

**MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN**

**AZERBAIJAN STATE ECONOMIC UNIVERSITY**

**INTERNATIONAL MAGISTRATION AND DOCTORATE CENTER**

**MASTER DISSERTATION**

**on the topic**

**FISCAL POLICY PRIORITIES AND FINANCIAL ASSISTANCE  
PROGRAMS FOR BUSINESSES DURING COVID-19 PANDEMICS: THE  
CASE OF GEORGIA AND AZERBAIJAN**

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**BAKU – 2022**

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN**

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PROGRAMS FOR BUSINESSES DURING COVID-19 PANDEMICS: THE  
CASE OF GEORGIA AND AZERBAIJAN”**

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## **Elmi and**

Mən Muradov Ramin Rayik oğlu and içirəm ki, “Fiscal policy priorities and financial assistance programs for businesses during covid-19 pandemics: the case of Georgia and Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim hər bir mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

# COVID-19 BÖHRANI ZAMANI BİZNES ÜÇÜN MALİYYƏ SİYASƏTİ PRIORİTETLƏRİ VƏ MALİYYƏ YARDIMI PROQRAMLARI: GÜRCÜSTAN VƏ AZƏRBAYCAN NÜMUNƏSİ

## XÜLASƏ

Tədqiqatın aktualığı: COVID-19 pandemiyası öz təsirləri ilə həm cəmiyyətlər, həm də fərdlər, həm də müəssisələr zəminində əhəmiyyətli dəyişikliklərə səbəb olmuşdur. İnsanlar, eləcə də müəssisələr əvvəllər üz-üzə gördükləri bəzi fəaliyyətlərini internet və sosial media vasitəsilə etməyə başlamışlar.

Tədqiqatın məqsədi: Tədqiqatın əsas məqsədi Azərbaycan və Gürcüstanda (COVID-19) pandemiyası şəraitində Azərbaycanda xəstəliklərdən qorunma tədbirlərinin müəyyənləşdirilməsi, sosial-iqtisadi təhlil və qiymətləndirilməsi təşkil edir.

İstifadə olunmuş tədqiqat metodları: statistik, analitik təhlil, müqayisə və qrafik təhlil metodlarından, “SWOT”, “PEST” qiymətləndirmə analizlərindən, müşahidə metodlarından istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqatın aparılmasında səhiyyə xidmətinin təşkili, pandemiya tədbirləri, COVID-19 və onun xüsusiyyətləri, biznes subyektlərinin fəaliyyəti üzrə yerli və xarici monoqrafiyalardan, kitab, nəşrlərdən, elmi işlərdən, və digər vəsaitlərdən istifadə edilmişdir.

Tədqiqatın məhdudiyyətləri: Mövzunun daha öncə dünya miqyasında tədqiq olunmaması və COVID-19 pandemiyasının həyatımıza son iki ildə daxil olduğunu nəzərə alaraq Azərbaycan üzrə bu sahədə aparılan tədqiqatlar yetərsiz saydadır.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Tədqiqatın məqsədinə müvafiq olaraq Azərbaycanda və Gürcüstanda (COVID-19) pandemiyası şəraitində biznes subyektlərində xəstəliklərdən qorunma tədbirlərinin müəyyənləşdirilməsi, qiymətləndirilməsi və virusla mübarizədə yeni həll yollarının, eləcə də iki dövlət tərəfindən həyata keçirilən tədbirlərin müqayisəli analiz tədqiqatının aparılması üzrə müəyyənləşdirilmişdir.

Nəticələrin istifadə oluna biləcəyi sahələr: Tədqiqat vasitəsilə əldə edilən nəticələr virusla mübarizədə müvəffəq olmaq istəyən biznes subyektləri üçün əhəmiyyətli ola bilər.

*Açar sözlər:* COVID-19, iqtisadiyyat, dövlət, səhiyyə

# **FISCAL POLICY PRIORITIES AND FINANCIAL ASSISTANCE PROGRAMS FOR BUSINESS DURING COVID-19 CRISIS: THE CASE OF GEORGIA AND AZERBAIJAN**

## **SUMMARY**

**The actuality of the subject:**The COVID-19 pandemic has led to significant changes in societies, individuals and businesses. People, as well as businesses, have begun to do some of the activities they used to face through the Internet and social media.

**Purpose and tasks of the research:**The main purpose of the study is to identify, socio-economic analysis and assessment of disease prevention measures in Azerbaijan and Georgia in the context of the pandemic in Azerbaijan (COVID-19).

**Used research methods:**statistical, analytical analysis, comparison and graphical analysis methods, “SWOT”, “PEST” assessment analyzes, observation methods were used.

**The information base of the research:**The study used the organization of health services, pandemic measures, COVID-19 and its features, local and foreign monographs, books, publications, scientific papers, and other resources on the activities of business entities.

**Restrictions of research:**Given that the topic has not been studied on a global scale and the COVID-19 pandemic has entered our lives in the last 2 years, there is insufficient research in this area in Azerbaijan and in Georgia.

**The novelty and practical results of investigation:**In accordance with the purpose of the research, to identify, evaluate measures to prevent diseases in business entities in Azerbaijan and in Georgia in the context of the pandemic (COVID-19) and to propose new solutions and measures to combat the virus.

**Scientific-practical significance of results:**The results obtained through research can be important for businesses that want to succeed in fighting the virus.

*Keywords: COVID-19, economy, state, health*

## **ABBREVIATIONS AND SIGNS**

<b>DC</b>	Developed countries
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>IT</b>	Information technologies
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>OPEC</b>	List of oil exporting countries
<b>SSC</b>	The State Statistics Committee
<b>USA</b>	United States of America

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## INTRODUCTION

**Relevance of the research topic:** After the detection of a new virus, Severe Acute Respiratory Syndrome Coronavirus-2 (SARS-CoV-2) in Wuhan, Hubei Province, People's Republic of China, the virus spread to many countries in late 2019 and became a pandemic. Various restrictions have been imposed, quarantine rules have been imposed, and many more stringent measures have been taken to prevent the spread of the virus. The COVID-19 pandemic has caused significant changes in societies, individuals and businesses. People, as well as businesses, have begun to do some of the activities they used to face through the Internet and social media.

It is known that due to the pandemic, countries are taking appropriate measures to prevent the disease. Through these measures, the share of damage caused by the pandemic in some countries, including Azerbaijan, has been minimized. These measures differ in different areas. This is due to the fact that each field has its own characteristics and forms. These areas include education, social protection, migrants, women and children, Business entities of Azerbaijan, etc. can be attributed. Considering that the workforce is formed mainly by business entities, we can say that one of the main areas that necessitate the formation of disease prevention services is business entities. This makes our topic very relevant.

The COVID-19 pandemic fundamentally affects the worldwide economy and all circles of public life. The pandemic has likewise prompted tremendous changes in livelihoods and the design of the work market. The article inspects the effect of the pandemic on the condition of the work market, worldwide monetary movement and livelihoods. Simultaneously, the examination of financial development in Azerbaijan with different CIS nations during the pandemic was thought of. The urgency of the article is that ensuring social welfare is a priority of the state's social policy, and overcoming the crisis with minimal damage is important for the Azerbaijani economy. In this regard, the mechanism of support for social welfare by the state, as well as the features of social programs are analyzed separately



The situation with the COVID-19 pandemic has led to a global and serious recession. Although the consequences and how the pandemic will change human civilization are not known in advance, the threat has caused economic decline, losses and a number of problems in many countries around the world, following the socio-economic spheres. The rapid spread of COVID-19 has changed the course and conditions of economic processes in the world, revealed new challenges and realities.

**Statement of the problem and learning level:** The concept of COVID-19, which is a new entry in our literature, disease prevention measures, as well as the study of the activities of business entities are extensive and important areas. This point is extremely new, and the arrangement of sickness avoidance administrations in business elements with regards to the Covid pandemic has never been the subject of examination by one or the other neighborhood or unfamiliar analysts. This is what is happening with regards to the Covid (COVID-19) pandemic, it is vital to focus on the arrangement and financial evaluation of illness assurance administrations in business elements in Azerbaijan and Georgia.

**Purposes and objectives of the research:** The principal motivation behind the review is to concentrate on the monetary approach needs and monetary help programs for organizations during the emergency of COVID-19 on the case of Georgia and Azerbaijan.

Tasks to be solved in the course of achieving the set goal:

- Investigating the occurrence of COVID-19 crises and major challenges for businesses
- To study the process of distribution and spread of COVID-19 in the world
- Research of COVID-19 story in Georgia and Azerbaijan
- Strict quarantine measures and research on the impact on enterprises
- Analysis of the implementation of fiscal policy in Georgia and Azerbaijan before the COVID-19 crisis
- Research on tax incentives and subsidies for enterprises before COVID-19
- Analysis of financial assistance programs for enterprises during COVID-19

crises

services in business entities of Azerbaijan in the conditions of COVID-19 pandemic.

**Object and subject of the research:**

The object of research is the social class operating Georgia and Azerbaijan and their socio-economic activities. The subject of research is formation and socio-economic assessment of disease protection.

**Research methods:** In the process of researching the impact of COVID-19 pandemic in Georgia and Azerbaijan I will first start with analyzing how it all started and outbreaked in all over the world. Deductive method will be used in order to narrow the scope of research from the world to two countries which I am going to explore, including to investigate how the epidemic affected the businesses and fiscal policy priorities there and main directions of government policies to recover economy suffered from challenges posed by the pandemic. It includes conducting an “after-action review” to gather data on lessons learned from the COVID-19, after that using data to list the actions in order to raise business value today and build sound strategy for tomorrow.

Another method which will be used is quantitative method. I will explain phenomena by collecting numerical data and analyze them with the help of statistics and other mathematically based methods. In order to get more accurate outcomes in the end of the research with the help of this technique I will collect data from World Bank, National Statistics Office of Georgia (hereafter NSOG), The State Statistical Committee of the Republic of Azerbaijan (hereafter SSCRA), Worldometer, World Health Organization (hereafter WHO), visualize the results in tables, charts and other figures and explain the consequence derived from trustworthy data.

**Research database:** The study will use comparative analysis of the pandemic coronavirus in different sectors and industries of the world economy, including Georgia and Azerbaijan, and synthetic analysis methods to achieve effective results in mitigating the damage caused by the pandemic. Measures taken in the context of the pandemic coronavirus and in the post-pandemic period and the reforms

implemented will be examined. Based on this, the measures taken and the reforms implemented can be achieved for Azerbaijan.

**Research limitations:** Given that the topic has not been studied on a global scale and the COVID-19 pandemic has entered our lives in the last two years, there is insufficient research in this area Georgia and Azerbaijan.

As the pandemic situation, as well as the relaxed quarantine regime, is still ongoing, the problem of not establishing contacts with business entities and conducting face-to-face surveys, as well as from a financial point of view, can be added to this list.

**Scientific novelty of the research:** In accordance with the purpose of the study, to identify and evaluate measures to prevent disease in business entities in the context of the pandemic in Azerbaijan and Georgia (COVID-19) and to propose new solutions, as well as measures to combat the virus.

**Scientific and practical significance of the results:** The results of the study may be important for businesses that want to succeed in fighting the virus. It can also be used as a source of literature to help overcome the lack of information in the field of research and to conduct new research in this area.

# **CHAPTER I. OUTBREAK OF COVID-19 CRISES AND BIG CHALLENGES FOR THE BUSINESSES**

## **1.1. Outbreak and spread of COVID-19 in the world**

2020 was a truly exceptional year in human history. To date, the pandemic coronavirus (COVID-19) has claimed the lives of more than 3 million people, devastated the global economy, and fundamentally changed all aspects of human life.

Prior to the COVID-19 pandemic, progress had been made in critical areas such as poverty reduction, improved maternal and child health, increased access to electricity, and gender equality. However, with the advent of the pandemic, problems and setbacks began in all areas of the world.

In many parts of the world, the pandemic is still ongoing, undermining decades of development efforts and has already had a significant impact on several areas.

The economic downturn caused by the pandemic has pushed an additional 119 million to 124 million people into extreme poverty by 2020, exacerbating problems in the fight against poverty, such as conflict, climate change and natural disasters. The crisis also exacerbates inequality: in 2020, the equivalent of 255 million full-time jobs was lost, and an additional 101 million children and young people lost their minimum reading skills, minimizing the educational progress achieved in the previous two decades. In addition, another 10 million girls are expected to be at risk of early child marriage over the next decade due to the pandemic.

The economic downturn caused by the pandemic has done little to slow the climate crisis. Preliminary data for 2020 show that the concentration of major greenhouse gases in the atmosphere has increased and the average global temperature is about 1.2 ° C higher than the pre-industrial level, dangerously close to the limit of 1.5 ° C set by the Paris Agreement. In addition, the world has failed to meet its 2020 targets to end biodiversity loss, and between 2015 and 2020, forest area has declined by 10 million hectares each year.

The COVID-19 crisis has affected some of the delivery vehicles needed to promote sustainable change. Global foreign direct investment inflows decreased by 40 percent compared to 2019. The value of global trade in goods is projected to decrease by 5.6 percent in 2021 compared to 2020. The numerous financial consequences of the pandemic have led to debt crises in many countries and territories. Although net official development assistance (ODA) rose to \$ 161 billion in 2020, it was not enough to respond to the pandemic and reach the long-established goal of 0.7 percent of gross national income.

Indigenous communities have shown incredible resilience, governments have taken decisive action, social security networks have expanded rapidly, digital transformation has accelerated, and unprecedented partnerships have been established to develop life-saving vaccines and treatments in record time. Maximum quarantine measures were devoted to the prevention of the pandemic, and although these measures prevented the pandemic, they froze the education system, collapsed the economy, and left millions unemployed.

The sharp decline in activity has dealt a devastating blow to the global labor market. Several countries (especially in Europe) have been able to limit its impact through effective short-term employment programs. However, according to the International Labor Organization, the global reduction in working hours in the first quarter of 2020 compared to the fourth quarter of 2019 was equivalent to the loss of 130 million full-time jobs. The decline in the second quarter of 2020 was equivalent to more than 300 million full-time jobs.

The damage to the labor market was particularly severe in the case of low-skilled workers who were unable to work from home. Income declines are also unequally distributed among women and men: in some countries, women in low-income groups are more affected. The International Labor Organization estimates that the crisis has affected about 80 percent of the estimated 2 billion informal workers worldwide.

The synchronous nature of the recession exacerbates disruptions in the world's domestic economies. In the first quarter, trade fell by about 3.5 percent (year-on-

year) due to weak demand, a sharp decline in cross-border tourism and supply disruptions due to business closures (sometimes exacerbated by trade restrictions).

Self-isolation regimes have been used most intensively and extensively around the world from about mid-March to mid-May. For example, movement data from cell phone signal monitoring show that in most countries, economic activity in retail, leisure, transit, and workplaces remains weak, although it appears to have returned to baseline levels in certain areas.

During most recessions, consumers spend their savings or rely on social security networks and family support to cover costs, and consumption fluctuates less than investment. But this time, service consumption and production have also decreased significantly. This feature reflects a unique combination of factors: voluntary social exclusion, self-isolation required to slow transmission, and the failure of health care systems to cope with rapidly growing diseases, a sharp decline in incomes, and a weakening of consumer confidence. Companies have also reduced their investments amid declining demand, supply disruptions and uncertainty over future earnings. Thus, large-scale aggregate demand shocks exacerbate short-term supply disruptions resulting from self-isolation.

Inflation in advanced economies decreased by about 1.3 percentage points from the end of 2019 to 0.4 percent (annual) in April 2020, and in emerging market economies decreased by 1.2 percentage points to 4.2 percent. Downward pressure on prices due to declining aggregate demand, combined with the impact of lower fuel prices so far, seems more than offsetting any upward trend in costs due to supply disruptions.

According to the European Commission's (EC) summer economic forecast, the EU economy will go into deep recession in 2020 due to the pandemic coronavirus, despite measures taken at both the EU and national levels.

