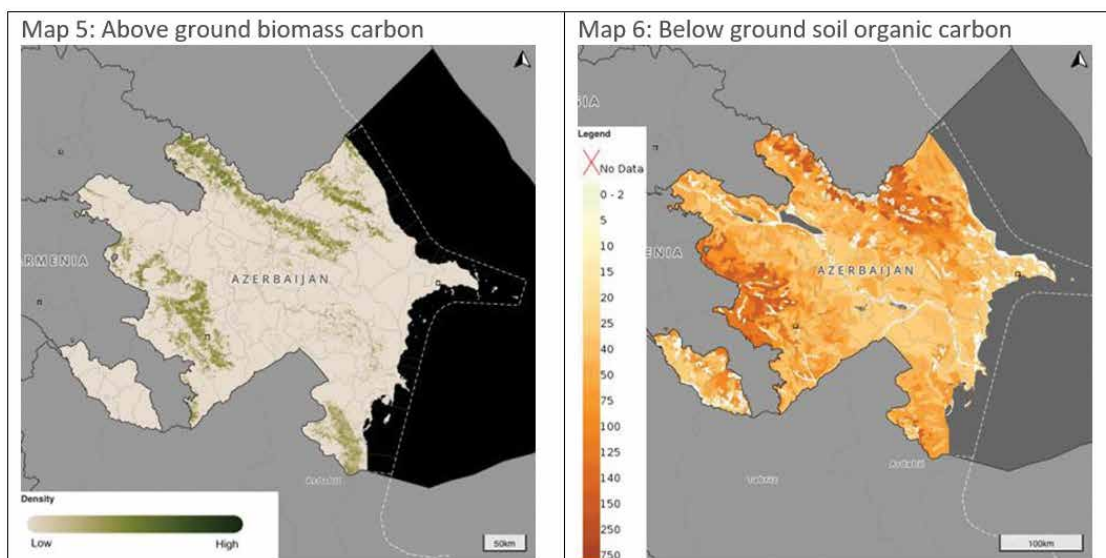
Payments for ecosystems services are already widely used around the world, have already been explored in Azerbaijan within a UNDP-supported project, and are one of the core recommendations of a study of forests in Azerbaijan.²⁸

BENEFITS OF ACCELERATION AND EXPANSION OF ECOSYSTEM RESTORATION AND TREE PLANTING

There are multiple well-documented benefits of ecosystem restoration. Those analyzed for this briefing note include water security and carbon sequestration.

Carbon sequestration

Forest restoration could increase carbon sequestration within Azerbaijan, contributing to the goals included in Azerbaijan's Nationally Determined Contribution – up to 1.2 gigatons of carbon dioxide annually.²⁹ Map 5 shows the amount of above ground forest carbon, and Map 6 shows soil organic content. Reforestation and afforestation efforts could provide direct tangible benefits in carbon sequestration.



Map 5: Watershed supporting Baku municipal water

Map 6: Drought severity

²⁶ See WRI (2017) Attracting Private Investment to Landscape Restoration: A Roadmap. Available at https://files.wri.org/s3fs-public/Attracting_Private_Investment_to_Landscape_Restoration_-_A_Roadmap_0.pdf

²⁷ See <https://sgp.undp.org/spacial-itemid-projects-landing-page/spacial-itemid-project-search-results/spacial-itemid-project-detailpage.html?view=projectdetail&id=27492>

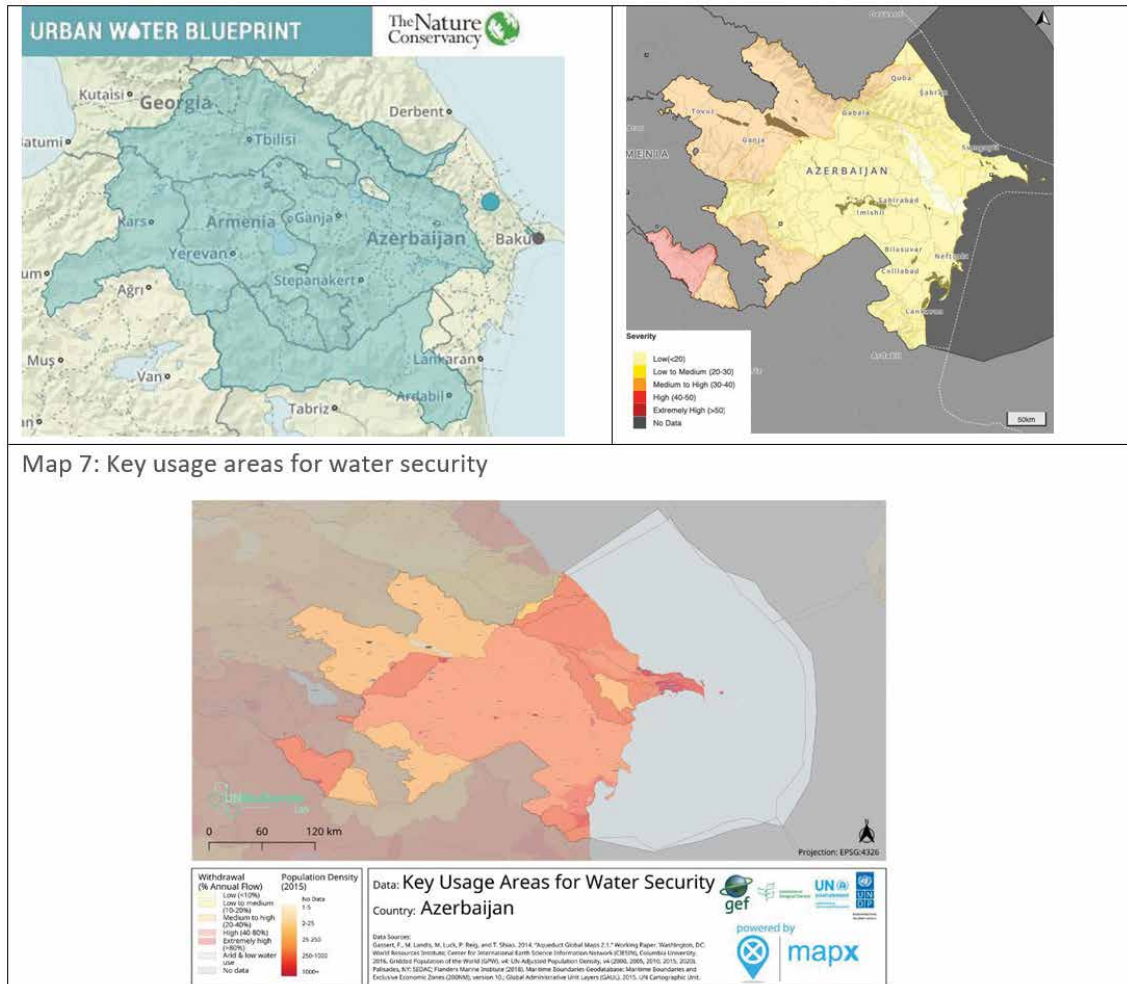
²⁸ See TEEB (2014), Scoping Study for the Forestry Sector in Azerbaijan, available at http://d2ouvy59p0dg6k.cloudfront.net/downloads/teeb_report_all.pdf

