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IMPLEMENTATION COMPLETION AND RESULTS REPORT  
(IDA 44180; TF090314)

ON A

CREDIT

IN THE AMOUNT OF SDR 16.3 MILLION  
(US\$25 MILLION EQUIVALENT)

TO THE

REPUBLIC OF AZERBAIJAN

FOR A

SOCIAL PROTECTION DEVELOPMENT PROJECT

February 29, 2016

Social Protection and Labor Global Practice  
Europe and Central Asia Region

## **CURRENCY EQUIVALENTS**

(Exchange Rate Effective: February 20, 2016)

Currency Unit = SDR

SDR1.00 = US\$

US\$ 1 =

US\$ 1 = AZN 1.57

## **FISCAL YEAR**

January 1 - December 31

## **ABBREVIATIONS AND ACRONYMS**

ALMP	Active Labor Market Program
DCS	Disability Certification Service
DO	Development Objective
GoA	Government of Azerbaijan
ICT	Information and Communication Technology
ICR	Implementation Completion and Results Report
IOI	Intermediate Outcome Indicator
IP	Implementation Progress
LFS	Labor Force Survey
LSMS	Living Standard Measurement Study
MOLSPP	Ministry of Labor and Social Protection of the Population
M&E	Monitoring and Evaluation
NES	National Employment Service
PAD	Project Appraisal Document
PIMS	Performance Information and Management System
PIU	Project Implementation Unit
QER	Quality Enhancement Review
SES	State Employment Service
SLIS	State Labor Inspectorate Service
SP	Social Protection
SPDP	Social Protection Development Project
SSN	Social Safety Net
TA	Technical Assistance
TSA	Targeted Social Assistance

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**AZERBAIJAN**  
**SOCIAL PROTECTION DEVELOPMENT PROJECT**  
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Map: IBRD 33365

<b>A. Basic Information</b>			
Country:	Azerbaijan	Project Name:	Social Protection Development
Project ID:	P105116	L/C/TF Number(s):	IDA-44180
ICR Date:	02/09/2016	ICR Type:	Core ICR
Lending Instrument:	Specific Investment Loan	Borrower:	AZERBAIJAN REPUBLIC
Original Total Commitment:	XDR 16.30 million	Disbursed Amount:	XDR 12.45 million
Revised Amount:	XDR 12.45 million		
<b>Environmental Category: B</b>			
<b>Implementing Agencies:</b> Ministry of Labor and Social Protection of the Population (MOLSPP)			
<b>Cofinanciers and Other External Partners:</b>			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised/Actual Date(s)
Concept Review:	10/01/2007	Effectiveness:	03/17/2009	03/17/2009
Appraisal:	03/13/2008	Restructuring(s):	–	12/10/2012 04/04/2014 08/27/2014
Approval:	05/27/2008	Midterm Review:	03/04/2012	02/27/2012
–	–	Closing:	09/30/2013	08/31/2015

<b>C. Ratings Summary</b>			
<b>C.1. Performance Rating by ICR</b>			
Outcomes:	Moderately Satisfactory		
Risk to Development Outcome:	Moderate		
Bank Performance:	Moderately Satisfactory		
Borrower Performance:	Moderately Satisfactory		
<b>C.2. Detailed Ratings of Bank and Borrower Performance (by ICR)</b>			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Moderately Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
<b>Overall Bank Performance:</b>	Moderately Satisfactory	<b>Overall Borrower Performance:</b>	Moderately Satisfactory

<b>C.3 Quality at Entry and Implementation Performance Indicators</b>			
<b>Implementation Performance</b>	<b>Indicators</b>	<b>QAG Assessments (if any)</b>	<b>Rating</b>
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
Development Objective (DO) rating before Closing/Inactive status:	Moderately Satisfactory		

<b>D. Sector and Theme Codes</b>		
	<b>Original</b>	<b>Actual</b>
<b>Sector Code (as % of total Bank financing)</b>		
Central government administration	50	70
Compulsory pension and unemployment insurance	30	5
Other social services	20	25
<b>Theme Code (as % of total Bank financing)</b>		
Improving labor markets	33	50
Income Support for Old Age, Disability & Survivorship	17	5
Other social protection (SP) and risk management	17	5
Social Safety Net (SSN)/Social Assistance & Social Care Services	33	40

<b>E. Bank Staff</b>		
<b>Positions</b>	<b>At ICR</b>	<b>At Approval</b>
Vice President:	Cyril E Muller	Shigeo Katsu
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## **F. Results Framework Analysis**

### **Project Development Objective (from Project Appraisal Document)**

The project development objective is to improve delivery of labor market and social protection interventions through strengthened institutions, enhanced institutional and human resources capacity, and improved targeting of social safety net programs.

**PDO Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1:</b>	Improved user satisfaction			
Value (Quantitative or Qualitative)	Low	70%		83%
Date achieved	02/25/2008	05/28/2008		08/31/2015
Comments (including % achievement)	<p>Surpassed. Eighty-three percent of Ismayilli Employment Center clients satisfied with services provided (counseling, mediation, training, and job fairs). This is a significant improvement compared to the low user satisfaction measured at the outset of the project, which was an estimate of general satisfaction but not based on any actual assessment. The percentage is even higher (91 percent) for the new clients (those who applied to Ismayilli Employment Center during June 2014–May 2015; that is, after the reforms).</p> <p>Source: Client satisfaction survey in the regional Ismayilli Employment Center, which was first established under the project.</p>			
<b>Indicator 2:</b>	The coverage of the very poor population by the targeted social assistance (TSA) program			
Value (Quantitative or Qualitative)	50%–66%	70%		17.6%
Date achieved	12/01/2009	12/01/2014		08/31/2015
Comments (including % achievement)	<p>Achieved based on revised baseline. The baseline of 50 percent or 66 percent is incorrect and not achieved. This value should have been 12.4 percent as reported in the following report: Azerbaijan: Promoting Broad-Based and Equitable Growth (Living Conditions Assessment Report by Human Development Sector Unit Europe and Central Asia Region of May 18, 2009). The actual value is based on a survey of 9,500 households. The coverage of the poor population by the TSA program was 17.6 percent in 2015 (AMSSW 2015). This is five percentage points higher compared to 12.4 percent estimated in 2008 (Living Standard Measurement Study [LSMS] 2008), indicating improved coverage of the poor. Only 4.9 percent of the entire population benefits from TSA. There were three surveys used to measure this indicator: 2009, 2011 and 2015. The 2009 and 2015 survey were done well and reported reliable data. The 2011 survey was very poor and not of a good enough quality to use for any measurement and reporting. Thus the team was not aware of the error in the baseline until the 2015 survey after the project was closed. Thus, they were not able to adjust the baseline during implementation.</p>			
<b>Indicator 3:</b>	Number of participants in active labor market programs (ALMPs) who are provided jobs, including in the occupational field for which they are trained			

Value (Quantitative or Qualitative)	20%	33%		49%
Date achieved	05/27/2008	05/28/2008		08/31/2015
Comments (including % achievement)	Target exceeded. Sixty-two percent (29,490 out of a total 47,755) were provided jobs (including in the occupational field for which they were trained) in 2014. The data for the first half of 2015 show that 13,676 registered unemployed (or 49 percent of the total registered unemployed) were provided jobs, including in the occupational field for which they were trained).			
<b>Indicator 4:</b>	Number of job seekers, as reported by the Labor Force Survey (LFS), served by the National Employment Service (NES)			
Value (Quantitative or Qualitative)	25%	40%		45%
Date achieved	05/27/2008	05/28/2008		08/31/2015
Comments (including % achievement)	Achieved. In 2014, there were 112,221 registered job seekers in the State Employment Service (SES) while in the first half of 2015 this number was 115,810; 29,062 of them had the status of unemployed. This is about 45 percent of the total number of the unemployed and this share has been constant over the observed period.			
<b>Indicator 5:</b>	Formulation of a viable Pension Development Strategy and progress in its implementation.			
Comments (including % achievement)	Dropped. Component 3 canceled.			

**(b) Intermediate Outcome Indicator(s)**

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
<b>Indicator 1:</b>	Developed new labor market record keeping and upgraded interactive call center			
Value (Quantitative or Qualitative)	Partial electronic labor market record keeping within the MOLSPP; outdated call center	Electronic Record Keeping established; interactive call center upgraded.		Completed. New electronic labor market record keeping developed and data sharing established; interactive call center upgraded.
Date achieved	05/31/2014	12/31/2014		12/31/2014



Comments (including % achievement)	Achieved			
<b>Indicator 2:</b>	Beneficiaries of labor market programs (Number, Core)			
Value (Quantitative or Qualitative)	46,467	—	—	12,915
Date achieved	12/31/2009	—	—	07/31/2015
Comments (including % achievement)	Will be achieved. The actual value is with reference to the first quarter of 2015, so the annual value will be roughly three to four times that (including ALMPs and training and counseling services with durations of two-three months). The MOLSPP has not finished collecting the data. The core indicators are used for tracking purposes only. No particular targets have been set since the intention was not to support the increase or decrease in the number of beneficiaries but to improve the provision and quality of services. At the same time, the number of beneficiaries for each program fluctuates based on various in-country circumstances and not necessarily because of the project's interventions.			
<b>Indicator 3:</b>	Beneficiaries of labor market programs - Female			
Value (Quantitative or Qualitative)	23,000	—	—	6,500
Date achieved	05/27/2008	—	—	07/31/2015
Comments (including % achievement)	Likely to be achieved when data is available. The actual value is with reference to the first quarter of 2015, and measures the participation of females in ALMPs. Presented are the estimates for female beneficiaries since there are no precise data available.  The core indicators are used for tracking purposes only. No particular targets have been set since the intention was not to support the increase or decrease in female beneficiaries, but to improve the provision and quality of services.			
<b>Indicator 4:</b>	Beneficiaries of labor market programs - Unemployment insurance and benefits			
Value (Quantitative or Qualitative)	5,687	—	—	1,165
Date achieved	05/27/2008	—	—	08/31/2015
Comments (including % achievement)	Likely to be achieved when data is available. See comment above for core indicators.  This indicator includes severance pay, unemployment insurance and benefits, savings services, and unemployment savings accounts programs. By December 31, 2014, the number of beneficiaries was 4,054. This number was 1,165 in August 31, 2015, and reflected the latest data before project closing and represents only half year numbers.			

