



# Initial Poverty and Social Analysis

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## Azerbaijan: Avrora COVID–19 Staple Food Supply Chain Support Project

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Asian Development Bank

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CDC	–	Center for Disease Control and Prevention
COVID-19	–	coronavirus disease
GDP	–	gross domestic product
PPE	–	personal protective equipment

## **NOTES**

- (i) The fiscal year (FY) of the Aurora LLC ends on 31 December.
- (ii) In this report, "\$" refers to United States dollars.

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## INITIAL POVERTY AND SOCIAL ANALYSIS

Country: Azerbaijan Project Title: Avrora COVID-19 Staple Food Supply Chain Support

Lending/Financing Modality: Corporate Finance Department/Division: Private Sector Operations Department/Office of the Director General

### I. POVERTY IMPACT AND SOCIAL DIMENSIONS

**A. Links to the National Poverty Reduction Strategy and Country Partnership Strategy**

The Asian Development Bank (ADB) is proposing to provide a \$5.9 million 3-year loan to Avrora LLC (Avrora), Azerbaijan's 3<sup>rd</sup> largest food and beverage manufacturer and distributor. The proceeds of the loan will finance Avrora's working capital needs to produce and distribute staple foods like wheat flour, pasta, biscuits, and dairy products. It will also be used for additional operational expenses (OPEX) needed due to the COVID-19 pandemic. The proposed project is aligned with three operational priority areas of ADB Strategy 2030: (i) addressing remaining poverty and reducing inequalities, (ii) accelerating progress in gender equality, and (iii) promoting rural development and food security.<sup>a</sup> The project will also contribute to achieving Strategic Pillar 1 of ADB's Country Partnership Strategy with Azerbaijan,<sup>b</sup> which is to facilitate private sector development and investment to support expansion and competitiveness of non-oil tradable goods and services.

**B. Poverty Targeting:**

General intervention  Individual or household (TI-H)  Geographic (TI-G)  Non-income MDGs (TI-M1, M2 etc.)

This loan will ensure the production and distribution of basic food products for the domestic market, which are important commodities in the COVID-19 crisis. As production continues, Avrora will be able to retain its own workforce and the workforce along its supply chain in this time of increased difficulty and uncertainty.

**C. Poverty and Social Analysis**

1. Key issues and potential beneficiaries. Azerbaijan has been tagged as high risk for COVID-19.<sup>c</sup> Lockdowns have been imposed to prevent further spread of the virus. Azerbaijan has also suffered from an oil price collapse. Oil and natural gas accounts for majority of Azerbaijan's total export revenues.<sup>d</sup> The dual crises are seen to adversely affect the country and its people economically. Ensuring the support to the non-oil sector, like food manufacturing and distribution, is crucial to support the country's recovery from this slump. The project will directly benefit Avrora and its employees. Aside from supporting the industry and the country's strategy for recovery, ADB's support to Avrora will ensure its continued operations and sustained employment of its workers. Avrora's continuous operation will also benefit its partner brands, local suppliers, distributors, and their workers. The population will eventually benefit as the supply of staple foods in the market will be secured.

2. Impact channels and expected systemic changes. The financial support to Avrora will be used to support Avrora's working capital needs related to wheat and dairy production and distribution and COVID-19-related operating costs. The additional working capital will support increase of Avrora's credit terms to its customers and quicker payments to its suppliers, to avoid supply disruptions, thus, ensuring basic food products availability. Avrora's continuous operations will also contribute to supporting the country's economic growth and entrepreneurship as well as sustaining livelihoods.

3. Focus of (and resources allocated in) the transaction TA or due diligence. Due diligence will examine Avrora's systems and processes in managing the social risks and/or impacts of its operations. Avrora's labor policies and practices, its compliance with the national labor laws, and its gender-responsiveness and programs will also be reviewed and verified.

### II. GENDER AND DEVELOPMENT

1. What are the key gender issues in the sector and/or subsector that are likely to be relevant to this project or program? Azerbaijan is in the high overall human development category since 2010 and both women and men have benefited from these improvements. Women are active in the labor force and gain from overall economic growth. Women's share in the labor force is 48% compared to 52% for men, with a female labor force participation rate of 68.6% compared to 73.9% for men.<sup>e</sup> However, women are mostly concentrated in the low-paid sectors and few are involved in manufacturing and food processing activities.<sup>f</sup> In fact, the Azerbaijani labor force is highly gender-segregated and occupational stereotyping limits women's choices. Women's decisions concerning employment are strongly influenced by cultural norms, where gender-based acceptable jobs and fear of harassment represent constraining factors.<sup>g</sup> National legislation prohibits discrimination based on sex and guarantees equality among women and men, it notably adopted a Law on State Guarantees of Equal Rights for Women and Men (2006) and a Law on Prevention of Domestic Violence (2010). Since October 2018, online information on domestic violence has been operational. The principle of equality and nondiscrimination is reflected in other legislative documents, including the Labor Code. Although sex discrimination in hiring is illegal, women are legally restricted from working in certain occupations with harsh and harmful work conditions.<sup>h</sup>

2. Does the proposed project or program have the potential to contribute to the promotion of gender equity and/or empowerment of women by providing women's access to and use of opportunities, services, resources, assets, and participation in decision making?  Yes  No

The Project has the potential to promote better gender sensitivity in the company's support to its employees. Due diligence will look at measures to improve on human resource management practices and increase awareness on gender issues at work. Opportunities on enhancing gender equality in women's participation in the company's industry will also be considered.