²⁹ From Griscom et al. 2020, in press. Data available by request.

Water security

Parts of the country experience moderate to high levels of water insecurity.³⁰ Map 5 shows the watershed feeding Baku's municipal water supply, Map 6 shows relative drought severity, and Map 7 shows key usage areas for water security. The municipal drinking water supply for Baku, with a population of 2,094,200, is supplied by 25% groundwater, and 75% surface water

from four water sources. The area within this watershed is 56% cropland, 5% grassland, and 16% forested. Major risks to water quality and quantity include high levels of sedimentation and nutrient pollution,³¹ both of which can be mitigated with tree planting and afforestation. These practices are likely to reduce sedimentation, as well as improve water retention of soils.



ADDITIONAL RESOURCES ON ECOSYSTEM RESTORATION

Reviving land and restoring landscapes. Gland, IUCN.

<https://portals.iucn.org/library/sites/library/files/documents/2019-028-En.pdf>

Guidelines for gender-sensitive restoration of forest landscapes. Gland, IUCN.

<https://portals.iucn.org/library/sites/library/files/documents/2017-009-Fr.pdf>

Biodiversity guidelines for forest landscape restoration opportunities assessments. Gland, IUCN.

<https://portals.iucn.org/library/sites/library/files/documents/2018-022-En.pdf>

Reviving land and restoring landscapes. Gland, IUCN.

<https://portals.iucn.org/library/sites/library/files/documents/2019-028-En.pdf>

Restoration opportunities assessment methodology. Gland, IUCN and WRI.

<https://www.iucn.org/resources/conservation-tools/more/restoration-opportunities-assessment-methodology>

A cost-benefit framework for analyzing forest landscape restoration decisions. Gland, IUCN.

<https://portals.iucn.org/library/sites/library/files/documents/2015-018.pdf>

Green Jobs for the Poor: A public employment approach. UNDP. Available at

<https://www.undp.org/content/undp/en/home/librarypage/poverty-reduction/green-jobs-for-the-poor-a-public-employment-approach.html>

Global director of restoration businesses and consultants:

<https://www.ser-rrc.org/directory/>

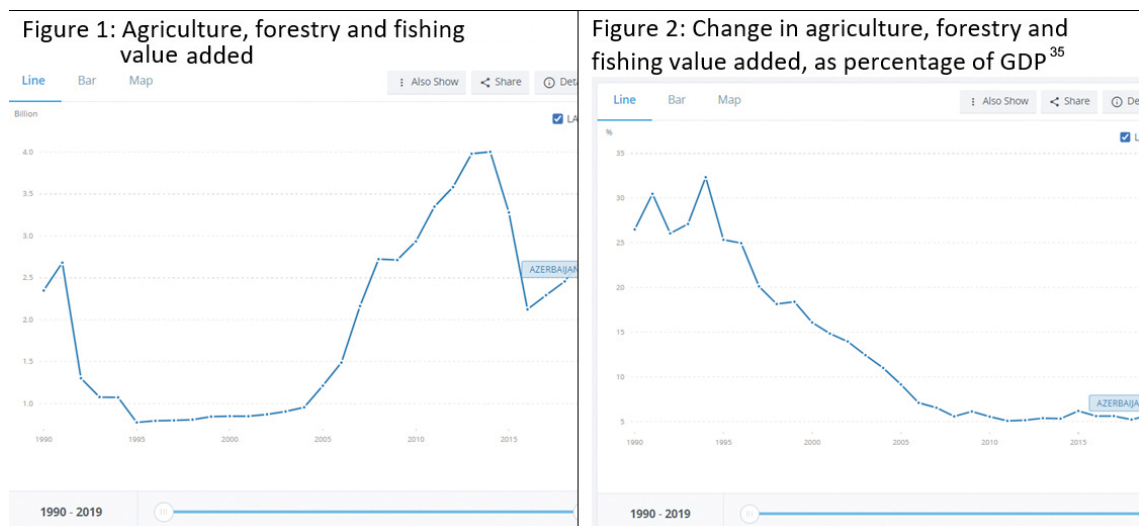
³⁰ See Farda et al. (2014), Water Security of the Azerbaijan Republic: current situation and perspectives, Hydrological Sciences and Water Security: Past, Present and Future. Available at https://www.researchgate.net/publication/276107929_Water_Security_of_the_Azerbaijan_Republic_current_situation_and_perspectives.

