



## FAST Report

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Project Number: 54376-001  
June 2021

Loan  
Avrora LLC  
Avrora COVID-19 Staple Food Supply Chain  
Support Project  
(Azerbaijan)

This is an abbreviated version of the document, which excludes information that is subject to exceptions to disclosure set forth in ADB's Access to Information Policy.

Asian Development Bank

## **CURRENCY EQUIVALENTS**

(as of 2 June 2021)

Currency unit	–	Azerbaijan manat (AZN)
AZN1.00	=	\$0.59
\$1.00	=	AZN1.7

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
Avrora	–	Avrora LLC
COVID-19	–	coronavirus disease
E&S	–	environmental and social
EBRD	–	European Bank for Reconstruction and Development
FAST	–	Faster Approach to Small Nonsovereign Transactions
TA	–	technical assistance

## **NOTES**

- (i) The fiscal year (FY) of Avrora LLC ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2018 ends on 31 December 2018.
- (ii) In this report, “\$” refers to United States dollars.

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## PROJECT AT A GLANCE

<b>1. Basic Data</b>		<b>Project Number: 54376-001</b>	
<b>Project Name</b>	Avrora COVID-19 Staple Food Supply Chain Support Project	<b>Department/Division</b>	PSOD/OPSD
<b>Country</b>	Azerbaijan		
<b>Borrower</b>	Avrora LLC		
<b>Portfolio at a Glance</b>	<a href="https://www.adb.org/Documents/LinkedDocs/?id=54376-001-PortAtaGlance">https://www.adb.org/Documents/LinkedDocs/?id=54376-001-PortAtaGlance</a>		
<b>2. Sector</b>		<b>ADB Financing (\$ million)</b>	
✓ Agriculture, natural resources and rural development	<b>Subsector(s)</b> Agro-industry, marketing, and trade		5.90
		<b>Total</b>	<b>5.90</b>
<b>3. Operational Priorities</b>		<b>Climate Change Information</b>	
✓ Addressing remaining poverty and reducing inequalities		GHG reductions (tons per annum)	0.000
✓ Accelerating progress in gender equality		Climate Change impact on the Project	Low
✓ Promoting rural development and food security			
✓ Fostering regional cooperation and integration			
		<b>ADB Financing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
		<b>Cofinancing</b>	
		Adaptation (\$ million)	0.00
		Mitigation (\$ million)	0.00
<b>Sustainable Development Goals</b>		<b>Gender Equity and Mainstreaming</b>	
SDG 2.c		Effective gender mainstreaming (EGM)	✓
SDG 5.c			
SDG 8.5			
SDG 17.11			
<b>4. Nonsovereign Operation Risk Rating</b>		<b>Poverty Targeting</b>	
		General Intervention on Poverty	✓
<b>Obligor Name</b>	<b>Obligor Risk Rating</b>	<b>Facility Risk Rating</b>	
Avrora LLC			
<b>5. Safeguard Categorization</b>		<b>Environment: C</b>	
		<b>Involuntary Resettlement: C</b>	
		<b>Indigenous Peoples: C</b>	
<b>6. Financing</b>			
<b>Modality and Sources</b>		<b>Amount (\$ million)</b>	
<b>ADB</b>		<b>5.90</b>	
Nonsovereign Fixed Interest Rate Loan (Regular Loan): Ordinary capital resources		5.90	
<b>Cofinancing</b>		<b>14.70</b>	
Others		14.70	
<b>Others<sup>a</sup></b>		<b>8.40</b>	
<b>Total</b>		<b>29.00</b>	
<b>Currency of ADB Financing:</b> US Dollar, Azerbaijanian Manat			

<sup>a</sup> Derived by deducting ADB financing and Cofinancing from Total Project Cost.

## I. INTRODUCTION

1. This is an eligible transaction under the Faster Approach to Small Nonsovereign Transactions (FAST) framework.<sup>1</sup> The transaction involves a loan of up to \$5,900,000 (or manat equivalent) to Avrora LLC for the Avrora COVID-19 Staple Food Supply Chain Support Project in Azerbaijan.

