

# Draft Social Compliance Audit Report

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Project Number: 55340-001  
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## Azerbaijan: Alat Solar Power Project

Prepared by the Environmental and Social Advisory Services Limited (ESAS) for the Asian Development Bank.

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# Social Compliance Audit Area 60 Solar PV Project

11 March 2022

Draft for disclosure



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## Acronyms and Abbreviations

Acronym	Description
ADB	Asian Development Bank
AOI	Area of Influence
CLO	Community Liaison Officer
E&S	Environmental & Social
EBRD	European Bank for Reconstruction and Development
ESAS	Environmental and Social Advisory Services Limited
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESP	Environmental and Social Policy
GIIP	Good International Industry Practice
GIS	Geographic Information System
ICP	Informed Consultation and Participation
IFC	International Finance Corporation
IFIs	International Financial Institutions
KPI	Key Performance Indicators
LAL	Land Acquisition Law
LRF	Livelihood Restoration Framework
MW	Mega Watt
NGO	Non-Governmental Organisation
OHL	Overhead Transmission Line
PAH	Project Affected Household
PAP	Project Affected Person
PR	Performance Requirement
PS	Performance Standard
PSA	Production Sharing Agreement
PV	Photo Voltaic
SCA	Social Compliance Audit
SEP	Stakeholder Engagement Plan

## Glossary of Terms

Term	Definition and Comments
<b>Affected Communities</b>	Settlements, such as a village, located within the vicinity of a Project that could be directly or indirectly impacted by a Project's activities.
<b>Compensation</b>	Payment in cash or in kind for an asset or a resource that is acquired or affected by a project at the time the asset needs to be replaced.
<b>Completion audit</b>	A completion audit has the objective of determining whether the primary commitments made in a resettlement planning document have been met, particularly with respect to the restoration of livelihoods and standards of living. A successful completion audit demonstrates that the Project has succeeded in achieving the objectives of the resettlement plan in compliance with applicable legislation and international best practice.
<b>Cut-off date</b>	The completion date of the census of project-displaced persons is usually considered the cut-off date. A cut-off date is normally established by the borrower government procedures that establishes the eligibility for receiving compensation and resettlement assistance by the project displaced persons. In the absence of such procedures, the borrower/client will establish a cut-off date for eligibility.
<b>Displaced persons</b>	In the context of involuntary resettlement, displaced persons are those who are physically displaced (relocation, loss of residential land, or loss of shelter) and/or economically displaced (loss of land, assets, access to assets, income sources, or means of livelihood) as a result of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas.
<b>Economic displacement</b>	Loss of land, assets, access to assets, income sources, or means of livelihood as a result of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas.
<b>Eligibility</b>	The entitlement to compensation and assistance granted to persons, groups, families or institutions who may be subject to displacement, resulting from land access restrictions and involuntary resettlement.
<b>Entitlement</b>	Resettlement entitlements with respect to a particular eligibility category are the sum total of compensation and other forms of assistance provided to displaced persons in the respective eligibility category.
<b>Household</b>	An individual or group who share a dwelling unit and associated resources available to the household. A household does not necessarily correspond to a family and may consist of a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living and cooking arrangements.
<b>Lenders</b>	International financial institutions that are providing finance for the purpose of implementing the Project, which triggers their relevant safeguard policies and standards associated with involuntary resettlement, information disclosure, and other topic areas. The Lenders involved in the Project are the Asian Development Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation.
<b>Livelihood</b>	A livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with, and recover from, stresses and shocks, while not undermining the natural resource base.
<b>Livelihood restoration</b>	Specific allowances or activities intended to support and provide opportunities for displaced people to improve or at least restore their means of income-earning capacity, production levels and standards of living. Livelihood restoration measures typically include a combination of cash or other allowances and support activities such as training, agricultural assistance, or business enhancement. Where pre-project livelihoods are predominantly land based, land-based livelihood restoration measures are prioritised.

Term	Definition and Comments
<b>Meaningful consultation</b>	A process that (i) begins early in the project preparation stage and is carried out on an ongoing basis throughout the project cycle; (ii) provides timely disclosure of relevant and adequate information that is understandable and readily accessible to affected people; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.
<b>Mitigation hierarchy</b>	To adopt a mitigation hierarchy is to anticipate and avoid, or where avoidance is not possible, minimise, and, where residual impacts remain, compensate/offset for risks and impacts to workers, Affected Communities, and the environment.
<b>Project Affected Households (PAH)</b>	All members of a household, whether related or not, operating as a single economic unit, who are affected by a project, either physically, economically, or both.
<b>Project Affected Person (PAP)</b>	Any individual or group of persons (such as family with shared interest in an asset) who have legal or customary rights to assets that may be lost because of the project activities. A PAP may have a right to one or more groups of assets including: (1) rights to land; (2) ownership of annual and perennial crops; (3) ownership of trees; (4) homestead property; (5) homestead structures; (6) graves; (7) shrines; and (8) other privately held physical assets located within the development footprint of a project. As indicated, a group could refer to an extended family who have shared ownership of land or assets.
<b>Physical displacement</b>	Relocation, loss of residential land, or loss of shelter as a result of (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas.
<b>Replacement cost</b>	Replacement cost involves replacing an asset at a cost prevailing at the time of its acquisition. This includes fair market value, transaction costs, interest accrued, transitional and restoration costs, and any other applicable payments, if any. Depreciation of assets and structures should not be taken into account for replacement cost. Where there are no active market conditions, replacement cost is equivalent to delivered cost of all building materials, labor cost for construction, and any transaction or relocation costs.
<b>Relocation assistance</b>	Support provided to persons who are physically displaced by a project. Relocation assistance may include transportation, food, shelter, and social services that are provided to the displaced persons during their relocation. It may also include cash allowances that compensate displaced persons for the inconvenience associated with resettlement and defray the expenses of a transition to a new locale, such as moving expenses and lost work days.
<b>Security of tenure</b>	Protection of resettled persons from forced evictions at resettlement sites. Security of tenure applies to both titled and non-titled displaced persons.
<b>Spousal consent</b>	Spousal consent means the written consent of a head of household's spouse. Specific support is typically provided to address challenges associated with (for example) levels of illiteracy, where this is needed.
<b>Transitional support</b>	The provision of support during the period between the point of displacement, and the time when the PAPs livelihood and standard of living can be demonstrated to have been restored.
<b>Vulnerable People</b>	Vulnerability is defined as persons who, by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage or social status may be more adversely affected by displacement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits.
<b>Written Agreements</b>	This term is used in this report to represent the various types of documentation produced by farmers impacted from land access restrictions that demonstrate that they are informal land users as such documentation does not have any validity under national legislation.

## 1 Introduction

This Social Compliance Audit (SCA) has been prepared by Environmental and Social Advisory Services Limited (ESAS) for Wood in relation to a proposed 230 MW Solar Photo Voltaic (PV) Power Project in Azerbaijan (the 'Project'). The Project is being developed by the Special Purpose Vehicle (SPV) 'Masdar Azerbaijan Energy' which is a Limited Liability Company established under the laws of the Republic of Azerbaijan, whose registered address is at 43, Mammad Araz Street, Narimanov District, Baku, AZ1106, Republic of Azerbaijan.

### 1.1 Overview of the Project

The Project is located 60km south of Baku, near to the Gobustan Mud Volcanoes, as part of a bilateral agreement with the government of Azerbaijan and the SPV. The Project Area ('Area 60') covers an area of 550 hectares. The closest urban areas are within Gobustan (5 km east – northeast 60) and Alyat (8 km southeast). The site is predominantly desert and semi-desert. There are no residential dwellings or other type of physical structures inside the Project Area.

The land within the Project Area and surrounding region is owned by the government and is classified as industrial, being allocated for use in the oil and gas industry by the Ministry of Energy. The land has been allocated by the Ministry of Energy for the development of the solar PV plant, and a Land Lease Agreement shall be signed in the future between SPV and the Ministry of Energy. The Project Area is currently being used by local farmers and herders for animal grazing activities, mostly during the winter months.

The Project will include the following components:

- Solar PV plant and a new substation;
- An overhead transmission line (OHL) of 330 kV connecting the site substation to national grid (built by Azerenerji); and
- Road improvements to create a new access road along an existing track.

The OHL will connect the area to the Janub station in Shirvan, 50-60 km in south-west direction. The new OHL will connect the already established Alat Trade Zone, Masdar Solar Project and other future strategic projects in the area.

The new access road will follow the path of an existing track. The Ministry of Environment consented the access road on 11 August 2021, and permission from Garadagh Executive Power was also obtained. Permission from Absheron is expected in 2022. Construction of the road will be of the 5<sup>th</sup> technical category, which is a road without asphalt pavement and instead will use a compacted gravel coating.

The location of the Project is provided in Figure 1.1, Figure 1.2 and an example of the general land conditions is provided in Figure 1.3. An example of the existing track which is to be used for the access road is provided in Figure 1.4.