According to the published summer forecast, the Eurozone's GDP is expected to decline by 8.7% in 2020 and increase by 6.1% in 2021. EU GDP as a whole is projected to decline by 8.3% in 2020 and increase by 5.8% in 2021. Thus, the forecast predicts that in 2021 the decline will be significantly higher than the

expected level of 7.7% for the Eurozone and 7.4% for the EU as a whole. Economic growth in 2021 will also be slightly less stable than projected in the spring (interfax.az).

The pandemic has reduced activity in the global and national economies and limited investment opportunities. The application of social isolation measures to minimize the impact of the coronavirus on the health of citizens, of course, also affects the economy of Azerbaijan.

Although economic growth was observed in the country in early 2020, the spread of the pandemic coronavirus in the world has had a serious impact on the country's economy as well as the global economy. To forestall the spread of the danger of a pandemic and the brief execution of preventive and earnest measures, a central command comprising of the heads of important states was laid out under the Cabinet of Ministers of the Republic of Azerbaijan, and vital measures were steered toward this path.

Albeit the mind boggling measures taken permitted to limit the effect of the pandemic on the improvement of business venture and expectations for everyday comforts, to forestall a quick downturn in our economy, subsequently, in 2020, contrasted with 2019, prompted a 4.3 percent decrease in GDP .

Against the background of declining economic indicators in all respects, Azerbaijan has spent 2.5 billion manat to combat the pandemic.

About 2.5 billion manat has been allocated in Azerbaijan for measures to combat the coronavirus pandemic and eliminate its negative impact on the Azerbaijani economy.

Reserves have been allotted from the state financial plan and different sources to battle the infection and moderate the impacts of the pandemic.

Simultaneously, contrasted with the earlier year, GDP (GDP) in 2020 diminished by 4.3 percent, remembering 2.6 percent for the non-oil and gas area. In the field of products, the pointers diminished by 30%, remembering sends out for the non-oil area by 5.2% and imports to the country by 21.4%.

In 2020, the ostensible pay of the Azerbaijani populace diminished by 1.8% contrasted with the earlier year.

Tourism has become one of the sectors most affected by the new coronavirus pandemic in the world. Due to the closure of borders and the suspension of flights in 2020, compared to 2019, 4 times fewer foreigners and stateless persons came to Azerbaijan. In 2020, the turnover of mutual tourism services decreased by 4.3 times, and there was a deficit as a result of imports exceeding exports of tourism services. The crisis has caused serious economic losses not only to the tourism sector, but also to other related industries.

The consequences of the crisis caused by the pandemic coronavirus continue to be observed in the tourism sector of Azerbaijan, as in other countries. According to the State Border Service, 795,700 foreigners and stateless persons from 155 countries came to Azerbaijan in 2020, which is 4 times less than in 2019.

It is from the second quarter of 2020 that there is a sharp decline in the turnover of tourism services. Thus, in the second quarter of 2019, tourism services sought to \$ 457 million, in the second quarter of 2020 - \$ 5 million, compared to 2019, this decline continued in the third and fourth quarters of 2020.

According to the Central Bank of Azerbaijan, the turnover of mutual tourism services in 2020 decreased by 4.9 times and voted to 715.9 million US dollars. As a result of imports exceeding exports of tourism services, in 2020 there was a deficit of 107.5 million US dollars (1). It should be noted that since 2016, a positive balance has been observed in the turnover of mutual tourism services in Azerbaijan. Due to the impact of the COVID-19 pandemic in 2020, there is another deficit in this area.

In 2020, 16% of tourism exports were business trips and 84% were personal trips. During this period, 12% of imports of tourism services fell on business trips and 88% on personal trips.

It should be noted that the volume of tourism services provided by foreign countries to Azerbaijani residents in 2020 judged to \$ 411.7 million. 88.2% of them were due to personal visits of Azerbaijani citizens .



As a result of the analysis, it became clear that in 2019, 40% of visitors to our country used the airline, while in 2020 this figure was 27.6%. This was due to the temporary closure of air routes to prevent the spread of coronavirus infection.

In 2020, hotel revenues decreased by 3.9 times compared to last year and voted to 116.8 million manat. Thus, 60.2 percent came from rooms, 29.0 percent from catering services, 2.5 percent from treatment and medical services, and 8.3 percent from other services.

Although the Covid-19 pandemic has had a negative impact on the country's economy, the complex measures taken, including the support of entrepreneurship and the acceleration of the vaccination process, have played a positive role in restoring economic activity.

As a result, in the corresponding period of 2021, compared to January-June 2020, GDP increased by 2.1 percent in real terms and voted to 39.9 billion manat in current prices. Real GDP per capita increased by 1.6% and stated to 3987.6 manat or 2345.7 US dollars (2030.1 US dollars compared to the same period last year).

## **1.2. The story of COVID-19 in Georgia and Azerbaijan**

In various parts of the world, states are taking large-scale measures to support the most vulnerable groups in the population at risk of coronavirus infection. Key types of assistance include food distribution, social benefits and employment support, health care and the creation of conditions to reduce the risk of infection.

Recommendations and the need to maintain social isolation to minimize the risk of the spread of infection are of particular concern to governments regarding the situation of the homeless who receive additional support.

In the least developed countries, the main challenge for governments is to provide food to the most vulnerable segments of the population who have lost their livelihoods and normal living conditions. In addition, the disruption of global supply chains has in some cases prioritized the need to ensure food security for the state as a whole.

Supporting employment, as well as compensation of lost income in the form of social payments for unemployment, compensation and benefits to employers, easing of tax regulations have become an unconditional priority of national and international efforts.

Along with disability and other social benefits for the unemployed, the use of financial assistance mechanisms is a positive signal.

However, despite targeted and substantial government support for vulnerable groups in pandemic situations, in many cases, coercive measures by governments to prevent the spread of infection are a factor in their deterioration.

In addition to financial support measures, states pay great attention to the provision of psychological assistance to those who are forced to be isolated due to restrictions, as well as measures to protect the lives and health of these groups. which is an additional risk factor for isolated domestic violence.

Issues of assistance to persons with disabilities to a large extent are traditionally related to the activities of civil society institutions and individual citizens, which is relevant in the current situation due to lack of public resources. The opportunity to make a personal contribution to the fight against the pandemic and to help vulnerable populations resonated around the world.

Civil society organizations play a key role in developing inclusive policies, disseminating information, and providing social support to the most vulnerable, and without their participation, governments would find it difficult to cope with the COVID-19 pandemic.

In Azerbaijan, through social networks Facebook, TikTok, Instagram, Telegram, various civil societies as a group provided assistance to citizens living in poverty and financial hardship during the pandemic.

Although the crisis caused by the spread of COVID-19 has affected almost all sectors of society and all segments of the population, especially the most vulnerable groups, including the elderly, the disabled, the homeless, orphans and migrants, have suffered. Problems of domestic violence have intensified, primarily affecting women

and children. The number of unemployed has increased. Poor people are disproportionately burdened by the health and financial effects of the crisis.

The conclusion that COVID-19 is mainly a disease of the elderly reinforces the negative stereotypes about older citizens that may seem difficult to society. Age discrimination can have a direct and often catastrophic effect on older people's access to goods and services, even health care.

Older people, especially those with chronic diseases such as diabetes and cardiovascular disease, have a higher risk of contracting COVID-19. Today, they face not only increased health risks, but also great difficulty in living in isolation. While social isolation is necessary to reduce the spread of the disease, if not applied properly, it can lead to an increase in the social isolation of older people at a time when they need support the most.

Many elderly people live in long-term care facilities and nursing homes. Because people who stay in such facilities are close to each other, the risk of infection and the negative effects of the disease are higher. As a result, many states are forced to take measures such as restricting travel and group activities, which have a negative impact on the physical and mental health of older people, increasing their anxiety, tension and isolation. The policy of travel restrictions should be balanced and take into account the possible health risks on the one hand, and the psychological need for family and communication on the other.

During an epidemic, malnutrition among socially vulnerable groups, especially retirees, can rise emerging, leading to an increase in deaths. Ensuring food security is becoming a major challenge for states, especially in the case of older people isolating themselves. Social services should ensure that food is delivered to elderly citizens at home, if necessary.

Measures have been taken in this area in Azerbaijan as well. Both the state and various companies went from house to house in the country according to the list of the elderly population, and food was distributed to each elderly person every month.

People with disabilities, even outside the epidemic, often have difficulty accessing health care. For people with disabilities, the risk of infection with high

COVID-19 and more serious health consequences are exacerbated by other problems, such as the cessation of social services and support measures.

Preventive measures against the spread of COVID-19 can be difficult for people with disabilities: some people may have difficulty following frequent cleaning of buildings or even washing their hands. Others will not be able to maintain social distance or isolate themselves because they need constant help and support to perform daily tasks. During this period, the uninterrupted provision of social services is of particular importance.

According to the list of all groups of disabled people living in Azerbaijan during the pandemic, monthly food and assistance was provided to them.

Domestic violence against women and children is widespread throughout the world. According to the OECD, more than a third of all women have been physically or sexually abused by their partners or unrelated people throughout their lives. The COVID-19 crisis could exacerbate the situation.

During the COVID-19 pandemic, many women and children are placed under house arrest along with violent individuals who use psychological, physical, or economic violence to achieve their goals. Restrictions on movement prevent victims from seeking refuge elsewhere. They face significant obstacles when they want to leave home or even call an ambulance next to their partner. At the same time, women and children in temporary shelters have difficulty finding further housing due to the risk of infection and the lack of space to relocate.

The potential negative consequences of the spread of COVID-19 (including rising unemployment, loss of wages, lack of job security) are particularly dangerous for women, as economic control is a key tool for the rapist. Financial uncertainty can cause victims of violence to stay with their families. Survivors of violence also often face numerous barriers to access to justice.

Declining demand and supply disruptions caused by the COVID-19 crisis threaten the availability of jobs in a number of areas of economic activity in the short and medium term. Measures to prevent the escalation of the COVID-19 crisis

include social isolation and the closure of retail, transport, restaurants, hotels and other services.

Unemployment benefits and other related benefits help reduce the negative impact of lost income. But in all countries, people who have lost their jobs do not have access to such support.

A study conducted in 2019 shows that in countries such as Belgium, Luxembourg and Iceland, the probability of receiving state support in the event of dismissal is 90% or higher. In Austria, Great Britain and Latvia, this figure is more than 70%. In Greece, Italy and Poland, there is a serious risk of non-payment in case of dismissal (<https://ach.gov.ru/upload/pdf/Covid-19-inclusion.pdf>).

Georgia expected that after Easter there would be a flood in the quantity of individuals tainted with Covid in the country. The congregation would not help the public authority measures, however the specialists figured out how to forestall mass contamination of parishioners. In Georgia, a record low in the Caucasus statistics of diseases with the SARS-CoV-2 infection and passings from pneumonia COVID-19. As of May 5, there were just 604 tainted and 9 passings in the country with a populace of 3.7 million individuals. Specialists call the actions taken by the public authority a model of dynamic reaction, proactive activities pointed toward forestalling the spread of Covid. Following the distinguishing proof of patient zero toward the finish of February, the nation started to drop flights and close boundaries. Schools, social establishments and ski resorts were shut toward the beginning of March. By the center of March, the majority of the inns and cafés were shut, all open occasions were delayed endlessly.

The majority of the worries with regards to the pandemic were caused by Easter, which fell on April 19 this year. It was known as the most troublesome ever: on account of an enormous visit to the night ritual and graveyards, a sharp flare-up of the scourge appeared to be inescapable. In the mean time, the congregation in Georgia is the second establishment after the military regarding the degree of trust, and it relied upon the activities of the public authority whether individuals would

pursue a decision for religion or pay attention to the proposals of specialists. Just before Easter, there were 370 instances of COVID-19 and 3 passings in the country.

Over a month in crisis mode: fine for infringement of limitations - 860 euros:

The highly sensitive situation was pronounced in Georgia 20 days before Easter and has not been dropped up to this point. You can purchase food and medication. There is no open vehicle, a time limit and a prohibition on social events of multiple individuals. Entering shops, drug stores and banks without a mask is denied. Police watches are working all through the city.

In the absolute first days after the burden of isolation estimates in Tbilisi, a few dozen violators were demonstratively sentenced, including individuals gathering for supras - customary Georgian outdoors eats. Soon after such gatherings in the east of the country, contaminations started in March, after which two locales were shut for full quarantine. The fine for infringement of the system is 3000 lari (860 euros). For correlation: the compensation of a medical caretaker in an irresistible illnesses emergency clinic in Tbilisi is 400 lari (115 euros).

The public authority disagreed with the patriarch and tracked down a strategy for getting around:

The specialists have been attempting to come to a concurrence with the Patriarchate on the conclusion of chapels for over a month. In any case, 87-year-old Ilia II would not acknowledge the check in time and reported that he would by and by direct the Easter assistance at Tsminda Sameba Cathedral.

The main thing left for Prime Minister Giorgi Gakharia was either to go into an extreme showdown with the patriarch, or to think of one more method for lessening the dangers for individuals. The choice of conflict was basically precluded, specialists say, since the consequences of the races, which will be held in Georgia in October, conclusively rely upon the position of the congregation, and the specialists wouldn't pamper relations with the patriarch.

It was promptly evident that nobody would settle on an open struggle, the power of the congregation in the public arena was excessively high," says Stefan Meister, top of the Heinrich-Böll-Stiftung in the South Caucasus. "In these

circumstances, the public authority found a workaround, to be specific, to confine the versatility of residents bit by bit.

Seven days before the occasion, the doorways and ways out for the four biggest urban communities of Georgia were impeded so that individuals wouldn't leave for their family members in the country. They additionally shut the graveyards, where devotees typically go on Sunday. Inside the urban communities, the development of individual vehicles was halted for five days. Those wishing to go to the Easter Liturgy needed to go to the congregation by walking and go through the entire night there from 21:00 to 06:00.

During the five Easter days, the development of vehicles was permitted exclusively in the event of emergency. On the night before Easter, Minister of Health Yekaterina Tikaradze would have rather not responded to the subject of columnists whether the infection is communicated through a spoon for fellowship. Yet, Prime Minister Gakharia by and by approached each Georgian to remain at home and protect the congregation. Paata Imnadze, representative overseer of the National Center for Disease Control, talked all the more brutally. On the off chance that adherents go to the assistance, he said, the nation will lose count of the caskets.

We are fortunate that because of the calls of specialists, individuals chose not to go to chapel, said Eka Gigauri, chief overseer of the Georgian part of Transparency International. As she would see it, in the states of general disarray, a conclusive job was played by the high confidence in specialists - both with respect to the specialists and with respect to society.

Sanitizer at the entry: the abbot of the sanctuary on poise and opportunity

The Tbilisi Exaltation of the Cross Church can oblige 800 individuals on a standard Easter evening. A couple dozen parishioners came for the current year. Abbot Feodor Gignadze casted a ballot to the parishioners by means of Facebook with a proposition to coordinate themselves and cutoff themselves in bliss out of fortitude with the people who can't come. Compliance to the state, when it infers really focusing on individuals, is a Christian obligation, the archpriest is persuaded.

There is a sanitizer at the entry to the congregation. For the minister, this is a sign of imagination and opportunity, significant qualities in a sound ward life: Considering the assistance of the living God, this permits us to conquer any challenges with nobility. Besides, with the chance of a dependable triumph." One of four Tbilisi centers ready to acknowledge COVID-19 patients is found a little ways from his sanctuary.

How parishioners acted on Easter:

There are not many clerics like Theodore Gignadze in the country. Among the actual adherents - against the foundation of the logical inconsistencies between the male controlled society and the state - the mentality towards the suggestions is unique. Beneficiary Sophio, a parishioner of the Upper Bethlehem Church, was at the Easter Liturgy and considered superfluous precautionary measures pointless. I don't have confidence in the infection, I put stock in God, she makes sense of quietly. I want to take care of my grandkids, so rather than veils, I'll purchase flour today.

