



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 24-May-2022 | Report No: PIDC255679



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P178125		Low	SPF: Improved Livelihoods for Internally Displaced Persons in Azerbaijan
Region	Country	Date PID Prepared	Estimated Date of Approval
EUROPE AND CENTRAL ASIA	Azerbaijan	24-May-2022	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Ministry of Finance	State Committee for Affairs of Refugees and Internally Displaced Persons	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.00
Total Financing	2.00
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.00
State and Peace Building Fund	2.00

B. Introduction and Context

Country Context

The project described in this document would be financed by the World Bank-administered State and Peacebuilding Fund (SPF) to enable the State Committee for IDPs and Refugees to provide enhanced support to IDPs to improve their income generating potential.



Azerbaijan became an upper middle-income (UMI) country in 2009, and as a consequence, poverty declined dramatically from 49 percent of the population in 2001 to 4.8 percent in 2019, before rising slightly to 6.2 percent in 2020. Rapid growth helped finance social programs and public investments in infrastructure and improve the well-being of the population.

Triple shocks in 2020 - the COVID-19 pandemic, a collapse in energy demand and prices, and resumption of the armed conflict with Armenia – hit Azerbaijan’s economy, with GDP contracting by an estimated 4.3 percent in 2020. Growing concern for climate change and environmental sustainability also raises questions about the resilience of Azerbaijan’s economy. It has become more evident that the growth model that enabled Azerbaijan to achieve its status of UMI country cannot sustain similar growth trends into the future, with fewer years of oil dependency left compared to countries such as Kazakhstan.

As Azerbaijan positions itself for the next phase of its development process, many of the issues related to the transformation are being recognized and addressed in the *Azerbaijan 2030: National Priorities for Socio-Economic Development*. Government of Azerbaijan (GoA) is pursuing economic, social and structural transformation through a series of reforms that address some of its chronic challenges.

Sectoral and Institutional Context

The breakup of the former Soviet Union and conflict over Nagorno Karabakh (NK) in the early 1990s severely affected life of people in Azerbaijan. As a result of this conflict approximately one-seventh of Azerbaijan’s population was displaced –approximately 600,000 persons from NK and surrounding regions of Azerbaijan became internally displaced persons (IDPs) and settled across other regions of Azerbaijan. The situation of displacement has lasted almost 30 years. Since then, the GoA has made significant investments in housing, social benefits, and livelihood programs for these IDPs in the different parts of the country where they settled, including through the World Bank-financed *IDP Living Standards and Livelihood Project (“LSLP Project”)*, 2011-2019. IDPs remain among the most vulnerable social groups in Azerbaijan: over 40 percent reside in either ‘collective centers’ or other temporary housing with substandard living conditions, many of them far from social and economic centers, and with lower access to basic services, skills, land, and assets.

Over the past twelve years, the State Committee for IDPs and Refugees (State Committee), via the State Fund for Development of IDPs (SFDI) including through World Bank support, has implemented community-based activities for IDPs and host communities. These have included: (i) community mobilization, (ii) implementation of small infrastructure projects such as construction and renovation of housing, roads, schools, hospitals, community centers, water supply, as well as (iii) a series of livelihood activities focused on youth beneficiaries such as business and vocational training, establishment of income generation groups, provision of assets and equipment for starting a business, and micro-credit with the support of the State Oil Fund (SOFAZ). Through evaluation of its support, the Bank has identified a range of lessons that can be applied to the design of future interventions in support of IDPs in Azerbaijan. Moreover, through these programs and via the local government representatives (ex comms) of IDPs, the State Committee has remained in close contact with IDP communities and has developed operational expertise implementing



programs for IDPs. Since the closure of the latest World Bank project in December 2019 neither SFDI nor the State Committee have a steady stream of funding for livelihood support activities.

In September 2020, after 26 years of relative peace, notwithstanding occasional clashes and extensive efforts to broker a peaceful resolution to conflict in NK, the conflict reignited leaving tens of thousands of people displaced across Azerbaijan and Armenia. After six weeks, the President of Azerbaijan, the Prime Minister of Armenia and the President of Russia signed a joint Statement on November 10, 2020. While this Statement brought an end to the spike of the confrontation, the situation on the ground remains far from resolved.