³¹ See <http://water.nature.org/waterblueprint/city/baku/#/c=6:39.45316:45.51636>

PATHWAY 2: SUSTAINABLE AGRICULTURE AND AGROFORESTRY

Description

Agriculture is a major component of Azerbaijan's economy and livelihoods, accounting for over 57% of land use,³² and 40% of all jobs.³³ As of 2013, there were about 870,000 rural farms and households, about 2300 agricultural enterprises, around 2600 farms of individual entrepreneurs, and about 500 ventures that operated in Azerbaijan's agricultural sector. The government provides a high volume of subsidies and financial support to agriculture – in 2012, for example, the government spent \$247 per hectare of agricultural land (both crops and livestock) on subsidies. Primary crops include cereal and dried pulses, wheat and barley, together accounting for nearly 90% of cultivated area. As shown in Figure 1, adds \$2.75 billion to the economy, or about 5% of GDP.³⁴



Rationale

Azerbaijan faces serious land degradation problems, including from soil erosion, salinity, reduced soil fertility and organic matter, and over-use of chemical inputs.³⁶ Nearly all of Azerbaijan's agricultural landholdings are private, of which about two-thirds are family farms, and a third are subsistence farms.³⁷ Investments in sustainable, regenerative agriculture and agroforestry will benefit a large portion of the population, who outnumber oil and gas workers by more than 40 to 1, while providing significant co-benefits. In addition, organic, regenerative agriculture in Azerbaijan would provide more jobs on a per hectare basis.³⁸

Avenues for acceleration and expansion

The avenues for acceleration and expansion for sustainable agriculture and agroforestry include the following:

Promote private sector investment in sustainable agriculture and agroforestry

While the market for private sector investment in sustainable agriculture is still emerging, there are clear signs that investors are willing to consider regenerative, sustainable agriculture and agroforestry. Because agroforestry systems can often produce significantly more profit than conventional agriculture, investors are seeing agroforestry as a relatively lucrative new area.³⁹ Companies such as Mirova⁴⁰ and Ecotierra⁴¹ are leading the way for private sector investment in agroforestry and sustainable agriculture. In addition to food, there is a strong market for sustainably produced cotton and alternative fabrics.

³² See <https://data.worldbank.org/indicator/AG.LND.AGRI.ZS?locations=AZ>

³³ See <http://documents1.worldbank.org/curated/en/575751468014471558/pdf/954070WP0Azerb00Box391416B00PUBLIC0.pdf>

³⁴ See <https://bit.ly/3gm8GNI>

³⁵ See <https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=AZ>

³⁶ See <http://www.fao.org/3/a-i8318e.pdf>

³⁷ See <http://www.fao.org/3/a-i8318e.pdf>

³⁸ See <http://www.fao.org/3/a-i8318e.pdf>

³⁹ See <https://regenerationinternational.org/2020/07/09/investors-say-agroforestry-isnt-just-climate-friendly-its-also-profitable/> for example

⁴⁰ See <https://www.mirova.com/en/invest/natural-capital>

⁴¹ See <https://www.ecotierra.co/>

Provide small grants to MSMEs to develop new value-added products and supply chains

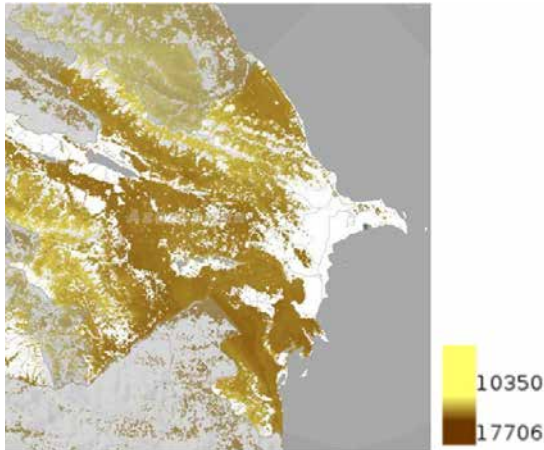
The relative contribution of value-added agricultural products as a percentage of GDP has dropped significantly over the past 30 years – from over 30% to about 5%. Increasing value-added processing and diversifying the supply chains of new products could bring significant increases in income. Of particular interest may be organic certification. According to FAO, there is significant scope to increase organic and regenerative farming in Azerbaijan.⁴² Land under organic management comprises less than 1% of all crop land in Azerbaijan.⁴³

Develop publicly funded incentives and reform subsidies to catalyze sustainable agriculture and agroforestry

One strategy to transform agricultural practices is to explore subsidies and incentives. Currently, the Government of Azerbaijan heavily subsidizes conventional agriculture, including the use of chemical pesticides and fertilizers. By adjusting a range of subsidies and incentives, the government could both reduce the use of these inputs, while also promoting a transition to sustainable, regenerative agriculture and agroforestry.