Leila, 45, a supermarket manager, wears a mask at work, and she denied herself to go to chapel: I'm a devotee, I go to chapel, however not currently. I didn't go to Easter. I'm directed by sound judgment.

The level has been reached, there will be no pinnacle:

On the 10th day after Easter, there were 511 contaminated and 6 passings in the country. The level has been reached, there will be no pinnacle, expressed the top of the Ministry of Health Yekaterina Tikaradze, without hanging tight for the finish of the fourteen day hatching period. The day to day expansion in tainted individuals has balanced out at around 25.

This implies that the actions have helped, specialists say. The prohibitions on the development of individuals, and the secluded allures of the abbots, and the close to home discourses of specialists, who were given the job of fomenters by the experts in a fragile circumstance for themselves, likewise worked. In late April, Prime Minister Gakharia reported an arrangement to lift the limitations in four phases.



### **1.3. Strict quarantine measures and effects over businesses**

The outbreak of the coronavirus has changed the agenda for businesses, which should start thinking about both how to respond to major shocks and plans to rebuild and transform work in the future as soon as possible.

We've identified five priority areas, primarily based on the lessons that companies in China and other Asian countries hit first by the epidemic have had to learn.

#### **1. Safety of people and business continuity:**

The safety and well-being of workers have become increasingly important. People expect instructions from employers, public figures and politicians. An open and transparent dialogue will help reduce tensions, increase cohesion and ensure the smooth running of the business as a result.

Companies can take a number of measures, such as introducing or expanding flexible working hours and finding other opportunities, to enable employees to work from home and be safe. Depending on the industry, it is possible to reorganize teams and reallocate resources, as well as develop measures to protect personnel and create a safe working environment. In addition, regular mailings can be organized to keep employees informed of the current situation and decisions made at the government and health authorities. This will help the staff and the organization survive the crisis.

It is important to find a balance to support current operations in the new environment with minimal business losses. If the nature of the work makes it difficult for staff to work from home or move to flexible hours due to the need to stay in the workplace or interact with customers, measures should be taken to prevent the spread of the virus.

In an effort to keep workers safe, municipal authorities in some regions are working with big data collected by IT companies and mobile operators to create a QR code system that tracks a person's movements and allows them to confirm that they have not been in high-risk areas in the past 14 days. risk. At the central and local level, decisions are made on partial or full exemptions from the payment of rent and social security contributions, or granting an extension.

But even with all these measures, some companies will not be able to avoid operational disruptions. Restrictions on the movement of employees, which are introduced in different countries at the national and local level, lead to shortages of personnel and increased costs. Companies facing unusual issues that have not been addressed by their coronavirus initiatives should seek advice from their local authorities. A number of countries are adopting programs for financial and other support for small businesses and entire industries, including hospitality and tourism, which are under serious threat due to COVID-19.

## 2. New business continuity strategy

Many will not be able to avoid significant disruptions to operations during the COVID-19 epidemic, and this will affect the effectiveness of the business. Enterprises working with China were the first to be hit by the crisis - they began to experience serious supply problems. Today, both Europe and the United States are in crisis, with more companies experiencing disruptions and shifting consumer demand, especially in industries such as consumer goods, retail, manufacturing, biotechnology and automotive.

In order to survive a crisis, a business should:

Track short-term liquidity. Companies need to implement a procedure for monitoring short-term cash flows in order to be able to predict their reduction in time and take prompt action. It is also necessary to improve the efficiency of working capital management, especially in terms of collection of receivables and control of stocks. In addition, it is important to seek out-of-the-box solutions and stay proactive to shorten the working capital cycle. Particular attention should be paid to regular interaction with suppliers in order to notice potential risks in time.

Assess financial and operational risks and respond quickly to them. Companies need to monitor for signs of rising direct costs and profitability so that they can quickly begin negotiating contract renegotiations, if necessary. Those who fail to respond in time or fail to renegotiate agreements can face financial problems with long-term consequences.

As well as observing weaknesses inside the organization, it is additionally important to screen factors that can influence clients, providers, workers for hire and accomplices. Specifically, it is feasible to do a sort of pressure testing of the matter of the provider of the first and second level, which might be hit by the emergency. This is particularly valid for the car and drug businesses, which depend intensely on outsider providers. And finally, it should be remembered that the risks of asset impairment can not only worsen the state of the entire balance sheet, but also lead to violations of the restrictive conditions of agreements with banks and other credit institutions.

Explore supply chain alternatives. Companies that buy parts and raw materials from markets overwhelmed by the coronavirus should consider looking for alternatives.... For example, one Japanese manufacturer is considering relocating a commercial air conditioner assembly plant to Malaysia based today in Wuhan, the capital of Hubei province, which has been quarantined due to the coronavirus outbreak. Meanwhile, an international apparel company intends to relocate production from Wuhan to Vietnam and Indonesia. Such quick measures will provide temporary space to fulfill obligations to clients. Companies that purchase goods as demand arises or have informal agreements with various service providers, including logistics, should be prepared for possible supply problems both during the crisis and after it due to a potential surge in demand.

Organizations that adhere to the principle of transparency and conduct open communication with customers and suppliers have an advantage in situations where it is necessary to quickly respond to events and change.

Determine the impact of the COVID-19 outbreak on budgets and business plans. Companies should test their financial plans for sustainability in various scenarios to assess how the crisis might affect financial performance and how long it will last. If business plans and budgeting prerequisites are out of date due to the effects of the crisis, they will have to be revised to adapt to the changes. And if the impact of a pandemic is threatening to become devastating, the minimum necessary

to support operations should be determined in terms of staffing, supplier relations, capacity and technology allocation.

There may also be problems with short-term capital replenishment to ensure business continuity. Based on the results of the analysis, it is possible to consider the possibility of attracting short-term capital, refinancing debt, attracting additional loans from banks and investors, and applying for government support. In addition, it is necessary to comprehensively analyze operating costs in order to reduce as much as possible all non-business-critical items.

### 3. Interaction with stakeholders

Transparent, direct and regular dialogue can be a good foundation for transforming operations and obtaining ongoing support from consumers, workers, suppliers, lenders, investors and regulators.

**Consumers.** Companies should inform consumers in a timely manner about possible disruptions in the supply of goods or services. It is extremely important to have open communication channels in case of non-fulfillment of contractual obligations due to a production or supply disruption in order to inform contractors in time about delays or the occurrence of force majeure circumstances. Such proactive actions will help to avoid penalties for non-fulfillment of obligations to consumers.

**Workers.** The way people interact with people should aim to find a balance between taking precautions and maintaining a working attitude.

**Suppliers.** Companies need to constantly stay in touch with suppliers of goods and services in order to be prepared for possible disruptions due to the COVID-19 epidemic, to understand their time frames and to be able to quickly find alternatives.

**Lenders and Investors.** It may be necessary to analyze loan agreements, the failure of which is associated with special risks. It is also important to avoid formal breaches of conditions. Timely action can pave the way for negotiations with creditors to renegotiate or refinance debt.

Regulators. The companies' lawyers may need to be consulted regarding their potential obligations. Business units may be required to engage heavily with stakeholders to resolve disputes and gather evidence.

Companies should consider how reliable their supply chain is and whether they are flexible enough to withstand a crisis for three months.

#### 4. Get maximum support from the state

China is taking a number of measures at the national and local level to support business, including in terms of financing, social security and taxation. The China Securities Regulatory Commission, for example, has begun offering debt refinancing to public companies. The United States, the United Kingdom and several other developed countries recently announced a decision to revise some aspects of taxation and financing mechanisms.

Companies need to track what support measures are being taken at the state level, which of them can bring the maximum benefit, taking into account the specifics of the business, and what other assistance they can receive. Government support programs may vary by industry and country. It is necessary to identify and analyze all the available opportunities in order to understand which of them will bring the most benefit to the organization.

In particular, China's State Tax Administration has issued a series of regulations to support efforts to contain the epidemic. They provide:

VAT exemption or VAT refund for organizations performing epidemic control work or producing essential supplies for contaminated regions.

Full income tax exemption for purchases of equipment for the production of preventive care products.

Income tax exemption for bonuses and other incentive payments to those participating in epidemic containment activities.

Encouraging public donations

Temporary insurance premiums and tax exemptions provided by the tax administration and the Treasury have helped ease the burden on companies.

Other countries affected by the epidemic, including Singapore and Japan, are taking similar government measures. Companies should monitor government initiatives in order to take advantage of the opportunities offered and to protect themselves from risks.

#### 5. Increasing resilience and readiness for a new "normality"

After testing the strategies for strength and agreeing with stakeholders on possible development paths, it will be necessary not only to implement the adjusted plans, but also to closely monitor the development of the situation, which remains uncertain. Significant deviations from the planned plan should be noticed in time by the management. So the organization will be able to quickly respond to them and avoid additional negative consequences.

Once the coronavirus epidemic is brought under control, it will be necessary to re-analyze and adjust plans to maintain business continuity. It is also important to evaluate the effectiveness of the measures taken. If gaps are identified, their possible causes should be understood, which may include delayed action, underdeveloped infrastructure, staff shortages, or external environmental factors. The lessons learned can form the foundation for developing new operating principles and contingency plans that will help make your business more resilient in the face of future challenges.

Financial services organizations can, in the interest of all, offer more flexible working capital products and additional short-term lending to support the economy.

The COVID-19 epidemic could not have been predicted based on common logic and available forecasting tools. However, companies can learn many lessons that will continue to be beneficial in the aftermath of a crisis if they take a holistic view of their responses.

In the meantime, when making decisions, companies need to be guided by the fact that the crisis will eventually end. Once completed, it will become clear which companies are flexible and resilient enough to effectively transform business strategy and achieve future prosperity.

In the long term, it will be necessary to go back and assess the effectiveness of activities, leadership and initiatives during the crisis. It is also important to analyze the assumptions on which the supply chain and other key business elements are being built that are most at risk due to the epidemic.

When the crisis subsides, companies will need to reassess the effectiveness of management during the epidemic and understand how to become more resilient to cope with new shocks in the future.

Companies around the world are trying to understand how the COVID-19 coronavirus will affect their businesses. But the current crisis is not only serious risks, but also an opportunity to find new areas for increasing resilience and transforming activities for the future.

## **CHAPTER II. FISCAL POLICY IMPLEMENTATION IN GEORGIA AND AZERBAIJAN BEFORE COVID-19 CRISES**

### **2.1. Structure of budget revenues and expenditures in Georgia**

The state budget makes up a significant part of the national income of countries around the world, and, therefore, is a significant factor determining the economic development of countries. The problem of choosing the total amount of budgetary funds necessary for the performance of state functions is one of the main tasks of the state structure. The budget deficit / surplus policy is connected both with the choice of long-term planning strategies and with external economic factors. The analysis of the distribution of the main expenditure items within the established expenditures is associated with the identification of the priorities of the state budget policy and is a reflection of both economic and political factors, shows the institutional conditions. Thus, extensive literature is devoted to the study of political and economic factors influencing the budget process. These studies are mainly concerned with a detailed analysis of the institutional environment and its impact on the efficiency of the budget process. In this case, as a rule, the size of the budget deficit, and not the structure of the budget, is considered as the main measure of efficiency.

The classic work of Alesina and R. Perotti shows the decisive role of budget acceptance procedures on budget outcomes. The authors show the importance of formulating a general budget concept within the executive branch, submitting a bill to parliament and discussing it in parliament. In addition, factors such as the electoral system, the coalition structure of the government and political polarization play a significant role. For example, coalition governments, often found in countries with proportional electoral systems, tend to run large budget deficits. The most effective, from the point of view of the authors, are hierarchical institutions in which the Minister of Finance plays a dominant role in the entire budget process (Alesina and R. Perotti 2016).



The coronavirus has exacerbated the chronic ailments of the Georgian economy, making 2020 a critical year for the country. At the same time, it is too early to talk about recovery in the coming year, even if the pandemic recedes.

The pandemic coronavirus has thrown the Georgian economy into a deep shock. The optimistic growth of the first two months of 2020 smoothly turned into the deepest economic crisis in the history of Georgia. Only in March, after the introduction of the first lockdown, the country's GDP fell to almost minus 17 percent. The sharp decline in tourist traffic caused by the spread of the coronavirus stopped the main source of foreign exchange. Exports in March fell by about 22%, imports - by 13.4%. Under the pressure of these factors, the Georgian lari collapsed, which, despite large-scale foreign exchange interventions by the National Bank, depreciated by 22% against the US dollar by the end of the year(<https://take-profit.org/statistics/government-budget/georgia/>)

In the current situation, Georgia could only rely on external borrowings. The total amount of external assistance assisted to 3 billion US dollars, and in general, about 3.5 billion lari was spent on anti-crisis measures in 2020 alone.

According to the results of the first anti-crisis program alone, 350,000 citizens who lost their jobs under the state of emergency received assistance from the state in the amount of 200 lari within six months. Budget expenditures for these purposes aimed at 460 million lari. In addition, this category of citizens was offered a three-month deferral of payments on bank loans. Another 75 million lari went to one-time assistance in the amount of 300 lari, which was received by self-employed citizens (Syarifullah, J., 2021).

The economic downturn put significant pressure on inflation, which rose by 6.1% over the year. At the same time, the negative background turned out to be significantly mitigated by the fall in fuel prices, however, the rise in food prices even broke the record of 2008 - for example, fruits increased in price by almost one and a half times, eggs and dairy products by 17%, fish - by 15.8%, meat - by 13%, bread - by 10% (<https://take-profit.org/statistics/government-budget/georgia/>)

A relative improvement in the economy came towards the end of the summer season, when, thanks to the development of domestic tourism, the country began to recover from the first shock.

Average real GDP growth fell nearly 6% in the first seven months. The most serious decline was recorded in the field of hotel and restaurant business, cultural leisure and entertainment business - theaters, concert venues, cinemas, sports fell out of public life for a long time.

