

COMPASS Policy Brief

RESILIENCE TO CRISIS: GOVERNMENT RESPONSE TO COVID-19 THE CASE OF AZERBAIJAN

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GCRF COMPASS: Comprehensive Capacity-Building in the Eastern Neighbourhood and Central Asia: research integration, impact governance & sustainable communities (ES/P010849/1)



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ADA University, founded in 2006 as Azerbaijan Diplomatic Academy, is a training institute for young diplomats to meet the urgent needs of the expanding Foreign Service of the Republic of Azerbaijan, ADA University was transformed into a full-fledged public university in 2014. ADA University is home to an international community of approximately 2500 students and approximately 200 faculty and staff from 46 countries around the world. ADA is a truly international University with more international students studying here than in any other university in the country. All courses at ADA are taught in English. The University is made up of four academic Schools: School of Public and International Affairs, School of Business, School of Education, School of Information Technologies and Engineering.

GCRF COMPASS project (ES/P010849/1, 2017-21) is an ambitious UK government capacity-building funding initiative, aiming to extend UK research globally and to address the challenges of growth and sustainability in developing countries. Notably, the COMPASS project led by the University of Kent, in partnership with the University of Cambridge, seeks to establish the ‘hubs of excellence’ at the top-level Higher Education Institutions in Azerbaijan, Belarus, Tajikistan and Uzbekistan, to enable them to become the centres for knowledge-sharing and transfer for *research integration, impact governance, and sustainable communities*.

The Global Challenges Research Fund (GCRF) COMPASS project has been shortlisted for the International Collaboration of the Year at the Times Higher Education (THE) Awards 2021, widely known as ‘the Oscars of Higher Education’.



RESILIENCE TO CRISIS: GOVERNMENT RESPONSE TO COVID-19

THE CASE OF AZERBAIJAN

EXECUTIVE SUMMARY

Spread of the COVID-19 virus has challenged governments to act in an emergency. The pandemic has caused global upheaval that already lasts for almost two years. Governments all around the world have taken extreme measures that are probably the most consequential set of public policy and mass behavior change actions. These measures present a risk to key dimensions of national institutions. However, these institutional dimensions are also critical to providing a resilient response to the crisis. This policy brief discusses and reviews COVID19 pandemic associated policies and institutional changes and adjustments the government of Azerbaijan have taken and draws lessons learned for increasing resilience and ensure effective governance.

Keywords: *governance; governance resilience; Azerbaijan; Covid-19.*

Abbreviations: *MSMEs – Medium and Small Medium Enterprises; ICT hub – Information and Communication Technologies hub.*

BACKGROUND

The Covid-19 outbreak is one of the few if not the first global pandemic, leading to a crisis with considerable losses in public health and its dire cascading economic and social consequences. Given the complexity of pandemic caused crises, governments have had to adapt quickly and ensure that appropriate capacity for co-ordination was in place. Governments across the world have had to respond rapidly, efficiently, and coherently and demonstrate flexibility and innovative approach to a series of unprecedented challenges – from coordinating emergency responses to managing the immediate economic fallout due to lockdown measures. The pandemic has revealed fragility of some of the most essential human-made systems and uncovered gaps in government co-ordination. In a view of these developments the concept of ‘resilience’ has been discussed as a possible solution to the increasing inability of national and global governance to deal with this and upcoming crises.^{1,2}

¹ OECD (2021). “Post-COVID-19, building resilience to crises and regaining citizen’s trust should be a priority for governments” Published on 09.07.2021 at: <https://www.oecd.org/governance/post-covid-19-building-resilience-to-crises-and-regaining-citizens-trust-should-be-a-priority-for-governments-says-oecd.htm>

² Elena Korosteleva & Irina Petrova (2020) “Resilience is dead. Long live resilience?” Published on 09.04.2020 at: <https://www.dahrendorf-forum.eu/resilience-is-dead-long-live-resilience/>

To fight against the pandemic and reduce human cost, governments implemented temporary changes in rules and processes. The pandemic has created major disruptions to the functioning of public and private institutions as a whole, including policy making, the provision of basic services, law enforcement etc. Addressing relevant structural malfunctions is required to ensure resilience to future shocks. It is critical for the countries to be prepared to future shocks of different nature and to focus on long-term inclusive resilient development.

This policy brief identifies emergency measures for public sector continuity at national level of government during the COVID-19 pandemic with focus on specific policy responses such as quarantine and lockdown, fiscal stimulus, education policy and institutional and governance measures the central government of Azerbaijan has taken by adjusting institutions and governance arrangements in support of policies to overcome the pandemic.