<b>Indicator 5:</b>	Beneficiaries of safety nets programs			
Value (Quantitative or Qualitative)	145,000	–	–	117,622
Date achieved	12/31/2009	–	–	07/31/2015
Comments (including % achievement)	Likely to be achieved when data is available. The number above (beneficiaries of safety nets programs) shows the number of families that received TSA in the first half of 2015. Data collection and processing was still under way at the time of ICR completion.  The number of female recipients (below) presents a rough estimate because the data on recipient family composition is not available. 'Beneficiaries of safety nets programs - Other social assistance programs' refers to the main disability benefit/program in the first half of 2015.			
<b>Indicator 6:</b>	Beneficiaries of safety nets programs - Female			
Value (Quantitative or Qualitative)	72,000	–	–	60,000
Date achieved	12/31/2009	–	–	07/31/2015
Comments (including % achievement)	Likely to be achieved when data is available. This indicator measures female participation in SSN programs. It has the same definition as the 'beneficiaries of safety nets programs' but applies only to females. This indicator measures coverage of SSN projects disaggregated by gender (in absolute numbers). The number of female recipients represents a rough estimate because the data on recipient family composition is not available.			
<b>Indicator 7:</b>	Beneficiaries of safety nets programs - Other social assistance programs			
Value (Quantitative or Qualitative)	100,000	–	–	60,000
Date achieved	05/27/2008	–	–	07/31/2015
Comments (including % achievement)	Likely to be achieved when data is available. This indicator follows the safety nets programs' classification used in SP Atlas. 'Beneficiaries of safety nets programs - other social assistance programs' refers to the main disability benefit/program in the first half of 2015 received by the time of project closing.			
<b>Indicator 8:</b>	Targeting mechanism and implementation procedures adjusted after each round of monitoring survey (Text, Custom)			
Value (Quantitative or Qualitative)	Legislation on TSA was adjusted after 2008 survey	Postponed	Adjustments take place based on 2011 monitoring survey	A decree on TSA signed by the president on February 23, 2015
Date achieved	05/27/2008	12/31/2014	12/31/2014	07/31/2015

Comments (including % achievement)	Achieved. A new mechanism for TSA program implementation (involving online application procedure and multiple electronic cross-checks), which is expected to improve targeting accuracy, has been approved by presidential decree on February 23, 2015. Protocols between different agencies involved in necessary data exchange have been signed.			
<b>Indicator 9:</b>	Information and Communication Technology (ICT) Department fully capable of providing administrative and technical support and maintaining a corporate network at all territorial and functional and administrative levels			
Value (Quantitative or Qualitative)	Weak	ICT Department fully functional	–	ICT Department fully functional (staffed and providing administrative and technical support); corporate network adequately maintained at all territorial and functional and administrative levels
Date achieved	05/27/2008	06/30/2014	–	06//30/2014
Comments (including % achievement)	Achieved			
<b>Indicator 10:</b>	The management information system (MIS) generates intended reports on programs, participants, and flow of funds, and feeds into monitoring and evaluation (M&E) activities			
Value (Quantitative or Qualitative)	Not in place	MIS generates intended reports	–	MIS generates intended reports - culture of data usage by business processes and in decision making introduced
Date achieved	05/27/2008	05/28/2014	–	07/31/2015
Comments (including % achievement)	Achieved			

<b>Indicator 11:</b>	Computerized record keeping in the MOLSP and its affiliated agencies' offices			
Value (Quantitative or Qualitative)	Except for the TSA, automation only partial and only in some parts of the system	Implementation on schedule/MIS completed as planned	—	Computerized record keeping in the MOLSP and its affiliated agencies completed as planned. The process of electronic record keeping is gradually expanding from TSA and registration of labor agreements to management of other social benefits.
Date achieved	05/27/2008	07/28/2014	—	07/31/2015
Comments (including % achievement)	Achieved			
<b>Indicator 12:</b>	Central and regional career counseling centers operational			
Value (Quantitative or Qualitative)	None	Career counseling activities implemented; evaluation report issued	—	Career counseling activities designed and implemented; relevant legislation revised; career guidance services provided, and evaluation reports prepared as needed.
Date achieved	05/27/2008	05/28/2014	—	08/31/2015
Comments (including % achievement)	Achieved			

<b>Indicator 13:</b>	Thirty new module training programs developed and in use, and three new module training centers fully functional			
Value (Quantitative or Qualitative)	Insufficient to meet demand; the number of modules limited	Career counseling activities designed and implemented; relevant legislation revised; career guidance services provided and evaluation reports prepared on an ad hoc basis	–	Forty-three modular training programs (out of the 30 planned) developed and in use; new training centers functional (training being provided). One hundred modular programs developed; training takes place accordingly.
Date achieved	05/27/2008	07/31/2015	–	08/31/2015
Comments (including % achievement)	Target exceeded			
<b>Indicator 14:</b>	Operations guidelines and manuals for a new menu of ALMPs prepared and in use			
Value (Quantitative or Qualitative)	None	Operation guidelines and manuals in use	–	Operations guidelines and manuals for a range of new or improved ALMPs prepared and in use.
Date achieved	05/27/2008	06/30/2014	–	08/31/2015
Comments (including % achievement)	Achieved. The following manuals for improved ALMPs were prepared: (a) job search skill training program package, including the list of equipment and training materials for training of trainers; (b) training manual for a job club leader and guidelines for participants of job clubs including the list of equipment; (c) procedures for operating the vacancy and job fairs program including the list of necessary equipment; (d) procedures, orientation and training program, and administrative materials for vacancy identification (employer contact services); (e) manual for development of a range of services provided by small business advisory services; and (f) programs on employment of persons with disability and their integration into the labor market, including Action Plan and Draft Law on			

	Social Enterprises of the Republic of Azerbaijan. Additional services such as 'Enterprise Club' and work with private employment advisors have been designed as well.			
<b>Indicator 15:</b>	Automated, up-to-date information on nationwide vacancies available in all local NES offices			
Value (Quantitative or Qualitative)	Partial, not automated	Seventy-five percent of new jobs advertised through the NES	–	More than 75% of new jobs advertised through the NES
Date achieved	05/27/2008	05/28/2014	–	07/30/2014
Comments (including % achievement)	Achieved			
<b>Indicator 16:</b>	Labor market information system in place and two reports on labor market situation and trends published			
Value (Quantitative or Qualitative)	Accuracy, reliability, and comprehensiveness is poor	The MOLSPP publishes a comprehensive statistical and analytical report on labor market situation and developments	–	Ninety percent completed. A Model Performance Information and Management System (PIMS) developed, tested, and staff trained; one report on Azerbaijan labor market prepared; data being collected but no regular reports produced because of lack of capable and trained staff for further implementation.
Date achieved	05/27/2008	07/31/2015	–	08/31/2015
Comments (including % achievement)	Achieved			
<b>Indicator 17:</b>	200 occupational standards, based on ISCO-88/ISCO-08, and 100 training standards developed and in use			
Value (Quantitative or Qualitative)	Outdated standards; modern standards = 0%	One hundred percent achieved. 275 occupational	–	Four hundred thirty-eight

		standards. One hundred relevant training standards Sixty-three qualification standards. Total of 438 standards.		standards developed.
Date achieved	05/27/2008	12/31/2014	–	08/31/2015
Comments (including % achievement)	Target exceeded. Two hundred seventy-five occupational standards and 100 relevant training standards were developed covering different sectors of the economy. In addition, 63 qualification standards were developed.			
<b>Indicator 18</b>	Variety of social care services improve in pilot Rayons. Evaluation of the piloted school-to-work programs finished and at least three are mainstreamed			
Comments (including % achievement)	Dropped. Canceled Subcomponent 2.4. Piloting of social care centers and integrated provision of SP interventions.			
<b>Indicator 19:</b>	Central and three regional occupational safety laboratories modernized and fully functional and two reports on work and occupational safety published			
Value (Quantitative or Qualitative)	Labs in very poor conditions, barely operational	The issue of premises remains unresolved; equipment modernized and occupational safety function performed, labs in better conditions but not as envisaged under the project; one report published.	–	New central laboratory never established; building never constructed; the issue of premises remain unresolved; equipment modernized and occupational safety function performed, labs in better condition but not as envisaged under the project; one report published.
Date achieved	05/27/2008	07/31//2015	–	08/31/2015
Comments (including % achievement)	Not achieved. eeds analyses of OSH laboratories have been conducted and scope of activity and functionality of the laboratories identified; equipment for analytic measurements at the three laboratories obtained. Procurement done for 438 specialized portable measuring equipment and three specialized inspection cars. Reports prepared. The financing of the renovation for the central State Labor Inspectorate Service (SLIS) laboratory has not been included in the 2015 budget and consequently this activity has never been implemented.			