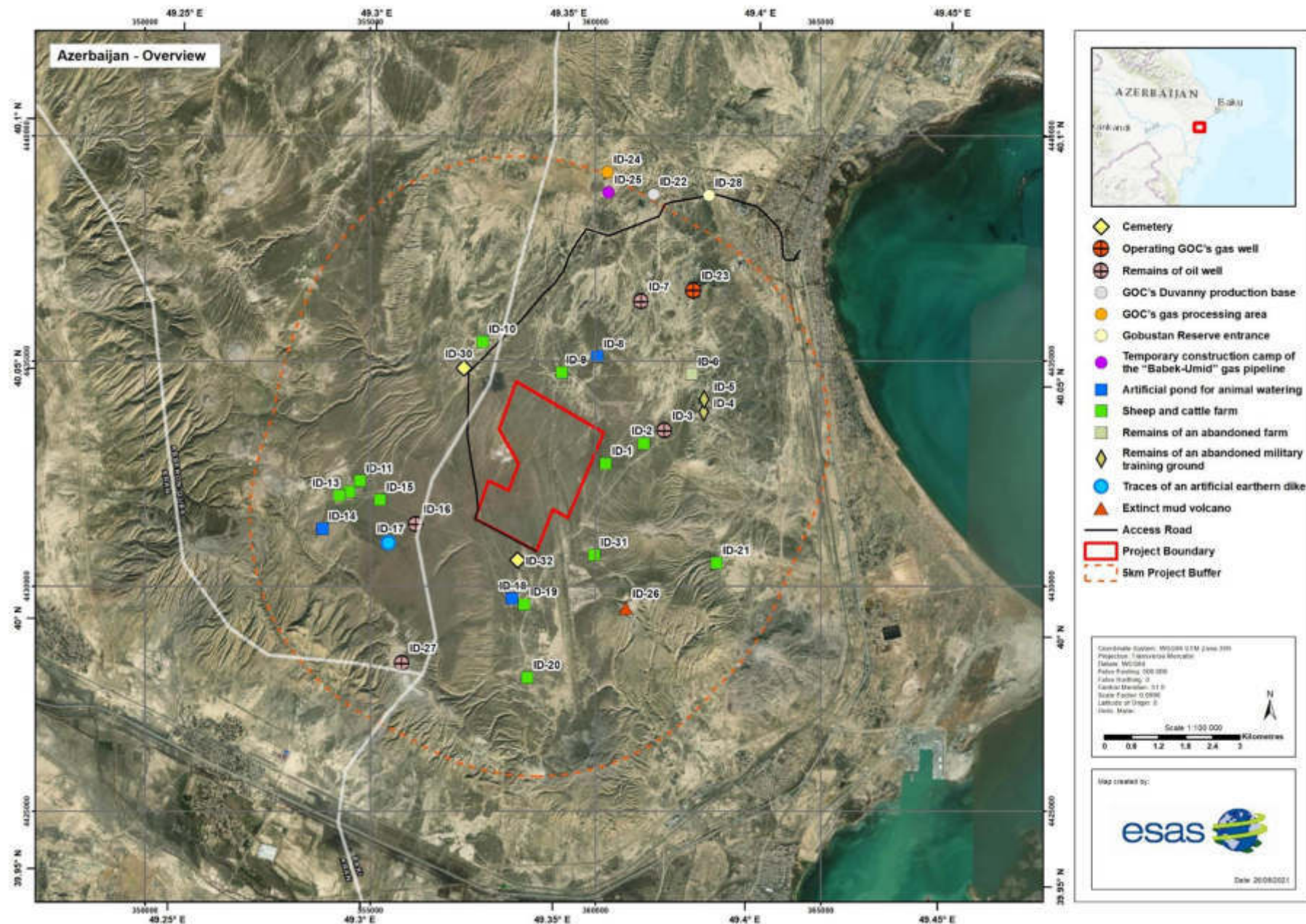


Figure 1-1: Location of the Project Area in relation to the country





Figure 1.2. The Project Area and surrounding features





**Figure 1-3: Views inside the Project Area**



**Figure 1-4: Example section of the existing track to be used for the new access road**



Before any construction works start, the entire Project Area will be fenced off and the access road will be upgraded to allow the movement of large trucks to transport materials and personnel to the site. An existing track will be used from the northeast until there is a 'kink' in its path and a new right of way (2km long) will be established to the Project Area site entrance. Assuming that the width of the new road is 8m this will require an additional 1.6 hectares of land.

Activities during construction will include site clearance, construction of unpaved roads, temporary storage areas for different materials, and sub-station, installation of solar panels and development of the overhead transmission line. Construction activities will take 1.5 years to complete (18 months).

The temporary construction compound will include a parking area, a generator with fuel storage, and temporary buildings to provide accommodation (if required) and support facilities for managers and workers, secure storage, site offices, and welfare and first aid facilities. Security personnel will be present at the entrance gate as access to the Project Area during construction and operation will be prohibited. The project will intend not to use any land outside the boundary of the Project Area for offices, storage, etc. as all temporary facilities shall be located inside the Project Area. The location for the non-local workforce to be accommodated is not yet known although this is likely to be in Baku or a similarly large settlement.

During operation, solar panels will be regularly cleaned of dust using water, and the electrical equipment will be regularly checked. During operations, up to 230 MW will be supplied to the national grid. The operational lifetime of the Project is 23 years.

While the land had been historically identified as an industrial zone, during the time it was not used by the Ministry of Energy, farmers and herders had started to use the lands to graze their animals. The Environmental and Social Impact Assessment (ESIA) Report prepared by Wood (16 June 2021), identified 11 farmers and 14 herders who were using the land to graze their animals. The area is used by these farmers and herders communally. Project Area is shown in Figure 1-1.

Of the 11 farmers, 10 use the area to graze their animals between October and April and 1 grazes his animals throughout the entire year. These farmers also employ 14 herders to look after their livestock. All herders using the area are employees of the farmers, and are using the facilities (houses and barns) of the farmers. There are no independent herders. The herders also have animals of their own. If the herders lose their job (or decide to move on), they lose their access to land. All farmers and herders had been living in the area for more than 5 years. The 11 farmer and 14 herder households, in total 25 project affected households (PAHs) consist of  $53 + 55 = 108$  family members or Project Affected People (PAPs). As the area has long been established as an industrial zone whose use rights only belonged to the Ministry of Energy, the farmers and herders are considered to be informal users of the land. While they are not entitled for compensation for the land they used, the project established a number of livelihood restoration measures to ensure that the affected people are better-off than pre-project times.

## 1.2 Purpose of the SCA

Asian Development Bank (ADB's) 2009 Safeguard Policy Statement Safeguard Requirements 4 requires that for projects involving facilities and/or business activities that already exist, or are under construction, the borrower/client will undertake an environment and/or Social Compliance Audit (this document), including on-site assessment, to identify past or present concerns related to impacts on the environment, involuntary resettlement, and Indigenous Peoples.

The purpose of the SCA is to identify and assess the project's legacy, land acquisition, resettlement and gender risks and their status against statutory and ADB SR2 requirements, develop a Corrective Action Plan (CAP), and subsequently a Livelihood Restoration Plan (LRP) to manage these risks. Reflecting the above, the SCA is a step that has been completed prior to the development of the LRP and informs the need to design the LRP, amongst other actions.

This assessment covers any prior land or right of way acquisition, involuntary restriction of access to protected natural parks or forests, land use transfer or any past or ongoing involuntary resettlement impacts or activities that may have been undertaken in the proposed Project Area in anticipation of the Project proposed for ADB financing.

This assessment covers the below scopes:

- Assessing the land acquisition and resettlement process of the ADB-funded Project against the ADB SPS Safeguard Requirements 2;
- Examine if land acquisition and resettlement are/will be compliant with provisions of the relevant Government's laws and regulations on land acquisition, compensation, assistance and resettlement;
- Conducting a Full Replacement Cost Assessment to assess and verify to what extent the Project's land compensation and support represent full replacement cost;
- Assessing the measures and outcomes of the efforts by the local government and Masdar to help affected people restore their livelihoods;
- Assessing the adequacy and effectiveness of public consultation and grievance mechanisms in relation to land acquisition and resettlement; and
- Providing recommendations and a time bound action plan with budget to address the identified shortcomings in land acquisition and resettlement carried out.

### 1.3 Assessment methodology

The assessment involved the following tasks:

- Review of existing documentation including the ESIA and information from publicly available sources about the socio-economic characteristics of different ethnic groups and vulnerabilities of people who are present in the Project Area;
- Completion of stakeholder engagement activities to gather primary socio-economic data (refer to the list below);
- GIS and mapping studies to map the written agreements within the Project Area; and
- Reporting.

Stakeholder engagement activities have been completed with the following:

Project stakeholders comprise the following categories (refer to the SEP):

1. Azerbaijan Government Ministries/National Agencies:
  - Ministry of Energy.
  - Ministry of Ecology and Natural Resources (MENR).
  - Ministry of Agriculture
  - Ministry of Labour and Social Protection.
  - Ministry of Health.
  - Ministry of Emergency cases.
  - Ministry of Culture (State Service for Protection, Development and Restoration of Cultural Heritage under the Ministry of the Culture of the Republic of Azerbaijan).
  - State Tourism Agency of the Republic of Azerbaijan.
  - Azerbaijan National Academy of Sciences, Institute of Geology.
  - The State Land and Cartography Committee of Azerbaijan Republic.
  - Ministry of Agriculture.
  - Azerenerji.

- Institute of Archaeology and Ethnography of Azerbaijan National Academy of Sciences.
- KOBIA (The Small and Medium Business (SMB) Development Agency)
- 2. Azerbaijan regional Government Agencies:
  - Garadagh District Power
  - Absheron District Power
  - Gobustan municipality.
- 3. Residents of the nearest communities: Gobustan (5 km east – north-east of Area 60) and Alyat (8 km south-east of Area 60).
- 4. Farmers and herders who have written agreements and/or famers within 5km of the Project Area.

## 1.4 Documentation Review

During preparation of the Social Compliance Audit, ESAS has reviewed all of the information gathered to date from the ESIA to gain an understanding of the current situation regarding the presence of informal land users. A summary of the documents reviewed comprise the following:

- ESIA dated 16 June;
- Stakeholder Engagement Plan dated October 2021;
- Various documents that reflect written agreements from farmers, which were produced during the stakeholder engagement activities conducted to date.

## 1.5 Site Visits

Site visits have been undertaken during preparation of the ESIA to gather feedback that was subsequently used to prepare the Final version of the ESIA. Site visits have been undertaken during preparation of the ESIA as follows:

Stakeholders engaged during the first scoping round of ESIA consultation (August 2020) included:

- State Authorities (Garadagh rayon/district Executive Power Authority; Gobustan Executive Power Representative; Alyat Municipality Representative).
- MENR.
- Representatives of Community leaders.
- Social media platform to reach general public.
- Gobustan Operating Company.

Stakeholders engaged during the second round of ESIA consultation (April 2021) include:

- Absheron District Executive Power Authority.
- Ministry of Labour and Social Protection.
- Ministry of Health.
- Ministry of Emergency cases.
- Ministry of Culture.
- State Tourism Agency of the Republic of Azerbaijan.
- Azerbaijan National Academy of Sciences, Institute of Geology.
- Ministry of Agriculture.
- Institute of Archaeology and Ethnography of Azerbaijan National Academy of Sciences.
- Representative categories of Community (local businesses; schools, education organizations; vulnerable groups; farmers/herders; health providers).

Wood's local consultants, Sulaco and CST Synergetics undertook six site visits on 28 and 29 July 2020, 09 and 10 April, 14, 19 and 23 April 2021. A detailed record of all stakeholder engagement activities is included in the SEP.

## **1.6 Reporting**

Based on the results of the document review and site visits, ESAS has prepared this report to analyse the key gaps between the Project's land acquisition process and the requirements of ADB SPS 2009, and provide specific recommendations, as appropriate, for additional work to bring the projects into conformance with ADB SPS Safeguard Requirements 2 and 3 in the form of an Action Plan.

## **1.7 Limitations**

The following limitations apply:

- The lead Social Specialist was not able to travel to Azerbaijan during preparation of any of the documentation listed above due to COVID-19 and associated restrictions on international travel;
- During preparation of the ESIA it became apparent that some of the herders active in the Project Area are transient, have verbal agreements with farmers, and frequently move in and out of the Project Area for various reasons, mostly seeking improved working conditions and income. Consequently, it was difficult to engage with them and this may continue to be a challenge in the future.

## **1.8 Structure of the Report**

The Report includes five sections and is structured as below.

**Section 1** – Introduction.

**Section 2** – Legislative Review.

**Section 3** – Review of Project's Resettlement Practices and Status.

**Section 4** – Review against ADB SPS Safeguard Requirements 2 and 3.

**Section 5** – Action Plan.

## 2 Legislative Review

### 2.1 National legislation

The purpose of this section is to present the regulatory framework associated with land access restrictions and involuntary resettlement. A detailed gap analysis that presents the key differences between national legislation and Lender requirements is presented in Table 2.1 along with details of the actions the Project will take to address the identified differences.