Against the backdrop of the crisis, the volume of foreign direct investment from abroad set a new anti-record, reaching its lowest level in seven years. For the first three quarters, compared to the same period in 2019, their volume decreased by 23.6 percent(<https://take-profit.org/statistics/government-budget/georgia/>)

At the same time, for the first time in history, the specific share of reinvestment (\$ 133.6 million) exceeded the inflow of real capital (\$ 97.4 million) by 71% (<https://take-profit.org/statistics/government-budget/georgia/>)

**Table 1: Georgia State Budget Data**

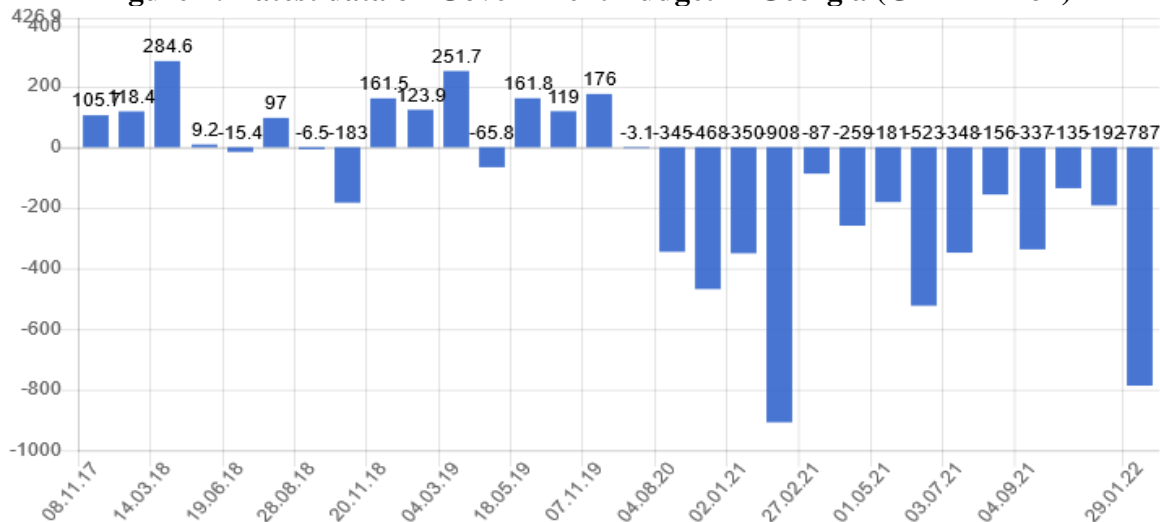
Indicator	Value	Period
State Budget	-787 GEL million / -0.261 billion USD	December 2021
Government expenditure	2092 GEL million / 0.694 billion USD	3rd quarter 2021
Government revenue	1495 GEL million / 0.496 billion USD	December 2021
State budget from GDP	-9.3%	2020

**Source:** <https://take-profit.org/statistics/government-budget/georgia/>

And finally, at the end of the year, Georgia received an updated budget for 2021. It was drawn up on the basis of 4% GDP growth, with an inflation rate of 3.5% and a budget deficit of 7.6%. At the same time, the revenue side decreased by 1.6 billion lari compared to last year, while the expenditure side, on the contrary, increased by 2.4 billion lari. The deficit is planned to be covered by external and internal borrowings in the amount of 5.3 billion lari, including through the issuance of new Eurobonds in 2021. (Figure 1, 2, 3, 4)

Overall, according to the report of the UN Conference on Trade and Development, the economic consequences of COVID-19 long outlived the pandemic itself. At the end of 2020, the associated recession in the global economy was 4.3 percent. In 2021, the economy recovered by 4.1 percent. (Table 1)

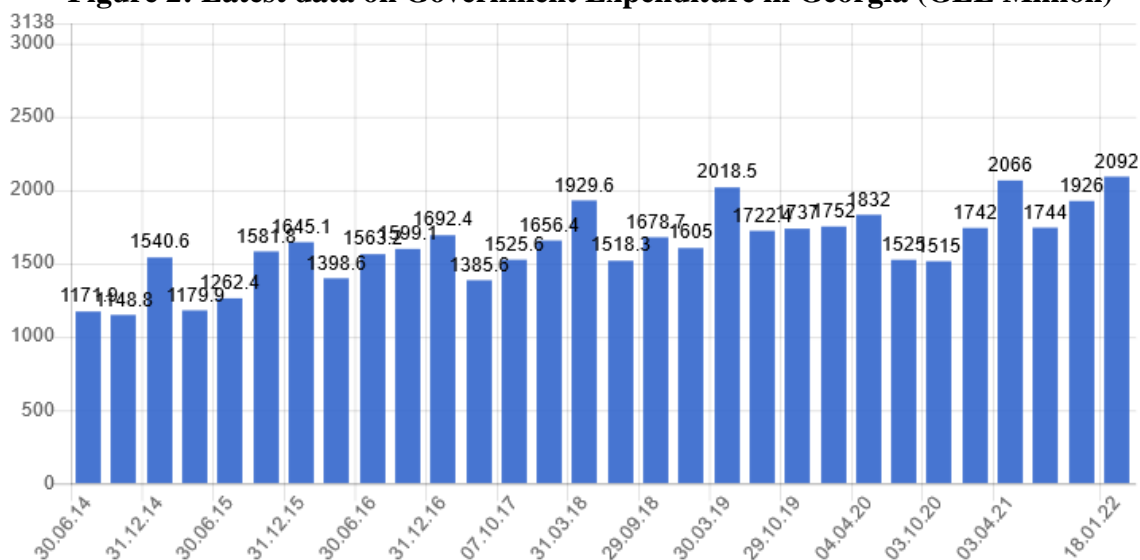
**Figure 1: Latest data on Government Budget in Georgia (GEL Million)**



Source: <https://take-profit.org/statistics/government-budget/georgia/>

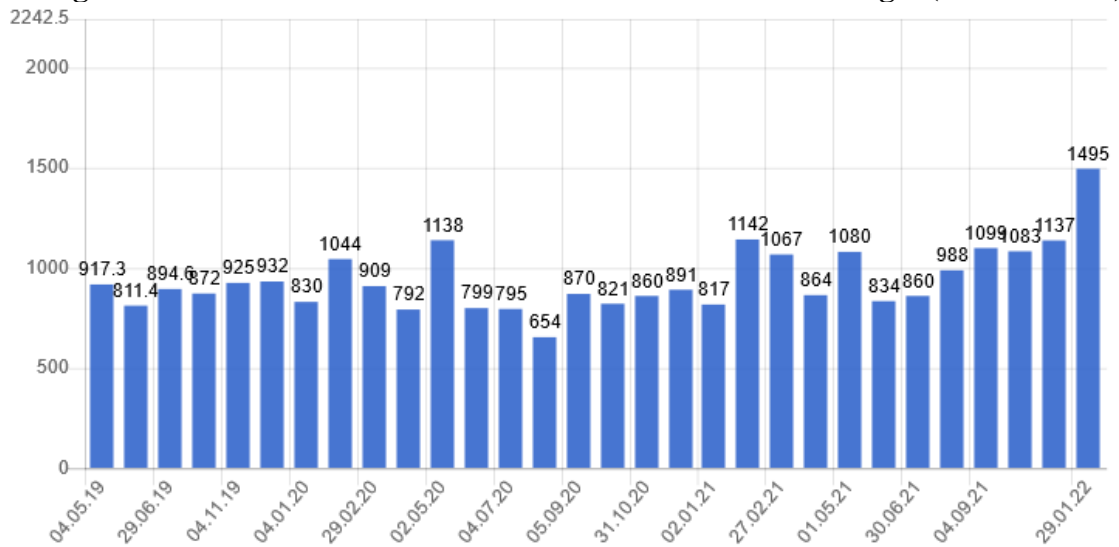
The government budget deficit in Georgia decreased to 787 GEL Million (0.261 B USD) in December 2021. The maximum surplus was 328 GEL Million and the deficit was -1054 GEL Million.

**Figure 2: Latest data on Government Expenditure in Georgia (GEL Million)**



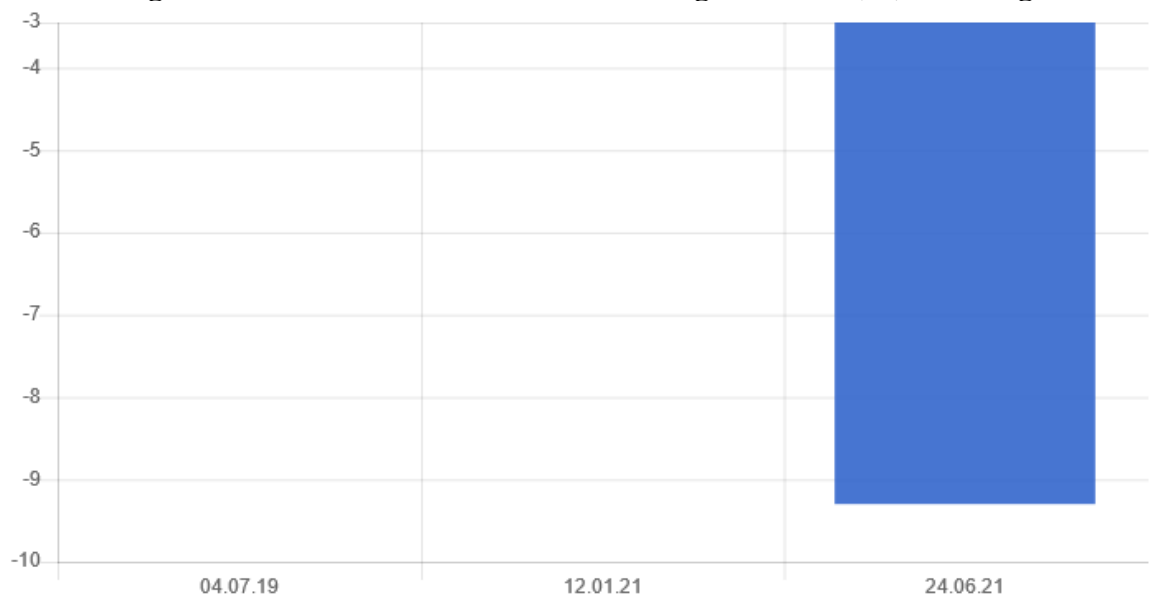
Source: <https://take-profit.org/statistics/government-budget/georgia/>

**Figure 3: Latest data on Government Revenue Value in Georgia (GEL Million)**



Source: <https://take-profit.org/statistics/government-budget/georgia/>

**Figure 4: Latest data on Government Budget to GDP (%) in Georgia**



Source: <https://take-profit.org/statistics/government-budget/georgia/>

The Parliament of Georgia approved the state budget for 2022.

State budget allocations are set at 19.2 billion lari (approximately \$ 6.2 billion). Of these, 17.3 billion lari (about \$ 5.6 billion) are budgetary funds, 1.9 billion lari (about \$ 615 million) are funding from donors. State budget revenues in 2022 are planned at the level of 19.4 billion lari (about \$ 6.3 billion). Tax revenues will amount to 23.5% of GDP and will remain at the same level in subsequent years. In 2022, the total current expenditure is projected at 14.2 billion lari (about \$ 4.6

billion), which is 22.8% of GDP. Capital expenditures are projected at 5.5 billion (about \$ 1.7 billion), or 8.5% of GDP. The budget deficit will amount to 4.2% of GDP. The deflator is planned at 4.5%. The nominal gross domestic product is projected at 64.8 billion lari (about \$ 21 billion). By the end of 2022, the maximum debt of the Georgian government is set at 51.7% of GDP with a limit of 60% of GDP. According to the final version of the state budget, real GDP is expected to grow at 6% in 2022, and an average of 5.5% in the coming years. At the same time, the updated economic growth forecast for the current year is 10%. (<https://take-profit.org/statistics/government-budget/georgia/>)

## **2.2. Structure of budget revenues and expenditures in Azerbaijan**

The state budget is of special importance for the implementation of political, economic, social and other tasks of the state. The state budget is formed from various types of taxes, state duties, lease of state property, privatization and other revenues.

Over the past 20 years, government spending has increased 39 times and revenues 41 times. From 1995 to 2008, government revenues and expenditures increased. However, since the financial crisis, there has been a decline in expenditures and revenues since 2008. Compared to last year, in 2019, revenues increased by 659 million manat and expenditures by 2.466 million manat (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>)

Other revenues account for 70% of budget revenues, including revenues from the lease and privatization of state property, state and customs duties, revenues from loans to foreign countries, dividends from enterprises with state shares, etc. The rest of the revenue is collected from taxes. More than 40% of taxes are collected indirectly from value added tax levied on consumers. 2.7 billion manat of income comes from income tax. The rest comes from other taxes - land tax, mining tax, road tax, property tax and excises (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>)

The situation with the COVID-19 pandemic has led to a global and serious recession. Although the consequences and how the pandemic will change human civilization are not known in advance, the threat has caused economic decline, losses

and a number of problems in many countries around the world, following the socio-economic spheres. The rapid spread of COVID-19 has changed the course and conditions of economic processes in the world, revealed new challenges and realities. The Spanish flu and cholera, two of the worst pandemics in history that have killed between 20 and 50 million people, have not hurt the economy as much as the coronavirus epidemic. On the other hand, according to the forecasts of international organizations, the global scale and long-term effects of the COVID-19 pandemic distinguish it from other pandemics.

- innovation break, ie change of technological structures (depletion of the potential of old technology and delay in the introduction of new technologies) (3);

- Prolonged trade disputes between the United States and China, two of the world's largest economies;

- imposition of sanctions;

- reshoring (the process of returning the production of goods to the company's original country) - international

- reformatting the division of labor;

- debt growth in emerging market economies;

- increase of natural environment and ecological problems;

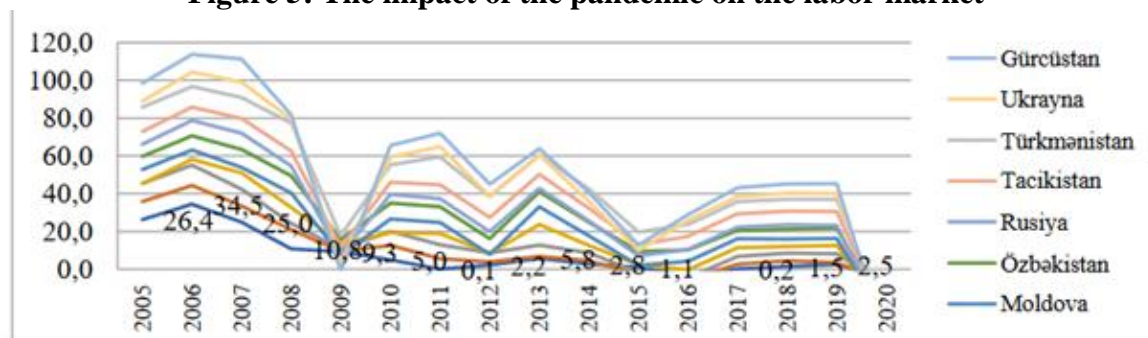
- downward trend in world oil prices.

Thus, the sharp decline in global trade from previous years, pandemic-related job losses, layoffs and uncertainties in financial markets had a negative impact on economic activity.

Changes in the global economy have given rise to expectations that 2020 will be a difficult year, and international organizations have reported declining global economic growth. According to the World Bank, global economic growth is expected to increase by 5.2% in 2020 and 4.2% in 2021. The deep recession seen in the global economy over the past decade will lead to an increase in negative trends in the long run. According to a report by the Asian Development Bank (ADB), global GDP in Asia will decline by 4.8% in 2020, and the damage caused by the pandemic is expected to reach \$ 891.6 billion. If the pandemic causes short-term economic

stagnation and demand shocks, it will damage the global economy by \$ 2 trillion and reduce global GDP by 2.3%. In 2021, economic growth in Asia was projected at 6.2%. In general, (<https://www.taxes.gov.az/en/post/1020>)

**Figure 5: The impact of the pandemic on the labor market**



**Source:** <https://knoema.ru/atlas/ranks>

The coronavirus crisis has directly and indirectly affected the CIS and the Azerbaijani economy. Anti-crisis measures have minimized the negative effects of the pandemic, and isolation measures have saved many lives. In countries other than Belarus, the government has imposed general quarantine. The closure of borders has hampered trade and tourism flows, as well as seasonal activities. At the same time, the decline in world commodity prices has directly affected Azerbaijan and Belarus, and the decline in remittance inflows has exacerbated the negative effects of what is happening in the region. According to statistics, in 2019, low GDP growth in Belarus (1.2%), Russia (1.3%) and Azerbaijan (2.5%), Turkmenistan (6.3%), Tajikistan (7.5%) and Uzbekistan (5.6%).

In 2020, 129,000 new jobs were created in the country, and 54.9% of jobs fell into the private sector. 6.2% of newly created jobs in the country are in newly established enterprises and organizations, 0.3% in enterprises and organizations that have resumed their activities, 74.8% in existing enterprises and organizations, 18.7% in other measures were created (Fig. 6). One of the reasons for the increase in the number of jobs was the conclusion of employment contracts in the private sector through the implementation of administrative measures and the increase in paid public jobs. However, the report of the Statistics Committee of the Republic of

Azerbaijan states that in 2020, 20.1 thousand jobs were closed in the country. 20.4% of jobs were closed due to the suspension of enterprises and organizations, and 79.

Regarding the decrease of the adverse consequence of the pandemic of the President of the Republic of Azerbaijan dated March 19, 2020 No. 1950 Coronavirus (COVID-19) and the subsequent sharp variances in world oil and securities exchanges on the Azerbaijani economy, macroeconomic soundness, work and business On April 4, 2020, the Action Plan was supported as per the Order On various measures. The Action Plan envisages three main programs: Support to Economic Growth and Entrepreneurship, Support to Employment and Social Welfare and Support to Macroeconomic and Financial Stability. Social programs have a special place among the support packages implemented during the pandemic. In order to maintain the jobs of 304, 000 employees working in 20 areas affected by the pandemic, the bulk of their salaries are covered by the state and are regularly monitored through an electronic portal. A total of 910,000 employees in the public sector and 719,000 in the private sector were provided with employment while maintaining their salaries.