<b>Indicator 20</b>	White Paper on Pensions Systems Development with a corresponding Action Plan prepared; implementation conferences.			
Comments (including % achievement)	Dropped. Component 3 canceled.			
<b>Indicator 21:</b>	Labor Code amended			
Value (Quantitative or Qualitative)	Not applicable	Labor Code amended	—	Labor Code amended
Date achieved	05/27/2008	06/30/2014	—	06/30/2014
Comments (including % achievement)	Achieved			

### G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (US\$ millions)
1	08/13/2008	Satisfactory	Satisfactory	0.00
2	06/03/2009	Satisfactory	Satisfactory	0.50
3	12/14/2009	Satisfactory	Satisfactory	0.50
4	06/04/2010	Moderately Satisfactory	Moderately Satisfactory	0.85
5	12/27/2010	Moderately Satisfactory	Moderately Satisfactory	2.06
6	06/26/2011	Moderately Satisfactory	Moderately Satisfactory	3.09
7	01/02/2012	Moderately Satisfactory	Moderately Unsatisfactory	6.24
8	05/09/2012	Moderately Unsatisfactory	Moderately Unsatisfactory	7.31
9	12/03/2012	Moderately Unsatisfactory	Moderately Unsatisfactory	10.58
10	07/07/2013	Moderately Unsatisfactory	Moderately Satisfactory	12.32
11	02/09/2014	Moderately Unsatisfactory	Moderately Satisfactory	16.39
12	08/04/2014	Moderately Satisfactory	Moderately Satisfactory	18.65
13	02/22/2015	Moderately Satisfactory	Moderately Satisfactory	18.65
14	08/28/2015	Moderately Satisfactory	Moderately Satisfactory	19.08

### H. Restructuring (if any)

Restructuring took place three times under the project and consisted of dropping two subcomponents related to disabilities under Component 2 and canceling Component 3 on pension reform. However, this did not affect the achievement of the PDO. One PDO level indicator and



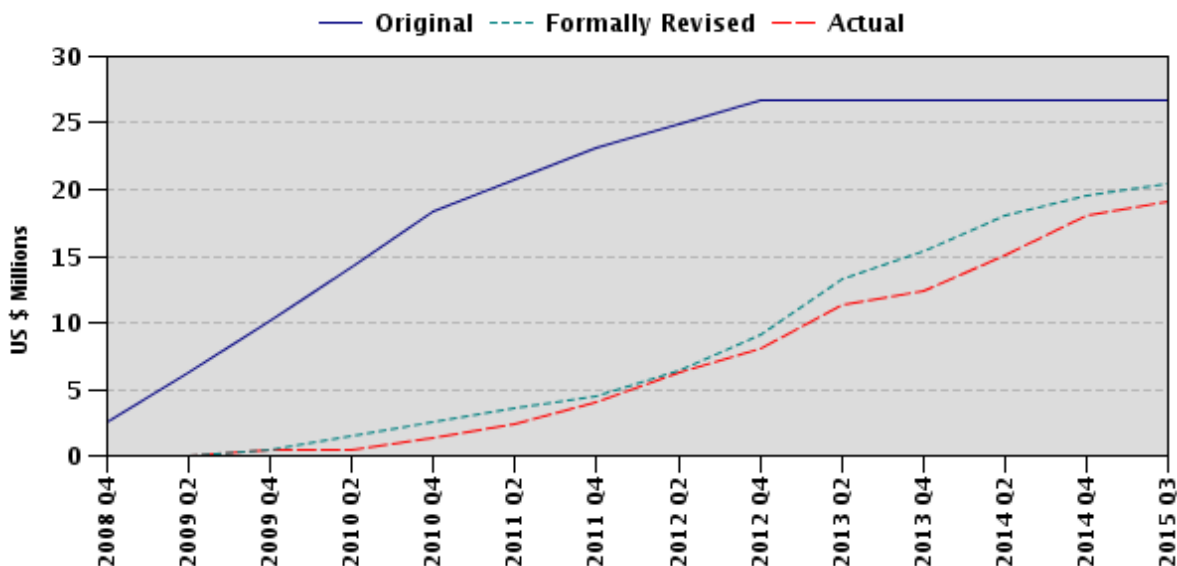
one intermediary level indicator was dropped for pensions. Two intermediary indicators were dropped for disabilities; these were the following:

- (a) Integrated provision of social protection interventions evaluated. Disability certification is based on international standards and is performed with high expertise. Reports are annually published.
- (b) Variety of social care services improve during pilot Rayons. Evaluation of the piloted school-to-work programs are completed and at least three are mainstreamed.

The Ministry of Finance’s letter dated July 19, 2012 proposed to cancel the Pensions System Development Component of the Social Protection Development Project (SPDP) based on the midterm review’s April 2012 assessment that the component would not meet its objectives even if the closing date of the project were to be extended.

- (a) **Component 2. Subcomponent 2.3: Restructuring of the National Disability Certification Service (NDCS; and the related Subcomponent 2.4: Piloting of social care centers and integrated provision of SP interventions were dropped.** Both of these subcomponents were dropped because the government of Azerbaijan (GoA) decided to finance these activities through its own resources and to focus the SPDP on Component 1, Subcomponent 1 and Component 2, subcomponent 4. The disabilities work was predicated on the GoA formulating a disability policy, which went beyond physical disability assessments to physical capabilities and psycho-emotional assessments.
- (b) **Component 3: Technical assistance for the pension system and policy development (US\$3.1 million) was dropped.** This component was predicated on the conditionality that it would only have resources allocated to it once the government had established the necessary legislation for further reform. Once it was understood that the political process for reform would take longer than anticipated, this component was dropped.

## I. Disbursement Profile



## 1. Project Context, Development Objectives and Design

### 1.1 Context at Appraisal

#### *Country Background*

1. **At the time of project appraisal in 2007, Azerbaijan had transitioned to a market economy fueled largely by oil revenues to the government.** Oil revenues had started flowing for the first time to the government of Azerbaijan (GoA) in 2001, and brought prosperity and enabled the country, with a population of 8.5 million, to triple its per capita income from US\$510 in 1998 to US\$1,850 in 2006. Increased wages and social transfers, especially pensions, had a positive impact on the country's poverty levels. The overall poverty rate significantly decreased from 44.6 percent in 2002 to 24.0 percent in 2005 and the extreme poverty rate decreased from 26.9 percent in 2002 to 9.2 percent in 2005. Also, the increase in the inflow of oil revenues had a positive impact on public investments in infrastructure. However, while the government made efforts to cover the entire country with investments in economic and social infrastructure, by 2007 improvements in living standards were and still are mainly in and around the capital city of Baku—where an estimated 30 percent of the country's population lives—with rural areas and smaller towns and cities lagging in such investments.

2. **Therefore, inequality remained high—especially in urban areas—despite the higher focus on investments in these areas compared to rural areas.** The 2008 Living Standard Measurement Study (LSMS) showed inequality in cities at 32.8 percent and in rural areas at 27.1 percent.

3. **Indicators of access to services showed significant disparities between the rich and the poor.** The poor were much less likely to use health services than the non-poor. Large inequities also existed in gross and net tertiary education enrollment rates between rich and poor individuals. Enrollment rates in post-secondary education are slightly higher among boys than among girls. Less affluent households also tend to have limited access to basic infrastructure services; for example, only 20 percent of those in the poorest quintile have access to portable water.<sup>1</sup>

#### *Social Protection and Labor Sector Background*

4. **Azerbaijan, with the assistance of the World Bank, made good progress in reforming its social protection (SP) system before 2008.** The Bank's engagement in SP began in 2003. The government saw SP as an important pillar of its socioeconomic development and poverty reduction agenda. This understanding by the government was influenced significantly by the strong technical assistance (TA) advice and relationship between the Bank and the government on SP. Therefore, SP reform was embedded into the overall reform program of the government and was aimed toward increasing effectiveness and efficiency of the SP system and policies. The government and the Bank were in agreement that this could be achieved through modernized and strengthened institutions, improved service delivery mechanisms, targeting, better planning and management, a

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<sup>1</sup> World Bank. 2010. *Azerbaijan: Living Conditions Assessment Report*. Report 52801. Washington, DC: World Bank.

transparent and integrated administration system, use of an automated management information system (MIS), and strengthened capacity of human resources.

5. **The focus for SP in Azerbaijan and the region after the collapse of the Soviet Union was on streamlining and modernizing the social insurance and targeted social assistance (TSA) administrations.** Before 2008, the administration of social insurance was delinked and separate from the social safety net (SSN) programs in Azerbaijan. Social insurance was the responsibility of the State Social Protection Fund, while SSN programs were the responsibility of the Ministry of Labor and Social Protection of the Population (MOLSPP). Several smaller social assistance cash benefits were consolidated into a social assistance cash program targeted at the poorest population. The government paid particular attention to increasing pensions and social assistance. Between January 2005 and January 2008, the minimum pension paid to all beneficiaries increased almost by 2.5 times (from AZN 25 to AZN 60). Therefore, the TSA program benefited about 80,000 families, receiving on average AZN 80 per month.