In particular, incentives for organic agriculture, agroforestry, and crop diversification could focus on complex agricultural systems that diversify crops and add value, including citrus trees, olive trees, sub-tropical fruit trees and nut trees, such as hazelnuts. Silvopasture systems can also help to diversify crops, while increasing carbon storage, nutrition and income.

Benefits of sustainable, regenerative agriculture and agroforestry in Azerbaijan

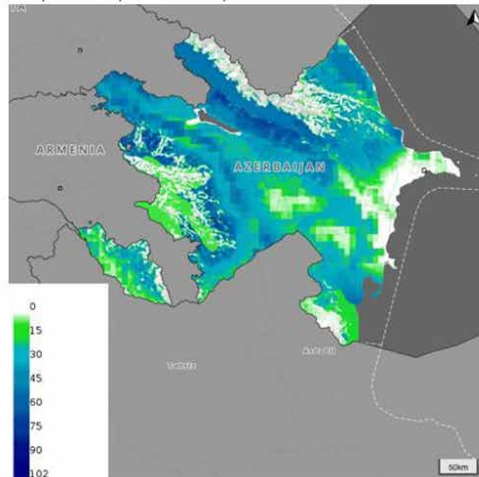


Carbon sequestration: Agroforestry and improved agriculture (including regenerative agriculture) could provide substantial carbon sequestration benefits, as shown in Map 8. The potential for increasing soil organic carbon through land restoration and regenerative agriculture is among the highest in the region, particularly in areas with high degrees of land degradation and intensive agricultural practices.

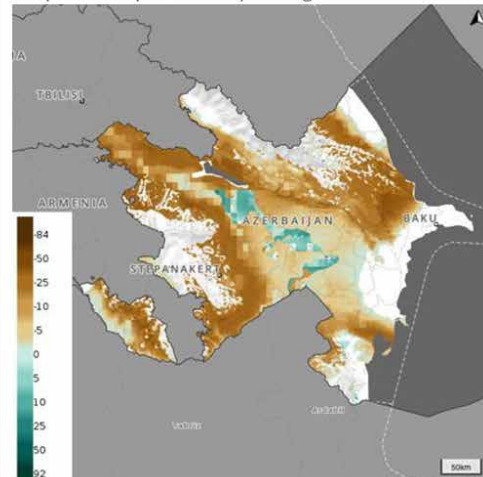
Agroforestry and regenerative agriculture are among the two most effective strategies for nature-based carbon sequestration.⁴⁴

Long-term food security gains: As shown in Maps 9 and 10, long-term crop suitability is likely to change drastically between 2011 and 2100, with large areas experiencing desertification, drought, and increased land degradation. Actions taken today to increase soil organic carbon, increase the ability of soil to retain water, and increase forest cover and trees on farms, can significantly help to mitigate these impacts.

Map 9: Crop suitability 2011 – 2040



Map 10: Crop suitability change 2011 – 2100



⁴² See FAO (2017) Organic Agriculture in Azerbaijan: Current Status and Potential for Future Development. Available at: <http://www.fao.org/3/a-i8318e.pdf>

⁴³ See Willer and Lemoud, 2017.

⁴⁴ See <https://www.pnas.org/content/114/44/11645>

GETTING STARTED

WHAT ARE PRACTICAL STEPS TO CATALYZING GREEN JOBS AND LIVELIHOODS IN AZERBAIJAN?

For UNDP Country Offices: UNDP country offices can help catalyze green jobs and livelihoods through ecosystem restoration through the following steps:

- **Convene diverse stakeholders:** UNDP country offices can convene line ministries who can be key for making the case for green jobs and livelihoods, including agencies on forests, water security, development, climate and poverty. In addition, UNDP can convene dialogues between public and private actors, including philanthropy, bi-lateral aid agencies, and investors.
- **Convey the benefits:** UNDP country offices can convey the multiple benefits of forest restoration to government agencies, including those benefits aligned with sustainable development. In the case of forest ecosystem restoration in Nigeria, this includes climate, water, gender, poverty and biodiversity benefits.
- **Spatially map opportunities:** UNDP country offices can provide in-depth opportunity maps for forest ecosystem restoration.⁴⁵
- **Target project funding:** UNDP country offices can assist governments in creating funding proposals that focus on catalyzing jobs and livelihoods through forest ecosystem restoration.

- **Share success stories:** UNDP country offices can share success stories (from Azerbaijan and from neighboring countries) in forest restoration and afforestation that can be scaled up, including those from the Small Grants Programme⁴⁶ and the Equator Initiative.⁴⁷

For Government Agencies: Azerbaijan government officials can help catalyze green jobs and livelihoods through forest ecosystem restoration through the following steps:

- **Create public works employment schemes:** Include direct employment as part of economic stimulus and green recovery packages;
- **Create public-private partnerships:** Create special purpose vehicles that can enable private investors to join public-private partnerships;
- **Provide seed grants to communities:** Create funding channels for government and non-government funding that goes directly to communities to implement
- **Catalyze private sector finance for restoration:** Encourage private sector investors to explore opportunities to invest in forest restoration
- **Create enabling policies and incentives:** Explore and expand existing incentives for forest restoration, including forest payment for ecosystem services, tax incentives and subsidies, among others.

⁴⁵ See for example www.UNBiodiversityLab.org.