3. Could the proposed project have an adverse impact on women and/or girls or widen gender inequality?  
 Yes  No

4. Indicate the intended gender mainstreaming category:

GEN (gender equity)  EGM (effective gender mainstreaming)  
 SGE (some gender elements)  NGE (no gender elements)

### III. PARTICIPATION AND EMPOWERMENT

1. Who are the main stakeholders of the project, including beneficiaries and negatively affected people? Identify how they will participate in the project design.

The main stakeholders of the project are Avrora's employees, partner brands, suppliers, and customers. There is limited opportunity to directly include and empower the poor and vulnerable, but the project is expected to benefit Avrora's employees by sustaining their employment. The project will also benefit the people of Azerbaijan by ensuring the stable supply of basic food products. Due diligence will review Avrora's existing mechanism in engaging with its stakeholders.

2. How can the project contribute (in a systemic way) to engaging and empowering stakeholders and beneficiaries, particularly, the poor, vulnerable, and excluded groups? What issues in the project design require participation of the poor and excluded?

The proposed project will focus on supporting Avrora with financing needs to continue its production of staple foods and to fund COVID-19-related expenses, such as, PPEs for its employees and additional labor costs due to social distancing measures. There is limited opportunity for the participation of the poor and excluded in project design.

3. What are the key, active, and relevant civil society organizations (CSOs) in the project area? What is the level of civil society organization participation in the project design?

[NA] Information generation and sharing [NA] Consultation [NA] Collaboration [NA] Partnership

4. Are there issues during project design for which participation of the poor and excluded is important? What are they and how should they be addressed?  Yes  No

### IV. SOCIAL SAFEGUARDS

**A. Involuntary Resettlement Category**  A  B  C  FI

1. Does the project have the potential to involve involuntary land acquisition resulting in physical and economic displacement?  Yes  No

Based on initial information, the project will not result in any land acquisition or involuntary resettlement impacts. ADB funds will only be used to finance working capital for production and distribution of staple foods, purchase PPEs for Avrora employees, and finance additional labor costs caused by social distancing measures. These initial findings will be reconfirmed during due diligence.

2. What action plan is required to address involuntary resettlement as part of the transaction TA or due diligence process?

Resettlement plan  Resettlement framework  Social impact matrix  
 Environmental and social management system arrangement  None

**B. Indigenous Peoples Category**  A  B  C  FI

1. Does the proposed project have the potential to directly or indirectly affect the dignity, human rights, livelihood systems, or culture of indigenous peoples?  Yes  No

Impacts on Indigenous Peoples are not anticipated. Due diligence will confirm that the proposed project will not interfere with nor impact the property, livelihood, and socio-cultural and belief practices of any ethnic minority groups in Azerbaijan.

2. Does it affect the territories or natural and cultural resources indigenous peoples own, use, occupy, or claim, as their ancestral domain?  Yes  No

The nature of the proposed project is not foreseen to result in displacement of any ethnic minority group from their traditional land or commercial development of any natural resources within customary land.

3. Will the project require broad community support of affected indigenous communities?

Yes  No Not applicable

4. What action plan is required to address risks to indigenous peoples as part of the transaction TA or due diligence process?

Indigenous peoples plan  Indigenous peoples planning framework  Social impact matrix  
 Environmental and social management system arrangement  None

### V. OTHER SOCIAL ISSUES AND RISKS

1. What other social issues and risks should be considered in the project design?

(L) Creating decent jobs and employment  (L) Adhering to core labor standards  
 Labor retrenchment  Spread of communicable diseases, including HIV/AIDS

<input type="checkbox"/> Increase in human trafficking <input type="checkbox"/> Affordability <input type="checkbox"/> Increase in unplanned migration <input type="checkbox"/> Increase in vulnerability to natural disasters <input type="checkbox"/> Creating political instability <input type="checkbox"/> Creating internal social conflicts <input type="checkbox"/> Others, please specify _____ 2. How are these additional social issues and risks going to be addressed in the project design? Avrora's compliance with the Labor Code of Azerbaijan and related policies, as well as measures to adhere to core labor standards, will be monitored and reported through the proposed project.
<b>VI. TRANSACTION TA OR DUE DILIGENCE RESOURCE REQUIREMENT</b>
1. Do the terms of reference for the transaction TA (or other due diligence) contain key information needed to be gathered during transaction TA or due diligence process to better analyze (i) poverty and social impact, (ii) gender impact, (iii) participation dimensions, (iv) social safeguards, and (v) other social risks. Are the relevant specialists identified? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. What resources (e.g., consultants, survey budget, and workshop) are allocated for conducting poverty, social, and/or gender analysis, and participation plan during the transaction TA or due diligence? The project team will conduct due diligence to review Avrora's social policies and procedures and their implementation.

- <sup>a</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila.
- <sup>b</sup> ADB. 2019. *Country Partnership Strategy: Azerbaijan, 2019-2023 – Promoting Diversified and Inclusive Growth*. Manila.
- <sup>c</sup> CDC 24/7. 2020. *Saving Lives, Protecting People. COVID-19 in Azerbaijan*. <https://wwwnc.cdc.gov/travel/notices/warning/coronavirus-azerbaijan>.
- <sup>d</sup> Trading Economics. 2020. Azerbaijan Exports 1998-2020 Data. <https://tradingeconomics.com/azerbaijan/exports>.
- <sup>e</sup> World Economic Forum. 2020. *The Global Gender Gap Report*. Geneva.
- <sup>f</sup> ADB. 2019. *Azerbaijan Country Gender Assessment*. Manila.
- <sup>g</sup> United Nations Development Programme. 2018. *Gender Assessment Report—Women in the Private Sector of Azerbaijan: Opportunities and Challenges*. Baku.
- <sup>h</sup> See footnote f.