In order to protect jobs, a total of 292.4 thousand, 248.5 thousand individual entrepreneurs and 43.9 other micro-entrepreneurs have been provided with financial support. One of the measures taken to ensure social protection is the provision of one-time benefits in the amount of 190 manat, which is the living wage in the country. Lump sum payments under the special quarantine regime were applied to those who lost their jobs as a result of the pandemic and those who worked informally. Under the tightened quarantine regime, 600,000 low-income people received lump sum payments totalling 450 million manat over six months. One of the measures was the allocation of special funds to cover the tuition fees of students belonging to families belonging to socially vulnerable groups. For this purpose, (<https://www.taxes.gov.az/en/post/1020>).

According to the budget rules, the upper limit of consolidated budget expenditures for 2020 is projected at 28 billion 192 million manat, which is 821.1 million manat or 3 percent more than the approved figure for 2019. The assertion on



the primer signs of the state and united financial plans of the Republic of Azerbaijan in 2020 states that the combined financial plan incomes in 2020 are projected at 27 billion 605.3 million manat. As needs be, the solidified financial plan shortfall is supposed to be 586.7 million manat.

Incomes of the state financial plan in 2020 are projected at 24 billion 484.0 million manat, which is 1 billion 316 million manat or 5.7 percent more than the supported figure for 2019. Uses of the state spending plan in 2020 are projected at 25 billion 628.7 million manat, which is 438.7 million manat more than the supported figure for 2019 (<https://www.taxes.gov.az/en/post/1020>).

In 2020, the state budget deficit is planned to be 1 billion 133.7 million manat, which is 888.3 million manat or 43.9 percent less than this year. The share of social expenditures in the budget expenditures will be 40.7 percent, which is 9.9 percentage points or 2 billion 664.2 million manat more than in 2019.

According to the statement, the relevant decrees of the President of the Republic of Azerbaijan increase the minimum wage, a number of social benefits and claims, civil servants, law enforcement officers, teachers, employees of a number of other budget-funded organizations, as well as increase the minimum pension. The changes have led to an increase in social spending.

Expenditures on wages in 2020 to 6 billion 723.4 million manat, expenditures on pensions and social benefits 3 billion 213.4 million manat (including transfer to the State Social Protection Fund 1 billion 426.9 million manat), compulsory health insurance Expenditures on application complaints to 902.9 million manat , purchase and supply of food products - 414 million manat and other social expenditures - 81.2 million manat. manat.

The state budget also provides state capital investment, including transport, utility infrastructure, land reclamation, industry and energy, infrastructure projects in agriculture, education, health, sports, cultural facilities, construction of houses for the disabled and martyrs' families, etc. Funding will be provided for socially oriented projects, as well as special defense and military projects and activities. The program

of construction of housing for IDPs at the expense of the State Oil Fund will be continued.

As part of the state budget expenditures in 2020, public debt service expenditures are projected at 2 billion 458.2 million manat, including interest expenditures of 775.4 million manat. Under the signed loan agreements, it is planned to use \$ 559.4 million in foreign debt (new borrowing) by 2020.

At the same time, it is projected to attract 100 million manat (excluding refinanced loans) of domestic debt in 2020.

By the beginning of 2020, taking into account the forecasts for the use of signed loan agreements, the external public debt of the Republic of Azerbaijan is expected to be equivalent to 8 billion 860 million US dollars, and domestic public debt - 1 billion 420 million manat.

Revenues of the state budget in 2020 will amount to 24 billion 484.0 million manat, which is 1 billion 316 million manat or 5.7 percent more than the approved figure for 2019. Non-oil revenues (10 billion 536.5 million manat) will account for 43 percent of budget revenues, and oil revenues (13 billion 947.5 million manat, including transfers from the State Oil Fund - 11 billion 767.5 million manat) will account for 57 percent (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>)

It ought to be noticed that the normal non-oil incomes in the state financial plan for 2020 are 1 billion 68.8 million manat or 11.3 percent more than this year. In 2020, the state spending plan deficiency is wanted to be 1 billion 133.7 million manat, which is 888.3 million manat or 43.9 percent not exactly this year (<https://www.taxes.gov.az/records/2/covid19/M01042021.pdf>)

Generally, the shortfall will be supported by unfamiliar credits, homegrown acquiring, including the issuance of protections, continues from privatization and the equilibrium of the single depository account.

Incomes and uses of the financial plan of the Nakhchivan Autonomous Republic, which is important for the united financial plan, are projected at 472.3 million manat, which is 87.6 million manat more than in 2019.

### 2.3. Tax incentives and subsidies for business before Covid-19

Federal and regional authorities offer taxpayers many different forms of support, from tax breaks to direct subsidies and grants.

**Scheme 1: PEST analysis of the impact of Covid-19 on the economy of Azerbaijan**

<b>Political factors</b>
In some countries, it is possible for medical organizations to obtain additional funding to cover the technical costs of organizing remote consultations.
<b>Economic factors</b>
Application of discounts on bank loans
<b>Social factors</b>
monitoring and planning the allocation of limited resources. automation of disease diagnosis removal of restrictions on the means of communication used and the location of the doctor
<b>Technological factors</b>
expanding the use of telemedicine Electronic systems for monitoring the balance of key resources required for the treatment of COVID-19 patients (free beds in specialized hospitals and intensive care units, PPE (personal protective equipment) supplies, medications and test reagents) Informing physicians and patients about remote consultation opportunities conducting about 80% of regular consultations remotely

**Source:** <https://www.commonspace.eu/index.php/analysis/analysis-impact-covid19-economy-azerbaijan>

**Scheme 2: Covid-19 Azerbaijan economy SWOT analysis**

<b>Strengths</b>	<b>Weaknesses</b>
automation of disease diagnosis Application of discounts on bank loans monitoring and planning the allocation of limited resources removal of restrictions on the means of communication used and the location of the doctor expanding the use of telemedicine Electronic systems for monitoring the balance of key resources required for the treatment of COVID-19 patients (free beds in specialized hospitals and intensive care units, PPE (personal protective equipment) supplies, medications and test reagents) Informing physicians and patients about remote consultation opportunities conducting about 80% of regular consultations remotely	limiting the functionality of the systems by informing decision-makers about problem areas and available resources manual decision-making on resource redistribution quarantine conditions ban on the export of fixed assets Unemployment as a result of the temporary closure of many areas, such as tourism and catering banning people from leaving their homes, setting a limited time to leave the house

**Source:** <https://www.commonspace.eu/index.php/analysis/analysis-impact-covid19-economy-azerbaijan>

At the same time, self-declaration and application of tax incentives and other forms of support by companies can be a time-consuming process.

This is due to both the complex architecture of the regulatory framework, the often non-transparent procedure for obtaining preferences, and a number of other difficulties associated with the use of various forms of support that often arise in practice.

The COVID-19 pandemic has emerged as a serious threat to the country's economy and human health. Currently, the impact of the coronavirus on people's lives and economic activities is growing, and it is becoming a source of concern.

Today, international organizations and large companies around the world are taking comprehensive measures to protect employees.

During this period, trade unions also call on employers, heads of enterprises and organizations to create conditions in accordance with the necessary sanitary norms in the workplace, to prevent mass layoffs and the abolition of appropriate payments.

The experience of many previous crises shows that the measures to be taken should be large-scale, and social dialogue should play a key role in this period.

The global COVID-19 crisis has seriously affected all countries of the world. First of all, this was reflected in the freedom of movement of people, the situation in the labor market, the activities of enterprises, the unpreparedness of governments. Decades of reform have exposed the weakness of public health and social protection systems in many countries.

Most of Europe is currently paralyzed. National governments are cracking down, closing borders, schools and factories, and cancelling cultural and sporting events. These measures, although absolutely necessary, will inevitably have an impact on workers' wages in the short term and on the economy and society as a whole in the long run.

Preliminary analysis of the impact of the COVID-19 pandemic on the business world also shows that this is a long-term process. Millions of people will be completely or partially unemployed and poor. According to the International Labor

Organization, the COVID-19 pandemic could cause the loss of about 25 million jobs worldwide (Rahmanov, F., Aliyeva, R., 2020)

The number of unemployed in the world will be around 188 million. For comparison, during the global financial crisis of 2008-2009, 22 million people lost their jobs. Partial unemployment is also expected to increase significantly. The pandemic will not only have a negative impact on the economy, but will also play a role in reducing working hours and wages.

Poverty is also expected to increase significantly among the working population. Globally, the ILO estimates that the number of people joining the working poor will increase from 8.8 million to 35 million.

ILO Director-General Guy Ryder said: We are no longer dealing with a global health crisis: we are talking about a major crisis in the economy and the labor market. In 2008, the world united on a united front to overcome the effects of the global financial crisis, which helped to avoid the worst situation. The same leadership qualities and the same determination are required today (Rahmanov, F., Aliyeva, R., 2020)

In the very first quarter of 2020, the country's economy faced a pandemic. There were no serious problems in the first months of the year. In January-February, the gross domestic product (GDP) increased by 2.8 percent, including the non-oil sector by 6.7 percent, the non-oil industry by 21.7 percent, inflation by only 2.8 percent, and the population's income by 9 percent. In the first three months, the tax and customs authorities contributed more than 300 million manat to the state budget, amounting to 221 million and 91 million manat, respectively. It was hoped that this trend will continue throughout the year, so that additional revenues will come to the budget, which will make it possible to implement additional social programs.

However, since the announcement of the COVID-19 pandemic coronavirus, the national economy has been severely damaged, both internally and externally, by infecting the world economy. The state and the government were faced with the task of solving two very important and significant issues at once. The first is to take care of the health of the population, and the second. to insure the economy against a sharp

drop in oil prices, as well as against financial and economic disruptions of internal discipline and the unprecedented recession that may occur. Both tasks are performed simultaneously with agile response and operational activity.

On March 19, 2020, a request was endorsed on various measures to lessen the adverse consequence of the pandemic Covid and, thusly, sharp changes in world energy and financial exchanges on the economy, macroeconomic dependability, work in the nation and organizations. According to the order, 1 billion manat was allocated from the current year's state budget to the Cabinet of Ministers and a working group was established. This group is developing and implementing measures to reduce the negative impact of the pandemic on the economy, macroeconomic stability, employment and business entities. What are these?

First, the salaries of 304,000 (45 percent) of the 640,000 employees in the private sector will be paid, second, more than 290,000 micro and individual entrepreneurs will be financially supported, third, there will be various tax benefits, vacations and benefits for businesses , and fourth, taxpayers' banking fifth, the utility limit of electricity will be increased by 100 kWh, sixth, students from socially vulnerable families will be helped to pay tuition fees, seventh, vital passenger transport will be supported, etc.

Currently, there are 1.555 million employees in the country. Of these, 915,000 work in the public and oil sectors, and the remaining 640,000 in the private and non-oil sectors. Those who receive a salary from the state budget are insured. The most violated workers in the country are in the private sector. Crisis always hits them first. The economic victims of the coronavirus are mostly private sector workers. In addition, there is a tense situation with the requirements of social isolation due to the pandemic.

However, it does not escape the negative effects and pressures of the requirements related to the restrictions imposed by the state. Thus, 304,000 employees cover 44,000 businesses, whose salaries will be paid by the state. This is support for both citizens and the private sector. In addition, more than 290 thousand

micro and individual entrepreneurs. This means about 600 thousand individuals. Because we are talking about individual entrepreneurs.

Areas affected by the pandemic cover 4 major sectors and 20 areas of activity, with the most affected areas being significantly affected, minimally affected and non-existent. State support will total 2.5 billion manat, or 3 percent of GDP.

Governments and employers need to adhere to minimum international labor standards in the post-coronavirus period, such as occupational safety, health and social protection. Social dialogue, collective agreements and sector-level agreements will be more important than ever in terms of protecting people working in new areas of employment.

The post-crisis sustainable business model will be based solely on partnership with the state. The main purpose of social dialogue is to build consensus on the basis of key stakeholders in the business world and to promote democratic participation. Countries with successful social dialogue processes have historically had the potential to address economic crises that have had a profound impact on society. The importance of social cooperation should be taken into account in the formation of socio-economic policy in the conditions created by past crises.

In the very first quarter of 2020, the country's economy faced a pandemic. There were no serious problems in the first months of the year. In January-February, the gross domestic product (GDP) increased by 2.8 percent, including the non-oil sector by 6.7 percent, the non-oil industry by 21.7 percent, inflation by only 2.8 percent, and the population's income by 9 percent. , the latter surpassed the former. In the first three months, the tax and customs authorities contributed more than 300 million manat to the state budget, amounting to 221 million and 91 million manat, respectively. It was hoped that this trend will continue throughout the year, so that additional revenues will come to the budget, which will make it possible to implement additional social programs.

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of solving two very important and significant issues at once. The first is to take care of the health of the population, and the second. to insure the economy against a sharp drop in oil prices, as well as against financial and economic disruptions of internal discipline and the unprecedented recession that may occur. Both tasks are performed simultaneously with agile response and operational activity.

On March 19, 2020, the Order was endorsed on various measures to diminish the adverse consequence of the pandemic Covid and, thus, sharp vacillations in world energy and securities exchanges on the economy, macroeconomic soundness, work in the nation and organizations. As indicated by the request, 1 billion manat was designated from the ongoing year's state spending plan to the Cabinet of Ministers and a functioning gathering was laid out. This gathering creates measures to decrease the adverse consequence of the pandemic on the economy, macroeconomic soundness, work and business substances, and they are executed by the public authority.

What are these?

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Currently, there are 1.555 million employees in the country. Of these, 915,000 work in the public and oil sectors, and the remaining 640,000 in the private and non-oil sectors. Those who receive a salary from the state budget are insured. The most violated workers in the country are in the private sector. Crisis always hits them first. The economic victims of the coronavirus are mostly private sector workers. In addition, there is a tense situation with the requirements of social isolation due to the pandemic.



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Areas affected by the pandemic cover 4 major sectors and 20 areas of activity, with the most affected areas being significantly affected and minimally affected. State support will total 2.5 billion manat, or 3 percent of GDP.

The large-scale financing measures launched last year in the social sphere were planned to increase salaries in some areas in 2020, which would cost up to 4 billion manat for the implementation of which is planned for 2019 and 2020. The coronavirus has already appropriated 2.5 billion manat. In such a situation, like our citizens, our economy must be insured to the maximum extent from pandemics in all sectors.

According to experts, according to the International Monetary Fund (IMF), this year's global public debt will increase by 19 percent compared to last year and exceed 101 percent of GDP. For comparison, this figure in Azerbaijan is five times lower than the world average. The IMF uses the following tools to give crisis-stricken countries time to take action: Poverty Reduction and Growth Confidence (PRGT), stand-by agreements (SBA), stand-by credit mechanism (SCF), extended fund mechanism (EFF), extended credit mechanism (ECF), flexible credit line (FCL), reserve and liquidity line (PLL), fast financing instrument (RFI) and fast credit mechanism (RCF). The G20 countries, as well as the World Bank, the Asian Development Bank and other international organizations, as well as developed countries provide assistance to countries in difficult economic situations. Azerbaijan relies more on domestic resources to combat the COVID-19 pandemic and does not prefer foreign borrowing. International rating agency Moody's cites the country's foreign exchange reserves as the main guarantor of macroeconomic stability in Azerbaijan. While the country's socio-economic development forecasts for this year

show oil prices at \$ 55 per barrel, the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. International rating agency Moody's cites the country's foreign exchange reserves as the main guarantor of macroeconomic stability in Azerbaijan. While the country ' s socio-economic development forecasts for this year show oil prices at \$ 55 per barrel, the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. International rating agency Moody's cites the country's foreign exchange reserves as the main guarantor of macroeconomic stability in Azerbaijan. While the country's socio-economic development forecasts for this year show oil prices at \$ 55 per barrel, the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. the average oil price in the first six months of this year was \$ 38. the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. International rating agency Moody's cites the country's foreign exchange reserves as the main guarantor of macroeconomic stability in Azerbaijan. While the country's socio-economic development forecasts for this year show oil prices at \$ 55 per barrel, the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. International rating agency Moody's cites the country ' s foreign exchange reserves as the main guarantor of macroeconomic stability in Azerbaijan. While the country's socio-economic development forecasts for this year show oil prices at \$ 55 per barrel, the average oil price in the first six months of this year was \$ 38. However, the reduction of Azerbaijan's foreign exchange reserves since the beginning of the year has not reached \$ 100 million. International rating agency Moody's cites the country's

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The stability of the manat and inflation at 3 percent, while positive in terms of macroeconomic stability and economic forecasting, also reduce the impact of the pandemic on the social situation of vulnerable groups.