For the purpose of the SCA and later gap analysis, a summary of land-related legislation has been included although none of the processes that relate to changing legally-valid Land Lease Agreements are applicable, as the written agreements presented by farmers have no basis in law.

Legislation in Azerbaijan on land acquisition and resettlement consists of the Constitution of the Republic of Azerbaijan, the Land Code, the Civil Code, the Law on Land Acquisition for State Needs, and other legal acts. Under this legislation, informal land use is not recognised, and the written agreements produced by farmers have no legal validity.

The Constitution (1995) recognises a citizens' right to own, use, and dispose of property. It also recognises under Article 13 three type of property ownership in Azerbaijan: government, municipal and private. The Constitution guarantees that no one will be dispossessed of their property without their consent or a decision by the court of law, and that the acquisition of private property for state needs will only be allowed after payment of fair compensation (this is defined in another legal instrument) to the owner has been made (Article 29).

Article 101 of the Land Code (1999) states that compensation for any damage caused by the acquisition of land, the temporary use of land, limits on the rights of owners, users and lessees, or any deterioration in the quality of soil, should be fully paid to landowners or users. Costs should also be paid.

All disputes relating to land-related compensation can be considered in a court in accordance with a procedure established by the Land Code. Articles 110 and 111 covers the illegal use of land and stipulates that any damage caused by illegal occupation must be paid by the land user.

The Civil Code, Articles 246, 247, 248 and 249 includes provisions for the acquisition of land for state needs, which is applicable to the Project. The Code states that the relevant Executive Agency should; a) send official notifications to all affected persons about the future land acquisition process; b) pay compensation to affected persons within 90 days after the land transaction agreement is made; c) assist relocated people (this involves practical assistance measures to relocate); and d) pay compensation for affected assets. To the extent possible, compensation is calculated using the market rates and, if it is not possible to identify market rates, replacement cost is instead used. The Civil Code states that an affected person can select one, or more, different types of compensation depending upon their eligibility.

The Flat Code states that the acquisition of residential lands and residential buildings on land should be acquired under the provisions of the Land Acquisition Law. The Land Acquisition Law (LAL) (*"Acquisition of Lands for State Needs"* of 20 April 2010) specifically address matters related to involuntary resettlement, including the process and institutional arrangement for land acquisition, compensation and valuation, consultation requirements, entitlements of various categories of displaced persons and the availability of a grievance mechanism. The law considers various categories of displaced persons, including those without state registration, tenants, informal long-term users of land, and persons who have no legal rights on the land that they live in. The law entitles persons who have no legal rights on the land to resettlement assistance and compensation for their non-land assets. It includes the provision of compensation for loss of business and income, transition allowance, and transportation support, and compensation for loss of assets based on replacement cost. The law requires a census to be undertaken during an inventory of assets that are to be acquired.



The law “*Acquisition of Lands for State Needs*” also requires a public meeting to be held to discuss issues associated with the land acquisition process. Details of the grievance mechanism which is available under “On the procedure for considering appeals of citizens” (2015, № 1308-IVQ) should be provided during this meeting.

Under the law “Acquisition of Lands for State Needs”, where leased state or municipal land is to be used for state needs, the rent to be paid by the lessee shall be reconsidered considering the reduction of the leased land area. The law also requires the following:

- Information to be provided to inform them of the legal rights of resettlement under national legislation;
- Advising them on real and possible resettlement alternatives, discussing choices with them; and
- Providing resettlement assistance.

As stated above, none of these legal requirements apply as the law does not recognise informal land users and lease agreements held by farmers are not legally valid.

Article 66 of Expropriation Law, 2010 provides for an additional 5-10% to be added to the compensation value of residential houses, if they have been living there for 5 years or more.

The Law on Land Lease (1998) (Article 16) states that when an area of leased land is acquired for state needs, another land plot having a same size and a same quality must be provided to lessee. Any losses incurred during the process of changing areas shall be paid in accordance with the Land Code.

The Law on valuation states that a valuation of real estate is mandatory where land is required for state needs, and the results of the valuation are to be reflected in a Valuation Report.

The Decree of the President on additional activities regarding to implementation of the Law on “*Acquisition of Lands for State Needs*” of 20 April 2010 stipulates additional provisions for the implementation of the Land Acquisition Law. It also assigns government agencies to act as the Executive Agency under the Civil Code.

The Decree of the President No. 506-3 dated 7 December 2007 requires the provision of 20% additional compensation to the calculated market price of any acquired property.

The Cabinet of Ministers Resolution No. 42 (15 March 2000) outlines procedures for the acquisition of land through compensation from legal landowners which could be: (i) land-for-land or (ii) compensation based on market prices.

The Cabinet of Ministers' Resolution No.45 24 February 2012 stipulates guidelines for preparation of resettlement plan, as well as an example content of a resettlement plan and provides general resettlement guideline. A Resettlement Plan is only required when the total of displaced persons reaches 200, or more.

The law “*Acquisition of Lands for State Needs*” also requires the Resettlement Plan to include:

- Financial and practical assistance during relocation;
- A place of residence, living space, agricultural land or non-residential area for carrying out entrepreneurial activities, which is at least equal to the conditions of the place of departure of the persons affected by the acquisition;
- If required, material and other assistance, the amount and (or) amount of which is determined taking into account the duration of the transition period required to restore the means of subsistence and living standards after the transfer; and
- Training and other assistance to restore livelihoods and living standards after resettlement, if required.

The Cabinet of Ministers' Resolution (No. 55 21 April 2011) reflects guidelines and criteria to be used to select a specialist who prepares a resettlement plan.

#### Compensation Valuation Methods in Azerbaijan

Under Article 58: Market Value” of Law of the Republic of Azerbaijan on the Acquisition of Lands for State Needs, 20 April 2010), land compensation prices must be based on the applicable market rate<sup>1</sup>. In case the applicable market price cannot be determined then replacement cost<sup>2</sup> is used. These rates are determined by an Independent Appraiser hired by the Valuation Commission established by a decree of the Cabinet of Ministers. If both market and replacement price are available, then the higher value is used. The market price of land is the average of three highest land transaction prices, which were sold and bought in the same area for recent three months. The replacement price of land is calculated including expenses that reflect the need for improvements to be made to enrich productivity, provide basic facilities, and cover all applicable land registration costs.

Compensation is payable for loss of annual crops and is determined by the Valuation Commission. The value reflects the productivity of crops and the average price of produce based upon the rates issued by the district Department of Statistics. Perennial crops (trees, shrubs and vines) growing on private yards and orchards are valued on a per tree or per shrub basis by applying a standard formula that reflects their market value.

Compensation for immovable assets cover assets such as fences, walls, animal enclosures, small irrigation channels, drains, wells, hand pumps, artesian bores, water pumps, hay sheds, animal shelters and roads. These items must be valued at full replacement cost by the Independent Appraiser.

Compensation for temporary land acquisition should be made based on the market rate of the land. Upon the completion of works, the land must be restored to its pre-project condition and returned to the owner/user with compensation for the following:

- The loss of annual crop production;
- The loss of income from the potential for a reduction in crop yield to occur for a total of three years;
- The loss of any trees or perennial crops;
- The loss of grazing land; and
- The loss of any immovable assets and land attachments.

## **2.2 Summary of Regulatory Requirements**

### **ADB Safeguard Requirements 2: Involuntary Resettlement**

The ADB Safeguard Policy Statement (SPS) of 2009 consolidates three existing safeguard policies: involuntary resettlement (IR), indigenous people (IP), and environment. The objectives of the IR policy are to:

- Avoid involuntary resettlement where possible;
- Minimise involuntary resettlement by exploring Project and design alternatives;
- Enhance, or at least, restore the livelihoods of all displaced persons in real terms relative to pre-Project levels; and

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<sup>1</sup> Land market value is determined using the mean value of the three highest recorded land sales in past 3 months from the census date. “Article 58: Market Value” of Law of the Republic of Azerbaijan on the Acquisition of Lands for State Needs, 20 April 2010.

<sup>2</sup> The replacement price is determined based in ‘Article 59: Replacement Price’ of Law of the Republic of Azerbaijan on the Acquisition of Lands for State Needs, 20 April 2010. This replacement price includes expenses to construct a building or area of land in same area, and the same size and production potential, and includes the applicable land registration fee.

- Improve the standards of living of the displaced poor and other vulnerable groups, including women, to at least national minimum standards.

The involuntary resettlement requirements apply to full or partial, permanent or temporary physical displacement (relocation, loss of residential land, or loss of shelter) and economic displacement (loss of land, assets, access to assets, income sources, or means of livelihoods) resulting from (i) involuntary acquisition of land, or (ii) involuntary restrictions on land use or on access to legally designated parks and protected areas. Resettlement is considered involuntary when displaced individuals or communities do not have the right to refuse land acquisition that results to displacement. This occurs in cases where (i) lands are acquired through expropriation based on eminent domain; and (ii) lands are acquired through negotiated settlements, if expropriation process would have resulted upon the failure of negotiation.

Calculation of full replacement cost will be based on the following elements: (i) current market value at the time of compensation, (ii) transaction costs, (iii) interest accrued, (iv) transitional and restoration costs, and (v) other applicable payments, if any. In the calculation, depreciation of structures or deduction for use of salvageable materials will not be taken into account. It is expected that qualified and experienced experts will undertake the valuation of acquired assets.

Persons or households without formal legal rights nor recognised or recognizable claims to the acquired land are still entitled to compensation for their loss of assets other than land if they have been created before the cut-off date, and resettlement assistance.

The ADB Policy on Gender and Development (1998) adopts gender mainstreaming as a key strategy for promoting gender equity, and for ensuring that women participate in, and that their needs are explicitly addressed in the decision-making process for, development activities. The new safeguard policy also reiterates the importance of including gender issues in the preparation of safeguards documents at all stages to ensure that gender concerns are incorporated, including gender-specific consultation and information disclosure. This includes special attention to guarantee women's assets, property, and land-use rights and restoration/improvement of their living standards; and to ensure that women will receive Project benefits. Other policies of ADB that have bearing on resettlement planning and implementation are the (i) Access to Information Policy (2018), and (ii) Accountability Mechanism (2012).

## **2.3 Comparison of national legislative and ADB Safeguard Requirements 2 and 3**

There are some key differences between national legislation on land acquisition, compensation and resettlement and the ADB's SPS 2009, as outlined in Table 2.1. (resettlement) and Table 2.2 (Indigenous Peoples).

ADB's SR3 defines "Indigenous Peoples" in a generic sense to refer to a distinct, vulnerable, social, and cultural group possessing the following four characteristics in varying degrees:

- (i) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- (ii) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- (iii) customary, cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and
- (iv) a distinct language, often different from the official language of the country or region.

