

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC86541

Project Name	Republic of Azerbaijan: NSDS, Including Detailed Institution, Human and ICT Capacity Building Plans for 2017-2022
Region	EUROPE AND CENTRAL ASIA
Country	Azerbaijan
Lending Instrument	IPF
Project ID	P161307
Borrower Name	State Statistical Committee of the Republic of Azerbaijan
Implementing Agency	State Statistical Committee of the Republic of Azerbaijan
Environment Category	C - Not Required
Date PID Prepared	02-Aug-2016
Estimated Date of Approval	10-Jan-2017
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Over the past decade, Azerbaijan has made remarkable progress toward reducing poverty and boosting shared prosperity. According to the World Bank Systematic Country Diagnostic (SCD), poverty incidence declined from close to 50 percent in the early 2000s to about 5 percent in 2013. Consumption of households in the bottom 40 percent of the income distribution (B40) grew by over 2 percent per year between 2007 and 2012, which is twice the rate of the top 60 percent (T60). Improvements in living standards were accompanied by growth of the middle class from 4.3 to 28.9 percent of the population. The country's achievements are largely accounted for by the strong economic performance over the last decade with economic growth rate of 13 percent on average. Despite this good progress, a sizeable share of the population (65 percent in 2012), remains vulnerable and run the risk of relapsing into poverty in case economic conditions deteriorate.

Azerbaijan's economy is facing strong headwinds from the dual challenges of lower oil prices and the uncertain regional economic environment. The low oil prices, weak growth of the main trading partners and slow pace of structural transformation are now having an adverse impact on the Azerbaijan economy, which has led to lower exports, reduced oil revenues, and has curbed public investment. In 2015, Azerbaijan had its first fiscal deficit in over a decade. In the past, the country successfully weathered economic crises, including the 2008-2009 financial crisis. The substantial foreign currency reserves that Azerbaijan managed to accumulate despite an economic slowdown after oil production reached a peak in 2010 at 50 percent of the country's GDP. This will cushion the country from the immediate impacts of a sharp deterioration of the economic environment.

In response to the emerging challenges and the mounting depreciation pressures, the government

devalued the national currency (manat) and committed to fiscal consolidation. The devaluation was undertaken to adjust relative prices and to prevent large rundowns on Azerbaijan's foreign reserves. While the manat devaluation cushioned the impact of a shrinking revenue and lower transfers from the State Oil Fund of Azerbaijan to the budget in US dollar terms, it poses a risk of rising inflation and increased cost of servicing foreign currency denominated loans in the banking sector. However, given their high social value and to address the pressing needs of the vulnerable and marginalized population, the Government is committed to keeping social expenditures at the same level as originally projected for 2015. The government will explore ways to strengthen spending efficiency, expand the coverage of social assistance, and improve targeting of social programs as part of its fiscal consolidation efforts.

The World Bank is planning to support the Government of Azerbaijan development objectives in priority areas where the country's ownership is strong, where the WBG has a comparative advantage and where the potential impact on the WBG twin goals is substantial. These areas are: (i) strengthening governance through better management of public resources, delivery of services, and institutions, including a more transparent and rules-based relationship between the public and the private sectors; (ii) improving connectivity through developing the country's main transport networks, auxiliary infrastructure and broadband coverage as well as enhanced practices for operation and maintenance; and (iii) contributing to improved human development outcomes and increased prosperity through better access to water and sanitation, improved quality of the environment, and other health infrastructure and services, that have proven impact on health and social welfare outcomes.

Sectoral and Institutional Context

Since independence, the State Statistical Committee (SSC) has made some progress in modernizing the Statistical System. Azerbaijan's national statistical system now collects and produces a wide range of data and statistics, and provides access to published statistics through the website and statistical yearbooks and other reports. However, significant work remains to be done in the development of an effective transparent system of data collection and dissemination that enables evidence-based policy decisions.

Reform agenda pursued by the SSC is centered around ensuring quality, users' easy access to statistical data, establishing the ICT infrastructure that allows to produce accurate and comprehensive statistical data, reducing statistical burden of respondents, broadening the usage of administrative data resources, reducing production costs of official statistical data, and continue building human capacity in the sector.

Development priorities identified in consultation with the SSC are: (i) strengthening systems of data dissemination and updating procedures, (ii) processing the Household Budget Survey (HBS) based on improved methodologies, and (iii) access to anonymized microdata on households and firms collected by the SSC; and (iv) strengthening meta-data systems and access to meta-data. Investments in these areas will help address the issue of discrepancies between data published by SSC and the information generated and used by other agencies; improve the quality of HBS analysis and poverty calculation; ensure accurate and timely publication of data; and facilitate more complex analysis by using anonymized microdata, including by independent policy researchers.

These goals cannot be achieved without external support through a technical assistance, building

capacity and improvements in the ICT infrastructure of the State Statistical System (SSS) as a whole and the SSC in particular.