6. **The social administration system, however, remained unresponsive to client needs, and the number of poor covered remained low.** Coverage was estimated as 12.4 percent of the poor population in 2008 (LSMS 2008). Less than 4 percent of the entire population benefited from TSA. There was a need to improve the delivery of SP interventions, strengthen institutions and the staffing capacity, and improve the targeting of SSN programs. The essential physical and technological SP infrastructure needed for a modern labor market and the SP system was not in place. The MOLSPP was not performing well because of this and because of a low human resources capacity, poor service delivery and targeting mechanisms, inefficient and nontransparent administration, and a lack of appropriate policies, procedures, and standards.

7. **One of the key remaining challenges for the MOLSPP in 2008 was the low quality of skills of the labor force and the low capacity of the institutions training the labor force.** At appraisal, the non-oil sector was dominated by an increasing percentage of low productive jobs, which were predominantly in agriculture. This supply of low-skilled workers was mismatched with the demands of a competitive market economy. The education sector was not producing a highly skilled labor force, was slow to reform, and was facing important challenges of relevance, quality, access, and governance. A lifelong learning concept, which enables labor force adjustments to ever-changing demands of dynamic, developing economies, had not been introduced in Azerbaijan. Most of the jobs available, mainly in Baku, required professional and technical skills, as well as computer proficiency, which was in low supply. According to the General Employment Department of the MOLSPP in 2007, the majority of jobs offered or an estimated 70 percent of vacancies advertised in job fairs remained unfilled because of a lack of qualified candidates.

8. **The youth unemployment rate was more than two times higher than the average (16 percent versus 7.1 percent in 2006).** In addition to lacking experience similar to young people around the world, the young in Azerbaijan were beholden to an education system that did not prepare them adequately for the demands of the modern labor market, and by an economy that still generates predominantly low-quality jobs. Underdeveloped labor market institutions, policies and programs, and weak human resources involved in their design and implementation contributed to the problem. Active labor market programs (ALMPs) geared to the current and modern labor

market demands were lacking. Young people were particularly affected, as both career guidance and professional orientation and programs to facilitate school-to-work transition were lacking.

9. **Rationale for Bank involvement.** While the SP reform achievements were significant, considerable work still needed to be done to address an integrated SP and labor system and to build in mechanisms for long-term fiscal sustainability and efficiency. The Bank and the government thus identified the following agenda: (a) further reform the SP system, including policies and service delivery mechanisms; (b) reform labor-market-related institutions, including labor policy formulation and ALMPs; and (c) reform the policy and interventions for the protection and inclusion of vulnerable groups. This reform agenda would contribute to improving economic and social gains and savings for citizens and the government through lowering transaction costs for receiving timely information and accessing benefits, better targeting of benefits, effective job training, placement, search, and analysis of labor markets.

## 1.2 Original Project Development Objectives (PDO) and Key Indicators

10. **The project development objective was to improve delivery of labor market and social protection interventions through strengthened institutions, enhanced institutional and human resources capacity, and improved targeting of social safety net programs.**

11. Achievement of the objectives was measured by the following indicators:

- Indicator 1: Improved user satisfaction (employment services; labor safety, social assistance, social care services; and disability certification service [DCS]), as determined by beneficiary surveys.
- Indicator 2: The coverage of the very poor population by the TSA program (MOLSPP social assistance cash programs and social care services)
- Indicator 3: Number of participants in ALMPs who were provided jobs, including in the occupational field for which they are trained;
- Indicator 4: Number of job seekers, as reported by the Labor Force Survey (LFS), served by the National Employment Service (NES);

12. In the case of indicator 2, the baseline of 50 percent or 66 percent was set incorrectly. This value should have been 12.4 percent (LSMS 2008) as reported in the following report: Azerbaijan: Promoting Broad-Based and Equitable Growth (Living Conditions Assessment Report by Human Development Sector Unit Europe and Central Asia Region of May 18, 2009).

## 1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

13. There were no revisions to the PDO.

## **1.4 Main Beneficiaries**

14. The primary target groups for the project were job seekers—either unemployed or looking for a new job; young labor market participants; and youth choosing a career path. Other groups targeted by the project were very poor households and people with a disability in need of disability certification.

## **1.5 Original Components**

15. The project was submitted to the Board on May 27, 2008, was approved by the Azerbaijan cabinet of ministers of the GoA on November 22, 2008, and became effective on March 17, 2009. The originally approved project had four components.

### **Component 1: Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Services (US\$17.3 million)**

16. This component was developed to upgrade labor market institutions, policies, and programs in Azerbaijan to be more in line with those in Western Europe. It financed TA, hardware and software, services, training, vehicles, and civil works. It was to be implemented through the following subcomponents:

- Subcomponent 1.1: Modernization of Labor Market Institutions
- Subcomponent 1.2: Renewal of the National Employment Services
- Subcomponent 1.3: Facilitating ‘School-to-Work’ Transition for the Young and Professional Orientation and Career Counseling Services for Both Youth and Adult Population

### **Component 2: Social Safety Net System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge-based Policies and Programs Formulation and Efficient and Effective Implementation (US\$13.4 million)**

17. This component was to provide the MOLSP with timely TA, hardware and software, services, training, vehicles, and civil works through the following subcomponents:

- Subcomponent 2.1: The Establishment of the Corporate MIS into the MOLSP and Evidence-based Monitoring
- Subcomponent 2.2: Strengthening Operations and Management of the Targeted Social Assistance
- Subcomponent 2.3: Restructuring of the National Disability Certification Service
- Subcomponent 2.4: Piloting of Social Care Centers and Integrated Provision of Social Protection Interventions

### **Component 3: Technical Assistance for the Pension System and Policy Development (US\$12.3 million)**

18. This component (if the government met the preconditions of signing the contract for the preparation of the White Paper, which outlined what was required for the Pensions Reform and on which the TA would be based) was developed to: (a) perform a comprehensive analysis of the current pension system, including actuarial analysis of its affordability and fiscal sustainability and an analysis of individual welfare consequences for different types of participants (formal sector employees, farmers, arrangements for informal sector workers, average-, high-, and low-income earners, and so on); (b) formulate several options for the long-term development and reform of the pension system and model their fiscal and welfare consequences; (c) based on the chosen option, prepare a detailed reform strategy in the form of a White Paper on the Pension Systems Reform; (d) develop a detailed Implementation/Action Plan; and (e) implement the reform.

### **Component 4: Project Management (US\$2.1 million)**

19. This component was to strengthen the capacity of the MOLSP to efficiently and effectively implement the proposed project, while adhering to the Bank's fiduciary requirements, particularly with respect to the procurement, financial management, and environmental standards.

#### **1.6 Revised Components**

20. During implementation, the project was restructured three times resulting in: (a) the cancellation of Component 3 and the associated US\$3.1 million in financing; (b) the cancellation of two subcomponents related to disabilities under Component 2; and (c) reallocation of funds from this cancelled component to other activities.

#### *First Restructuring (December 20, 2012)*

21. **Cancellation of Component 3.** TA for the pension system and policy development (US\$3.1 million) aimed to support the preparation of the White Paper on Pension System Development and its implementation. This component was added to the project very late during preparation. The contract for the preparation of the White Paper was never signed and resulted in the absence of the government's comprehensive strategy. After more than two years, the government was not able to begin the actual work on the development of the white paper. Competitively selected international consultants were never formally contracted. The inter-agency pension system reform steering committee was finally established in 2012; however, its mandate was unclear and no decision makers were included in its composition. The government was not ready to implement such a substantial reform and therefore decided to cancel this component.

22. The PDO indicator 'Formulation of a viable Pension Development Strategy and progress in its implementation' was dropped because of the cancellation as was the intermediate indicator 'White Paper on Pensions Systems Development with a corresponding Action Plan prepared; implementation conferences'.

23. **Update of the risk framework.** The risk framework was revised and the technical design rating previously rated as Low was revised to Moderate given the complexity of implementation.

24. Extension of the closing date of the project from September 30, 2013 to December 31, 2014 was granted.

*Second Restructuring (April 4, 2014)*

25. **Reallocation of XDR 1 million from Unallocated to Category 1.** The request for reallocation was made on the basis of higher market prices (for goods, works, and consulting services) and implementation of new project activities which were in line with the PDOs.

*Third Restructuring (August 27, 2014)*

26. **Cancellation of subactivities under Component 2 for the disability certification system and the development of the social services standards.** Therefore, Subcomponent 2.3 was dropped. These activities were dropped because there was insufficient local capacity for their implementation and the government was not fully committed.

27. The restructuring also included the extension of the project closing date from December 31, 2014 to August 31, 2015 and the updating of the Results Framework. There were no changes to the PDO or PDO indicators.

28. The Results Framework was updated to better reflect developments on the ground, including the introduction of a few new activities of interest to the ministry and new priorities consistent with the PDO. The indicators related to disabilities and pensions were removed because of the restructuring. There were no changes to the PDO or the PDO indicators. The changes to the Results Framework were as follows:

**Table 1. Changes to Results Framework**

<b>Cancelled Components</b>	<b>Intermediate Outcome Indicator (IOI) Dropped</b>
<b>Subcomponent 2.3:</b> Restructuring of the National Disability Certification Service	Disability certification is based on international standards and is expertly performed. Publishes its reports annually.
<b>Subcomponent 2.4:</b> Piloting of social care centers and integrated provision of social protection interventions	Integrated provision of SP interventions evaluated.
<b>Component 3:</b> Technical assistance for the pension system and policy development (US\$3.1 million)	<b>Project Outcome Indicator</b> Formulation of a viable Pension Development Strategy and progress in its implementation. <b>Intermediate Outcome Indicator</b> White Paper on Pension Systems Development with a corresponding Action Plan prepared; implementation conferences.
<b>New Activities Added</b>	<b>Intermediate Outcome Added</b>
<b>Component 1</b> Electronic registry of labor agreements and interactive call center, a new intermediate results indicator was added in the Results Framework.	Developed new labor market record keeping and upgraded interactive call center.