2. The proceeds of the loan will be used to provide liquidity to Avrora to support its growth and the livelihoods of more than 2,600 employees, 1,500 farmers and farm workers, and more than 12,000 retailers (mostly families running rural shops) during the coronavirus disease (COVID-19) crisis. The project will support the production and distribution of essential, safe, and affordable wheat and dairy products to more than 2 million people in Azerbaijan. The Asian Development Bank (ADB) will help strengthen Avrora's corporate governance under an agreed action plan. The project will also support greater gender inclusion in the workforce.

## II. THE PROJECT

### A. Project Identification and Description

#### 1. Project Identification

3. **COVID-19 impact on food production and distribution in Azerbaijan.** The COVID-19 pandemic coupled with the dramatic fall in oil prices have had a significant impact on the gross domestic product of Azerbaijan (−4.3% in 2020).<sup>2</sup> In 2020, restrictions on the movement of people and goods, and containment measures such as factory closures, led to sharp reductions in food manufacturing and hindered distribution. In January 2021, Azerbaijan re-implemented control measures and movement restrictions, which will continue until at least June 2021. With emergence of new COVID-19 variants, schools have been closed since 5 April 2021 in affected districts.<sup>3</sup> If COVID-19 restrictions continue, food production and distribution may be compromised because of raw material supply uncertainties, resulting in longer-lasting and deeper impacts on food availability, affordability and overall food security. Additionally, the effects of the restrictions fall disproportionately on the most vulnerable communities, including those in rural areas.<sup>4</sup> Rural retailers have been affected by reduced demand as their customers have lost incomes and jobs as a result of the pandemic. Consequently, retailers have had to increase credit sales and needed longer financing to support inventories. Farmers and farm workers have also been affected due to volatile functioning of commodity markets and uncertain off-take. Large food companies like Avrora are centrally positioned to support weaker supply chain partners to sustain operations and prevent further business disruption.

4. **Food security in Azerbaijan.** Food accounts for 18% of Azerbaijan's imports, higher than other South Caucasus countries and twice the average in most of Europe.<sup>5</sup> As a result, Azerbaijan has been vulnerable to external shocks: food prices increased by 30.0% in 2008, 19.0% in 2016,

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<sup>1</sup> Asian Development Bank (ADB). 2015. *Faster Approach to Small Nonsovereign Transactions*. Manila.

<sup>2</sup> ADB. 2020. *Asian Development Outlook 2020 Update (September 2020)*. Manila; and World Bank. [Azerbaijan Monthly Economic Update – February 2021](#).

<sup>3</sup> Embassy of the United States in Azerbaijan. 2021. [COVID-19 Information for Azerbaijan](#). Updated 6 April 2021.

<sup>4</sup> Food and Agriculture Organization of the United Nations. 2020. *COVID-19 and Rural Poverty: Supporting and Protecting the Rural Poor in Times of Pandemic*. Rome.

<sup>5</sup> MIT. 2019. [Observatory of Economic Complexity](#); World Bank. 2020. [World Development Indicators](#); and Index Mundi. 2020. [Wheat Imports by Country](#) and [Wheat Production by Country](#).

and 4.9% in March 2021 (year-over-year).<sup>6</sup> In May–June 2020, the Russian Federation banned wheat exports, strongly affecting Azerbaijan as the Russian Federation accounts for 90% of wheat imports.<sup>7</sup> The ban was subsequently followed by an export quota and higher export tariffs, which are expected to be in place until at least June 2021.<sup>8</sup> During this period, domestic wheat processors had to diversify their procurement, while at the same time consumption of wheat products (e.g., bread, biscuits, and pasta) and dairy products increased as a result of the COVID-19 crisis. In 2021, while the initial impact of COVID-19-related disruptions have tapered, the business environment continues to be marred by significant uncertainties across the supply chain, including raw material shortages, risk aversion of suppliers demanding faster payments, congestion on borders extending lead times and transport costs, and COVID-19 operating procedures at production facilities, all leading to increased costs of doing business and higher working capital requirements.