**Table 2.1. Key Differences between national legislation and ADB SPS Safeguard Requirements 3 (resettlement)**

No.	Issues	ADB SPS 2009 and other requirements	National regulatory framework	Gaps and steps taken to address them
1	Screening	Screen the project early on to identify past, present, and future involuntary resettlement impacts and risks (Principle 1, Involuntary Resettlement Safeguards).	There is no obligation under national legislation to screen the Project early on to identify past, present, and future involuntary resettlement impacts and risks.	No obligation under national legislation to screen the Project early on in relation to involuntary resettlement impacts and risks. This gap has been addressed through the completion of an ESIA to identify the potential for involuntary impacts and risks.
2	Information disclosure	Disclose monitoring reports (Principle 12, Involuntary Resettlement Safeguards).	No requirement under national legislation on disclosure of monitoring reports.	Disclosure of monitoring reports is not required under national legislation. Masdar will disclose the results of future monitoring reports associated with involuntary resettlement in the future.
3	Public consultation	Carry meaningful consultation with the affected persons, host communities and concerned non-government organizations.  Support the social and cultural institutions of displaced persons and their host population. (Principle 2, Involuntary Resettlement Safeguards)	There is no requirement under national legislation for consultation with host communities and support to their social and cultural institutions by the Government regulations, other than through the legal process of compensating displaced persons which is described under national legislation which includes the Land Code (1999), the Civil Code (Articles 246, 247, 248 and 249) and the Land Acquisition Law (LAL) ("Acquisition of Lands for State Needs" of 20 April 2010 just").  There is no need to provide under national legislation, support to the social and cultural institutions of displaced persons and their host population.	There is no requirement for consultation with host communities and support to their social and cultural institutions by the Government regulations. Masdar have undertaken meaningful consultations with the Project Affected Persons (PAPs) and their Project Affected Households (PAHs).
4	Participation	Paying particular attention to the vulnerable groups and ensure their participation in consultations. (Principle 2, Involuntary Resettlement Safeguards).	No requirement under national legislation on the specific needs of vulnerable groups.	During resettlement planning, there is no explicit requirement to identify vulnerable groups and to propose and implement targeted measures to assist them. For this Project vulnerable groups were identified through a socio-economic survey.
5a	Compensation for agricultural land: Compensation principle	Adequate and appropriate replacement land OR compensation at full replacement cost for the affected area (Para. 8, Appendix 2).	The national regulatory framework provides for compensation arising from involuntary resettlement and considers various categories of displaced persons, including those without state registration, tenants, informal long-term users of land, and persons who have no legal rights on the land that they live in. Compensation is calculated based upon the 'replacement cost' reflecting market valuations of assets, rather the broader principle of 'full replacement cost' which includes, for example, transaction costs and whereby physical depreciation of structure is not taken into consideration.	The method of valuation under national legislation refers to 'replacement cost' which does not consider all of the requirements under the principle of 'full replacement cost'. This is not relevant to the SCA as the Project will not impact any residential land.
5b	Agricultural land without land use right certificates (LURC) or ineligible for LURC	No compensation for the affected land non-land assets shall be compensated at replacement cost. (Para. 7 and Para. 8, Appendix 2).	Tenants with legally-valid agreements are eligible for compensation in accordance with the Acquisition of Lands for State Needs" of 20 April 2010 whereby compensation is provided for non-land assets, loss of business and income, transitional allowance, and transportation support. Informal land users (such as those without legally-valid tenancy agreements) are not recognised under national legislation where they are losing land, although non-land assets (as stated above) are still compensated.	Informal land users are not recognised by national legislation for land-based compensation, although non-land assets are still eligible for compensation. Informal land users have been identified for compensation.

No.	Issues	ADB SPS 2009 and other requirements	National regulatory framework	Gaps and steps taken to address them
6	Compensation for residential land	Compensation at full replacement cost for the affected area (Para. 10, Appendix 2).	National legislation (Acquisition of Lands for State Needs" of 20 April 2010") provides compensation at replacement cost although this does not include all of the factors, taken into consideration by ADB which provide compensation at 'full replacement cost'. This includes, for example, transaction costs.	National legislation does not apply a broader definition of 'full replacement cost' for residential land. This is not relevant to the SCA as the Project will not impact any residential land.
7a	Compensation for houses and other structures	Compensation at full replacement cost for the affected portion and depreciation of structures and assets should not be taken into account (Para. 10, Appendix 2).	See above.	See above – the depreciation of structures and assets is not relevant to the SCA.
7b	Illegally constructed houses/structures affected	Illegally constructed houses/structures that exist prior to the cut-off date are eligible for compensation at replacement cost (Para. 8, Appendix 2).	Illegal structures are recognised under national legislation and do attract compensation for the non-land assets.	There is provision for compensating the owners/users of illegal structures in national legislation, for non-land assets as well as loss of business and income. This is not relevant to the SCA as the Project will not impact any illegal structures.
8	Compensation and assistance for affected production and business	Affected business owners are entitled to: the costs of re-establishing commercial activities elsewhere; the net income lost during the transition period and (iii) the costs of transferring and reinstalling plant, machinery, or other equipment. (Para. 12, Appendix 2).	National legislation (Acquisition of Lands for State Needs" of 20 April 2010") provides compensation for loss of business and income, transition allowance, and transportation support, although the business will need to be formally registered.	There is no provision for compensating unregistered businesses for income losses due to business disruption under national legislation. All affected farmers have been identified and will be compensated in accordance with the eligibility and entitlement matrix.
9	Loss of employment	Compensation for loss of income and assistance to restore income-earning capacity. (Para. 12, Appendix 2).	National legislation includes compensation for loss of business and income (Acquisition of Lands for State Needs" of 20 April 2010").	None identified. All affected farmers have been identified and will be compensated in accordance with the eligibility and entitlement matrix.
10	Assistance for vulnerable households	Vulnerable groups include households below the poverty line, the landless, the elderly, female headed households, women and children, Indigenous Peoples, and those without legal title to land (Para. 28, Appendix 2). The need of vulnerable households will be paid particular attention during consultations (Para. 28, Appendix 2) and impacts on vulnerable groups will be paid attention when establishing grievance redress mechanism. (Para.29, Appendix 2).	No provision under national legislation.	There is no specific provision of support to vulnerable groups in a resettlement context. The budget of the LRP will provide specific support to vulnerable people.
11	Enforcement of land recovery	ADB's A Planning and Implementation Good Practice Sourcebook (November 2012) provides protection of resettled persons from forced eviction, providing security of tenure to both titled and non-titled displaced persons.	Forced eviction does occur in Azerbaijan only upon the issuance of a court order.	ADB provides protection of resettled persons from forced evictions at resettlement sites, providing security of tenure to both titled and non-titled displaced persons. This is not relevant to the SCA as no forced eviction will take place.

No.	Issues	ADB SPS 2009 and other requirements	National regulatory framework	Gaps and steps taken to address them
12	Gender	During the identification of the impacts of resettlement and resettlement planning, and implementation, gender concerns will be paid adequate attention, including specific measures addressing the need of female headed households, gender inclusive consultation, information disclosure, and grievance mechanisms, to ensure that both men and women receive adequate and appropriate compensation for their lost property and resettlement assistance, if required, as well as assistance to restore and improve their incomes and living standards. (Para. 18, Appendix 2)	There is no specific requirement for gender issues during the implementation of land acquisition, compensation, assistance, and resettlement under national legislation.	There is no specific requirement for gender issues during the implementation of land acquisition, compensation, assistance and resettlement under national legislation. A series of women-only engagements have been undertaken.
13	Grievance redress	A mechanism will be established to receive and facilitate the resolution of APs' concerns and grievances about physical and economic displacement and other project impacts, paying particular attention to the impacts on vulnerable groups. (Para. 29, Appendix 2)	All disputes relating to land-related compensation can be considered in a court in accordance with a procedure established by the Land Code. Articles 110 and 111 covers the illegal use of land and stipulates that any damage caused by illegal occupation must be paid by the land user.	There is no requirement to provide a grievance mechanism in a resettlement context in national regulations. A grievance mechanism has been made available.
14a	Monitoring	Monitor and assess resettlement outcomes, their impacts on the standards of living of displaced persons, and whether the objectives of the resettlement plan have been achieved (Principle 12, Involuntary Resettlement Safeguards).	There is no specific requirement to monitor and evaluate the resettlement outcomes and impacts on the standards of living of displaced persons under national legislation.	There is no requirement to monitor and evaluate the resettlement outcomes. Monitoring and evaluation activities will be undertaken.
14b	Monitoring	For projects with significant involuntary resettlement impacts, external experts or NGOs are required to conduct monitoring on resettlement planning implementation (Para. 30, Appendix 2).	No requirement for independent monitoring for projects with significant involuntary resettlement impacts.	For projects with significant impacts, there is no requirement for engaging an external expert to monitor in national regulations. This is not required for the Project as the scale of involuntary resettlement is limited.
14c	Monitoring	Monitoring indicators will be specified in the RP for internal and external monitoring and reporting (Para. 31, Appendix 2).	No monitoring indicators indicated.	There is no mention in national legislation on monitoring indicators. A range of monitoring indicators will be used.

**Table 2.2. Key Differences between national legislation and ADB SPS Safeguard Requirements 3 (Indigenous Peoples)**

No.	Issues	SPS 2009	National regulatory framework	Gaps and steps taken to address them
1	Screening	Screen early on to determine: (i) whether Indigenous Peoples are present in, or have collective attachment to, the project area; and (ii) whether project impacts on Indigenous Peoples are likely (Principle 1, Indigenous Peoples Safeguards)	There is no regulation on screening the Project early on to identify impacts on Indigenous Peoples.	No screening of projects in terms of potential impacts on indigenous peoples is required by national regulations. This was however undertaken as part of the ESIA process.
2	Indigenous Peoples Identification	Indigenous Peoples” is used in a generic sense to refer to a distinct, vulnerable, social, and cultural group possessing the following four characteristics in varying degrees: (i) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (ii) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (iii) customary, cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (iv) a distinct language, often different from the official language of the country or region.	There are several ethnic groups in Azerbaijan, together constituting 8.4% of the population. There is no national legislation associated with the identification of Indigenous People.	There are no indigenous people or ethnic minorities amongst the PAPs.
3	Public consultation	Undertake meaningful consultations with affected Ethnic Minority Peoples communities and concerned Ethnic Minority Peoples organizations to solicit their participation in designing, implementing, and monitoring measures to avoid adverse impacts or, when avoidance is not possible, to minimize, mitigate, or compensate for such effects. (Principles 2 Indigenous Peoples Safeguards)	There is no regulation under the government's regulations on organising the public consultation with the participation of ethnic minorities.	No requirement to engage with affected ethnic minorities communities. None have been identified.
4	Planning	Prepare an Ethnic Minority Development Plan (EMDP) that is based on the social impact assessment and meaningful consultation with the assistance of qualified and experienced experts and that draw on indigenous knowledge and participation by the affected EM communities. (Principle 6, Indigenous Peoples Safeguards).	No requirement on EMDP preparation.	This is not required for the Project.
5	Monitoring	Monitoring indicators specified for internal and external monitoring and reporting. In case of significant or sensitive impacts, an external monitoring organization is required to conduct monitoring on EMDP implementation.	No monitoring indicators indicated	A range of monitoring and evaluation indicators has been defined for the Project and included in the resettlement planning document prepared.