## 2. Key Factors Affecting Implementation and Outcomes

### 2.1 Project Preparation, Design and Quality at Entry

#### *Project Preparation*

29. The project was prepared by an experienced Bank team that had a long-standing working relationship with the GoA because of the Bank's past involvement in the SP sector. The project built on the Bank's previous Pension and Social Assistance Project, which supported the modernization of the pension administration and introduction and implementation of the TSA program. The project design was informed by findings of surveys, especially the 2008 TSA and monitoring survey, which were conducted under the Pension and Social Assistance Project. The surveys identified the need to improve the targeting mechanism of benefits for those in need.

#### *Assessment of the Project Design*

30. **Objective.** The PDO was to improve delivery of labor market and social protection interventions through strengthened institutions, enhanced institutional and human resources capacity, and improved targeting of social safety net programs. The stated PDO was achievable within the original project time period and the government could be held accountable for it.

31. **Components.** The project included four components:

- Component 1: Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Services
- Component 2: Social Safety Net System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge-based Policies and Programs Formulation and Efficient and Effective Implementation
- Component 3: Technical Assistance for the Pension System and Policy Development
- Component 4: Project Management

32. Originally, the project only included three components. The component on TA on pension systems and policy development was added as a last minute request by the government.

33. The Project Appraisal Document (PAD) identified eight lessons learned from previous Bank projects that were to be reflected in the project design. These lessons included: (a) considering the local implementation capacity when designing the project; (b) ensuring project ownership by the implementing agency and of the project supporting local programs; (c) providing training on bank guidelines, safeguards, procedures, and fiduciary responsibilities during project preparation; (d) keeping the project design simple while concentrating on development objectives, outcomes, and implementation with the least complex institutional arrangements; (e) establishing monitoring arrangements before start-up; (f) ensuring broad consultations during the preparation to build ownership and continued commitment to the PDO; (g) paying significant attention to the time needed to implement reforms and to appropriately consider vested interests and their potential to delay reforms; and (h) focusing on the Project Implementation Plan to ensure that key actions



are identified and their implementation, including the bidding documents, are ready to the extent possible, before the project is effective.

34. However, only a few of these lessons were actually incorporated. The consultations during project preparation were challenging given that two responsible line ministries (the Ministry of Finance and MOLSP) and the pension fund were not in agreement on the incorporation of the pension component in the project, resulting in the lack of ownership for the implementation of this component. Therefore, the project design and future implementation became overly complex by adding the pension component. Political issues around reforming disability benefits were not considered. Finally, the lesson on establishing monitoring arrangements before start-up was not considered and the monitoring system was not fully implemented during project implementation, which allowed for limited monitoring activities.

35. The project went through a Quality Enhancement Review (QER) in February 2008, which endorsed the project design and found that the project had the potential for improving the functioning of the labor market through increasing the utilization and productivity of labor, and reducing poverty by contributing to the creation of more and better jobs. The QER noted that the project's aim to take advantage of the committed and experienced counterpart, the MOLSP, would help in channeling windfall gains—large increases of oil revenues—to productive investment. This would aim at stimulating the growth of the non-oil sectors of the economy and helping the country to fight the danger of the 'Dutch Disease'. It noted that the SPDP will also support the improvement of SP and welfare of the population, and contribute to the goal of narrowing the welfare gap that Azerbaijan was facing.

36. However, at the time of the QER, the project only included the original three components and the review did not consider the addition of the pension component. Also, the QER did not consider the project as being too broad in its focus and did not recommend learning from the experience of other oil-revenue-rich economies such as Norway and Canada, which would have been good examples for how to channel funds to the population.

37. **Theory of change.** The theory of change of this project was that the essential architecture needed for a modern labor market and SP system was not in place and the existing system was not performing well because of the lack of adequate information technology (IT) and physical infrastructure, low human resources capacity, poor service delivery and targeting mechanisms, inefficient and nontransparent administration, and a lack of appropriate policies, procedures, and standards. The lack of modern systems and SP architecture of technology and processes prevented the government from effectively formulating and delivering the much needed labor market and SP programs to address the issues of inequality and unemployment, as discussed in sections 1.1 and 1.2. By building an appropriate IT infrastructure; improving human resource capacity; developing appropriate policies, procedures, and standards; building a unique ID system and mechanisms to be more responsive to citizens; improving planning and management; developing a transparent and integrated administration system; strengthening the capacity of human resources; and introducing ALMPs including the concept of virtual enterprises, the project intended to improve the rates of service delivery of labor market interventions, improve employment policy, strategy formulation, job placement rates, and user satisfaction among its beneficiaries, and better target social assistance benefits.

38. **Assessment of risks.** Risks were adequately assessed during project preparation. However, for some risks the mitigation efforts were insufficient. For example, inadequate mitigation efforts led to the cancellation of the pension component. This was because the risk related to governance and the weakening engagement by the MOLSPP in strengthening transparency and governance in the sector materialized, especially with regard to calculation of pensions, certification of disability, and allocation. Also, the risk related to the project's relative complexity being an obstacle to the implementation by the MOLSPP, which was appraised as 'low', turned out to be higher.

## 2.2 Implementation

39. The project became effective almost 10 months after Board approval because of political changes at the ministerial level. Between project effectiveness and the end of 2009, progress toward the achievement of the development objective (DO) and implementation progress (IP) were rated Satisfactory. In late 2009, the leadership of the MOLSPP changed and the interest shown by the ministry and its commitment to the project decreased. For the next two years the progress toward the achievement of the DO and IP were rated Moderately Satisfactory. By the beginning of 2012, IP was rated Moderately Unsatisfactory and seven months later, progress toward the achievement of the DO was also downgraded to Moderately Unsatisfactory.

40. The labor market component suffered initial delays when some key contracts did not attract sufficient interest from bidders. The SSN component also experienced some initial delays. The expansion of the MIS was delayed because of potential duplication with another government-wide, Bank-supported initiative, while the tender for the disability certification reform was not completed because of technical issues with the proposals received.

41. In February 2012, the Bank conducted the midterm review, which recommended the restructuring of the project to achieve its objectives. The project was restructured in December 2012 to cancel Component 3 on pension reform because of the lack of government efforts to create a comprehensive strategy. Also, the closing date was extended by 15 months, to December 31, 2014, to complete the key outstanding TA assignments that would help implement the required innovations to modernize the country's employment services, to further improve functioning of social assistance institutions, and to initiate a cornerstone reform of disability certification.

42. In late 2013, a new minister was appointed to the MOLSPP, resulting in a remarkable shift in commitment and pace of implementation. By December 2014, the credit proceeds were fully disbursed and during the last eight months, the project activities were financed by the government's share of project funding.

43. The project was restructured in April 2014 to reallocate resources between categories and again in August 2014, to make the following adaptations: (a) modifying the Results Framework to better reflect developments on the ground, including the introduction of a few new activities of interest to the minister (developing new labor market record keeping and upgrading interactive call centers) and new priorities consistent with the PDO; (b) cancelling subcomponents of Component 2, including the restructuring of the national DCS and the subcomponent on piloting social care centers and integrated provision of SP interventions; and (c) extending the closing date by eight months to August 31, 2015. By August 2014, both progress toward the achievement of

the DO and IP progress were rated Moderately Satisfactory and remained at this rating until project closing.

44. At the end of 2014, the government allocated around US\$3 million for the implementation of project activities in 2015. The outstanding balance of US\$2.3 million was reserved through a government midyear budget amendment to implement outstanding activities within the defined time frame, scope, and budget.

### **2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization**

45. **Design.** The original Results Framework included four PDO indicators, which aimed to evaluate the overall performance of the SSN and labor market institutions, policies and programs, and make necessary adjustments to ensure transparent, efficient, and effective performance and service delivery. Three of the four PDO indicators did not have a baseline, but for two the data was collected within the first 12 months of project implementation and for one PDO indicator by May 2008. One indicator did not have a baseline (user satisfaction). Finally, one PDO indicator's baseline ('The coverage of the very poor population by the TSA program') was incorrect. Using the LSMS date, the Implementation and Completion Results Report (ICR) team was unable to recreate that baseline as reported in the PAD. The correct baseline value should have been set at 12.4 percent (see Section 1.2).

46. The original Results Framework included 20 intermediate outcome indicators (IOIs), which were modified and reduced to 19 indicators during the third project restructuring. This presented a large amount of indicators to be tracked on a regular basis. The PDO and IOIs were outcome oriented. The design planned to draw data from administrative sources and from different surveys such as the TSA Monitoring Survey, beneficiary surveys, baseline and follow-up surveys, and so on. Also, the project was to finance data collection, including beneficiary and impact evaluation surveys, when appropriate.

47. Finally, in carrying out M&E activities, the Project Monitoring Unit (PMU) was supported by the ministry's M&E Department.