As of July 1, 2021, Azerbaijan is included in the WBG list of Fragile and Conflict-Affected Situations (FCS), as a country affected by high-intensity international conflict. The 2020 World Bank Group Strategy on Fragility and Conflict highlights the importance of supporting FCS countries and the complex challenges they face with tailored approaches, policies and instruments. In the case of Azerbaijan, this would include tailored engagement in support of post-conflict recovery and reconstruction.

There are emerging opportunities for people to return to the towns and villages they evacuated decades ago. However, it is clear that further movement of displaced people will take time to evolve for various reasons, including ongoing border clarifications and safety concerns due to the presence of land mines in the conflict-affected areas. As such, there is a need to address both the needs of newly displaced people as well as those who remain poor and vulnerable due to their long-standing situation of displacement.

Relationship to CPF

The proposed activities will contribute to the World Bank Group’s Azerbaijan Country Partnership Framework (FY16 – FY20), Focus Area 1, Public Sector Management and Service Delivery, Objective 1.2: Support access to, and satisfaction with, public services. While the CPF period concluded in FY20, its focus and priorities remain relevant as the process of preparing a new CPF moves forward. The CPF specifically states that it will build on successful engagement in selected areas of public services and applying global knowledge and expertise, by contributing to the agenda of improved service delivery through support to increased coverage of the most vulnerable, specifically IDPs to sustain their livelihoods. The project will also contribute to World Bank FCV Strategy Pillar 3. Helping Countries to Transition out of Fragility, which includes WBG focus on strengthening the capacity and legitimacy of core institutions, renewing the social contract, and supporting livelihoods and economic development including through private sector development and entrepreneurship. Financing from the State and Peacebuilding Fund for the proposed project would be a reflection of World Bank support to Azerbaijan as part of the for FCV Strategy.



C. Project Development Objective(s)

Proposed Development Objective(s)

To increase the skills, access to support services and opportunities for income generation of vulnerable IDP households in Azerbaijan

Key Results

The following key results would be targeted through the project:

- Increase job-relevant knowledge and skills of IDP project beneficiaries
- Increase in average household income of IDP project participants
- Number of target beneficiaries who gain employment (Total and Female)
- Number of targeted beneficiaries who start or expand self-owned business (Total and Female)
- Increased knowledge of civic engagement and social cohesion by vulnerable IDPs

D. Preliminary Description

Activities/Components

The proposed project activities would build on the successful implementation of the Youth Support Program (YSP) component of the LSLP. The design of the YSP includes a straightforward sequence of activities which progress from the identification of skills in market demand, training participants in such skills, providing participants with starter equipment needed for their professions and then supporting them to develop self-employment businesses through advice and support in accessing finance for small investments.

The design of the YSP activities would be enhanced through the application of lessons learned, including the need to strengthen access to financing for investment, support acquisition of employment with firms in addition to self-employment, and the need to monitor and support optimum utilization of equipment and new business activities through advisory services to sustain and grow IDP-owned businesses. The design would also be enhanced through the use of a survey of IDP households to provide an update of their current circumstances, needs and aspirations. While the survey would aim to cover a large sample of IDP households, it would at a minimum cover the 1,600 individuals who expressed interest but did not receive support under the LSLP. The survey will also follow-up with the 833 individuals who participated in the YSP to assess their current employment status and to identify any additional support that they may need to further enhance their income generation capabilities. This survey will be financed separately from the activities in the proposed project.

In addition to the survey of IDP households, a rapid participatory survey of training providers, apprenticeship opportunities, small business opportunities and skills markets will be conducted to identify which skills are in demand in the labor market and which training providers can help participants to acquire these skills.