### 3 Area 60 Solar PV Project

#### 3.1 Scope of Land Use for the Project

The current status of the Project at the time of preparing the Social Compliance Audit (March 2022) is as follows: the construction contractor has not yet mobilised to the site and no land is being used within the Project Area. The location of the solar panels, access road and OHL route have been identified through a detailed design process. No legal agreements have been signed between farmers, Masdar, or any other government departments, in relation to the Project and the location of Project infrastructure.

As stated above, construction works have not yet started. Masdar have prepared a Project schedule which indicates that construction works are expected to commence during 2022 and continue for a period of 18 months before the start of operations. The operational lifespan of the Project is 23 years.

Masdar respects peoples' rights to land and recognises the importance of land to individuals and communities, to their livelihoods, livestock rearing, culture, and cultural heritage. Land is a cross-cutting issue that impacts directly on the enjoyment of several human rights. For many people, land is a source of livelihood, and is also central to their economic rights. Land is also often linked to peoples' identities, and so is tied to social and cultural rights<sup>3</sup>. Finally, land ownership and land use both lead to the provision of access to water which is another core human right.

Key features of Masdar's approach to land access comprise the following:

- Adhering to applicable national legislation and applying applicable Lender standards;
- Ensuring no-one affected by the Project's implementation is disadvantaged compared to current conditions;
- Conducting all land-related stakeholder engagements with transparency using accurate information about the exact location of Project infrastructure;
- Avoiding economic displacement to the extent possible and, where this is not possible, minimising resettlement impacts in accordance with the mitigation hierarchy; and
- Ensuring that the resettlement planning process involves close and ongoing engagement with stakeholders, including PAPs, PAHs, community representatives and local and regional government level, as necessary.

#### 3.2 Presence of Indigenous Peoples and vulnerable ethnic groups

There are several ethnic groups in Azerbaijan, constituting 8.4% of the population. Most live in compact settlements. In order to identify any indigenous people or vulnerable ethnic groups in the project area, the household survey requested information from farmers and herders about their nationality and ethnicity. According to the data obtained, all affected people were Azerbaijani and there were no other ethnic groups or indigenous people in the area.

#### 3.3 Displacement Impact and Assessment of Vulnerability

There are no physical structures or buildings in the Project area and no one will be physically displaced due to the project. Upon extensive assessments, it was found that 11 farmers and 14 herders (employed by the 11 farmers) use to area to some extent for grazing mainly during October to April. Only one farmer, as he does not have many animals, use the area throughout the entire year and does not migrate to elsewhere with his animals. The area is used communally. These 25 affected people are considered as economically displaced people.

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<sup>3</sup> UNHR Office of the High Commissioner: Land and Human Rights. Standards and Applications. 2015.



In order to identify the vulnerable people amongst these 25 affected households, the below criteria was used:

- Persons who are elderly (defined as being aged 65 or over);
- Families who have lost both parents (they are orphans);
- Families where a disabled child is present, or a disabled parent is present;
- A family who is on a low income and lives below the national poverty line. This is classified by the State Statistical Committee for 2020 (the most recent published data available) to comprise a monthly household income of 195 AZN (USD 115) or less, or a household in substantial debt
- A widower raising two or more children under the age of 14, living separately from other relatives;
- Mothers or fathers who are bringing up the children in a single-parent family;
- Families in which both parents are unemployed;
- Single retired persons living on their own;
- Internally Displaced Persons (IDP) household;
- People with poor health status, or illiteracy in a farmer or herder household; and
- People who are discriminated against in society due to their ethnicity, belief system, health status (including HIV/COVID-19), sexual or gender orientation/self-identity.

When households were assessed according to this criteria, 8 farmer and 7 herder families were identified as vulnerable. Details of this assessment are presented in Table 3.1.

**Table 3.1. Summary of PAHs and their vulnerability status**

Reference	Household reference	Total number of people	Number of females	Number of children (under 18 years)	Number of vulnerable people (reason in brackets, total in BOLD)
<b>Farmer Project Affected Households (11 PAHs in total)</b>					
PAH-1-0	Mehdiyev Hesenkhan farmer	7	3	0	2 (people 65 and over) = <b>2</b>
PAH-2-0	Ibrahimov Alijuvan farmer	6	3	3	1 (people 65 and over); low-income family based on indicated monthly income and number of people in it = <b>6</b>
PAH-3-0	Manafov Bahish farmer	4	1	0	
PAH-4-0	Huseynov Hemze farmer	5	1		
PAH-5-0	Ali Suleymanov farmer	7	2	0	1 (person with 1 disability), 7 (Household in substantial debt due to the need to buy food for livestock); low-income family based on indicated monthly income and number of people in it = <b>7</b>
PAH-6-0	Murad Abdulayev farmer	4	2	2	Low-income family based on indicated monthly income and number of people in it = <b>4</b>
PAH-7-0	Arif Azimov farmer	1	0	0	1 (disability due to back problem) = <b>1</b>
PAH-8-0	Mushfig Mirzali farmer	3	1	0	
PAH-9-0	Anar Naghiyev farmer	5	2	3	Low income family based on indicated monthly income and number of people in it = <b>5</b>
PAH-10-0	Karamat Ullayev farmer	4	2	2	4 (Household in substantial debt due to the need to buy food for livestock) = <b>4</b>
PAH-11-0	Elshan Rahimov farmer	7	4	5	Low-income family based on indicated monthly income and number of people in it = <b>7</b>
<b>TOTALS</b>		<b>53</b>	<b>21</b>	<b>15</b>	<b>8 households (36 people in total)</b>

Reference	Household reference	Total number of people	Number of females	Number of children (under 18 years)	Number of vulnerable people (reason in brackets)
<b>Herder Project Affected Households (14 PAHs in total)</b>					
PAH 1-1	Gedirov Heqani herder (Hesenkhan farmer)	4	2	2	
PAH 1-2	Gedirov Ahmedhan herder- (Hesenkhan farmer)	3	1	0	Low income family based on indicated monthly income and number of people in it =3
PAH 1-3	Gedirov Fariz herder (Hesenkhan farmer)	3	1	1	
PAH-2-1	Ibrahimov Mahir herder (Alijuvan farmer)	5	3	3	
PAH-2-2	Khankishiyev Elvin herder (Alijuvan farmer)	3	2	1	
PAH-3-1	Omerov Hajiaga herder (Bahish farmer)	4	1	0	
PAH-3-2	Manafov Babek herder (Bahish farmer)	4	1	0	1 (Household in substantial debt due to the need to buy food for livestock) = 1
PAH-5-1	Vahidov Hoshbext herder (Ali farmer)	3	3	1	
PAH-5-2	Azizov Akif herder (Ali farmer)	4	2	1	1 (people 65 and over) 4 (Household in substantial debt due to the need to buy food for livestock) = 4
PAH-5-3	Miri Hajiyev herder (Ali farmer)	5	2	2	Low-income family based on indicated monthly income and number of people in it = 5

Reference	Household reference	Total number of people	Number of females	Number of children (under 18 years)	Number of vulnerable people (reason in brackets)
PAH-6-1	Zaur Abdulyaev herder (Murad farmer)	8	4	6	Low-income family based on indicated monthly income and number of people in it = 8
PAH-7-1	Nahid Azimov herder (Arif farmer)	4	1	2	Low-income family based on indicated monthly income and number of people in it = 4
PAH-8-1	Hilal Shahmammadov herder (Mushfig farmer)	4	2	2	Low-income family based on indicated monthly income and number of people in it = 4
PAH-10-1	Subhan Babayev herder (Karamat farmer)	1	0	0	
<b>TOTALS</b>		<b>55</b>	<b>25</b>	<b>21</b>	<b>7 households (29 people)</b>

Based upon the information above, the total of 8 farmer and 7 herder PAHs are considered to be vulnerable.

### **3.4 Compensation, Assistance and Benefits for Displaced Persons**

The eligibility and entitlement matrix is presented in Table 3.3 and includes a range of specific measures designed to assist vulnerable groups.

**Table 3.3: Eligibility and Entitlement Matrix**

Asset	Description		Affected Persons	Compensation Entitlements	Number of PAPs
<b>Permanent Loss</b>					
Agricultural land	Cropped land / pastureland	When necessary	Owners	<ul style="list-style-type: none"> <li>Land for land compensation with plots of equal area and productivity to the plots lost in a similar/acceptable distance; OR</li> <li>Cash compensation at full replacement value without deduction for taxes, transaction, registration or transfer costs and other applicable payments.</li> <li>NOTE: If replacement land is provided this will include security of tenure.</li> </ul>	0 – all land is owned by the government.
		When necessary	Formal users (farmers with lease/sub-lease agreements)	<ul style="list-style-type: none"> <li>Land for land compensation with plots of equal area and productivity to the plots lost in a similar/acceptable distance (replacement lease); OR</li> <li>Cash compensation reflecting terms of lease and impact at full replacement value without deduction for taxes, transaction, registration or transfer costs and other applicable payments;</li> <li>NOTE: If replacement lease is provided this will include security of tenure.</li> </ul>	0 – there are no formal users of the land as the land is industrial and it is forbidden to rent out industrial land.
		Active	Informal users (Farmers)	<ul style="list-style-type: none"> <li>Provision of animal feed and/or livestock water for 5 years in the farms (with the quantity of feed provided reflecting the calculated quantity of agricultural productivity lost from the land access restrictions considering the number of animals they have).</li> <li>The offer of up to 2 people in their household to hold a job temporarily during the construction period.</li> <li>Access to livelihood restoration measures: <ul style="list-style-type: none"> <li>Technical training (upon assessment of training needs)</li> <li>provision of building materials to help livestock keeping and improvements to shelters' (upon assessment of needs) (equivalent cash amount of AZN 1,700 or USD 1,000)</li> <li>A choice of a solar panels or a diesel generator to provide electrical power (single unit (solar panel or small generator) which has the equivalent value of AZN 4,250 (USD 2,500). Training on basic maintenance shall be provided.</li> </ul> </li> <li>The provision of drinking quality water calculated at 2 litres/per day/per person to all of the household, for 2 years covering a winter season (i.e. 2 winter seasons).</li> <li>Improvement of sanitation facilities (upon assessment of needs)</li> </ul>	11 farmers use the area to graze their animals. Of these, only 1 uses the land both in winter and summer whereas the rest graze their animals only in winter.
		Active	Informal users	<ul style="list-style-type: none"> <li>Provision of animal feed and/or livestock water for 5 years with the quantity of feed provided reflecting the calculated quantity of agricultural productivity lost from the land access restrictions considering the number of animals they have. It should be noted that while the entitlement of the herders will be</li> </ul>	14 herders work for the 11 farmer and graze their