We discuss and review COVID-19 pandemic associated policies and institutional changes and adjustments the government of Azerbaijan have taken and institutional system crisis, and draws lessons learned for increasing resilience and ensure effective governance for more resilient governance in post-pandemic era.

ANALYSIS OF THE ISSUE

Since the presidential election in April 2018, the Government of Azerbaijan has undergone significant changes to improve the quality of its institutions, including appointment of a new prime minister, new composition of the Cabinet of Ministers of Azerbaijan replacing older-generation public officials with new young and foreign-educated ministers at key ministries, merging, and liquidating some agencies, and initiating the establishment of new institutions.³ New replacements by active and reform-oriented ministers were expected to create more transparency and accountability in the system, deepen economic reforms through liberalization and diversification to overcome challenges country has been facing since oil markets drop in 2015.⁴ These actions are part of reforms to remedy the situation including optimization of the public administration system, cutting the cost of the public-sector wage bill, and simplification of the management of the system, development of national road map for economic reforms and identification of eleven key areas for the development of the non-oil sector: agriculture, light industry, tourism, and transport.⁵ The government has undertaken large-scale investments in identified sectors.

There has been considerable adoption of technology and e-governance in delivery of public services. The government aims to turn the country into an ICT hub for the Caucasus.⁶ Public services provision through the one-stop shop has started since 2012⁷ and currently more than 450 services by government agencies as well as by private companies and businesses are available through 24 ASAN centers. ASAN won a

³ Anar Valiyev & Fikrat Valehli (2021): COVID-19 and Azerbaijan: Is the System Resilient Enough to Withstand the Perfect Storm?, Problems of Post-Communism, DOI: 10.1080/10758216.2021.1920840

Article published on 30.06.2021 at: <https://doi.org/10.1080/10758216.2021.1920840>

⁴ Fariz Ismailzade "Azerbaijan's New Cabinet Composition Indicates Pro-reform Agenda" Published on 11.05.2018 at: The Central Asia-Caucasus Analyst (CACI): <https://www.cacianalyst.org/publications/analytical-articles/item/13514-azerbajjans-new-cabinet-composition-indicates-pro-reform-agenda.html>

⁵ "Azərbaycan Respublikasının milli iqtisadiyyat perspektivi üzrə Strateji Yol Xəritəsi" Published on 06.12.2016 at: <https://static.president.az/pdf/38542.pdf>

⁶ Asian Development Bank (2019) "Azerbaijan: Country Digital Development Overview" Published in January 2019 at <https://www.adb.org/sites/default/files/institutional-document/484586/aze-digital-development-overview.pdf>

⁷ See, ASAN xidmət website: <http://www.asan.gov.az/en>

United Nations Public Service Award in 2015 for delivery of public services.⁸ E-Gov Development Center was established in 2018 under the Decree of the President “About e-government development and measures related to transition to digital government”. The Center has developed “myGov”, a personal cabinet-based portal to set the transition from reactive e-government to proactive e-government.⁹

It was believed that the government was taking serious steps to reform the country’s governance and that these changes might lead to a certain degree of liberalization of the economy, social sphere, and politics. The COVID-19 pandemic significantly affected further developments of government restructuring and optimization as of winter 2020 when government slowed down its restructuring, fearing for the stability of the system. Following the rest of the world, Azerbaijan shifted into crisis management mode with Action Plan to prevent the spread of COVID-19 issued on 30 January 2020, and established a task force to coordinate the measures and introduce a special quarantine regime that included border closures and quarantining of returning citizens; prohibition of mass gatherings; restrictions on domestic movements; closure of restaurants and some other public facilities, airports, and transportation hubs; social distancing; and disinfection of public spaces.

Azerbaijan has been adversely affected by COVID-19 and associated collapse of oil prices, as the country is heavily dependent on global oil prices. The oil and gas sector of Azerbaijan accounts for 35 percent of gross domestic product (GDP) and for more than 91 percent of the value of exports. The authorities reported the first confirmed COVID-19 case on 29 February 2020. In 2020 Azerbaijani economy experienced a deeper recession than was originally anticipated. Around 30% of the MSMEs had to partially close down their operations and 52.5%, had to close down their operations completely.¹⁰ Domestic lockdowns and global spillovers are two main factors slowing down the economy having greater exposure to the impact of downturns in tourism and commodity prices. Most of the public institutions were not prepared for such an emergency and reacted differently.