5. **Diversification from oil and gas reliance.** Azerbaijan's economy is dependent on oil and gas, which account for 29% of gross domestic product and 91% of exports. The Strategic Road Maps on National Economy and the Main Sectors is the government's overarching development strategy.<sup>9</sup> Adopted following the 2014–2015 oil price slump, the strategy prioritizes diversification and lays out sector-specific road maps. The Strategic Road Map on Production and Processing of Agricultural Products set targets for 2016–2020 to ensure sustainable and increased production capacity and strengthened food safety, including through better access to finance, agronomic expertise, and professional training.<sup>10</sup>

6. **Project selection.** Avrora is a suitable candidate for ADB's indirect COVID-19 response as the company (i) has been affected by COVID-19-related business uncertainty whereby suppliers are demanding advances or quicker repayments while customers (retailers) are demanding longer credit terms, increasing the working capital requirement to sustain and grow operations; (ii) increased revenues in 2020 but gross margins declined as demand shifted to low-margin staples, while working capital requirements grew disproportionately and are expected to peak in 2021; (iii) requires ADB's financing to fund the COVID-19-related working capital and operational needs that will allow it to sustain and grow operations in an uncertain operating environment, while also helping Avrora diversify its funding sources away from traditional local banks that are limiting exposure to big corporates like Avrora to mitigate their portfolio concentration risks; (iv) will help support food security of Azerbaijan as a key supplier of staples serving well over 2 million people while also supporting the livelihoods of more than 2,600 employees, 1,500 farmers and farm workers, and more than 10,000 retailers; and (v) is willing to partner with ADB and the European Bank for Reconstruction and Development (EBRD) (cofinancing partner) to enhance its environmental and social (E&S) standards, strengthen gender participation, and improve corporate governance.

## 2. Project Design

7. ADB will provide a 3-year secured loan facility to finance working capital and operational expenditure. This will support Avrora's increased working capital needs and assist with gradual

<sup>6</sup> International Monetary Fund. 2008 and 2016. *Staff Report for the Article IV Consultation*; and Central Bank of the Republic of Azerbaijan. 2021. *Dynamics of Price Indices*.

<sup>7</sup> Organization of the Petroleum Exporting Countries. 2020. *Annual Statistical Bulletin*.

<sup>8</sup> Government of the Russian Federation, Ministry of Agriculture. 2021. *Russian Prime Minister signs resolution on grain export duties*. Moscow.

<sup>9</sup> Presidential Decree No. 1138. 2016. *About Approval of Strategic Road Maps on National Economy Perspectives and Main Sectors of the Economy*.

<sup>10</sup> Center for Analysis of Economic Reforms and Communication. 2017. *Azerbaijan Economic Reforms Review*.

recovery from COVID-19-related impacts and the company's ability to more effectively manage its operational expenditures, including implementation of COVID-19 standard operating procedures for employees, wearing of personal protective equipment, and regular sanitization. Concomitantly, EBRD will provide a secured loan to finance the construction of a new pasta plant. While financing different parts of the project, ADB and EBRD have worked closely on due diligence, the transaction structure, and the security sharing agreement.

8. **Liquidity for working capital.** To sustain operations through the COVID-19 crisis, Avrora had to increase its cash conversion cycle during 2020. This increase was driven by retailers (buyers), especially in rural areas, asking for extended credit terms to finance inventories and support credit sales to customers, while suppliers were demanding faster payments and advances. In 2021, Avrora projects increased working capital requirement to support gradual business recovery. The cash conversion cycle is projected to normalize by 2024 as the stress on supply chains ease.