The WBG in close coordination with other development partners, including the UN agencies, is expected to take a lead in addressing these pressing issues.

Relationship to CAS/CPS/CPF

The SCD identifies a strong and transparent system of data collection and dissemination that enables evidence-based policy decisions as another important governance tool. Azerbaijan's national statistical system collects and produces a wide range of data and statistics, and provides access to published statistics through the website and statistical yearbooks and other reports produced by the State Statistics Committee (SSC). The SCD suggests that these data collection and dissemination tools should be enhanced to strengthen monitoring and evaluation of impact of government interventions on b40 and facilitating evidence based decision making and course correction where needed (p. 100).

Strengthened capacity for data collection and analysis is explicitly mentioned in the CPF (page 9) seen as a tool to ensure effective decision-making processes and citizen engagement. It is also seen as a part of a set of broader measures aimed to help the government to align better its public spending with strategic priorities of the new growth model, to open space for private investment, and to strengthen market institutions that in turn will contribute to a more conducive environment for private sector led growth. Development of SSC data collection capability and capacity for data analysis and dissemination are also included in the results matrix and objectives of the CPF.

Presently, main support to the SSC RA is being provided through an ongoing Twinning Partnership (TP) project (total budget is Euro 1.2. million) implemented jointly by the Danish and Bulgarian statistical offices. The proposed TF SCB grant will be implemented in close cooperation with the TP team to achieve maximum complementarity. Strategy development funded under the TF SCB grant (if approved) will also rely on the SSC RA review planned for late 2016 by the EUROSTAT. In addition, the Bank is exploring need for a statistical capacity building credit/loan and it is expected that the proposed grant would help define specific areas where the government resources are inadequate and therefore, external funding is required.

II. Project Development Objective(s)

Proposed Development Objective(s)

The objective of the grant is to support the State Statistical Committee of the Republic of Azerbaijan in preparing: (i) a new long-term National Strategy for the Development of Statistics for 2017-2027 (NSDS); (ii) supplemental mid-term (2017-2022) action plans; and (iii) capacity building of the SSC staff in order to make them ready for implementation of these action plans. Action plans will be prepared with costing and timetables.

Key Results

The project will yield three main results:

- (i) The new NSDS covering 2017-2027.
- (ii) Three costed out action plans (for 2017-2022) with timetables for (a) institutional development of the country's statistical system; (b) upgrade of the ICT environment (including hard and software and analytical tools) and improve information security; and (c) capacity building and training needs.
- (iii) Increased capacity of key SSC staff in implementation of specific action plans (sequencing, project development, coordination with data users and producers).

III. Preliminary Description

Concept Description

The project will cost approximately 304,900, of which \$249,900 will be funded by a TFSCB grant and approximately \$55,000 will be in-kind contribution from the Implementing Agency.

The project will consist of four main components as follows:

Component 1: Development of the new NSDS covering 2017-2027 with detailed elaboration of actions for 2017-2022.

- i. Key activities: Consulting services.
- ii. Description and expected outputs: This component will finance a review of the status of the statistical system, including assessment of the SSC long-term needs with a special attention to the first five years. Expected outputs are a draft NSDS and five-year institutional development, ICT (including hard- and software, analytical tools and information security needs), and human resource capacity building activity plans, cost estimates, and timetables.

Component 2. A review and discussion of the NSDS and action plans with all stakeholders (within and outside of the SSC and GoAz).

- i. Key activities: National consultations, workshops and consulting services
- ii. Description and expected outputs: This component will finance national consultation and dissemination workshop to solicit feedback on whether priorities outlined in the NSDS and action plans reflect needs of the GoAz and civil society and on comprehensiveness and feasibility of the proposed action plans. The consultations and workshops will cement the ownership of the NSDS and action plans by stakeholders, data producers and users (including line ministries and civil society) and, therefore, help its successful implementation.

Component 3. Capacity building and training for the relevant SSC staff in implementation of action plans (projects).

- i. Key activities: Statistical project implementation trainings conducted by international experts, seminars, study tours (2) and consulting services.
- ii. Description and expected outputs: This component will finance experts and study tours aimed at preparing relevant SSC staff (mostly managers) to performing tasks related to implementation of three medium-term action plans prepared under this grant. The GoAz intends to improve performance of all aspects of the SSC performance and therefore, it is important to furnish the SSC staff with skill necessary to implement complex action plans for improvement of statistics. Study tours to countries implementing similar action plans will cement skills obtained through in-class trainings.

Component 4. Project implementation support.

- i. Key activities: Consulting services, goods and services.
- ii. Description and expected outputs: This component will finance national consultants

supporting project implementation with logistical and other necessary goods and services (including office equipment, printing of materials and translation/i

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.2499	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Program to Support Statistical Capacity Building in ECA			0.2499

VI. Contact point

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