Response to pandemic from the Center: Institutional Mechanisms

On 30 January 2020, the Cabinet of Ministers of the Republic of Azerbaijan issued the ‘Action Plan on Prevention the Spread of New Coronavirus Disease in the Republic of Azerbaijan’ while the first case of coronavirus infection was confirmed on 28 February 2020. The Government established the special task force Operational Headquarters under the Cabinet of Ministers on 27 February 2020, consisting of senior officials of the relevant authorities to coordinate the measures taken by the Government in response to the spread of the coronavirus in the country. On 19 March 2020, the President of the Republic of Azerbaijan signed the Executive Order on measures to protect public health in Azerbaijan and strengthen the counter measures against the coronavirus infection.

According to the Decree, Special Coronavirus Response Fund was established to provide financial assistance to the country’s response measures. Around 12 million US dollars were allocated to the Fund from the President’s Contingency Fund.¹¹

Since the end of March have been applied strict quarantine regime restricting people to leave their permanent or temporary places of residence except for the cases of need for urgent medical care,

⁸ ASAN xidmət website ““ASAN service” was awarded with the United Nations Prize”. Accessed on 01.11.2021

<https://asan.gov.az/en/award/asan-xidmet-bmt-nin-muekafati-ile-teltif-edildi>

⁹ See, e-gov website: <https://www.digital.gov.az/en/page/about>

¹⁰ United Nations Development Programme (2021) “COVID-19 and the countries of South Caucasus, Western CIS and Ukraine” Published on 02.03.2021 at: <https://www.eurasia.undp.org/content/rbec/en/home/library/sustainable-development/covid-19-and-the-countries-of-south-caucasus-western-cis-and-ukr.html>

¹¹ Presidential Decree as of 19 March 2020 “Koronavirusla Mübarizəyə Dəstək Fondunun vəsaitinin formalaşdırılması, idarə olunması və ondan istifadə QAYDASI”. Accessed on 10.11.2021 at: <https://president.az/articles/36217>

immediate danger to life and health, conduction of permitted operations. Majority of businesses, events, activities, public services have been closed down.

As of November 2021, no short, medium or long-term post-pandemic recovery plan has been presented to be public.

Agile Treasury Operations and Social Issues

As part of critical and essential support responses to the spread and treatment of coronavirus disease the authorities have increased budget spending on public health by AZN 370 million (0.5 percent of GDP). Azerbaijan's government has also provided AZN 8.5 million (5 million US dollars) to the COVID-19 Fund.¹²

In a view of the strict lockdown measures immediate core challenge was getting cash into the hands of businesses and vulnerable social groups through direct payments and loans. Among economic support measures have been implemented direct financial support to 300,000 individual entrepreneurs in the affected sectors of economy (47 million US dollars) and provision of a lump-sum payment (110 US dollars) for 600,000 unemployed and low-income persons through simplified on the web portal of the Ministry of Labour and Social Protection.

600,000 low-income people were identified as unemployed and informally employed after losing their jobs under the special quarantine regime, however these numbers contradict officially published data on the labor market by the State Statistics Committee (SSC) that recognizes much lower numbers. According to monthly socio-economic bulletins prepared by the SSC: compared to the beginning of 2020, the number of people identified as unemployed increased by 45.2%, from 252,000 to 366,000.¹³

So, following the GDP decrease, shut down of businesses, high unemployment and scale of poverty increase are consequences of pandemic for the economy of Azerbaijan.

Education

As of 3 March 2020, all educational institutions have been temporarily closed. By that time, over 2 million people were studying at various education institutions including primary and secondary schools as well as universities and vocational education institutions. Only 2 out of 51¹⁴ higher education institutions had set up solid distance-learning arrangements that included a relevant software solution, trained faculty, and digital content.¹⁵ Although provision of distant education for higher education students and schools have been centrally organized by the Ministry of Education through Microsoft Teams platform provided by the Ministry of Education, almost none of the educational institutions, their staff and students had had any experience of online teaching and learning. Neither the Ministry of Education nor institutions and schools or students were ready to transition to an online system. Issue of lack of computers or tablets and inadequate internet infrastructure and low level of e-readiness and digital literacy particularly in rural areas¹⁶ have added to these difficulties and left many young students and pupils outside of education for more than a year. Many people left economically vulnerable or

¹² WHO's Strategic Preparedness and Response Plan. Accessed on 16.11.2021 at: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

¹³ Rovshan Aghayev "Pandemic 2020: Key Outcomes for Azerbaijan's Economy" Published on 24.12.2020 at: <https://bakuresearchinstitute.org/en/pandemic-2020-key-outcomes-for-azerbajians-economy/>

¹⁴ Website of Ministry of Education of the Republic of Azerbaijan: <https://edu.gov.az/en/higher-education>

¹⁵ Ibid., 10.