During the pandemic, social projects were further expanded at the expense of the state budget, and in the first six months, social spending spent to 42.5 percent of the half-year budget, approaching 5 billion manat. For example, a record number of 7,000 IDPs and 1,500 martyrs' families will be provided with new apartments this year, a record 12,000 families will be self-employed, paid public works will be increased to 90,000 for the first time, and 85,000 families or 300,000 will receive targeted social assistance. (<https://www.scial.gov.az/3275>)

As always, during the pandemic, the social welfare of citizens has been a major concern of the government. During this period, in order to improve the social situation of the population, a package worth 600 million manat was presented in addition to the funds allocated for the relevant measures for the current year, covering 4.8 million people. Measures taken to improve the social welfare of citizens can be grouped into 4 main areas: protection of jobs of employees; improving the social welfare of the unemployed and informally working citizens; support within the self-employment program; expanding the scope of social projects.

The effects of the stagnation in world energy and stock markets, restrictions imposed by the pandemic coronavirus and new challenges are inevitable for the Azerbaijani economy. Because of the adverse consequences of the pandemic and the precariousness of oil costs, financial action has declined, the monetary equilibrium has been upset, and the limitations forced have prompted disturbances in the creation handling utilization chain. Because of steady financial changes completed in the country as of late, measures to further develop the business climate and straightforwardness of the economy, there is what is happening that could prompt the downfall of the public economy.

**Table 2: Funds allocated for activities**

<b>№</b>	<b>Names of events</b>	<b>Amount of provided funds, million manats</b>
1	Monetary help program to pay the pay rates of 304,000 representatives working in regions impacted by the pandemic (all together not to lessen occupations)	215.0
2	Monetary help program for 292,000 individual (miniature) business people working in pandemic-impacted regions (to safeguard occupations)	80.0
3	Program of tax cuts, honors and occasions for organizations working in regions impacted by the pandemic	115.0
4	Credit-ensure support program for new bank advances to organizations working in pandemic-impacted regions	500.0
5	Sponsoring financing costs on existing advance arrangement of organizations working in pandemic-impacted regions	1000.0

**Source:**<https://president.az/en/articles/view/36228>

Following the revelation of the principal instance of the COVID-19 pandemic in Azerbaijan, the public authority went to different preventive lengths to lessen the financial effect of the pandemic. From this time forward, the request "On various measures to lessen the adverse consequence of sharp vacillations in world energy and financial exchanges on the economy of the Republic of Azerbaijan, macroeconomic dependability, work in the nation and business elements" 10.2. supported an activity plan for the execution of the thing.

The main effects of the pandemic on the country's economy began to manifest themselves in March 2020. Over the past period, the central executive authorities

have identified tools to support the social situation of the population, support economic growth and entrepreneurship, and have taken appropriate measures .

In order to optimize the tax burden, the amendments to the Tax Code introduced long-term income tax exemptions in the non-oil sector and the private sector. Every 1000 manats there is a discount of 140 manats. In parallel, the structure of social savings and the proportion of social payments between the employer and the employee have changed. A new social savings model based on a ratio of 12.5 and 10.5 has been introduced. In this case, although the employee's social security expenses increase, his income increases due to his income tax deduction. As a result of the reforms, the level of the informal sector will decrease, and the economic interest of entrepreneurs in formalizing labor relations will increase (<https://president.az/en/articles/view/36228>)

One of the important points in the changes is the consolidation of social and tax revenues. It is important to entrust this to the Ministry of Taxes. Regulation of income tax, compulsory social insurance premiums, and unemployment insurance payments through a one-stop shop system through the tax authority seems to be more effective. This policy will facilitate the collection of fees in this area, ensure accountability and increase the effectiveness of control over this process. The employer will not be interested in concluding a more civil contract, because the employment contract is more profitable for him, and he will not be taxed. It will also allow the employee to pay a normal salary and formalize it.

In order to increase the interest of employees and employers in formal employment, from January 1, 2019, individuals who are not active in the oil and gas sector and work in the private sector taxpayers are exempt from income tax when their monthly income is up to 8,000 manat. The financial burden on insurance premiums is optimally distributed between employees and employers. The simplified tax rate is set at 2 percent throughout the country. There are also hairdressers, waiters, tailors, shoemakers, etc. from the self-employed category. A fixed tax is provided for individuals engaged in individual activities.

Along with administrative measures, propaganda and awareness-raising activities are also important in the fight against informal employment. Close cooperation has been established between the social partners and the International Labor Organization in Azerbaijan in this area. Over the past year, more than 60 written reports, about 80 plots, 10 social videos, more than 20 posters dedicated to the prevention of informal employment in the capital and regions have been prepared and disseminated in the media and social networks. Creative messages promoting the importance of the employment contract were displayed in public places, and more than 50,000 booklets were prepared and distributed.

Involvement of civil society institutions in the enlightenment process has increased the effectiveness of this work. The Council of State Support to Non-Governmental Organizations under the President of the Republic of Azerbaijan together with the Ministry of Labor and Social Protection of Population has announced a grant competition to finance NGO projects in 2020, and some topics are dedicated to informal employment.

At the same time, the Confederation of Trade Unions of Azerbaijan, with the support of the ILO, has held 11 conferences and seminars in recent years in Baku and in the regions to reduce informal employment. More than 1,000 trade union activists took part in those events. Implementation of the requirements of ILO Recommendation No. 204 On the transition from the informal to the formal economy, the role of trade unions in preventing informal employment, the application of tax incentives in the registration of the informal sector, claims in the elimination of the informal sector, health insurance and d . issues have been the subject of events.

Measures taken to eliminate informal employment have led to a number of positive results. At the end of last year, the number of active employment contracts increased by 153,000 to 1,554,420. The largest increase in new labor contracts was observed in wholesale and retail trade (28,083 people), processing industry (14,112 people), construction (10,296 people), public administration and defense industry (51,443 people). thousand to the private sector and 54 thousand to the public sector.

Relevant decrees of the President increased the minimum wage by 93 percent and other important social measures had a positive impact on reducing informal employment, significant progress was made in the registration of wages and employment contracts. And 45 percent was in the public sector. The median salary also increased by 52 percent. From April 1, 2017 to January 1, 2020, an increase of 276,444 labor contract notices was observed (<https://smb.gov.az/storage/KOB%C4%B0A%20%C4%B0CMAL%202020.pdf>)

Implementation of measures envisaged in the Action Plan to Prevent Informal Employment in the Republic of Azerbaijan by the Commission for Regulation and Coordination of Labor Relations Legalization of informal employment in the first half of this year, ensuring labor and social rights of employees, as well as a decent standard of living contributes to more serious results in the field.

Thus, in the first half of 2020, the number of employees with employment contracts increased by 107,272 people and as of July 1, 2020 judged to 1,661,692 people. From the beginning of the year, the increase in labor contracts in the private sector was 110,000. Since the establishment of the Commission, the number of employees has increased by 386,573 people or 30.3 percent.

The largest increase in the number of labor contracts since 2017 was observed in the wholesale and retail trade, construction, public administration and defense, as well as in the processing industry.

As of July 1, 2020, the number of insured registered in the individual registration system of the State Social Protection Fund under the Ministry of Labor and Social Protection of Population increased by 235,836 people or 6 percent in the first half of this year, and the number of insurers increased by 93,520 people or 6.5 percent. .

Also, the number of active individual entrepreneurs registered as of July 1, 2020 increased by 61,721 people or 15.2 percent compared to the beginning of the current year and judged to 465,917 people.

In the first 6 months of 2020, the number of fixed taxpayers who received a receipt for the payment of a fixed amount of simplified tax increased by 4.5 percent compared to the beginning of this year, amounting to 9,607 people.

During this period, as a result of inspections carried out by the Ministry of Economy to prevent informal employment, the number of employees identified without concluding an employment contract was identified as 1,552 and the amount of financial sanctions imposed for violations to 2,944,000 manat.

The number of people inspected by the Center for Labor Relations Monitoring of the State Agency for Citizen Services and Social Innovations under the President of the Republic of Azerbaijan in the first 6 months of this year was 522, and 33 violations were detected.

However, due to the huge problems in the labor market, there are areas that cannot be formalized by an employment contract. For example, there are people who provide several days of service at home, whose employment function is not long-term, and this should be regulated by a civil law contract. These people do temporary work at home and in different places. For example, it is very difficult to sign a 3-4-day contract with a plumber or plasterer in homes and gardens. It is also legally difficult to conclude contracts with individuals who are members of family farms. It takes some time to resolve such cases. However, trade, construction, which are currently the main participants in the shadow economy,

According to some foreign experts, about 50-60 percent of the able-bodied population in the country work in informal employment. Of course, the figures need to be clarified. The lack of accurate statistics on workers in informal employment does not allow for an accurate identification of those in this category. Currently, the country's employment map is being prepared by the State Employment Agency, which operates under the Ministry of Labor and Social Protection. Map electronic information system is created as a result of information collected from The database contains the main employment indicators for all administrative-territorial divisions of the country, labor resources, employed population, employees, individual entrepreneurs, landowners, their sectoral distribution, unemployed people, the status



of implementation of territorial employment programs, etc. information will be collected. The map to be prepared for each district and city will be presented to the public in electronic form. The country's employment map will show the dynamics of steps to be taken in the social and economic spheres and will allow to further improve the development and implementation of employment programs.

## **CHAPTER III. FINANCIAL ASSISTANCE PROGRAMS FOR BUSINESSES DURING COVID-19 CRISES**

### **3.1. Financial assistance programs for businesses in Georgia**

The World Bank is allocating 85 million euros to create jobs in Georgia and support firms affected by the pandemic. The decision was approved by the World Bank Board of Directors on May 11.

The new Assistance to Micro, Small and Medium Enterprises (MSMEs) project aims to support enterprises and create jobs by expanding and strengthening assistance programs, as well as encouraging the digitization of the Georgian economy.

Through this latest aid package, the World Bank will help create jobs and grow firms that are the backbone of the country's economy and a key element in sustainable recovery, said Sebastian Molineus, World Bank Regional Director for the South Caucasus. This includes assisting firms in facilitating access to finance and investing in financial infrastructure, which will facilitate the introduction of technology and the use of digital financial services.

The project will help approximately 6,000 micro, small and medium-sized enterprises and businesses across the country increase their chances of survival, as well as increase their ability to maintain productive assets and help firms adapt to new economic and health challenges, the World Bank said in a statement.

The global pandemic has hit the Georgian private sector hard, especially micro, small and medium enterprises, so their support is vital, as well as stimulating the creation of new enterprises that will accelerate the country's economic growth. I would like to thank the World Bank once again for its support in the fight against the pandemic, as well as in the development of the country's economy, - said the Minister of Finance of Georgia Lasha Khutsishvili.

The project aims to alleviate the financial constraints facing firms and help them adapt to the post-COVID-19 scenario. One component of the project will strengthen and expand the support programs for micro, small and medium

enterprises implemented by the Produce in Georgia (EG) Agency. Direct assistance to micro and small firms is reflected in the grants offered by the "Produce in Georgia" Entrepreneurship Support Program.

On the other hand, small and medium enterprises (SMEs) will be able to receive assistance from Produce in Georgia by co-financing the interest rate under the Micro and Small Entrepreneurship Support Program, which will reduce borrowing costs and have an immediate impact on liquidity constraints. They will also benefit from accessing partial credit guarantees through financial institutions designed to respond to high mortgage requirements and risk aversion requirements set by financial institutions.

Development of small and medium enterprises is a priority of the Government of Georgia, as it is a precondition for the growth of the private sector, job creation and strengthening the entrepreneurial culture in the country. In this regard, the support of the World Bank and the distribution of 85 million euros to support small and medium-sized businesses in Georgia in the post-pandemic conditions is invaluable. The project will also help strengthen the country's financial infrastructure and increase the use of digital financial services. This includes supporting payment system infrastructure upgrades by introducing a new Fast Payments (IPS) system, making extensive use of the Know Your Customer (KYC) digital registry, and enhancing the secured transaction framework to expand access to finance for collateral, such as vehicles and equipment. By enhancing the use of intellectual property. The instant payment system introduced under the World Bank project will facilitate instant access to cash for beneficiaries, including micro, small and medium-sized enterprises, which will enable better management of cash resources and help enterprises manage day-to-day liquidity, financial institutions and Fintech companies will be able to introduce various payment initiation channels and offer them to end users at a cost-effective basis.

Given the impact of the pandemic on firms, the project will also facilitate the development and delivery of technical assistance to firms to adapt to new realities through the introduction of appropriate governance, digital and other anti-COVID

practices. Emphasis will be placed on identifying key skills needed to facilitate digitalisation and COVID-19 resilience measures in key sectors of the economy, with a particular focus on the needs of women entrepreneurs, climate change and the green economy.

This project is part of the World Bank's broad support program to help the Georgian people and is the third credit operation aimed at mitigating the social and economic impact of the pandemic.

Further developing the business climate, fostering the confidential area, advancing the venture environment in Georgia, advancing products are the principal objectives of the LEPL Produce in Georgia movement of the Ministry of Economy and Sustainable Development.

To guarantee dynamic financial turn of events, the organization consolidates three parts, three interrelated layers of monetary turn of events: business (neighborhood creation), commodities and speculations.

#### SME promotion

Produce in Georgia Agency - SME support is provided through various support mechanisms, namely:

An industry-oriented component aimed at facilitating business development, the creation of new enterprises, and the expansion or re-equipment of existing enterprises through ease of access to finance and technical assistance;

The hotel industry development component, which is an initiative to support the development of the hotel industry in the regions;

Micro and Small Business Support Component, which provides financial support (grant program) and consulting to micro and small entrepreneurs throughout Georgia;

Shoot in Georgia component, which is an incentive program for the film industry. The program gives local or international producers interested in filmmaking the opportunity to shoot a film or other audio / visual products in Georgia;

Produce for a Better Future is a grant program that provides cross-border lines (Abkhaz Autonomous Republic, Tskhinvali Region (territories of the former South Ossetian Autonomous District)) to facilitate trade and related economic activities, as well as to build cooperation and trust on both sides of the border. Support for joint production and partnership projects of the living population;

The credit guarantee mechanism will facilitate the financing of viable small and medium-sized enterprises that do not have sufficient collateral to borrow under the existing credit policy or operate in a sector or market that is associated with particularly high risk in line with the existing credit policy in the banking sector.

#### Export support

The objective of the commodity bearing of the organization Produce in Georgia is to foster the commodity capability of Georgia, increment the seriousness of Georgian items in worldwide business sectors, increment the volume of commodities of Georgian items and differentiate the product markets of Georgia.

#### Venture Attraction

Produce in Georgia - Investment plans to draw in, advance and support reinvestment in unfamiliar direct interest in Georgia.

This bearing is a sort of middle person between unfamiliar financial backers and the Government of Georgia, deals with the guideline of one window and assists intrigued financial backers to get different data and compelling correspondence with the Georgian side.

#### Service center

The service center of the agency "Produce in Georgia" is a multifunctional business space, any interested person can get information about the programs of the agency, as well as all government programs supporting business.

Regional representation is opened in Batumi.

Stakeholders can obtain information remotely or by visiting an information center.