9. **Strengthen food security, food safety, and nutrition.** Avrora reports that it supplies quality and affordable wheat and dairy products to more than 2 million people, hence its business is material to the food security of Azerbaijan (with a total population of about 10 million). Avrora's wheat products include wheat flour, pasta, and biscuits. Avrora reports that its biscuits are fortified with mineral premixes and vitamins (including vitamin C) to enhance nutritive value, and for pasta, it uses high-quality durum wheat flour which is rich in nutrients (including dietary fiber, vitamin B-complex, vitamin E, and minerals), has no fat or saturated and trans fat, and is low in cholesterol and sodium. Avrora is the leading dairy product distributor supplying milk, milk drinks, butter, cheese, cream, and yogurt. Avrora reports that more than 50% of its dairy products are fortified, which supports increased immunity of its consumers. Avrora is certified under the ISO 9001:2015 quality management system and ISO 22000:2018 food safety management system, which ensures highest production quality, food safety, and hygiene.<sup>11</sup>

10. **Support livelihoods of farmers and farm workers.** More than 40% of the raw materials used by Avrora in its manufacturing, including wheat, spices, and dried fruits, are sourced locally which supports the local economy and rural farmers. The local dairy companies who distribute through Avrora source milk from local farmers. Through its sourcing, Avrora impacts the livelihoods of more than 1,500 farmers and farm workers and is expected to impact more than 1,700 farmers and farm workers by 2022.

11. **Strengthen gender participation.** The Azerbaijani labor force is highly gender segregated. Occupational stereotyping and national legislation limit women's choices.<sup>12</sup> Women's employment is strongly influenced by cultural norms, where gender-based acceptable jobs and is constraining factor.<sup>13</sup> Avrora will implement a gender action plan to improve employment opportunities for women, notably by enhancing the participation of women in managerial, production, and distribution roles in 2022. In addition, Avrora will initiate a training program to develop managerial capacities of female staff and will increase gender-sensitive communication to improve its staff responsiveness.

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<sup>11</sup> ISO 9001:2015 is an international standard for quality management. It provides a framework for improving quality that consistently meets the requirements of customers. ISO22000:2018 is an international standard on food safety management that integrates the principles of hazard analysis and critical control points with activities that are necessary to maintain a hygienic environment throughout the food chain.

<sup>12</sup> ADB. 2019. [Azerbaijan Country Gender Assessment](#). Manila.

<sup>13</sup> United Nations Development Programme. 2018. [Gender Assessment Report—Women in the Private Sector of Azerbaijan: Opportunities and Challenges](#). Baku.



### 3. Borrower

12. Avrora LLC is an Azerbaijan company, headquartered in Baku, Azerbaijan and is food and beverage manufacturers and distributors in the country. Avrora has a strong and diversified product portfolio with a mix of leading international brands) and its own brands (for wheat flour, pasta, biscuits, and energy drinks) with local manufacturing.<sup>14</sup> Avrora distributes to more than 10,000 retailers.

13. ADB conducted integrity due diligence.<sup>15</sup> Avrora's shareholder, managers, and significant contracting entities do not appear to constitute a significant or potentially significant integrity risk, since no unresolved or substantiated adverse media or other relevant information is related to them.

#### B. Development Impact, Outcome, and Outputs

14. **Impact.** The project is aligned with the following impact: economic growth and entrepreneurship to reduce the negative impact of the COVID-19 pandemic on the country's business environment supported.<sup>16</sup>

15. **Outcome.** The project will have the following outcome: continuity of the company's manufacturing and distribution operations sustained.<sup>17</sup>

16. **Outputs.** The outputs of the project are (i) inventories for wheat product manufacturing and dairy distribution procured; (ii) livelihoods of farmers, farm workers, and retailers secured; (iii) gender equality of employment opportunities for women enhanced; and (iv) corporate governance, and gender-inclusive responsiveness towards employees enhanced.