Component 1: Skills development. An application and selection process will be undertaken by the project implementation team within the State Committee. Review and selection of participants by the committee



will be based on the following criteria: 1) people who have completed high school but have received no other formal university or vocational training, 2) a balance of men and women, 3) those seeking training in work areas that have been determined in the previously conducted needs survey as being in high demand, 4) those who demonstrated special abilities and who have demonstrated particular initiative, leadership and or need that merits special consideration, and 5) those who commit to transferring skills to other young people. Skills areas will include: agriculture production, business/trade, access to finance and micro-finance, agri-business, vocational activities (i.e. carpenter, cook, hairdresser), use of digital technology, among others as identified in the needs assessment. The training will focus as much as possible on enabling IDPs to use technology in a more effective way for information, employment, education, public services or other support. This focus on digital technology skills will help to advance 'smart village' approaches to rural development which are being encouraged by the Government through its *Smart Cities, Smart Villages Concept*.

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The component will accept up to 1,000 IDP students with the opportunity to learn a trade in the form of either classroom based vocational training or traditional apprenticeship programs. Vocational training institutes will be chosen based on previous experience with the LSLP, their accessibility to the project areas, quality of facilities, range of skills taught and demonstrated success with quality training, training of IDPs, student retention and reporting on budget and time. Beneficiary mobilization and outreach, the selection of skills-training courses, and subsequently the provision of assets and business support will be conducted in gender-sensitive manner, drawing on consultations and needs assessment among both male and female IDPs, selecting professional training that is tailored to the preferences of both women and men, and adjusting the modality (locations, timing, etc.) of training to encourage both male and female participants.

Component 2: Business development support. Upon successful completion of the vocational training, the participants in skills development activities will be provided with 10 days of personal skills, business development training, focusing on financial literacy, financial management and good business practices. Students of the business development trainings will prepare business plans and apply for support to purchase tools/equipment needed for their profession from the program through a proposal-writing process. After review of proposals by the selection committee, participants will be provided with the tools/equipment necessary to establish new businesses or work. These may be assets for starting a small business, construction tools (i.e. saws, drills, etc.), hairdressing equipment (i.e. hairdryers, scissors, etc.) agricultural assets such as greenhouse materials, beehives, small machinery, etc., or other eligible equipment.

Once project participants begin to undertake new business activities, technical support will be provided through the project to help participants to manage their finances, invest to grow their businesses, market their services and to develop other skills that will help them to succeed and continue to increase their incomes. The project will also facilitate meetings between participants, commercial banks and micro-credit agencies, for the purpose of extending support for business growth and ongoing assistance to those who decide to take out loans.

Component 3: Civic engagement, social cohesion and support. Training for project beneficiaries will be provided by qualified facilitators on civic engagement, community participation, establishment of community



groups, trust-building and related techniques to support an eventual peaceful and cohesive transition of IDPs to a new living environment. Such support will help to build social cohesion in IDP-concentrated communities that may be undergoing a significant socio-economic transition in the coming months and years. The proposed grant would support GoA to design and implement an intensive citizen engagement initiative with project participants, their households, other IDPs and other interested stakeholders to allow for an ongoing feedback loop between citizens and government so that IDP support activities are responsive to the changing needs and aspirations of various groups. This component would also include resources for project implementation, monitoring and evaluation and communications.

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Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards		Relevance
ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Not Currently Relevant
ESS 4	Community Health and Safety	Not Currently Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Not Currently Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
ESS 8	Cultural Heritage	Not Currently Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

Legal Operational Policies

Safeguard Policies	Triggered	Explanation (Optional)
Projects on International Waterways OP 7.50	No	
Projects in Disputed Areas OP 7.60	No	

Summary of Screening of Environmental and Social Risks and Impacts

The environmental and social risks of the project are considered Low. There are no physical infrastructure investments proposed, so very little in the way of environmental risks. As the core of the project is to reduce



the vulnerability of IDPs it should reduce the social risks faced by this group rather than exacerbating their challenging circumstances. The focus on building awareness and skills for social cohesion and conflict sensitivity will also help to mitigate social risks.

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Borrower/Client/Recipient

Borrower : Ministry of Finance

Implementing Agencies

Implementing Agency : State Committee for Affairs of Refugees and Internally Displaced Persons

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