¹⁶ Ibid., 7.

unemployed during the pandemic and they could not afford a computer or internet access. Although no official data from the government has been reported regarding access to online classes, education experts estimate about 30-35% of total students having access to organized online education process.¹⁷

Thus, the COVID-19 pandemic battered the education system of Azerbaijan, destroying the small gains achieved in quality. It revealed the unsustainability of the education system and the inability of the governance system to cope with such emergencies.

Healthcare

Healthcare system of Azerbaijan that for decades suffered from systemic weaknesses, was one of the hardest hit areas in the country. Azerbaijan's healthcare system has long been subject to criticism due to problems such as organizationally carrying many of the key hallmarks of the Soviet model of health care, poor medical services, low levels of government expenditure on health system, bribery, low official salaries of healthcare workers and underqualification issues. The pandemic has caught the sector in the middle of the process of total reformation such as implementation of compulsory medical insurance and planned reformation of the Ministry of Health. The sudden crisis of pandemic has caught the newly established State Agency for Compulsory Medical Insurance and still existing Ministry of Health unprepared and placed a significant burden on the national health system.

With all the above mentioned lockdown and other virus dissemination preventative measures, the less than ten million population country has got (as of mid November 2021) 7 686 lethal outcomes out of more than 577K confirmed disease cases. The country leads in vaccination rates in the South Caucasus with reportedly 10 328 843 vaccinated cases.

One of the most striking issues for the government was ability to provide health services effectively. Number of modern hospitals and clinics, module type clinics have been opened, ventilators purchased and plant for production of medical masks and disinfectants have been established in the country. All these were possible with increased budget spending on public health, scaling up medical facilities, increased official salaries of healthcare workers treating COVID19 patients, creation of a COVID-19 Response Fund with public and private sector contributions. The Government has launched an information portal aimed to raise public awareness on prevention.¹⁸

Conclusions

The COVID-19 pandemic has caught Azerbaijan, as majority of the rest of the world, unprepared to a crisis of such scale. The government was quick to adopt strategy to fight the COVID-19 and implemented containment measures to halt the spread of COVID-19, it has set up a coordination mechanism at the highest level of the government to facilitate pandemic response and ensure whole of government coordination on this matter. Daily communication and reporting on the pandemic spread and fight was ensured through various channels including TV, Radio, dedicated websites, social media platforms. Existence of financial reserve funds and Coronavirus Response Fund have made possible treasury transfers and cash inflow to social protection and healthcare to strengthen the system. However, although the donations to the Fund are well recorded and reported, information on expenses is not available online. Pandemic containment measures were not complimented with effective or adequate social care.

¹⁷ Gulnure Kazimova at Institute of War and Peace Reporting "Azerbaijan's Children Let Down by Online Learning". Published on 18.03.2021 at: <https://iwpr.net/pg4r71cx>

¹⁸ See, the website <https://koronavirusinfo.az>

POLICY RECOMMENDATIONS

The pandemic has exposed the benefits of a stronger, flexible, digital and more responsive public service. It also stressed the need for sound communication, transparent policies, systems and processes, and high trust level to the government. It requires cooperation between system and citizens to overcome the challenge as a collective action. Thus, the following policy recommendations are proposed to achieve better readiness to the possible future shocks:

- Transparency and quality of public spending should be improved
- The economic structure of the country should be diversified to decrease dependency of volatility of energy sector
- Social issues including unemployment and poverty rates, low income population protection are to be addressed in a coherent recovery strategy
- The health care system capacity should be boosted through increasing number and capacity of health care professionals
- Digitalisation of public services, digital governance tools and e-governance to be developed and expanded to continue operating and providing services in states of emergency
- Education reform has to be implemented to respond to rise of e-learning and e-teaching
- Availability and quality of internet as well as population digital literacy to be improved
- Conduct scenario planning. The scenarios for potential future shocks in form of similar to pandemic or very distinct should be developed in coordination with the whole government and society including industries, academia, and nongovernmental organizations.

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