Asset	Description		Affected Persons	Compensation Entitlements	Number of PAPs
			(Herders)	<p>calculated separately, the total feed/water amount will be given for the entire herd of the farm. In case the herder decides to seek employment in another area, the new coming herder will be entitled to use the feed provided at the farm for his livestock</p> <ul style="list-style-type: none"> <li>The offer of up to 2 people in their household to hold a job temporarily during the construction period.</li> <li>Access to livelihood restoration measures: <ul style="list-style-type: none"> <li>Technical training (upon assessment of training needs)</li> <li>provision of building materials to help livestock keeping and improvements to shelters (upon assessment of needs) (equivalent cash amount of AZN 1,700 or USD 1,000)</li> </ul> </li> <li>The provision of drinking quality water calculated at 2 litres/day/person to all of the households, for 2 years.</li> <li>Improvement of sanitation facilities (upon assessment of needs)</li> </ul>	animals together with the farmers’.
		Active	PAPs identified as “significantly affected” due to losing more than 10% of the lands they used.	<ul style="list-style-type: none"> <li>For significantly affected farmers and herders, the compensation of animal feed and/or livestock water for 5 years that is calculated based on the number of animals they have will be multiplied by two. This will reflect the relatively bigger loss they incurred.</li> <li>Other entitlements will remain the same with other affected people and will depend on whether they are farmers or herders.</li> </ul>	0 – all farmers and their herders use the area communally. No one is expected to be losing more than 10 of the grazing lands they use.
		Active	Wives and/or daughters (above age 18) of the affected farmers and herders	<ul style="list-style-type: none"> <li>Training (upon assessment of training market needs); at least 1 refresher training if determined necessary</li> </ul>	31 - There are a total of 31 women in the families of farmers and herders
		Active	Vulnerable households	<ul style="list-style-type: none"> <li>One-off vulnerability allowance equal to 6 months of official minimum wage for each vulnerable household.</li> <li>Offer employment opportunities under the project as a priority consideration.</li> <li>A range of other specific assistance measures will be provided to support vulnerable and these will reflect their specific vulnerability identified.</li> </ul>	8 farmer PAHs and 7 herder PAHs are identified as vulnerable

Asset	Description		Affected Persons	Compensation Entitlements	Number of PAPs
		Active	Young PAPs	<ul style="list-style-type: none"> <li>The project will make extra effort to engage with young people and provide them with trainings they would like to receive.</li> </ul>	8 - young men (aged between 15 to 24) in the families of farmers and herders.
Structures	Residential houses, commercial buildings, sheds	When necessary	Owners of structures	<ul style="list-style-type: none"> <li>House for house compensation (if owner desires to):</li> <li>If replacement house is of lower value, cash compensation for the difference; OR</li> <li>Cash compensation at the full replacement value for affected structures and other real assets at existing prices at the moment of acquisition with no deduction for depreciation or transaction costs. Compensation will include the value of affected connections to water supply or other public utilities.</li> <li>If immediate accommodation/structure is unavailable, housing/storage rental allowance covering rent for the period necessary (typically no more than 1 year) before the owners can move into the replacement accommodation/structure or receive full compensation.</li> <li>NOTE: If replacement accommodation/structure is provided then this will include security of tenure.</li> <li>Relocation allowance to be provided to assist relocation into the new house/structure.</li> </ul>	0 – no structures will be impacted
		When necessary	Occupants of structure	<ul style="list-style-type: none"> <li>Rental allowance in accordance with the terms of the rent agreement but not less than the cost of rent for 6 months.</li> <li>Refund of the unused portion of the rent or rent fees paid in advance.</li> <li>Relocation support.</li> </ul>	0 – no structures will be impacted
Business and employment	Temporary or permanent business/employment loss	When necessary	Business owners (including those with no formal rights on the land) and their affected	<ul style="list-style-type: none"> <li>If permanent business loss, cash compensation equal to one-year net income (lost profit).</li> <li>If temporary business loss, cash compensation for the period of income loss (not exceeding one year).</li> <li>If permanent employment loss, 3 months average registered wages (if not registered, based on the official minimum wage).</li> <li>Access to livelihood restoration measures.</li> <li>Compensation for any affected tools or equipment, and reinstatement allowance (if applicable).</li> <li>If temporary employment loss, average registered wage during disruption</li> </ul>	0 –None of the farmers or herders will lose their job permanently.



Asset	Description		Affected Persons	Compensation Entitlements	Number of PAPs
			workers (these include herders and farm workers)		
Crops (none have been identified to date from surveys)	Affected crops	When necessary	Formal landowner	<ul style="list-style-type: none"><li>• Crop compensation in cash at full market rate for each harvest year affected, reflecting the duration of existing Sub-Lease Agreements.</li></ul>	0 – no crops will be impacted
			Informal users of land	<ul style="list-style-type: none"><li>• Crop compensation in cash at full market rate for 1-year’s gross harvest.</li></ul>	
Temporary Loss					
Land for civil works or borrow pits	Negotiated with the owner	When necessary	Formal landowner	<ul style="list-style-type: none"><li>• Cash compensation at existing local rental rates for duration of temporary use plus income/crop/structure loss due to temporary land use, if any as provided for in the entitlements for crops, business and structure losses.</li><li>• Land restored to original status at the end of the rental period.</li><li>• Cash to cover the preparation of land management and legal documents (if any).</li></ul>	0
		When necessary	Formal users (farmers with Sub-Lease Agreements)	<ul style="list-style-type: none"><li>• Cash compensation at local state rental rate for the duration of temporary use plus income/crop/structure loss due to temporary land use, if any as provided for in the entitlements for crops, business and structure losses.</li><li>• Land restored to original status at the end of the rental period.</li><li>• Cash to cover the preparation of land management and legal documents (if any).</li></ul>	0

### 3.5 Information Disclosure and Public Consultation strategy during Project implementation

The objective of stakeholder engagement during the construction and operations phases is to maintain open discussion with all stakeholders to ensure that impact mitigation is being implemented as planned. The frequency of stakeholder engagement will diminish as the project transitions from construction to operations, but key methods such as the maintenance of the grievance mechanism will be used to identify and solve any impacts or problems that were not foreseen and associated management planning process.

The Stakeholder Engagement Plan will be updated upon any major project changes to reflect engagement activities that may be required during the life of the project.

The construction programme will be staged, and the schedule will be communicated to all affected communities. Additional information is provided in the Stakeholder Engagement Plan.

During Project implementation, the following activities shall be conducted:

- A series of pre-construction engagements shall be conducted including communicating to government institutions, government agencies, community leaders, affected farmers and herders, and vulnerable people identified in the LRP, about the proposed start of construction works. Information provided shall include details of the Project's final design, a detailed schedule of construction activities, Project generated impacts, employment opportunities, availability of the grievance mechanism, and implementation of the LRP. During these engagements, specific attention shall be given towards the needs of vulnerable people.
- A series of periodic engagements shall be undertaken during construction with the same set of stakeholders identified above, to provide updates as to the ongoing status of construction work, how adverse impacts are being managed, details of environmental and social monitoring activities, and details of employment and economic opportunities associated with the Project.
- During operations, engagements shall be less frequent and be focused on the operational activities of the Project, whilst raising awareness of the grievance mechanism.

All of the future engagement activities shall be used as an opportunity to raise awareness of the grievance mechanism. Vulnerable people who are identified as being impacted by the Project shall be regularly informed of the relevant stage of the Project, and Masdar will provide additional support to vulnerable people in accordance with the eligibility and entitlement matrix.

The grievance mechanism is compliant with ADB's requirements. The grievance mechanism includes the ability to submit anonymous complaints, an appeal mechanism, and commits to involving relevant state institutions where the nature of the grievance is relevant to their administrative role. Masdar is committed to providing a range of additional support to vulnerable people which includes:

- Additional support during engagement activities to ensure that the specific needs of vulnerable people are taking into consideration;
- Provision of a one-off financial allowance to vulnerable people identified in the LRP;
- Ongoing support (follow-up support) to ensure that where a vulnerable person is affected by an external shock (such as death in the family, drought, etc.) then there are financial resources which could be made available to rectify the situation and help the person maintain their living standards and livelihoods.

### 3.6 Affected Households' Perceptions towards the Land Acquisition for the Project

During the socio-economic survey of farmers and herders, and females in their households, a range of views and perceptions towards the Project was obtained. An analysis of the feedback indicates the following:

- The Project is generally perceived to result in a loss of access to grazing land which is used mostly during the winter months. Farmers have to purchase animal feed (which is expensive) already, and many comments related to the need to purchase more food in the future.
- Positive comments were made about the need for investment into the region, additional electricity, project-related benefits such as local employment during the construction stage, and the access road to the Project Area which can be used by farmers (which is the case) for transporting livestock and general access.
- Ideally, farmers engaged with request the provision of alternative land although this is not possible as the region is classified as industrial land and individual leases for agricultural activity cannot be issued.

A review of stakeholder engagement records has identified the following consistent challenges to land-based livelihoods in the Project Area and surrounding region:

- A lack of water. Households are typically forced to purchase drinking water, and also water used for livestock. Farmers are familiar with groundwater conditions in the Project Area and have indicated that the water is acidic, and it is possible for oil and gas to be abstracted from the ground compared with water suitable for humans or livestock.
- Poor quality pastureland. There are no dense areas of vegetation within the Project Area or wider region and in general, the land provides relatively low productivity. Both farmers and herders reported that drought conditions mean result in a very low level of grassland being available for the animals.
- No access to electricity. It is typically the herders who live in the farm buildings during the winter months and lighting the home is a challenge, with the majority of households relying on kerosene oil lamps.
- The purchase of animal feed. The cost of providing 'top-up' animal feed during the winter months was mentioned frequently during the stakeholder engagements, reflecting the high cost of purchasing this material for livestock.
- Poor access roads. During winter months, heavy rain result in access roads becoming muddy which prevents access by cars. This is particularly difficult for small vehicles.
- The mobile phone coverage in the region is very poor and this prohibits herders and farmers communicating with their broader family, each other, and others in general.
- Firewood is used for cooking and heating. Due to the lack of trees in the local area, this source of fuel is increasingly hard to obtain.
- Access to livestock markets for wool and other animal products such as meat. This can limit farmers and herder's income as markets are typically in Baku which is a competitive environment to sell products into.

### 3.7 Full Replacement Cost Assessment for the Project

As stated in Section 1, it is not legally possible to provide farmers with Land Lease Agreements in this area, as the land is not classified as agricultural, and the Ministry of Energy will not permit land to be leased to farmers for agricultural activities. The SPV is therefore unable to provide land-based compensation in this instance.