#### C. Alignment with ADB Strategy and Operations

17. **Consistency with ADB strategy and country strategy.** The project is aligned with Strategy 2030, which calls for ADB "to scale up its financing for agribusiness."<sup>18</sup> The project is also aligned with the Operational Plan for Private Sector Operations, 2019–2024, which identifies "food brands and food retail" as a priority segment.<sup>19</sup> The project will be ADB's first nonsovereign agribusiness transaction in Azerbaijan, and is aligned ADB's country partnership strategy, 2019–2023 for Azerbaijan, which supports "non-oil private sector development."<sup>20</sup>

18. The project is consistent with Strategy 2030's operational priority 1 (addressing remaining poverty and reducing inequalities), which calls for generating quality jobs; operational priority 5 (promoting rural development and food security), which calls for the production of safe, nutritious, and affordable food; and operational priority 2 (accelerating progress in gender equality), which seeks to expand "operations in support of agribusiness value chains whereby women's jobs and

<sup>14</sup> ADB's financing will not fund the liquor business.

<sup>15</sup> ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila. Further information in Client Information (accessible from the linked documents in Appendix 2).

<sup>16</sup> KPMG. *Azerbaijan: Government and institution measures to COVID-19*.

<sup>17</sup> The design and monitoring framework is in Appendix 1.

<sup>18</sup> ADB. 2018. *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. Manila (pp. 15 and 21).

<sup>19</sup> ADB. 2019. *Operational Plan for Private Sector Operations 2019–2024*. Manila (p. 16).

<sup>20</sup> ADB. 2019. *Country Partnership Strategy: Azerbaijan, 2019–2023—Promoting Diversified and Inclusive Growth*. Manila.

entrepreneurship opportunities will be enhanced in higher value-generating activities.”<sup>21</sup> It is also aligned with pillar 2 (regional trade and investment) of operational priority 7 and supports the Central Asia Regional Economic Cooperation 2030 in its operational cluster D by promoting regional trade in agriculture as Avrora has cross-border trade links with several countries.<sup>22</sup>

19. **Consistency with sector strategy and relevant ADB operations.** The project is aligned with ADB’s \$20 billion COVID-19 response package whereby ADB’s Private Sector Operations Department has focused on providing working capital and operational expenditure financing to support continuity of operations of financially strong companies that are facing temporary liquidity issues because of the pandemic.<sup>23</sup> ADB has also been supporting Azerbaijan’s Food Safety Agency in strengthening food safety standards in agricultural value chains and undertaking food traceability study through its regional knowledge and support technical assistance (TA) projects.<sup>24</sup> These existing sovereign TA projects will have possible applications for Avrora, therefore achieving enhanced development objectives.

20. **Lessons from previous operations.** The project builds on lessons from previous financings to relatively small companies with single-person ownership.<sup>25</sup> First, an independent firm was hired for integrity due diligence and a corporate governance improvement action plan has been agreed with the company to ensure appropriate levels of checks and balances and transparency. Second, the company is positioned at the end of the food value chain (processing and distribution of food products), which is a less risky segment than primary agricultural production. Finally, consistent with a risk appetite approach, the ticket size has been kept small given the size of the company, the risks associated with the country. This deal selection and transaction structuring approach is consistent with the agribusiness strategy for tier 3 companies, which are “smaller entities that are leaders in their country or in their niche,” as defined in ADB’s Operational Plan for Private Sector Operations.<sup>26</sup>

#### D. Project Cost and Financing Plan

[Redacted]

#### E. Implementation Arrangements

21. Table 3 summarizes the implementation arrangements.<sup>27</sup>

<sup>21</sup> ADB. 2019. [Strategy 2030 Operational Plan for Priority 1: Addressing Remaining Poverty and Reducing Inequalities, 2019–2024](#). Manila (p. 32); ADB. 2019. [Strategy 2030 Operational Plan for Priority 5: Promoting Rural Development and Food Security, 2019–2024](#). Manila; and ADB. 2019. [Strategy 2030 Operational Plan for Priority 2: Accelerating Progress in Gender Equality, 2019–2024](#). Manila (p. 13).

<sup>22</sup> ADB. 2019. [Strategy 2030 Operational Plan for Priority 7: Fostering Regional Cooperation and Integration, 2019–2024](#). Manila (p. 19).

<sup>23</sup> ADB. 2020. [ADB’s Comprehensive Response to the COVID-19 Pandemic](#). Manila (policy paper).