48. **Implementation.** The implementation of the M&E system was slow because of changes in ministers, which also affected the leadership of the MOLSPP. Also, the project implementation unit (PIU) faced the challenge of key staff leaving since the delay in credit approval and signing resulted in unpaid salaries and an increased level of uncertainty. M&E data was collected on a regular basis and the collection was strengthened and automated throughout project implementation.

49. Under the SPDP, several surveys were financed and conducted including the 2013 LFS and the 2008 and 2015 LSMS surveys.

50. During the restructuring in August 2014, the Results Framework was updated to better reflect developments on the ground, including the introduction of a few new activities of interest to the ministry and its new priorities consistent with the PDO. For example, a new IOI on electronic registry of labor agreements and interactive call center was added. Three IOIs 'Disability certification is based on international standards and is expertly performed; DCS publishes its

reports annually’, ‘Integrated provision of SP interventions evaluated’, and ‘Evaluation of the piloted school-to-work programs finished and at least three are mainstreamed’ were dropped.

51. **Utilization.** M&E data were utilized to inform decision making. Also, the project provided the GoA with a strengthened M&E system, which will be critical for sound and transparent M&E of SP and labor policy decisions in the future.

## 2.4 Safeguard and Fiduciary Compliance

52. **Safeguards.** The project was expected to have a limited environmental impact and was classified as Environmental Category B. OP/BP 4.01 (Environmental Assessment) was triggered because of civil works envisaged under the project (new electrical systems, bathrooms, windows, painted walls, and so on). . The MOLSPP carried out a disclosure and consultation process to discuss the draft Environmental Management Plan with local officials and key stakeholders. The disclosure and consultative process included the following steps: (a) the publication of the advertisement of the Environmental Management Plan in local papers; and (b) consultative meetings with representatives of local officials, media, school directors, teachers, parents, and students. A Partial assessment was submitted on December 27, 2007.

53. **Financial management.** Throughout project implementation, financial management was satisfactory. The project used a suitable automated accounting system, including planning and budgeting, had well qualified staff, and prepared accounts and reports in a satisfactory manner. Financial covenants as stated in the financing agreement were complied with, quarterly financial reports and annual audited financial statements and external audits were submitted on time. The external auditors’ opinions were not qualified. Financial management and disbursement-related control policies and procedures were documented in the project’s operational manual.

54. **Procurement.** Procurement was carried out in compliance with the Bank’s procedures and procurement plans were regularly updated and disclosed. The PIU staff were highly qualified and experienced in Bank procurement rules and procedures because of involvement in previous Bank projects. Therefore, the staff were in high demand by other agencies and for other Bank projects. When some procurement specialists and the PIU manager left for other jobs, new staff with similar experience were hired, allowing for a smooth transition. Contract awards were in accordance with the United Nations Development Business guidelines and published on [www.azerweb.com](http://www.azerweb.com).

55. A procurement post-review mission in April 2013 identified the following procurement issues: (a) the price adjustment formula, which is only applicable if the contract duration is more than 18 months, was also used for contracts which had a shorter duration; (b) for some awarded contracts the evaluation process was questionable; (c) the value of some contracts was increased during implementation without including the proper amendments such as a justification for the increase; and (d) items, which did not have prior Bank approval and were not included in the procurement plan, were procured. The procurement risk rating was increased to Substantial. By December 2013, the PIU had addressed these issues and procurement risk was rated Moderate again.

## 2.5 Post-completion Operation/Next Phase

56. With the investments made under this project, institutional capacity was built within the MOLSPP to implement a modern SP system. While the Ministry of Finance has cut the budget for the MOLSPP because of a decrease in oil prices, the necessary operating budget for the implementation of the programs is in place. A follow-up lending operation has not been requested by the government. However, the Bank is providing TA on developing an employment strategy and on SSN strengthening through the following projects:

- **Support to the development of the employment strategy TA.** The objective of the proposed TA activity is to assist the GoA in developing a multisectoral employment strategy for Azerbaijan for the period 2016–2020. Based on a diagnostic of supply and demand factors that affect labor market outcomes, the strategy will propose policies and programs that reduce or remove the constraints that affect job creation, labor productivity growth, and access to jobs. The TA is intended as the continuation of the Bank contribution to the policy dialogue on labor market policies in the country following successful completion of the SPDP.
- **Support to SSN strengthening TA.** The development objective of the proposed TA activity is to assist the GoA to enhance the knowledge and capacity for strengthening (and modernizing) its SSN by making it more streamlined and more effective in alleviating poverty and inequality. The TA will use administrative and survey data collected under the SPDP to examine in depth the effectiveness of the existing system of social assistance in alleviating poverty, identify segments of the population that are insufficiently covered by it, identify areas where resources may be more effectively used, examine possible duplications and overlaps, and suggest appropriate remedies.

## 3. Assessment of Outcomes

### 3.1 Relevance of Objectives, Design and Implementation

*Overall Rating: Substantial*

57. The PDO was and remains highly relevant to Azerbaijan’s aim to improve the delivery of labor market and SP services. The project was well aligned with the strategic priorities of the government as defined in the 2005–2015 National Employment Strategy and further detailed through a National Action Plan for Employment adopted in 2007. The strategy identified several priorities including a reform of the labor market institutions and policies, strengthening of the NES, modernization of the vocational and training system, introduction of the lifelong learning, and improved SP of job seekers and unemployed citizens. Also, the strategy promoted youth employment and employment of women, disabled people, internally displaced persons, refugees, and other groups experiencing difficulties in joining the labor market. At the time of loan approval, this objective was consistent with the Country Partnership Framework (FY2007–2010) in which the third pillar sought to increase the quality of and access to social services. The PDO is also in line with the Bank’s current Country Partnership Framework’s (FY2016–2020) first focus area, which aims to improve access to services and efficiency of service delivery.

58. The project design did not take the political differences with regard to pension and disability reform into account. While most project activities, as designed, remained relevant during project implementation, activities related to the pension reform, the disability certification system, and the development of social service standards were cancelled during the first and second project restructuring. However, the project team constantly adapted the project to meet changing conditions and demands, and the restructuring of the project is evidence of this. The outcome of these restructuring efforts was obvious in the improved performance of the project toward the end of its life. From February 2014, the project moved from having remained year-on-year Moderately Unsatisfactory to remaining consistently Moderately Satisfactory and maintained this performance until completion. This was the direct result of the project team and government working to adapt the project to current conditions and needs.

59. Given the high performance in both relevance of objectives and implementation, and modest performance in design, the overall rating is High.

### **3.2 Achievement of Project Development Objectives**

*Rating: Substantial*

60. The development objective had two parts: (a) to improve the delivery of labor market interventions; and (b) to improve the delivery of social protection interventions. These objectives were accomplished through strengthening institutions and human resources capacity and improving the targeting of social safety net programs.

61. The majority of activities to strengthen institutions and human resources capacity helped improve delivery of both the labor market and SP interventions as they produced outputs used in both types of programs.

62. The project supported various IT-related activities for the purpose of improving the business processes within the MOLSPP and regional offices and produced a solid IT infrastructure. Instead of focusing on few complex and sophisticated products and services, the project addressed critical infrastructural needs, common services, and general capacity for any other improvements based on the use of IT. The new computerized network connects 14 departments in the ministry, State Labor Inspection Service, Social Welfare Service, State Employment Service (SES), State Medical-Social Expertise, Rehabilitation Service, more than 70 regional offices all over the country, and some other institutions and centers.

63. The project also financed the development of a unique ID system with an ID number for each citizen. The system allows the ministry to analyze employees by age, gender, education, labor conditions, and wages, and conduct regional comparisons. The system can also be used by employers for their own human resources purposes and by employees to obtain employment verification letters and so on. More than 2.3 million people are registered in the system. The system can be expanded to add more features in the future. As of June 2015, less than a year after the system was established, more than 40,000 people had accessed it. In addition, the following were implemented:

- A single, unified call center was established. Earlier, clients could not follow up or inquire by phone. Now, on average, 432 citizens call per day. The call center reduced waiting times of citizens who would show up in person and spend hours figuring out to whom they could talk. The waiting time for a call now is approximately eight minutes, as evidenced by observing the call center processes. The call center provides a more efficient way to obtain information through telephone. Solid assessment data is not available yet as the center has only been in place for a year but the positive impact is visible. The center was visited by the ICR team on several separate occasions.
- An online queuing management system was implemented for scheduling appointments, available through the e-government portal and the call center, improving the response to citizens' needs.
- A Citizen Reception Office was created, introducing a high level of transparency and efficiency into the social services administration system. Before this new system, there were high transaction costs because of a lack of a system and process in place and resulted in large crowds, often hundreds of dissatisfied clients, gathering in the lobby of the ministry without appointments or any guidance or information on whom to meet. Now an estimated 138 persons visit the Citizens Reception Office daily and are able to meet with case workers, and follow up and process their benefits through automated processes.

64. To obtain quality data, the project financed the implementation of the LFS in 2014 and the LSMS in 2008 and 2015 to increase the capacity within the MOLSPP for conducting surveys. These interventions have created synergies among various data sources and users and thus improved the capacity of the ministry to pursue more complex projects. They also laid the proper infrastructure for further implementation of information systems and introduced the culture of using data and business processes for decision making for both institutions and citizens, which is probably the most significant outcome of the IT interventions supported by the project. The social sector reached the level of capability that allows much more ambitious transformations based on the use of modern information technology. The MoLSPP's IT Department now has impressive human resources and other capacities that can manage and implement the most complex projects. The general attitude toward the use of IT in daily business processes has positively changed and staff are more open to pursuing new ideas for the use of IT for further improvement of social services for citizens.