⁴⁶ <https://sgp.undp.org/spacial-itemid-projects-landing-page/spacial-itemid-project-search-results/spacial-itemid-project-detailpage.html?view=projectdetail&id=25671>

⁴⁷ www.equatorinitiative.org

THEMATIC PAPER ON THE GREEN ECONOMY

SHORT-TERM MEASURES TRANSITIONING INTO THE MEDIUM TO LONG TERM

Some of the short-term interventions proposed and budgeted in this report would need to be sustained over a longer period. This would ensure the MSMEs and workforce are able to recover adequately from the pandemic shock and begin growing themselves again ushering vibrancy in the economy. Ideally the short and medium-to-long term measures are implemented as a package in an integrated manner and not in phases as they complement each other. A few of these short-term measures that can transition into the medium-to-long term are summarized below.

1) As part of recovery needs planning, it would be most appropriate to develop support packages segregated into two parts such that: (a) it helps the firms to sustain through the ongoing crisis (short-run) and, (b) enables post-pandemic recovery transitioning into future development plans (long-run). As one of the longer-term measures, appropriate technical assistance schemes for MSMEs may be formulated based on lessons from the short-term technical assistance measures that are bundled with the working capital assistance package. The longer term technical assistance to MSMEs may include support to new start-ups, especially fostering businesses that put environmental and social considerations at the heart of their business, business diversification assistance wherever needed, as well as up-skilling of the existing workforce to help entrepreneurs grow their post Covid-19 businesses.

2) Scaling up of active labour market programmes, some of which are already implemented or are being planned as a short-term measure, to enable the workforce to align their skills to the new demands of the post Covid-19 economy. Such programmes could include providing VET to a larger number of unemployed youths, creating conventional as well as digital skill acquisition opportunities for new entrants to the labour market, implementing a quality apprenticeship system, and an on-the-job-training mechanism through

the Public Employment Service, in partnership with enterprises and employers.

3) Accelerating the shift to a more resilient and cleaner energy future has significant potential to create addition, green jobs. In its recent Special Report on Sustainable Recovery, the IEA put forward a three year plan for targeted government actions to make their energy systems cleaner and more resilient, thereby achieving growth and creating roughly 9 million jobs globally a year, while at the same time reducing energy-related greenhouse gas emissions with positive impacts on air pollution and health and well-being. The largest potential for the creation of new jobs comes from retrofitting buildings to improve energy efficiency and in the electricity sector, particularly in grids and renewables, as well as through energy efficiency in industries including food and low-carbon transport opportunities.⁴⁸

4) Other public work programmes can be expanded to include the creation of more green jobs.

Azerbaijan's Bonn Challenge⁴⁹ commitment is to restore 0.27 million hectares of forests and its National Forest Program⁵⁰ integrates a set of committed actions. Besides, Azerbaijan's National Biodiversity Strategies and Action Plan has set out, inter alia, actions like implementing best practices in pasture management, promoting the use of crop rotation and other efficient agro-technical actions, implementing urgent measures for ensuring the restoration and conservation of rare species, and expanding protected areas in the Azerbaijani sector of the Caspian Sea and terrestrial areas.⁵¹ All of these actions and other similar public actions can create green jobs. Two specific pathways that can create green jobs through the expansion of public works programmes are (a) ecosystem restoration and tree planting, and (b) transitioning into sustainable agriculture and agroforestry.

Recovery avenues

In the light of the Covid19 recovery efforts, the main instrument for formu-

⁴⁸ <https://www.iea.org/news/iea-offers-world-governments-a-sustainable-recovery-plan-to-boost-economic-growth-create-millions-of-jobs-and-put-emissions-into-structural-decline>.

⁴⁹ See <https://www.bonnchallenge.org/commitments#region-35>

⁵⁰ See <http://www.fao.org/forestry/39774-0e03f4576d53ec8aeeba6da1d02f63922.pdf>

⁵¹ See <https://www.cbd.int/doc/world/az/az-nbsap-v2-en.pdf>

lating climate-related actions under the Paris Agreement, namely the Nationally Determined Contribution (NDC), should be further enhanced by increasing climate change ambition; by making adaptation planning more robust and by improving communication of the NDC, as set out in the UNDP/WRI Guidance.⁵²

Given Azerbaijan's large power sector, focus can be on opportunities presented in this report to enhance NDCs, in particular, a few foundational elements that are common requirements for all power systems and can be tailored to the Azerbaijan context. These include higher renewable energy (RE) targets, enhanced grid flexibility, addressing existing hydrocarbon assets, institutional changes, and tapping synergies between the power and end-use sectors.⁵³ The Government has already set an absolute target of 35 per cent of GHG emissions reduction compared to 1990 by 2030 and is considering the expansion of RE to achieve this, including hydropower, solar power, wind power, geothermal energy, and biomass, and the application of energy efficiency measures.⁵⁴ These have high potential to boost economic and jobs' growth.

Azerbaijan can also consider including climate change adaptation priorities as part of its climate change response and upgrading of its NDC, especially focusing on agriculture and forestry to set its adaptation response.⁵⁵

Azerbaijan faces serious land degradation problems, including from soil erosion, salinity, reduced soil fertility and organic matter, and over-use of chemical inputs. Nearly all of Azerbaijan's agricultural landholdings are private, of which about two-thirds are family farms, and a third are subsistence farms. Investments in sustainable, regenerative agriculture and agroforestry will benefit a large portion of the population, who outnumber oil and gas workers by more than 40 to 1, while providing significant co-benefits. In addition, organic, regenerative agriculture in Azerbaijan would provide more jobs on a per hectare basis.