<sup>24</sup> ADB. 2016. [Technical Assistance for Strengthening International Food Safety Standards in Agricultural Value Chains in the Central Asia Regional Economic Cooperation Member Countries](#). Manila; ADB. 2019. [Technical Assistance for the Digital Development Facility for Asia and the Pacific](#). Manila.

<sup>25</sup> In particular: ADB. 2018. [Report and Recommendation of the President to the Board of Directors: Proposed Loan to Spayka Limited Liability Company for the High-Efficiency Horticulture and Integrated Supply Chain Project in Armenia](#). Manila.

<sup>26</sup> ADB. 2019. [Operational Plan for Private Sector Operations, 2019–2024](#). Manila (December).

<sup>27</sup> Details of Implementation Arrangements (accessible from the list of linked documents in Appendix 2).

**Table 3: Summary of Implementation Arrangements**

<b>Aspects</b>	<b>Arrangements</b>
Regulatory framework	The key regulatory agency for the food sector is the Food Safety Agency of the Republic of Azerbaijan, which fulfills the following functions: legal regulation of food safety standards; consumer protection at all stages of the food supply chain, including production, packaging, storage, transportation, and trading; and disposal as well as implementation.
Implementation period	June 2021–June 2022. ADB’s financing will be used within 12 months while the European Bank for Reconstruction and Development’s financing will refinance the new pasta plant expected to be made operational by the second quarter of 2021.
Operational arrangements	. Avrora’s food production facilities include a pasta plant, a biscuit factory, and a large and modern flour and feed mill. The new pasta plant will be operated by 35 employees and will have two production lines (for long and short pasta) and four stages: (i) mixing raw materials, (ii) slicing and drying, (iii) cooling, and (iv) packaging.
Performance monitoring	Avrora will report annually to ADB on financial and operational key performance indicators for the project, and on safeguard and development indicators.

ADB = Asian Development Bank, Avrora = Avrora LLC, CEO = chief executive officer, m<sup>2</sup> = square meter.  
Sources: Asian Development Bank and Avrora LLC.

## **F. Projected Financial and Economic Performance**

[Redacted]

## **G. Unique Features**

22. The project is ADB’s first assistance to an agribusiness in Azerbaijan. In the COVID-19 context, staple food production and distribution has a unique and powerful impact on sustaining livelihoods of workers, farmers, and small rural shop owners while contributing to food security for the larger population.<sup>28</sup> Avrora is also committed to promoting gender equality and strengthening corporate governance practices. This is a One ADB project between ADB’s Private Sector Operations Department and Central and West Asia Department, as ADB’s Azerbaijan Resident Mission has actively supported deal origination and due diligence.

## **III. THE ADB ASSISTANCE**

### **A. The Assistance**

23. ADB will provide Avrora a 3-year semiannual amortizing (secured) loan of \$5,900,000 in USD or manat equivalent. The main terms and conditions of ADB’s loan have been agreed with Avrora.

### **B. Value Added by ADB Assistance**

24. ADB assistance will add value on three fronts:

- (i) **Corporate governance.** ADB and Avrora have agreed on a corporate governance capacity development program
- (ii) **Diversified funding base.** Avrora has traditionally financed its growth through internal cash flows and loans from local commercial banks. . Financing from ADB and EBRD will help Avrora diversify its funding base and also encourage other international partners. ADB’s financing has already helped mobilize financing from EBRD.

<sup>28</sup> The project is classified as an *inclusive business* as the beneficiaries include employees, smallholder farmers, and small rural retailers belonging to the “base of the pyramid” (bottom half of the income pyramid) in Azerbaijan.

- (iii) **Gender inclusion.** ADB will help Avrora implement gender actions to increase the number of female employees, train them for managerial roles, and provide regular access to COVID-19-related information (para. 41).