### **Improved the Delivery of Labor Market Interventions: Substantial**

65. In addition to the above outputs, specific outputs to improve labor market interventions were delivered.

66. The project implemented a labor agreement system, which has been in place since July 2014 and has already registered 165,000 new labor contracts. In total, the system includes 2 million labor contracts and provides many different functions such as allowing the employer to register all employees, tracking employment history and salaries, providing information on each employer and employee by the Ministry of Justice, and detailing SP benefits for each employee. Also, the system enables employees to see all information on agreements, thus improving the transparency

of the employment. The system is integrated into the e-government portal and uses central e-government authentication through electronic signature.

67. The labor inspection system was improved by equipping inspectors with 215 tablets to support the input of information employees and to document informal sector employment. Also, the ministry provided ‘compact suitcases’ of mobile laboratories for on-site evaluations of conditions.

68. To improve or adapt the skills of the unemployed population, 43 new module training programs were developed. Also, three new module training centers are fully functional. Operations guidelines and manuals for a new menu of ALMPs were prepared and are in use. The project introduced and financed training for students by creating virtual apprenticeships in two universities in Baku for them to be able to gain practical and theoretical knowledge on how to run and manage business enterprises. Students earned credit toward their educational degrees by participating in the virtual enterprises program. These enterprises both simulating state and private enterprises facing day-to-day challenges in running of their businesses has been a successful experience and other Azerbaijan’s universities are considering making this part of their own university-budget-financed programs.

69. To improve qualification standards, approximately 245 occupational standards were adopted, 200 relevant training standards were prepared, and 63 qualification standards were developed. Also, the MOLSPP established a new labor resource function around the Occupational Standards Group to further develop occupational standards.

70. These outputs resulted in the following outcomes. The PDO indicators indicated that improved labor market interventions were achieved. There were no occupational standards in place before the SPDP intervention. The creation of 245 occupational standards and 200 training standards resulted in the standardization of standards and their adoption in the private and public sector firms. Surpassing the 70 percent target, 83 percent of users were satisfied with employment services. Also, 45 percent of job seekers, as reported by the LFS, were served by the NES, surpassing the target of 40 percent. This is a notable increase from the baseline of 25 percent, reflecting the improved ability to serve job seekers through the better systems, including through the introduction of virtual enterprises training at universities. The project created an opportunity for young people to gain experience that was not possible previously. The SPDP introduced and financed training for students by creating virtual apprenticeships in two universities in Baku for them to be able to gain practical and theoretical knowledge on how to run and manage business enterprises and to interact with people outside of Azerbaijan. Therefore, students had an opportunity to compete and interact with students participating in the program globally and gain exposure to the world beyond their country. Students earned credit toward their educational degrees by participating in the virtual enterprises program. These enterprises, simulating both state and private enterprises, have been a successful experience and other Azerbaijan universities are considering making this part of their own university-budget-financed programs. In addition, the number of participants in ALMPs who were provided jobs, including in the occupational field for which they were trained, was 62 percent of the registered unemployed in 2014. Data for the first half of 2015 showed that 49 percent of the total registered unemployed were provided jobs, which was already significantly higher than in 2008 when it was only 20 percent.



## **Improved the Delivery of SP Interventions: Substantial**

71. The social assistance administration system was improved as discussed above. The project invested heavily in computers, network and software, and the linkages with other databases/registries. By the end of the project, all social welfare offices were in the same network and used the same standard procedures and software for TSA application/verification/benefit payment.

72. SP interventions improved from these outputs by: (a) creating a transparent, easy, and quick access for clients to social services and the MOLSPP; (b) creating client satisfaction because their concerns were addressed in a quick and orderly manner; (c) smooth functioning of service delivery and reduction in the wait time for clients and the delivery time of services; and (d) tracking of client inquiries and needs. As a result, the government was better equipped to track and verify beneficiaries and respond to client concerns and grievances while clients were able to track and receive their benefits and to lodge their concerns with the ministry in a timely and responsive manner. An average of 432 clients call every day and 138 clients visit the citizen reception center every day. This automated recording of client inquiries also has allowed the MOLSPP to better track and follow up on concerns of individual clients.

73. The PDO indicators reflect that improved SP interventions were achieved. As mentioned above, 83 percent of users were satisfied with the social administration and employment services, surpassing its target of 70 percent. In addition, this standardization and associated upgrades had a positive impact on targeting. The coverage of the poor population by the TSA program (PDO indicator) was 17.6 percent in 2015 (AMSSW 2015). This is five percentage points higher compared to 12.4 percent estimated in 2008 (LSMS 2008), indicating improved coverage of the poor. The error of inclusion (people who are non-poor and receive TSA benefits) is low at 3.8 percent (AMSSW 2015). At 80 percent, the error of exclusion remains high because the program is small and thus coverage among the poor is very small. Only 4.9 percent of the entire population benefits from TSA. Thus, even if the program was perfectly well targeted, there would be a considerable error of exclusion, given that 9.1 percent of the population is pre-TSA poor.

### **3.3 Efficiency**

*Rating: Moderate*

74. The PAD did not contain a net present value/economic rate of return or cost effectiveness calculation.

75. The project achieved economic gains through the introduction of cost-effective processes for the administration of the labor market and safety net programs. Improving the targeting for social assistance programs has resulted in increased coverage of the poor population and thus more efficient use of public resources. In the long term, improving the work environment for workers by creating and enforcing standards in occupational safety will result in better health and performance of workers and a decreased spending on compensations for work-related injuries, diseases, and deaths, but it is too early to report on these results.

76. The project has also reduced the transaction costs for beneficiaries to obtain their social benefits by making the system more efficient. Based on anecdotal evidence from MOLSPP staff,

transaction costs because of informal payments for expediting benefits and application forms has been reduced. This is currently being further estimated based on the analysis of the new AMSSW 2015 dataset, but data was not available at the time of the ICR thus the ICR relies on anecdotal evidence.

77. While the project did not measure the cost effectiveness of delivering the program, other proxy measures of efficiency can be used as indicators of efficiency of implementation, such as turnover rate of task team leaders, cost overruns, operating costs, and time overruns.

78. The project had three different task team leaders and transitions between them were smooth. The project did not encounter any cost overruns and the loan was 100 percent disbursed. However, actual project management costs were 43 percent higher than planned at appraisal. This was understandably due to the delays in implementation and extensions which made it necessary to continue with the project management expenditures. The closing date of the project was extended twice, resulting in a 23-month extension. The start of project implementation was delayed by almost 10 months because of political changes. Throughout project implementation, the project experienced additional delays (see section 2.2 for more details). Despite the potential for significant economic gains through the implementation of project activities, factors such as higher project management costs and implementation delays indicate a modest efficiency in the use of the project's resources.

79. Given the lack of cost effectiveness data and the shortcomings in efficiency in the project delivery, efficiency is rated Moderate.

### **3.4 Justification of Overall Outcome Rating**

*Rating: Moderately Satisfactory*

80. The overall outcome rating is Moderately Satisfactory based on: (a) substantial overall relevance; (b) substantial achievement of objectives; and (c) modest efficiency. In five out of the seven years of implementation, the project rating was either Satisfactory (first 18 months) or Moderately Satisfactory. It was rated as Moderately Unsatisfactory in the fourth year of implementation for a period of 21 months, after which it remained Moderately Satisfactory until closing. The project's IDA funds were fully disbursed before project closing. Nevertheless a calculation of overall outcome rating was undertaken as prescribed by the ICR guidelines (July 22, 2014) to determine the PDO outcome ratings or if a PDO outcome indicator changes. The PDO did not change for the SPDP. However, a PDO outcome indicator related to the pension component was dropped. The calculation yielded a justification for an overall outcome rating of Moderately Satisfactory.

### **3.5 Overarching Themes, Other Outcomes and Impacts**

#### **(a) Poverty Impacts, Gender aspects, and Social Development**

81. Azerbaijan has been experiencing rapid economic growth and development since 2001 because of its well performing oil sector. However, this economic development has been mainly in and around the capital city of Baku. The project created the opportunity for the Bank and the

GoA to put into place the SP architecture necessary to increase the impact of the economic growth on a larger share of the population by improving the delivery of labor market and SP interventions.

**(b) Institutional Change/Strengthening**

82. The project contributed to strengthening institutions and enhancing institutional and human resource capacity in the SP sector. The project improved the performance of various functions as noted earlier, notably the MOLSPP's transparency, accountability, and its interaction with its clients and with other agencies in the country.

**(c) Other Unintended Outcomes and Impacts**

83. The project has equipped the MOLSPP with the capacity to function as a modern institution, capable of leading additional reforms within its ambit of SP, social assistance, employment, and labor market policy.

**4. Assessment of Risk to Development Outcome**

*Rating: Moderate*

84. The project financed the necessary inputs needed for the MOLSPP to function as a modern institution for the formulation and delivery of SP services. The government has adopted the SPDP interventions as legislations and procedures for delivering SP and employment services. Since the project did not set up parallel entities to implement the project, knowledge was transferred and capacity was built within the MOLSPP. This may have a positive impact on the sustainability of outcomes that were achieved through the project. While the Ministry of Finance cut the budget of the MOLSPP because of the decrease in oil prices, as of now, the MOLSPP still has the necessary budget to run its programs.