The avenues for accelerating and expanding sustainable agriculture and agroforestry include the following:

- Promote private sector investment in sustainable agriculture and agroforestry: While the market for private sector investment in sustainable agriculture is still emerging, there are clear signs that investors are willing to consider regenerative, sustainable agriculture and agroforestry. Because agroforestry systems can often produce significantly more profit than conventional agriculture, investors are seeing agroforestry as a relatively lucrative new area.
- Provide small grants to MSMEs to develop new value-added products and supply chains: Increasing value-added processing and diversifying the supply chains of new products could bring significant increases in income. Of particular interest may be organic certification. According to FAO, there is significant scope to increase organic and regenerative farming in Azerbaijan. Land under organic management comprises less than 1% of all cropland.
- Develop publicly funded incentives and reform subsidies to catalyze sustainable agriculture and agroforestry: the Government of Azerbaijan subsidizes conventional agriculture, including the use of chemical pesticides and fertilizers. By adjusting a range of subsidies and incentives, the government could both reduce the use of these inputs, while also promoting a transition to sustainable, regenerative agriculture and agroforestry. In particular, incentives for organic agriculture, agroforestry, and crop diversification could focus on complex agricultural systems that diversify crops and add value.

In addition, the avenues for accelerating and expanding ecosystem restoration include the following:

- Direct public works for reforestation: hiring people directly in each of the various stages of reforestation – is a viable pathway if Azerbaijan plans on including direct public works in its Covid-19 recovery plan. This could include the cultivation of seedlings

⁵² See <https://www.wri.org/publication/enhancing-ndcs>.

⁵³ <https://www.wri.org/publication/enhancing-ndcs-opportunities-power-sector>.

⁵⁴ <https://klimalog.die-gdi.de/ndc/#NDCExplorer/worldMap?NDC??income???catIncome>.

⁵⁵ Further guidance is available at UNDP's Covid-19 Green Economy Offer, and UNDP's Covid-19 Nature, Climate and Energy Offer.

in nurseries, as well as the planting of seedlings in degraded or converted forestlands.

- Private sector investment to undertake forest restoration: this can be achieved through four steps to access private sector finance for forest restoration, namely identifying relevant investors, developing a business plan, setting up an investable entity and tracking performance.
- Provide small grants to communities to conduct reforestation: the benefits of forests far surpass the cost and effort, and communities directly accrue many of the benefits. Dedicated small grants to communities can be one of the fastest, most cost-effective ways to accelerate action on forest restoration.
- Develop publicly funded incentives for private land: there are two viable approaches to catalyze forest restoration and protection through private incentives: a) payment for ecosystem services; and b) private conservation tax incentives. Payments for ecosystems services are already widely used around the world, have already been explored in Azerbaijan within a UNDP-supported project, and are one of the core recommendations of a study of forests in Azerbaijan.

There are multiple well-documented benefits of ecosystem restoration. Two of these are: 1) carbon sequestration, which in Azerbaijan can contribute to the goals included in its Nationally Determined Contribution – up to 1.2 gigatons of carbon dioxide annually; and 2) water security which is a concern in the country considering it already experiences moderate to high levels of water insecurity. The current circumstances of COVID-19 impacts, in combination with the country's oil-dependency, demonstrate the need for diversification and development of a new economic model, aligned with the SDGs goals and with the green growth model.

1. Launch an economic baseline exercise to 'map' high-impact and green-aligned businesses and services in Azerbaijan.

As Azerbaijan is highly vulnerable to fluctuations in oil prices and external risks (e.g. climate change, COVID-19), it is

key to support SDG-aligned services and business that can contribute to a diversified economy. First, it is crucial to identify companies based on their (potential) SDG contributions, sectors or areas of influence (e.g. water, health), geographic areas, economic scalability and direct contributions to economic diversification. This mapping exercise could be implemented together with institutional stakeholders and strategic partners (e.g. UN agencies, DFIs).

2. Build and curate a multistakeholder group to support green-aligned companies and (co)invest in projects and businesses aligned with the SDGs and green growth
Azerbaijan can look at examples of European green bank associations and green investment associations to support and co-invest in green-aligned business. These investment groups serve as a platform to help governments, private entities and investors to learn about investment and business opportunities, helping to scale-up green-aligned companies and supporting Azerbaijan economic diversification.

3. Design a viability gap-fund to support green investments and projects aligned with the SDGs and COVID recovery
Access to capital is the most critical barrier for innovative businesses. Azerbaijan can support green investments by creating a viability-gap fund (VGF). A VGF can be used to provide guarantees to companies, helping to scale-up green-aligned business and providing a facility for investors to allocate capital directly in the VGF portfolio. Experiences from India⁵⁶, Rwanda and Mexico can be helpful to design the Azerbaijan VGF.

4. Develop robust systems to track and assess the performance of green investments and businesses
It is fair to say that investors proactively target countries and companies that have tracking systems to track SDG contributions and climate change risks⁵⁷.

Also, the international community is increasingly interested in working with governments and organisations committed to tracking social and environmental data. This type of information can be crucial to assess the impacts of green investments, and most of all, to measure the economic diversification impact of the country's investments through various indicators.