### C. Risks

[Redacted]

## IV. POLICY COMPLIANCE

### A. Safeguards and Social Dimensions

25. ADB has categorized the investment in compliance with ADB's Safeguard Policy Statement (2009) as category C for environment, involuntary resettlement, and indigenous peoples.<sup>29</sup> The loan will fund COVID-19-related working capital and operational expenditure for staple foods business activities.<sup>30</sup> ADB has undertaken due diligence and reviewed the potential E&S impacts of the project and the measures to avoid, minimize, mitigate, and compensate for the adverse impacts in the safeguard reports and plans. The E&S measures and the institutional capacity and commitment to manage the project's E&S impacts are deemed adequate.

26. ADB has undertaken a corporate audit of Avrora, including interviews with the management and review of corporate policies, management procedures, regulatory approvals, and monitoring reports. Avrora's facility is in a compound classified as an industrial zone. Land legacy issues were not identified. No indigenous communities were known to be present within the area. Avrora is certified under the ISO 9001:2015 quality management system and ISO 22000:2018 food safety management system (footnote 13). Avrora has developed corporate environmental and safety management procedures and documentation. Regular environmental monitoring is conducted both internally and externally by regulatory authorities. The corporate health, safety, and environment manager oversees overall health, safety, and environment performance.

27. ADB's COVID-19 loan will support working capital needs and support Avrora's operations and will not finance any construction or expansion of facilities.<sup>31</sup> It is therefore anticipated to have minimal E&S impacts in addition to current operations.

28. No activities classified category A or B for environment, involuntary resettlement, or indigenous peoples will be financed under this project. Avrora will ensure that ADB funds will not be used on activities in ADB's prohibited investment activities list, will comply with ADB's Safeguard Policy Statement, and abide by national laws and regulations. Pursuant to ADB's Social Protection Strategy (2001), Avrora will comply with national labor laws and take measures to comply with the internationally recognized core labor standards. Avrora will report regularly to ADB on (i) its compliance with such laws and (ii) the measures taken. Information disclosure and consultation with affected people will be conducted following ADB requirements.<sup>32</sup> Avrora will report annually to ADB on its ongoing compliance with ADB safeguards and social requirements and confirm compliance with ADB's prohibited investment activities list.

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<sup>29</sup> ADB. [Safeguard Categories](#).

<sup>30</sup> As ADB loan proceeds will not support its construction, the new pasta plant was not included in ADB's assessment.

<sup>31</sup> Avrora is building its new pasta plant with support from EBRD.

<sup>32</sup> Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 8).

29. **Effective gender mainstreaming.** Avrora commits to implementing measures to promote gender equality and women's empowerment following ADB's Policy on Gender and Development.<sup>33</sup> Key features of the gender action plan include increasing the number of female staff in production, distribution, and professional roles; and developing a management training program for female staff to enhance gender equality in employment opportunities.. Finally, a gender action relates to strengthening staff awareness on the COVID-19 situation and available external support services, including on domestic violence and mental health issues. Avrora will submit periodic reports on implementation of gender measures to ADB.

## **B. Anticorruption Policy**

30. Avrora was advised of ADB's policy of implementing best international practice relating to combating corruption, money laundering, and the financing of terrorism. ADB will ensure that the loan documentation includes appropriate provisions prohibiting corruption, money laundering, and the financing of terrorism; and remedies for ADB in the event of noncompliance.

## **C. Investment Limitations**

[Redacted]

## **D. Assurances**

31. Consistent with the Agreement Establishing the Asian Development Bank (the Charter),<sup>34</sup> ADB will proceed with the assistance upon establishing that the Government of Azerbaijan has no objection to the assistance to Avrora LLC. ADB will enter into suitable finance documentation, in form and substance satisfactory to ADB.

## **V. THE PRESIDENT'S DECISION**

32. The President, acting under the authority delegated by the Board, has approved the loan of up to \$5,900,000 (or manat equivalent) from the ordinary capital resources of the Asian Development Bank (ADB) to Avrora LLC for the Avrora COVID-19 Staple Food Supply Chain Support Project in Azerbaijan, and hereby reports this action to the Board.

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<sup>33</sup> ADB. 1998. [ADB's Policy on Gender and Development](#). Manila.