The service center integrates the following service channels:

➤ Front Desk

- Call center
- Online Chat

An arrangement was endorsed among Georgia and the World Bank, based on which Georgia will get 85 million euros in special, long haul monetary assets to help miniature, little and medium-sized undertakings impacted by the pandemic. Simultaneously, the venture conceives the foundation of a new, moment installment framework, and that implies fortifying the imaginative biological system in the monetary area.

As it is known, the decision to allocate financial support was made by the Executive Board of the World Bank on May 11 this year. The document was signed today by the Minister of Finance of Georgia Lasha Khutsishvili and the World Bank Regional Director for the South Caucasus Sebastian Molineus. The signing ceremony was attended by Deputy Minister of Economy and Sustainable Development Irakli Nadareishvili and Vice President of the National Bank Papuna Lezhava .

Although business support measures are being actively implemented under the Georgian government anti-crisis plan, support for micro, small and medium-sized enterprises remains a challenge, given the challenges ahead.

That is why the World Bank's new Micro, Small and Medium Enterprises (MSMEs) project aims to help these types of enterprises, including by improving digital services and upgrading their financial infrastructure.

The project was developed by the World Bank and the Georgian side for several months. The project will be supervised by the Ministry of Economy and Sustainable Development of Georgia, and the implementing organizations will be: LEPL Produce in Georgia and the National Bank of Georgia.

With the financial support of the World Bank, the Produce in Georgia program will strengthen assistance programs for small enterprises to overcome the economic damage caused by the pandemic through various components, including the grant component

The National Bank of Georgia will ensure the establishment of a new system of fast payments (IPS), which, among other things, will increase access to cash for

these enterprises. The World Bank project also provides a technical support component, including improving the skills needed to develop digitalisation.

This assistance from the World Bank is part of the financial support that the Government of Georgia has received from partner international donor organizations to combat the COVID-19 pandemic and further rehabilitate the country's economy.

### **3.2. Financial assistance programs for businesses in Azerbaijan**

The President of the Republic of Azerbaijan marked a declaration on March 19, 2020 "On lessening the adverse consequence of the pandemic of Covid (COVID-19) and the subsequent sharp vacillations in world energy and financial exchanges on the economy, macroeconomic solidness, work and business venture in the country. To guarantee the execution of passage 10.2 of the Order" On various measures on April 4, 2020, the Cabinet of Ministers supported the applicable Action Plan. Execution of the actions shared with the Ministry of Economy in the Action Plan is partitioned into 3 phases. At the underlying stage, installment of a piece of the compensation of representatives working in the areas impacted by the pandemic, arrangement of monetary help to individual (miniature) entrepreneurs. (<https://www.taxes.gov.az/az/post/1020>)

The Ministry of Economy illuminates the accompanying citizens about the installment of a specific piece of the pay rates of representatives working in the areas impacted by the pandemic at the underlying stage and the arrangement of monetary help to individual (miniature) business visionaries:

To forestall the decrease of the quantity of positions in the areas impacted by the pandemic, inside the structure of the system of installment of a specific piece of the wages of representatives dealing with the premise of a work contract:

This action imagines the arrangement of monetary help by the state in how much 215 million manat to business visionaries to pay part of the compensations of 300,000 representatives (with business contracts) working in the areas and groups impacted by the pandemic. Under this instrument, the Internet Tax Administration of taxpayers ([www.e-taxes.gov.az](http://www.e-taxes.gov.az)) on the premise of uses submitted through the current

electronic cupboards, a specific piece of the compensation to be paid to their representatives and the comparing social protection expenses will be moved to the ledgers of businesses inside a brief timeframe.

Installment will be made as follows:

All enrolled citizens will be advised about the Pandemic Financial Support Program in their own e-records and SMS to their cell phones. Citizens should electronically finish up the application structure in the pertinent subsection here by entering the sub-area Pay application from the segment Pandemic monetary help program in the individual record of the Internet charge office.

Library data (citizen's name, TIN, ledgers, number of workers under business contracts as of March 1 and the date of use) will be naturally shown in the application structure. Citizens should fill in the application online for extra data on the areas impacted by the pandemic, monetary elements (offices), the quantity of representatives in the impacted region and the compensation reserve. This data is naturally taken a look at by the bookkeeping data set.

On the off chance that no errors are found by the framework, the data is naturally gotten and a warning is shipped off the citizen.

Note: Discrepancies might be distinguished by the framework during the check of the application. These are situations when the citizen's field of action and monetary element (substance) don't compare to the area impacted by the pandemic, there are decreases in the quantity of workers at the date of use, exchanges with dangerous citizens. In the event that the disparity in the vault data is disposed of, the citizen will actually want to re-apply online through his own record.

Installments to citizens will be made in two phases, including April and May.

Unique note: Transfer of monetary help finances given by the Bank is permitted exclusively on pay rates. Citizens can't involve these assets for some other purposes, and this issue will be firmly observed.

The typical month to month pay in the country (712 manat) will be taken as the primary basis while paying a specific piece of the compensation of workers. Assuming that a portion of the representatives of the undertaking get a compensation



higher than the typical month to month pay, then their pay will be determined given that it doesn't surpass the typical month to month pay.

Data on citizens to whom the assets are apportioned will be made accessible to the general population through the Internet assets of the Ministry of Economy and its organizations and the media.

Inside the system of the component of offering monetary help to individual (miniature) business visionaries working in the areas impacted by the pandemic:

Under this system, the state will offer monetary help of 80 million manat to 300,000 individual business visionaries participated in enterprising exercises in regions impacted by the pandemic. This monetary help will apply to citizens who have made good on charges, required state social protection commitments and joblessness protection commitments in 2019. To guarantee that monetary help is given quickly, individual business people ought to contact the Internet Tax Office ([www.e-taxes.gov.az](http://www.e-taxes.gov.az)) through the current electronic cupboards and the assets allotted from the state financial plan are moved to the ledgers of these singular business people.

Installment will be made as follows:

All enlisted citizens will be advised about the "Pandemic Financial Support Program" in their own e-records and SMS to their cell phones. Citizens should fill in the application structure electronically in the pertinent sub-part of the "Individual Entrepreneur Payments Request sub-segment from the "Pandemic Financial Support Program area in the individual record of the Internet Tax Administration.

Vault data (citizen's name, TIN, areas of movement, financial balances, charges paid during 2019) will be naturally reflected in the application structure.

Citizens should finish up a web-based application for data about their duty system (being a 2 percent worked on citizen, working with a proper receipt, participating in transportation exercises, or being a payer of personal expense (miniature)). This data is naturally taken a look at by the bookkeeping data set.

In the event that no disparities are found by the framework, the data is naturally gotten and a notice is shipped off the citizen.

Note: Discrepancies might be identified by the framework during the confirmation of the application. This might be expected to rebelliousness of the assessment system picked by the citizen with the current expense system in the data set, suspension of the citizen's action before March, non-installment of charges to the spending plan in 2019, exchanges with hazardous citizens. In these cases, the citizen will be offered the chance to dispose of the distinguished errors and once again apply.

Assuming the citizen, who is a singular business person, has a request in the ledgers regarding the obligation to the state spending plan or extra-monetary state reserves, it will be guaranteed that the moved assets won't be frozen or discounted.

In the event that how much installment of an individual (miniature) business person to the state spending plan in 2019 is under 250.0 manat, he will be furnished with monetary help in how much 250.0 manat. The greatest measure of monetary help will be 5,000 manat.

One of the main goals for the sustainable development of entrepreneurship in Azerbaijan is to improve the business environment through legal regulation and improving the legal framework. These economic reforms implemented in our country in recent years include the further improvement of the business environment, the continuation of incentive policies and institutional reforms.

Our country provides a business environment that will create conditions for the revival of local companies and the active activity of investors. Improving the business environment creates conditions for sustainable development of entrepreneurship.

Leading economic and financial institutions and rating centers praise the systemic economic policy and reforms in Azerbaijan.

In the Economic Freedom Index 2021 report prepared by the Heritage Foundation, one of the world's leading think tanks, Azerbaijan's position improved by 6 points and ranked 38th out of 172 countries. Azerbaijan scored 70.1 out of a possible 100 points on economic freedom(<https://vergiler.az/news/economy/13167.html>)

According to the report, Azerbaijan ranks 23rd among 45 countries in the European region, and its total score is equal to the regional average and higher than the world average. According to the report, our country is ahead of developed countries such as France, Spain, Italy and Poland and is among the most advanced countries in the index. Development trends in the economy, mainly in banking, real estate, monetary, tax, fiscal and other areas, strengthen confidence in the Azerbaijani economy in the world (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>).

It should be noted that countries where the policy of economic freedom is highly valued are distinguished by the existence of favorable conditions for the development of trade and entrepreneurship. Such a favorable environment is a significant contributor to economic growth and social welfare. The Index of Economic Freedom is an important source of information for investors in terms of changes in the factors that affect the country's economic freedom. Against the background of the implemented reforms and measures, it is not accidental that the World Bank's Doing Business report, one of the most important reports assessing the business environment, highlights the reforms implemented in our country in recent years and considers them exemplary reforms. In December last year, as a result of detailed diagnostics conducted by the World Bank ' s Internal Audit structures, Azerbaijan's position in the Doing Business 2020 report improved. For example, Azerbaijan is among the 10 most reformist countries in the World Bank's Doing Business 2020 report. The report ranks the country 28th out of 191 countries in the global rankings, which is better than most post-Soviet, Central Asian and Eastern European countries (<https://www.taxes.gov.az/en/page/iktisadi-artima-vesahibkarlara-dovlet-desteyi-tedbirlerinin-mexanizmleri>).

It should be noted that in the initial report, Azerbaijan ranked 34th among 191 countries in the global ranking with 76.7 points, but after the survey, Azerbaijan's score rose to 78.5, and in the ranking, our country rose 28 places to 28<sup>th</sup> (<https://vergiler.az/news/economy/13167.html>).

Reputable international rating agencies such as Fitch Ratings, Moody's, Standard & Poor's set an optimistic credit rating for the prospects of the Azerbaijani

economy, which further increases investors' confidence in our economy. S & P Global Ratings forecasts that Azerbaijan's GDP will grow by 2.1 percent, the World Bank by 1.9 percent and the Asian Development Bank by 1.9 percent this year (<https://www.taxes.gov.az/en/page/iqtisadi-artima-ve-sahibkarlara-dovlet-desteyi-tedbirleri> - mechanisms).

Moody's Investors Service forecasts that the Azerbaijani economy will grow by about 4 percent in 2021. This forecast is higher than the expectations of major international organizations (UN, World Bank) and international credit agencies (Standard and Poor's and Fitch Ratings).

Important measures are being taken in Azerbaijan to continuously improve the business and investment climate, introduce new business support mechanisms and other areas, and expand the scope of state support for entrepreneurship. According to this course, simplification of licensing, suspension of inspections in the field of entrepreneurship, application of investment and export promotion mechanisms, reduction of preferential lending rates, measures for small and medium enterprise development, expansion of e-services network, improvement of tax, customs and social payments system increase the role of private sector in economy. creates additional opportunities.

The agency has established 25 SME Friendly offices in 20 cities and regions of the country and continues to provide services to entrepreneurs. In order to develop and educate the knowledge and skills of micro, small and medium business (SME) entities, 4 SME development centers were launched in 2020. Last year, these centers provided about 100 free trainings for SMEs, consulting services and other services. shown. Currently, the Agency provides direct support to SMEs in conducting internal market research, financing education, science, research and support projects, and the participation of SMEs in specialized exhibitions (<https://vergiler.az/news/economy/13167.html>)

As another measure, Sumgayit Chemical, Balakhani, Mingachevir, Garadagh and Pirallahi industrial parks, Neftchala, Masalli, Hajigabul, Sabirabad and Sharur industrial districts were established in accordance with the relevant decrees and

orders of the President. Entrepreneurs are provided with modern infrastructure and necessary support.

The annual interest rate on soft loans provided by the Entrepreneurship Development Fund to finance investment projects of entrepreneurs has been reduced to 5 percent. The Electronic Credit Platform ([www.e-edf.gov.az](http://www.e-edf.gov.az)) was created to make it easy and transparent for entrepreneurs to obtain state-guaranteed loans, and was launched on June 30, 2020. The Electronic Credit Platform has empowered business people to get advances in a straightforward, adaptable, liberated from true impedance and in a solid cutthroat climate. The credit application framework depends on a computerized arrangement that can be followed by the business visionary.

In addition, the application of the investment promotion mechanism as a progressive method should be noted. In order to develop the import-substituting and export-oriented industry in the country, to stimulate investment in this area, the issuance of investment promotion documents has been carried out since 2016. So far, 495 investment promotion documents have been issued to 412 business entities, and the total cost of these projects is more than 4.5 billion manat (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>).

Simultaneously, contingent upon the worth of nearby parts delivered in the nation and utilized in the creation cycle, non-oil items, as well as the kind of sent out items, those participated in the commodity of non-oil items were paid product motivating forces from the state financial plan. During 2016-2020, 26.5 million manat was compensated for trades on 334 apps (<https://www.taxes.gov.az/files/2/covid19/M01042021.pdf>).

In accordance with President Ilham Aliyev's principle "The state will always be with entrepreneurs", the pandemic coronavirus includes a wide range of support programs to reduce the negative impact of the pandemic coronavirus on the national economy, macroeconomic stability, employment and entrepreneurship. Important documents were adopted, the state provided financial assistance to entrepreneurs and individual (micro) businesses with limited activities related to the pandemic.

The confidential area assumes a significant part in the free life and improvement of any express that has picked the way of a market economy. Extraordinary consideration is paid to the improvement of business in our country. Lately, in view of President Ilham Aliyev's essential line The advancement of our nation relies upon business advancement, predictable measures have been taken to work on the business and venture environment consistently.

Financial changes to further develop the business climate in Azerbaijan have given catalyst to the improvement of business venture in the country. Specifically, it is vital to further develop state-business relations, the venture environment, invigorate the non-oil area, including animating the confidential area, increment public help for the farming area, and help little and medium-sized endeavors.

Because of financial changes and further developed monetary regulations overseeing the business climate, the business climate in the nation is improving, business venture is growing, and the cooperation of the confidential area in all areas of the economy and economy is expanding. The State advances the improvement of the confidential area through different measures.

To this end, the legislative framework is constantly being improved, privatization is being carried out, various programs are being adopted, tax and customs systems are being reformed, various sources of funding are being formed to support the private sector, infrastructure is being improved and so on.

The Great Victory of our glorious Army under the leadership of the Supreme Commander-in-Chief, the liberation of our lands and the restoration of the country's territorial integrity will undoubtedly create great opportunities for the development of the economy, tourism and all other areas in the coming years. It is known that the economic potential and natural resources of these lands are quite favorable. Undoubtedly, the liberated territories will be part of the state policy in terms of attracting local and foreign investment and employment.

If we look at the history of thirty years ago, we see that the liberated regions before the occupation had a special share in viticulture, cotton, grain, livestock. The agricultural production and export potential of these areas is quite large. Fuzuli,

Shusha, Kalbajar, Zangilan and Lachin regions have great tourism potential. Azykh cave, one of the oldest human settlements in the world, is located in the Fizuli region. In addition, the Istisuyu of Kalbajar, castles, churches, mosques and other cultural and historical monuments built in different periods of history significantly increase the tourism potential of these regions ([https://www.fhn.gov.az/newspaper/? en / news / view / 9701/1](https://www.fhn.gov.az/newspaper/?en/news/view/9701/1)).

From an economic point of view, there are good reasons to invest in Karabakh. Thus, there are abundant energy sources, underground iron ore, raw material deposits for construction materials and so on.

Thus, new realities have emerged for Azerbaijan and the region in which it is located. The restoration and development of the liberated territories, including the construction of the necessary infrastructure, road and railway network, new airports, business conditions, the opening of new transport corridors, especially the Zangazur corridor, will create new economic opportunities.

With the Victory in the 44-Day Patriotic War, a new stage of development began in Azerbaijan. The reintegration of the liberated territories into the country's overall economy and the use of new international and regional transport and logistics corridors will give a great impetus to Azerbaijan's development.