⁵⁶ <https://www.pppinindia.gov.in/schemes-for-financial-support>

⁵⁷ <https://www.aberdeenstandard.com/en/insights-thinking-aloud/article-page/responsible-investing-around-the-world>

Annex 3:

ASSESSMENT METHODOLOGY

METHODOLOGY FOR THE EMPLOYMENT AND LIVELIHOODS SECTOR

MSME Rapid Survey

As the Covid-19 impact data was limited in Azerbaijan, to better understand and assess the impact of pandemic a rapid survey of MSMEs was carried out. The rapid data collection provided insights on how Covid-19 has impacted (a) micro and small enterprises in specific sub-sectors of the economy and (b) the informally employed vulnerable segments of the workforce. The rapid assessment has been done using non-probabilistic (convenience and purposive) sampling methods (not applicable to the population). The impact on each economic sector / sub-sector assessed based on consultations with specialists, and broadly in line with other Covid-19 impact studies.

Data collection is done through tele-interviewing of (a) small and medium enterprises (b) key informant interviews. The Instrument design is to support semi-structured tele-interviews. Tele-interviewing best practices to be followed.⁵⁸ The data collection quality assurance was done by experts checking the audio files and matching them with the data.

Impact Percentage Computations

Rapid Survey provided data on the percent-

age impact of Covid-19 on each of the sectors by entities. The data was segregated into two phases (current and near term) at three levels i.e. impact on business turnover, impact on employees, and businesses' survival period. The first phase was the short-term impact where impact on business turnover was more than the impact on employees. This implied that the immediate impact businesses was not passed on to the employees, but would eventually be done. Along with it, emphasis was laid on the firms' survival time between 0-2 months. The second phase was the near-term impact which was driven from the premises that impact on business turnover was less than the impact on employees and firms can survive for more than 2 months up to a year.

The range of impact percentages was derived in both these phases based on the average/minimum/maximum value of sector itself i.e. industry or services or both. For instance, the interval estimation of short-term impact on accommodation and food service activities was 16-21%, which is based on the average value of whole services sector and the sector itself, considering the three-level analysis discussed. The Table below shows the impact percentage on workforce for both the periods i.e. current and near term.

Percentage Impact on Economy's workforce

Economic Sector	Initial Impact on Workforce	Short Term Impact on Workforce (up to next 3 months)
Construction	10-15%	50-80%
Electricity, gas and steam production, distribution and supply	10-15%	10-15%
Manufacturing	10-15%	50-80%
Accommodation and food service activities	16-21%	80-84%
Art, entertainment and recreation	10-15%	95-100%
Financial and insurance activities	10-15%	55-60%
Human health and social work activities	10-15%	85-90%
Real estate activities	10-15%	50-80%
Professional, scientific and technical activities	10-15%	55-60%
Administrative and support service activities	10-15%	55-60%
Public administration and defence; social security	5-10%	5-10%
Education	5-10%	5-10%
Information and communication	50-55%	55-60%

⁵⁸ Best practices for conducting phone surveys <https://www.povertyactionlab.org/blog/3-20-20/best-practices-conducting-phone-surveys>

Other service activities	20-30%	70-80%
Trade; repair of transport means	5-10%	70-80%
Transportation and storage	5-10%	75-85%
Water supply; waste treatment and disposal	10-15%	10-15%

Source: Own calculations based on MSME Rapid Survey and Key Informant Interviews

The reasons for the impact percentages are in the table below. The range of values of impact was corroborated with the KII interviews.

Reasons for choosing the intervals of impact estimation

Sector	Reasons for choosing intervals of Initial Impact (Impact on Employees is less than impact on Business Turnover)	Reasons for choosing intervals of Short Term Impact (Impact on Employees is more than impact on Business Turnover)
Construction	Based on the average impact of all businesses where turnover is affected more than employees	Based on the average impact on this sector and maximum impact on the overall industry
Electricity, gas and steam production, distribution and supply	Based on the average impact of all businesses where turnover is affected more than employees	Based on the statistics of Immediate Impact
Manufacturing	Based on the average impact of all businesses where turnover is affected more than employees	Based on the average impact on this sector and maximum impact on the overall industry
Accommodation and food service activities	Based on the average impact on this sector and the average impact on overall services	Based on the average impact on this sector and maximum impact on overall services
Art, entertainment and recreation	Based on the average impact of all businesses where turnover is affected more than employees	Based on the average impact on this sector with 3-6 months and average impact on this sector
Financial and insurance activities	Based on the average impact of all businesses where turnover is affected more than employees	Based on the average impact on this sector
Human health and social work activities	Based on the average impact of all businesses where turnover is affected more than employees	Based on the average impact on this sector with 3-6 months and average impact on this sector
Information and communication	Based on the average impact of this sector	Based on the estimate of short-run impact and average impact of overall service
Other service activities	Based on the average impact on this sector and the average impact on overall services	Based on the average impact on this sector and the average impact on overall services
Trade; repair of transport means	Based on the average impact on this sector and the average impact on overall services	Based on the average impact on this sector and the average impact on overall services
Transportation and storage	Based on the average impact on this sector and the average impact on overall services	Based on the average impact on this sector and the average impact on overall services
Water supply; waste treatment and disposal	Proxy impact as in the Electricity Sector (as this sector was not covered in MSME or KII survey)	
Real estate activities*	Proxy impact as in Construction Sector (as this sector was not covered in MSME or KII survey)	
Professional, scientific and technical activities	Proxy impact as in the Financial Sector (as this sector was not covered in MSME or KII survey)	
Administrative, support service activities	Proxy impact as in the Financial Sector (as this sector was not covered in MSME or KII survey)	
Public administration, defence; social security	Impact based on Consultations only (as this sector was not covered in MSME or KII survey)	
Education	Impact based on Consultations only (as this sector was not covered in MSME or KII survey)	

The range of percentage of Initial Impact by sector given in the main report was based on the overall average of industry (or services) and average impact MSMEs whose impact on employees was larger than the impact on the business turnover.