<sup>34</sup> ADB. 1966. [Agreement Establishing the Asian Development Bank](#). Manila.

### DESIGN AND MONITORING FRAMEWORK

<b>Impacts the Project is Aligned with</b>			
Economic growth and entrepreneurship to reduce the negative impact of COVID-19 pandemic on the country's business environment supported <sup>a</sup>			
<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and/or Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
<b>Outcome</b>  Continuity of the company's manufacturing and distribution operations sustained	By 2023:  a. Annual sales from wheat-based products increased  b. Annual sales from dairy products increased  c. Number of company workers increased	a.–c. Company's annual development effectiveness monitoring report	The pandemic further affects the business environment, affecting production and distribution of products  Regulatory risk (e.g., transport and movement of goods) affects production and prices
<b>Outputs</b>  1. Inventories for wheat products, manufacturing, and dairy distribution procured  2. Livelihoods of farmers, farm workers, and retailers secured  3. Gender equality of employment opportunities enhanced  4. Avrora's corporate	By 2022:  1a. Annual value of procured inventories for wheat-related manufacturing increased  1b. Annual value of procured inventories for dairy distribution increased  2a. Number of farmers (including farm workers) from whom Avrora is directly and indirectly procuring raw materials increased  2b. Number of retailers continuously distributing Avrora's products sustained  3a. Number of women in production, distribution, and professional roles <sup>b</sup> at Avrora increased  3b. A management training program targeting (but not limited to) its female staff in professional positions developed <sup>c</sup>  4a. Avrora's human resources policies revised to include clear provisions	1.–4. Company's annual development effectiveness monitoring report	Regulatory risk (e.g., import restrictions) affects prices and transport of products  The capacity of sourcing and distribution network is reduced because of quarantine restrictions  The pandemic further affects the business environment

<b>Results Chain</b>	<b>Performance Indicators</b>	<b>Data Sources and/or Reporting Mechanisms</b>	<b>Risks and Critical Assumptions</b>
governance and gender-inclusive responsiveness towards employees enhanced	<p>against any forms of harassment (with enforcement mechanisms and corporate communication campaigns</p> <p>4b. Information about the COVID-19 situation with referrals to civil society and government support services, including domestic violence and mental health support, included in Avrora's bi-weekly communication system<sup>d</sup></p>		

<p><b>Key Activities with Milestones</b></p> <p><b>Outputs 1–4:</b></p> <p>[Redacted]</p>
<p><b>Inputs</b></p> <p>ADB: \$5.9 million EBRD: \$14.7 million Internal accruals: \$8.4 million</p>

ADB = Asian Development Bank, AZN = Azerbaijan manat, COVID-19 = coronavirus disease, EBRD = European Bank for Reconstruction and Development, OP = operational priority, Q = quarter.

<sup>a</sup> [Government and Institution measures in response to COVID-19](#). Azerbaijan.

<sup>b</sup>

<sup>c</sup> Development of this management training program will be conducted in consultation with female staff's groups to design adequate modules responding to their professional needs.

<sup>d</sup> Avrora will use its communication channels (emails, internal hotlines and HR dashboards) to disseminate the information to all staff about these issues. Avrora will look to connect with women associations and public agencies dealing with family/gender issues, either by referring to their services or involving in the communication messaging.

#### **Contribution to Strategy 2030 Operational Priorities**

Expected values and methodological details for all OP indicators to which this project will contribute results are detailed in Contribution to Strategy 2030 Operational Priorities (accessible from the list of linked documents in Appendix 2).

Source: Asian Development Bank.

**LIST OF LINKED DOCUMENTS**

<http://www.adb.org/Documents/FastReport/?id=54376-001>

1. Sector Overview
2. Client Information
3. Details of Implementation Arrangements
4. Contribution to Strategy 2030 Operational Priorities
5. Financial Analysis
6. Economic Analysis
7. Country Economic Indicators
8. Summary Poverty Reduction and Social Strategy
9. Gender Action Plan