In addition to the above, as the farmers use all of the land collectively rather than just using their plots reflected in their written agreements, the amount of land used by the Project is negligible in relation to the

total available pasture areas. The compensation approach is therefore to provide livelihood restoration measures communally, to facilitate a more efficient use of the land as a resource. This includes, for example, the potential provision of groundwater for livestock from the drilling of a new borehole.

#### 4 Review against ADB Safeguard Requirements 2

This section provides the findings against the requirements of ADB's SPS 2009, including recommendations based on these findings. The action plan for Masdar to address the gaps against ADB's SPS 2009 is presented in the following section. Findings are defined as Aligned, Partially Aligned, Not Aligned, and Insufficient Information for the Assessment and Not Applicable as detailed in the table below.

Rating	Definition
<b>Aligned</b>	Information available indicates that the Project fulfils the requirement and/or is aligned with intended outcome of the requirement.
<b>Partially Aligned</b>	Information available indicates that the Project partially fulfils the requirement and/or is partially aligned with intended outcome of the requirement.
<b>Not Aligned</b>	Information available indicates that the Project does not fulfil the requirement.
<b>Insufficient Information for the Assessment</b>	There is insufficient information to make an assessment of the level of alignment.
<b>Not Applicable</b>	The requirements do not apply to the Project at the current time.

Table 4.1 presents the findings and observations on compliance with ADB's SPS 2009, as well as recommendations to achieve conformance.

**Table 4.1. Key Differences between national legislation and ADB SPS Safeguard Requirements 2 (Involuntary Resettlement)**

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	<i>Project Alternatives to Minimise Resettlement</i>				
1	The client will consider feasible alternative project designs to avoid or minimize physical and/or economic displacement, while balancing environmental, social, and financial costs and benefits, paying particular attention to impacts on the poor and vulnerable.	Masdar have optimised the location of Project infrastructure to avoid, and where avoidance was not possible, minimise impacts on people using the Project Area. For example, there are no physical structures or other features of any kind, within the Project Area.	Aligned	This was undertaken during the initial stages of design.	None.
	<i>Compensation, Assistance and Benefits for Displaced Persons</i>				
1.1	Para. 7 - Displaced persons in a project area could be of three types: (i) persons with formal legal rights to land lost in its entirety or in part; (ii) persons who lost the land they occupy in its entirety or in part who have no formal legal rights to such land, but who have claims to such lands that are recognized or recognizable under national laws; and (iii) persons who lost the land they occupy in its entirety or in part who have neither formal legal rights nor recognized or recognizable claims to such land. The involuntary resettlement requirements apply to all three types of displaced persons.	Masdar will recognise farmers and herders based in farms a distance of 5km from the Project Area who claim they are using the land, as being displaced persons, even if they are informal land users.	Aligned	A concise list of all displaced persons was compiled during the socio-economic survey.	None – the list of affected persons has been compiled.
1.2	Para. 8 - The borrower/client will provide adequate and appropriate replacement land and structures or cash compensation at full replacement cost for lost land and structures, adequate compensation for partially damaged structures, and relocation assistance, if applicable, to those persons described in para. 7(i) and 7(ii) prior to their relocation.	Masdar will provide compensation for the loss of any physical assets that may be (unexpectedly) affected by the Project, at full replacement cost (this is unlikely to occur).  It is not possible to provide replacement land as the surrounding area is classified for industrial use by the Ministry of Energy and Land Lease Agreements for agricultural activities cannot be issued.	Partially Aligned	Masdar will compensate farmers from the loss of land using a communal livelihood approach.	Implement the compensation strategy to address the loss of communal land.
1.3	Para. 9 - Preference will be given to land-based resettlement strategies for displaced persons whose livelihoods are land-based. These strategies may include resettlement on	Whilst it is not possible to provide in-kind replacement land, Masdar will undertake various activities to provide informal land users affected by the Project with opportunities to improve their livelihood, including	Partially Aligned	Masdar will compensate farmers using a compensation approach that is	Implement the compensation strategy.

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	public land, or on private land acquired or purchased for resettlement. If land is not the preferred option of the displaced persons, or sufficient land is not available at a reasonable price, nonland-based options built around opportunities for employment or self-employment should be provided in addition to cash compensation for land and other assets lost. The lack of land will be demonstrated and documented to the satisfaction of ADB.	preferential employment during the construction stage for four farmers, who have produced written agreements.		focused on improving land-based livelihoods.	
No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
1.4	Para. 10 - The rate of compensation for acquired housing, land and other assets will be calculated at full replacement costs. The calculation of full replacement cost will be based on the following elements: (i) fair market value; (ii) transaction costs; (iii) interest accrued, (iv) transitional and restoration costs; and (v) other applicable payments, if any. Where market conditions are absent or in a formative stage, the borrower/client will consult with the displaced persons and host populations to obtain adequate information about recent land transactions, land value by types, land titles, land use, cropping patterns and crop production, availability of land in the project area and region, and other related information. The borrower/client will also collect baseline data on housing, house types, and construction materials. Qualified and experienced experts will undertake the valuation of acquired assets. In applying this method of valuation, depreciation of structures and assets should not be taken into account	<p>No physical assets are expected to be damaged or lost due to the Project, although damage could unexpectedly occur from the driving of a construction truck (for example). Masdar shall ensure that any such damage shall be compensated using the principle of full replacement cost. This includes, for example, not taking depreciation into consideration for any physical assets that become damaged and ensuring that any transaction costs are included into compensation amounts calculated.</p> <p>There are no assets that are to be affected by the Project, apart from land and the compensation approach described above will be used to compensate eligible farmers and herders.</p>	Partially Aligned	Masdar will compensate farmers and herders using the compensation strategy.	Implement the compensation strategy.
1.5	Para. 11 - In case of physical displaced persons....	Not Applicable as no physical displacement is expected to occur from the Project.	Not Applicable		
1.6	Para. 12 - In the case of economically displaced persons, regardless of whether they are physically displaced, the borrower/client will promptly compensate for the loss of income or livelihood sources at full	The eligibility and entitlement matrix contains details of the way in which employment opportunities shall be offered to displaced persons, along with training and skill development opportunities, and livelihood restoration	Partially Aligned	Farmers and herder households will be provided with preferential employment	Implement the compensation strategy.

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	<p>replacement cost. The borrower/client will also provide assistance such as credit facilities, training, and employment opportunities so that they can improve, or at least restore, their income-earning capacity, production levels, and standards of living to pre-displacement levels. The borrower/client will also provide opportunities to displaced persons to derive appropriate development benefits from the project. ...</p> <p>Para. 13 - Involuntary resettlement should be conceived of and executed as part of a development project or program. In this regard, the best strategy is to provide displaced persons with opportunities to share project benefits in addition to providing compensation and resettlement assistance. Such opportunities would help prevent impoverishment among affected persons, and also help meet the ethical demand for development interventions to spread development benefits widely. Therefore borrowers/clients are encouraged to ascertain specific opportunities for engaging affected persons as project beneficiaries and to discuss how to spread such opportunities as widely as possible among affected persons in the resettlement plan.</p>	<p>measures available to both the male and female of affected households.</p> <p>Engagement will be undertaken with females of farmer households and females of herder households and this will continue. The livelihood restoration measures provided by Masdar shall be designed to support both the male and female of displaced person's households, with a range of livelihood restoration measures specifically targeting females in displaced households.</p>		<p>opportunities during construction, in addition to communal livelihood restoration measures.</p>	
1.7	<p>Para. 14 – The borrower/client will ensure that no physical displacement or economic displacement will occur until (i) compensation at full replacement cost has been paid to each displaced person for project components or sections that are ready to be constructed; (ii) other entitlements listed in the resettlement plan have been provided to displaced persons; and (iii) a comprehensive income and livelihood rehabilitation program, supported by an adequate budget, is in place to help displaced persons improve, or at least restore, their incomes and livelihoods.</p>	<p>Masdar will ensure that no restrictions to land access will occur until the provision of livelihood restoration measures has started.</p>	<p><b>Partially Aligned</b></p>	<p>Masdar will ensure that there are sufficient internal resources available for the start of livelihood restoration measures to be implemented without delay.</p>	<p>Implement the compensation strategy.</p>

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	<i>2. Social Impact Assessment</i>				
2.1	<p>Para. 15 – The borrower/client will conduct socioeconomic survey(s) and a census, with appropriate socioeconomic baseline data to identify all persons who will be displaced by the project and to assess the project's socioeconomic impacts on them. For this purpose, normally a cut-off date will be established by the host government procedures...</p> <p>The social impact assessment (SIA) report will include (i) identified past, present and future potential social impacts, (ii) an inventory of displaced persons and their assets, (iii) an assessment of their income and livelihoods, and (iv) gender-disaggregated information pertaining to the economic and sociocultural conditions of displaced persons.</p>	A socio-economic survey has been undertaken to enable a detailed social impact assessment to be prepared. This included a census and gathering of socio-economic baseline data. The end date of this survey reflected the cut-off date.	Aligned	A detailed survey has been undertaken to identify all of the displaced persons.	None.
2.2	<p>Para. 16 – As part of the social impact assessment, the borrower/client will identify individuals and groups who may be differentially or disproportionately affected by the project because of their disadvantaged or vulnerable status. Where such individuals and groups are identified, the borrower/client will propose and implement targeted measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in relation to sharing the benefits and opportunities resulting from development.</p>	The social economic household survey has been designed to identify the presence of individuals and groups who maybe differentially or disproportionately affected by the Project because of their disadvantaged four vulnerable status.	Aligned	Vulnerable persons amongst the PAHs have been identified.	None.
	<i>3. Resettlement Planning</i>				



No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
3.1	<p>Para. 17 – The borrower/client will prepare a resettlement plan if the proposed project will have involuntary resettlement impacts. The objective of a resettlement plan is to ensure that livelihoods and standards of living of displaced persons are improved, or at least restored to pre-project (physical and/or economic) levels and that the standards of living of the displaced poor and other vulnerable groups are improved, not merely restored, by providing adequate housing, security of land tenure and steady income and livelihood sources.</p> <p>Para. 18 – A resettlement plan will be based on the social impact assessment and through meaningful consultation with the affected persons.</p> <p>Para. 19 – The borrower/client will analyse and summarize national laws and regulations pertaining to land acquisition, compensation payment, and relocation of affected persons in the resettlement plan. The borrower/client will compare and contrast such laws and regulations with ADB's involuntary resettlement policy principles and requirements. If a gap between the two exists, the borrower/client will propose a suitable gap-filling strategy in the resettlement plan in consultation with ADB.</p> <p>Para. 20 – All costs of compensation, relocation, and livelihood rehabilitation will be considered project costs.</p> <p>Para. 21 – The borrower/client will include detailed measures for income restoration and livelihood improvement of displaced persons in the resettlement plan. Income sources and livelihoods affected by project activities will be restored to pre-project levels. For vulnerable persons and households affected, the resettlement plan will include measures to provide extra assistance so that they can improve their incomes in comparison with pre-project levels. The resettlement plan will</p>	<p>A LRP has not yet been implemented although Masdar are committed to preparing this document. Masdar have undertaken meaningful consultation (requirement under Para 18) which is aligned with ADB's requirements. This has included engagements with affected farmers and affected herders through face-to-face engagements, as well as separate activities with the women of these households, whilst providing accurate information associated with the purpose, scale, and land-related adverse impacts arising from the imposition of future land access restrictions. The engagements conducted are meaningful on the basis that the persons engaged with have an informed understanding of the Project and the land-related impacts, have been made aware of the compensation strategy which is to be included in the LRP, have been asked about their preferences for livelihood restoration measures at an early design stage of the LRP, and the outcome of the engagements have been used to inform the development of the LRP, noting the need to address the needs of vulnerable people affected by the Project.</p>	<b>Partially Aligned</b>	Masdar have committed in the ESIA for the development of a LRP.	Development, disclosure and implementation of the LRP.