Table Computations

Data from KII and MSME interviews were used to estimate the impact on Pre-Covid-19 databases. The impact on the workforce by economic sectors was based

on jobs losses due to COVID and indirect effects on the sectors due to shutting down of economic activities in another sector. Impact on the non- state workforce (which may include, paid employees, own-account

workers and employers) was computed by using percentage impact on the baseline workforce data by economic sectors.

To compute income loss, income levels of Pre Covid-19 was used (in the main report). Then aggregated income losses were computed by multiplying the affected paid workforce with their plausible income in the impact period. This was done at the most disaggregated level of provinces and industry.

Total Respondents by Sector

Economic Sector	MSME	MSME percentage
Industry	9	22.50%
Services	31	77.50%
Total	40	100.00%

Source: MSME Rapid Survey

Employment loss impact on non-state private workers in Medium, Small and Microenterprises in the sectors (except agricultural and mining) was captured by multiplying the non-state private workforce engaged in Medium, Small and Microenterprises of the sectors with their impact percentages. The income loss for the workers was estimated by multiplying their income with the number of the affected non-state private workforce in the sectors.

Total Respondents by Economic Region (Baku/Non-Baku)

Economic regions	MSME	MSME percentage
Baku	30	75.00%
Non-Baku	10	25.00%
Total	40	100.00%

Source: MSME Rapid Survey

Total respondents by Gender and Economic Sector

Economic Sector	Women-led MSME	Men-led MSME	Total
Industry	0.0%	22.5%	22.5%
Services	22.5%	55.0%	77.5%
Total	22.5%	77.5%	100.0%

Source: MSME Rapid Survey

METHODOLOGY FOR THE SOCIAL INCLUSION SECTOR ASSESSMENT

Methodology of UNICEF's bi-weekly rapid survey

Since mid-April UNICEF is conducting bi-weekly cross-sectional phone survey among 250 fresh sample every other week randomly selected from the database of the research company to capture the snapshot of the situation related to Covid-19 that included rapid impact assessment of Covid-19 on families. The survey covers 8 economic regions proportionately to population size (Absheron, Aran, Baku, Daghlig Shirvan, Ganja-Gazakh, Lankaran, Guba-Khachmaz, Shaki-Zaqatala) and has accumulated 1625 sample size from April 13 to July 11. Quota sampling was applied to have sex and age groups distribution proportionally to population distribution.

UNFPA & UNICEF joint Focus Group Discussion with PDOs

Virtual focus group discussion with 12 Organizations of the Persons with Disabilities was organized to discuss how pandemic affected persons with disabilities as well as the organizations working with them. With participation of the UNFPA and UNICEF the FGD was facilitated by one of

the PDOs and lasted for 2.5 hours. The summary of the FGDs in English is provided in the Annex.

Methodology of UNFPA's survey

The phone surveying was conducted among 1512 respondents from Baku, Absheron, Ganja-Gazakh, Shaki-Zafatala, Lankaran, Karabakh, Aran and Mountainous Shirvan regions. The random sample of phone numbers was selected by applying multi-stage stratification approach and quota sampling was applied to ensure that the sample proportion represents the population proportion.

METHODOLOGY FOR THE EDUCATION SECTOR

The assessment for the education sector was based on the following information:

- A desk review
- Interviews with staff from the Ministry of Education
- Validation of preliminary findings and the process for the education sector socioeconomic assessment with UNICEF and national partners

Annex 4:

CONTRIBUTORS TO THE SOCIO-ECONOMIC ASSESSMENT FOR COVID-19

Name	Role	Agency
Coordination and technical leadership		
Ghulam Isaczai	United Nations Resident Coordinator	UN
Alessandro Fracassetti	Resident Representative	UNDP
UN Coordination Team		
Charu Bist	Deputy Resident Representative	UNDP
Tarek Cheniti	Head of UN Resident Coordinator 's Office	UN
Rita Missal	Recovery Advisor a.i.	UNDP
Monica Trujillo	Expert Advisor	UNDP
Government Counterparts		
Rovshan Najaf	Deputy Minister	Ministry of the Economy
Inara Mustafayeva	Head of International Cooperation	Ministry of the Economy
Narmin Safarli	Department of International Cooperation	Ministry of the Economy
Bayram Rzayev	Department of Economic Policy	Ministry of the Economy
Emil Ismayil Khanov	Department of Strategy	Ministry of the Economy
Eldar Babazade	State Tax Service	Ministry of the Economy
Zaur Nuruyev	Department of Entrepreneurship	Ministry of the Economy
Namig Shalbuluzov	Agricultural Economics Research Centre	Ministry of Agriculture
Nazifa Mursalova	Department of Epidemiological Surveillance	Ministry of Health
Elnur Mammadov	Adviser to the Minister	Ministry of Education
Elchin Haji	Department of Social Statistics	State Statistical Committee
Parviz Safarov	Department of Social Security Policy	Ministry of Labour Social Protection of the Population
Rana Abdullayeva	Department of Employment Policy	Ministry of Labour Social Protection of the Population
Tural Gulu	Department of International Cooperation	State Agency on Mandatory Health Insurance
Rasim Sattarzade	Department of Environmental Policy	Ministry of Ecology and Natural Resources
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Annex 5:

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