**Table 3: Report on payment of a certain part of salary to employees  
(As of April 14, 2020)**

The amount of funds provided for the implementation of the event	215.0 million manat
Number of taxpayers who applied	10,914 taxpayers
Number of employees paid by taxpayers	124,510 people
Amount of financial support	33,780.4 thousand manat
including the amount to be paid for the 1st month (50%)	16,890, 2 min manat
Number of taxpayers actually paid	2,636 taxpayers
The number of employees on those taxpayers	24,463 people
Amount paid	5,317.7 thousand manat

**Source:** <https://smb.gov.az/storage/KOB%C4%B0A%20%C4%B0CMAL%202020.pdf>

A new political and economic landscape of the region has already been formed. The settlement of the conflict is also a strategic factor in ensuring the security and economic attractiveness of the region. The formation of stability, prosperity and mutually beneficial cooperation, as well as the development of economic and trade relations will further strengthen the role and status of Azerbaijan, a leading state in the South Caucasus, in determining the overall architecture of the region's economy. We believe that the business community should also take advantage of the opportunities created by the state, expand the production of competitive products and services, effectively and properly use the favorable conditions created against the background of new realities. As they say, all that remains is to work honestly, to be useful to himself and the state. Most of our entrepreneurs are able to do this very well.

According to the Action Plan approved by the Council of Ministers, there were 10,914 taxes affected by the coronavirus (COVID-19) pandemic in connection with the implementation of paragraph 10.2 of the Decree of the President of the Republic of Azerbaijan of March 19, 2020. It was paid to the Ministry of Economy on April 14. 16,612 individual entrepreneurs, a total of 38,416 participants applied for financial assistance.

The number of employees employed by 10,914 taxpayers who applied under the project to pay a certain part of their salaries is 124,510. The State Tax Service under the Ministry of Economy examined and approved the appeals of 8,487 taxpayers, covering 78,068 employees, and submitted the funds to the Ministry of Finance for transfer to taxpayers' bank accounts. The amount of financial support for applications approved under this program so far is 33.78 million manat, including the amount to be paid for the first stage 16.9 mln. manat. As of April 13, the State Treasury Agency of the Ministry of Finance paid 5.31 million manat to 2,636 taxpayers on the salaries of 24,463 employees.

As part of the program to provide financial support to individual (micro) entrepreneurs, 16,502 taxpayers applied. The State Tax Service under the Ministry of Economy examined and approved 15,689 appeals and submitted them to the



Ministry of Finance for transfer of financial support to bank accounts. manats. As of April 13, the State Treasury Agency of the Ministry of Finance within the financial support of 3.53 mln. AZN 3,041 was transferred to bank accounts of individual (micro) entrepreneurs.

**Table 4: Report on financial support to individual (micro) entrepreneurs**

(As of April 14, 2020) The amount of funds provided for the implementation of the event	80, 0 million manat
Number of taxpayers who applied	16,502 taxpayers
Number of taxpayers whose application was investigated	15. 689 taxpayers
Amount of financial support	15,483.7 thousand manat
Number of taxpayers actually paid	3,041 taxpayers
Amount paid	3,530.9 thousand manat

**Source:** <https://smb.gov.az/storage/KOB%C4%B0A%20%C4%B0CMAL%202020.pdf>

Relevant staff is working intensively to promptly investigate appeals and the public will be informed on a daily basis. Information on the results of applications made under the financial support program and the transfer of funds to the bank account in the form of a notification in the Internet Tax Office of taxpayers ([www.e-taxes.gov.az](http://www.e-taxes.gov.az)) is sent to electronic cabinets and mobile phones in the form of SMS. If you have any questions, taxpayers can apply to the Call Center 195 of the State Tax Service and the local tax authorities where they are registered. You can get acquainted with the legislation, decisions, video instructions, the most frequently asked questions and their answers, as well as other useful information on entrepreneurs operating in areas affected by the pandemic and the mechanisms of state support for economic growth by using the following links

### 3.3. How much effective? Ex-post policy evaluation

The COVID-19 pandemic and the sharp drop in oil prices have had a strong impact on the Azerbaijani economy.

**Table 5: Monthly indicators of the state budget (2019-2021)**

Months	State budget revenues (Million manats)	State budget expenditures (Million manats)
January	2097.1	1269.1
February	1435.8	1685.7
March	1906.8	2081.1
April	2063.7	2184.6
May	1495.9	2205.6
June	1406.2	1524.9
July	2030	2151.7
August	2374.8	1609.4
September	2060.9	1978.5
October	2402.7	1743
November	1858.3	1741.7
December	3067.4	4229.5
<b>Total</b>	<b>24199.6</b>	<b>24404.8</b>
January	1821	1402.9
February	1792.2	1927.3
March	4197.7	1924.6
April	1763.3	2012.9
May	953.3	2124.5
June	1495.2	2338.6
July	1937.5	2411.8
August	1994.5	2213.6
September	2009.8	2285.9
October	2242.6	2080
November	2034	1440.6
December	2432	4254.4
<b>Total</b>	<b>24673.1</b>	<b>26417.1</b>
January	2320.6	1231.9
February	1708.8	2237.9
March	1707	2054
April	2497.9	2004.2
May	1500.9	1838.2
June	2019.8	2224.3
July	2294.3	2091
August	1828.2	1945.3
September	1934.1	2085.3
October	2362.6	2472.6
November	2491.1	2124.8
December	3693.8	5102.9
<b>Total</b>	<b>26359.1</b>	<b>27412.4</b>

**Source:** <https://www.stat.gov.az/news/macroeconomy.php?page=8> Developed by the author based on information from the official website

In response, Azerbaijan sought to mitigate the negative economic effects of the pandemic by allocating the largest share of GDP to the post-Soviet countries.

-reflects how it can influence the projection of economic policy.

Since March 2020, the Azerbaijani government has introduced a special quarantine regime restricting travel and public gatherings, as well as business operations. Despite these restrictions, measures have failed to prevent the spread of the COVID-19 virus. Our country has been one of the countries with a sharp increase in the number of COVID-19 cases. The quarantine period in the country in connection with the Covid-19 pandemic has had a significant economic impact on Azerbaijani society and has led to rising unemployment and a significant reduction in household income. With the daily amount of economic losses reaching 120-150 million manat (\$ 71-88 million), Azerbaijan's economic forecast for the rest of 2020 looks increasingly bleak.

To counteract the negative economic and social impact of the crisis on the country, the government has provided significant support to the unemployed (5.5% in 2019) and small and medium-sized businesses, and provided state guarantees to banks. Deposits and a rescue package worth 2.5 billion manat (\$ 1.47 billion) were also created. The package includes everything from tax cuts to business assistance and discounts. The package also includes financial assistance for the unemployed (about 600,000 residents can benefit from AZN 190 per month) and a social security program that includes tax cuts for businesses, new loan subsidies and a financial support program worth about AZN 80. In addition, one million manat (US \$ 47 million) was allocated to 300,000 individual (micro) owners working in sectors affected by the pandemic.

From June 2020, the Tax Code will be amended to provide benefits to businesses affected by the COVID-19 pandemic. The amendments also provide for a one-year exemption from land and property taxes for selected areas, including tourism, passenger transport and cultural facilities. There is also a 75% discount for income taxpayers. According to the amendment, food and medical safety goods are exempt from Value Added Tax (VAT). The Government of Azerbaijan has allocated

\$ 5 million to the COVID-19 Foundation as part of the World Health Organization's Strategic Training and Response Program. Azerbaijan also received medical assistance from Turkey and China in the form of medical personnel and equipment (<https://ge.boell.org/en/2020/09/15/socioeconomic-impact-covid-19-and-oil-price-fluctuations-azerbaijan>).

Revenues of the state budget in 2021 were executed by 3.8 percent or 968.5 million manat more than the expected 25 billion 427 million manat and amounted to 26 billion 395.5 million manat. This amount is 1 billion 713.8 million manat or 6.9 percent more than the revenues of the state budget for 2020. The State Budget for 2021 received 12 billion 859.2 million manat in the non-oil sector, which is 1 billion 208.2 million manat or 10.4 percent of the expected amount, and 2 billion 179.6 million compared to 2020. million manat or 20.4 percent more.

8 billion 531.4 million manat was transferred to the state budget through the tax authorities, which is 1 billion 281.4 million manat or 17.7 percent compared to the forecast amount, and 1 billion 144.2 million manat compared to 2020. manat or 15.5 percent more.

In addition, the state budget received 4 billion 343 million manat through the customs authorities, which is 443 million manat or 11.4 percent more than expected, and 404.8 million manat or 10.3 percent more than in 2020. is more.

Although the State Petroleum Fund of Azerbaijan plans to transfer 12 billion and 200 million manat to the state budget, 11 billion and 350 million manat were received. In the reporting year, it was allowed to monitor the positive dynamics of revenue from revenues to the State budget through the tax and customs authorities, and the expected results of expenditures until the end of the year were allowed to use 850 million manat, or 7 per cent less than the amount transferred from the State. Petroleum Fund for the State Budget.

16.2 million manat were included in the state budget for the lease of state property, which represents 5.2 million manat or 47.3 percent of the forecast amount, and 5.9 million manat or more 57, 3 percent than in 2020. In addition, money was paid to the state budget from the paid services of organizations funded by the state

budget. This amounted to 612.9 million manat, or 16.8 million manat, or 2.8% more than the money received from the paid services of organizations funded by the state budget in 2020. In addition, the budget of the State received 880 million manat from the Public Debt and Debt Guarantee Fund and 250 million manat from the Central Bank of Azerbaijan. Other state budget revenues amounted to 412 million manat, which corresponds to 176 million manat, ie 74.6 percent more than expected. In October-December 2021, the revenue from the state budget was 8 billion 523.9 million manat.

In 2021, State Budget expenditure was 96 percent or 27 billion 412.5 million manat compared to the forecast amount, which is 996.2 million manat or 3.8 percent more than in 2020.

16 billion 588.3 million manat from the state budget expenditures for 2021 to current expenditures (68.6 million manat or 0.4 percent less than in 2020), 8 billion 625.4 million manat to capital expenditures (2020 592.2 million manat or 7.4 percent more than in the previous year), 2 billion 198.8 million manat (472.6 million manat or 27.4 percent more than in 2020) was directed to the expenditures related to the service of public debt and liabilities .

10 billion 297.1 million manat was allocated to finance social expenditures (salary fund, pensions and social benefits, medicines and food), which is 642.9 million manat or 6.7 percent more than in 2020.

Expenditures of the state budget for October-December last year amounted to 9 billion 700.4 million manat. Although the state budget deficit for 2021 is projected at 3 billion 116 million manat, the actual deficit is 1 billion 17 million manat, which is 2 billion 99 million manat or 67.4 percent less than the projected amount. The ratio of budget deficit to GDP was 1.1 percent (2.7 percent less than forecast). Also, the budget deficit was financed by loans from abroad (346.6 million manat), domestic and foreign borrowing (557.7 million manat) and funds from the privatization of state property (112.7 million manat) on the signed projects.

Revenues of the state budget in 2021 amounted to 33 billion 902.9 million manat, which is 10 billion 74.8 million manat or 42.3 percent compared to the

expected amount, and 9 billion 437.7 million manat compared to 2020 and or 38.6 percent more. Expenditures of the state budget in 2021 amounted to 29 billion 980.6 million manat, which is 820.5 million manat or 2.8 percent more than the budget expenditures in 2020. Although the state budget is projected to have a deficit of 7 billion 335.3 million manat by the end of the year, as a result, it ended with a budget surplus of 3 billion 922.3 million manat.(<https://azertag.az/xeber/> Maliyye\_Nazirliyi\_oten\_il\_uzre\_dovlet\_ve\_icmal\_budcenin\_icrasina\_dair\_melumati\_achiqalayib-1981548)

Starting from March 2020, a quarantine regime has been declared in our country and a number of measures have been taken. To counteract the negative economic and social impact of the pandemic on the country, the government has provided significant support to the unemployed (5.5% in 2019) and small and medium-sized businesses, and state guarantees have been issued to banks. million manats (\$ 47 million) were allocated to the owners. In addition, a 75% discount is provided for income taxpayers, and food and medical security goods are exempt from Value Added Tax (VAT).

One of the negative consequences of the Jovid pandemic was a 7% drop in government revenues. However, as a result of the measures taken by our state, from 2021, revenues exceeded the projected amount by 10 billion 74.8 million manat or 42.3 percent.

## CONCLUSIONS AND SUGGESTIONS

In addition to its major impact on human health, Coronavirus 2019 (COVID-19) has had a significant impact on the global economy, and unfortunately the fight against it is not over yet. Following COVID-19, the Center for Social Research (STM) conducted a survey to better understand the Small and Medium Business (SME) landscape in Azerbaijan. In addition, the survey also aims to reflect the views of SME owners on how they assess state support mechanisms in response to the COVID-19 pandemic.

The COVID-19 pandemic is an unprecedented global crisis. Many countries have restricted the movement of the population to slow the spread of coronavirus with severe acute respiratory syndrome and to prevent overloading of health care systems; some went into complete or partial closure. However, quarantines and other extreme restrictions cannot be maintained in the long run in the hope that there will be an effective vaccine or treatment for COVID-19. Governments around the world now face a common challenge, such as easing closures and restrictions, while balancing various health, social, and economic concerns.

Since the emergence of the coronavirus, the total number of infections in our country has exceeded 492,000, and the number of deaths has exceeded 6,000 (koronavirusinfo.az, information dated 11.10.2021). There have been more than 238 million infections and more than 4 million deaths worldwide. Coronavirus is considered to be the most important health problem of the 21st century due to its serious effects on almost every age group.

The pandemic coronavirus has been a serious test for every country and all integrated communities. The problem is not only the scale of human and economic losses, but also the ability of both national and integration institutions to withstand pandemics and economic crises.

In the early stages of the pandemic, all member countries of the integration bloc separated from each other to prevent coronavirus infection. There were practically no coordinated actions.

After the initial period of continuous activity, there was a kind of exchange of experience. Based on this, the integration blocs tried to take joint measures to minimize the consequences of the pandemic and restore economic growth.

Among the main measures of integration associations to mitigate the consequences of the pandemic are:

- information exchange;
- assistance in the return of migrants to their countries of origin;
- general purchase of medicines and medical equipment;
- ensuring proper operation of supply chains;
- transition to undocumented document circulation in mutual trade processes;
- Implement measures to facilitate the flow of goods (including medicines, personal protective equipment, food, etc.) needed during a pandemic.

Based on international experience, the following key recommendations can be formulated for countries to jointly respond to pandemics and other emergencies.

#### 1. Coordination and active dialogue of the health systems of the states

• There has been a need for close dialogue between health officials in the lawsuit since the virus was first declared a global threat in order to share experiences and develop coordinated response measures and medical protocols. In the future, this will help prevent and reduce the spread of the virus across borders, as well as prepare a timely response to the emergence of the virus in the region itself.

• It seems expedient to allocate grants to countries for research in the field of health, training of medical staff and other purposes.

• Provision of soft loans for medical projects: construction of specialized hospitals, purchase of equipment, etc.

#### 2. Support for the general labor market

▪ Support for migrants from other countries.

▪ Ensuring the return of migrants to donor countries, despite restrictions on crossing borders.

▪ Ensuring normal conditions for migrants to stay in recipient countries, taking into account social and medical assistance.



- Optimization and digitization of procedures for the free movement of labor resources.

3. Acceleration and simplification of decision-making on administrative regulations at the state level (minimization of undocumented document circulation and visual control and supervision procedures)

Work in this direction began before the pandemic, but now it has become especially relevant. It is necessary to ensure the simplification of trade procedures and customs regulations (especially for medicines, disease protection, medical equipment) through the transition to a digital platform (registration processes without paper and personal contact).

To ensure the uninterrupted operation of supply chains, it is necessary to accelerate the implementation of Digital Trade and Industrial Subcontracting projects, which provide services such as legally significant document flow, information exchange between business entities, contract service.

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