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	<p>specify the income and livelihoods restoration strategy, the institutional arrangements, the monitoring and reporting framework, the budget, and the time-bound implementation schedule.</p> <p>Para. 22 – Information in the RP maybe tentative until a census of APs have been completed.</p> <p>Para. 23 – Projects with significant involuntary resettlement impacts will need adequate contingency funds to address involuntary resettlement impacts that are identified during project implementation. The borrower/client will ensure that such funds are readily available. Para. 24 – The borrower/client will use qualified and experienced experts to prepare the social impact assessment and the resettlement plan.</p>				
	<i>4. Negotiated Land Acquisition</i>				
4.1	Para. 25 – Safeguard Requirements 2 does not apply to negotiated settlements, unless expropriation would result upon the failure of negotiations.	The provisions of Safeguard Requirements 2 does apply to the Project as the displacement is involuntary as this is accepted by Masdar.	<b>Aligned</b>	None	None.
	<i>5. Information Disclosure</i>				
5.2	<p>Para. 26 – The borrower/client will submit the resettlement plans and resettlement monitoring documents to ADB for disclosure on ADB's website.</p> <p>Para. 27 – The borrower/client will provide relevant resettlement information in a timely manner, in an accessible place and in a form and language(s) understandable to affected persons and other stakeholders. For illiterate people, suitable other communication methods will be used.</p>	Information has already been provided to farmers and herders during the process of preparing the ESIA. During the development, disclosure and implementation of the LRP additional information will be made available.	<b>Partially Aligned</b>	Masdar are committed to providing additional information in the future during the resettlement planning process.	Development, disclosure, and implementation of the LRP.

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	<i>6. Consultation and Participation</i>				
6.1	Para. 28 – The borrower/client will conduct meaningful consultation with affected persons, their host communities, and civil society for every project identified as having involuntary resettlement impacts. Meaningful consultation is a process that (i) begins early in the project preparation stage and is carried out on an ongoing basis; (ii) provides timely disclosure of relevant and adequate information; (iii) is undertaken in an atmosphere free of intimidation or coercion; (iv) is gender inclusive and responsive, and tailored to the needs of disadvantaged and vulnerable groups; and (v) enables the incorporation of all relevant views of affected people and other stakeholders into decision making, such as project design, mitigation measures, the sharing of development benefits and opportunities, and implementation issues.	<p>Meaningful consultation activities have been undertaken during preparation of the ESIA and disclosure of the ESIA. This shall continue in the future during the development and disclosure of the LRP. Consultation activities will be gender-inclusive to the extent possible.</p> <p>A Stakeholder Engagement Plan (SEP) has been prepared which reflects the future process of ongoing information disclosure and consultation throughout different stages of the Project.</p>	<b>Partially Aligned</b>	Consultation activities have started and need to be continued prior to the start of construction, and during development and disclosure of the LRP.	<p>Development, disclosure, and implementation of the LRP in a meaningful way, undertaking detailed discussions with PAPs associated with their eligibility and entitlements.</p> <p>Continue to raise awareness about the Project and expected impacts.</p> <p>Implementation of the SEP.</p>
6.2	SPS 2 principle: Pay particular attention to the needs of vulnerable groups, especially those below the poverty line, the landless, the elderly, women and children, and Indigenous Peoples, and those without legal title to land, and ensure their participation in consultations.	Vulnerable people have been identified during the socio-economic survey. The eligibility and entitlement matrix includes a range of support to be provided to vulnerable people.	<b>Partially Aligned</b>	Vulnerable people have been identified and additional support will be provided to them.	Provide additional support to vulnerable people for consultation and during disclosure and implementation of the LRP.
	<i>7. Grievance Redress Mechanism</i>				
7.1	Para. 29 – The borrower/client will establish a mechanism to receive and facilitate the resolution of affected persons' concerns and grievances about displacement and other project impacts, paying particular attention to the impacts on vulnerable groups. The grievance redress mechanism should be scaled to the risks and adverse impacts of the project. It should address affected persons' concerns and complaints promptly, using an understandable and transparent process that	A Grievance Mechanism has been established and is fully implemented. Details of the mechanism have been widely disclosed using a variety of tools which have included a Project Information Leaflet, a Consultation Poster, and a Grievance Mechanism Leaflet. All of these materials have been translated and made available in Azeri.	<b>Partially Aligned</b>	Masdar's grievance management system is ongoing.	Continue implementation of the community grievance mechanism developed to handle all grievances related to involuntary resettlement.

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	is gender responsive, culturally appropriate, and accessible.				
<i>8. Monitoring and Reporting</i>					
	<p>Para. 30 – The borrower/client will monitor and measure the progress of implementation of the resettlement plan. The extent of monitoring activities will be commensurate with the project's risks and impacts. In addition to recording the progress in compensation payment and other resettlement activities, the borrower/client will prepare monitoring reports to ensure that the implementation of the resettlement plan has produced the desired outcomes.</p> <p>Para. 31 – The borrower/client will prepare semi-annual monitoring reports that describe the progress of the implementation of resettlement activities and any compliance issues and corrective actions. These reports will closely follow the involuntary resettlement monitoring indicators agreed at the time of resettlement plan approval. The costs of internal and external resettlement monitoring requirements will be included in the project budget.</p>	<p>A commitment to prepare an annual Environmental and Social Performance Report, which shall include a summary of the monitoring and evaluation indicators, as well as other relevant information, has been included in the SEP and ESIA.</p> <p>Additional monitoring activities will need to be included in resettlement planning document.</p>	<b>Partially Aligned</b>	Additional actions are required to conduct future monitoring activities.	<p>Development, disclosure and implementation of the LRP.</p> <p>Prepare an annual Environmental and Social Performance Report that contains details of LRP monitoring and evaluation activities, along with other relevant information.</p>
<i>9. Unanticipated impacts</i>					
9.1	Para. 32 – If unanticipated involuntary resettlement impacts are found during project implementation, the borrower/client will conduct a social impact assessment and update the resettlement plan or formulate a new resettlement plan covering all applicable requirements specified in this document	The resettlement principles included in the resettlement planning document will contain a commitment to address the potential for unanticipated involuntary resettlement impacts to occur during project implementation. This may include, for example, damage to a house or physical structure.	<b>Partially Aligned</b>	Masdar are committed to assessing and compensating for all involuntary resettlement impacts.	Development, disclosure and implementation of the LRP
<i>10. Special Considerations for Indigenous Peoples</i>					
10.1	Para. 33 – The borrower/client will explore to the maximum extent possible alternative project designs to avoid physical relocation of	The physical relocation of Indigenous Peoples will not occur.	Not Applicable		

No.	Requirements of ADB's SPS 2009	Findings / Observations	Compliance	Justification	Corrective actions
	Indigenous Peoples that will result in adverse impacts on their identity, culture, and customary livelihoods. If avoidance is impossible, in consultation with ADB, a combined Indigenous Peoples plan and resettlement plan could be formulated to address both involuntary resettlement and Indigenous Peoples issues. Such a combined plan will also meet all relevant requirements specified under Safeguard Requirements 3.				

## **5 Corrective Action Plan**

Table 5.1 presents the proposed Corrective Action Plan to bring the Project in compliance with the requirements of ADB's SPS 2009.

**Table 5.1. Corrective Action Plan**

No.	Recommended Actions	Responsible Party	Deliverable/KPI	Timeframe for implementation	Budget required (USD)
1	Disclose the draft LRP and use the feedback to prepare a final LRP in accordance with national legislation and ADB SPS Safeguard Requirements 2 (Involuntary Resettlement).	SPV E&S Department Manager	LRP accompanied by stakeholder consultation records and other relevant information.	Final LRP prepared following disclosure events. This has been completed.	USD 60,000 for development of the LRP. USD 15,000 for disclosure of the LRP
2	Disclose the Final LRP on ADB's website.	SPV E&S Department Manager	Disclosure	Prior to the start of construction.	None
3	Complete individual discussions with affected farmers and herders to obtain their final resettlement choices associated with the compensation strategy to be provided, in accordance with the LRP eligibility and entitlement matrix. Include the females of the affected households to ensure inclusive and meaningful engagement.	SPV E&S Department Manager	Consultation records.	Prior to the start of construction.	USD 15,000 for the final set of discussions.
4	Implement the Stakeholder Engagement Plan to provide information and undertake consultation and engagement throughout construction and operation, whilst using every opportunity to raise awareness about the grievance mechanism.	SPV E&S Department Manager	Consultation records.	Ongoing.	USD 30,000/year for the cost of CLOs
5	Continue implementation of the community grievance mechanism developed to handle all grievances related to involuntary resettlement and other relevant aspects associated with the Project.	SPV E&S Department Manager	Grievance records.	Ongoing.	Included in above
6	Develop and implement the livelihood restoration measures included in the LRP in accordance with Azerbaijani Law and ADB SPS Safeguard Requirements 2 (Involuntary Resettlement). Where in-kind compensation is provided to eligible persons in accordance with the LRP (such as the provision of building materials) a written agreement shall be used to ensure the proper use of cash, and this shall be checked during future monitoring and evaluation activities.	Masdar E&S Department Manager	Consultation records to demonstrate implementation of the LRP. Provision of livelihood restoration measures.	Prior to the start of construction	USD 235,653 for implementation of the LRP.
7	Conduct ongoing monitoring and evaluation activities using competent specialists. This shall include specific monitoring activities where cash compensation was provided for in-kind compensation.	SPV E&S Department Manager	Consultation and survey records.	Ongoing.	USD 20,000/year for the cost of consultant or SPV staff time.
8	Carry out completion audits on the LRP to determine whether the Project's efforts to restore the living standards of displaced people have been achieved and check on the status of the Community Development Plan which will also be implemented in parallel.	SPV E&S Department Manager	Completion Audit Report.	At the end when implementation of the LRP is considered to be complete.	Included in above
9	Prepare an annual Environmental and Social Performance Report that contains details of LRP monitoring and evaluation activities, along with other relevant information.	SPV E&S Department Manager	Environmental and Social Performance Report.	Annually from the first month of the start of construction.	USD 15,000/year for staff time.