**5. Assessment of Bank and Borrower Performance**

**5.1 Bank Performance**

**(a) Bank Performance in Ensuring Quality at Entry**

*Rating: Moderately Satisfactory*

85. The project was well aligned with the strategic priorities of the government as defined in the 2005 National Employment Strategy, which were further detailed through a National Action Plan adopted in 2007. The reform of labor market institutions, policies, and programs was seen as the most immediate challenge and critical for supporting the country's competitiveness and employment agenda. Another challenge was the reform and development of the pension system and SSN, including TSA and social work and care services.

86. The Bank team included experts who had in-depth knowledge of the sector and the region. The team was well respected by the borrower. However, consultation efforts during project preparation were not completely successful and while the Ministry of Finance requested the addition of the pension component at the last minute, the head of the pension fund and the new

minister of the MOLSP were not in agreement. This resulted in lack of ownership and eventual cancellation of the component. The Bank team conducted a risk assessment; however, identified mitigation efforts were inadequate, which led to implementation delays.

**(b) Quality of Supervision**

*Rating: Satisfactory*

87. The Bank team was knowledgeable and provided sound advice during regular supervision missions. Also, the Bank team provided implementation support to the counterpart on a regular and basis with frequent communication. The midterm review was conducted on time and provided useful suggestions on how to improve progress toward the achievement of the project's objectives. The project was successfully restructured three times to reflect changing circumstances. The Bank team identified procurement issues during a post-review mission and advised the PIU on how to address them.

**(c) Justification of Rating for Overall Bank Performance**

*Rating: Moderately Satisfactory*

88. There were moderate shortcomings in the Bank's performance in ensuring quality at entry, resulting in a Moderately Satisfactory rating for the overall Bank performance.

**5.2 Borrower Performance**

**(a) Government Performance**

*Rating: Moderately Satisfactory*

89. The government had several views on which components to include in the project. While the Ministry of Finance insisted on adding the pension component, the head of pension fund and the MoSLPP were not on board, resulting in a lack of ownership and the cancellation of the component. The project start-up was delayed because of political changes at the ministerial level. Throughout project implementation, the government followed a different timeline than the one that was defined during project preparation and stated in the PAD. With the appointment of a new minister for the MOLSP and a new executive director for the PIU in late 2013, the pace of implementation performance picked up substantially and enabled several achievements to materialize during the last 18 months of project implementation. At the end of 2014, the government started to allocate its own resources to ensure the timely implementation of project activities.

**(b) Implementing Agency or Agencies Performance**

*Rating: Moderately Satisfactory*

90. The PIU staff were highly qualified and experienced in Bank projects, and highly committed to the implementation of the project during project preparation. However, the change of minister just before project effectiveness had a negative impact on the PIU's commitment. The

PIU performed its financial management role satisfactorily throughout project implementation. Some procurement issues were identified during a post-review mission (see section 2.4 for more details) which led to an upgrade of the procurement risk to Substantial. However, the PIU addressed these issues within seven months and the Bank downgraded the procurement risk to Moderate again.

### (c) **Justification of Rating for Overall Borrower Performance**

91. The overall borrower performance is rated Moderately Satisfactory because of some moderate shortcomings in the performance of the government and the PIU which led to implementation delays.

## **6. Lessons Learned**

92. **Investments in an effective SP and labor market system in tandem with other investments is critical for mineral wealth resource-rich countries.** While it is difficult to maintain focus on a downturn when a country is experiencing windfall profits because of natural resource wealth and commodity prices, it is critical to build an SP platform that will allow for an effective safety net coverage during prosperous as well as lean times.

93. **The existing capacity and commitment of the borrower is paramount to the pace of reform and success in implementation of project interventions.** A set of approaches and sequencing of interventions, which may have been appropriate in one country in the same region, may not be appropriate in another even though there is shared history and the same types of institutional systems. The period in which the SPDP was prepared saw a number of SP development projects across the Former Soviet Union supported by the Bank with similar designs. However, the key difference in each case with regard to results and pace of implementation was the capacity and commitment of the borrower.

94. **Institutional development and reform takes time and the path to change can be, and often is, circuitous.** The key is to acknowledge this and to remain engaged in the effort. Oftentimes, that engagement requires access to high-level policymakers. The Bank's financing under the SPDP provided that access and leverage for policy. The project was designed with four components and after two extensions and two restructurings closed in August 2015 after eight years of implementation with three components..

95. **Engagement in policy dialogue can be as important as disbursements.** The SPDP Bank team was able to remain engaged with the government on important SP policy, for pensions and disabilities dialogue even though the financing of the pension component and sub-activities for disabilities and social services were canceled. The Bank's financing provided an entry point for a long engagement and ongoing dialogue which resulted in the GoA financing implementation through its own resources.

96. **Without the will and commitment of the borrower for a particular reform, it is unlikely that implementation will occur.** Regardless of the level of resources and focus committed to pushing the agenda forward by the Bank, change is unlikely to occur without the

borrower's buy-in. The Bank spent several years trying to move the pension component forward even though there was no will on the part of the government to do so.

97. **Cancellations and restructuring are part of implementation and reflect a flexible design.** During implementation, changes in project design are normal and can lead to better outcome and ownership if the design of the project is based on a relationship between the Bank and the borrower of mutual trust and the Bank's role is treated as one of being an advisor as well as a financier.

98. **Information technology infrastructure can effectively address transaction costs, leakage, and governance issues.** The usage of IT in creating transparency, accountability and efficiency cannot be overstated. The SPDP's investments in IT for tracking, monitoring and responding to clients has laid the ground for modernizing the social protection systems.

99. **Development results take time. Most of the results under the SPDP came to fruition between late 2013 and 2015.** This was a result of a gestation period for the interventions, a transfer of knowledge on issues, as well as changes in both the Bank and the MOLSPP team.

## **7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners**

### **(a) Borrower/implementing agencies**

100. The MOLSPP thanked the Bank team for the wholehearted support, partnership, and professionalism, which was responsive to the GoA's needs and was focused on the art of the doable. The borrower considered the Bank's role as being a development partner focused on assisting the MOLSPP access global expertise for its goals and achieve positive outcomes. The borrower views the Bank as having been highly responsive during project implementation. Benefits of this project are of great importance to the citizens of Azerbaijan in developing a modern and transparent SP system. Further details on the borrower/ implementing agencies are available in Annex 5

## Annex 1. Project Costs and Financing

### (a) Project Cost by Component (in US\$, millions equivalent)

Components	Appraisal Estimate (US\$ millions)	Actual/Latest Estimate (US\$ millions)	Percentage of Appraisal
1. Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Services	17.30	21.80	126
2. Social Safety Net System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge-based Policies and Programs Formulation and Efficient and Effective Implementation	13.40	15.32	114
3. Technical Assistance for the Pension System and Policy Development	12.30	0.35	3
4. Project Management	2.10	2.82	134
<b>Total Baseline Cost</b>	45.10	40.29	89
Physical Contingencies	2.90	2.40	83
Price Contingencies	6.60	0.00	0
<b>Total Project Costs</b>	54.60	42.69	78
Front-end fee Project Preparation Fund	29.10	23.64	81
Front-end fee IBRD	25.50	19.05	75
<b>Total Financing Required</b>	54.60	42.69	78

### (b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (US\$ millions)	Actual/Latest Estimate (US\$ millions)	Percentage of Appraisal
Borrower	–	22.90	23.60	104
IDA	–	25.00	19.05	75

## Annex 2. Outputs by Component

**Table 2.1. Measured Outcome Indicators**

<b>Project Outcome Indicators</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>Actual Estimate (2015)</b>	<b>End Target</b>	<b>Frequency</b>	<b>Responsibility for Data Collection</b>
Improved user satisfaction	Percentage	Low	83%	70%	Year 5 of project implementation	MOLSPP and affiliated agencies
The coverage of the very poor population by the TSA program	Percentage	50%–66%	17.6%	70%	Years 1, 3, and 5 of project implementation	MOLSPP
Participants in ALMPs who are provided jobs, including in the occupational field for which they are trained	Percentage	20%	49%	33%	Quarterly	MOLSPP, NES, State Statistical Department
Job seekers, as reported by the LFS, served by the NES	Percentage	25%	45%	40%	Quarterly	MOLSPP, NES, State Statistical Department
<b>Component 1: Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Service</b>						
<b>IOI 1.</b> Developed new labor market record keeping and upgraded interactive call center	Text	Partial electronic labor market record keeping within the MOLSPP; outdated call center	Completed	New electronic labor market record keeping developed and data sharing established; interactive call center upgrade completed	Annual	MOLSPP, IT Department
<b>IOI 19.</b> Labor Code amended	Text	Not applicable	Completed	Labor Code amended	Information from Official Gazette	MOLSPP



<b>Project Outcome Indicators</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>Actual Estimate (2015)</b>	<b>End Target</b>	<b>Frequency</b>	<b>Responsibility for Data Collection</b>
<b>IOI 18.</b> Central and three regional occupational safety laboratories modernized and fully functional and two reports on work and occupational safety published	Text	Labs in very poor conditions; barely operational	New central laboratory never established; building never constructed; the issue of premises remain unresolved; equipment modernized and occupational safety function performed, labs in better conditions but not as envisaged under the project; one report published	The issue of premises remains unresolved; equipment modernized and occupational safety function performed, labs in better conditions but not as envisaged under the project; one report published	Annual	MOLSPP, Labor Inspectorate (LI)
<b>IOI 17.</b> 200 occupational standards, based on ISCO-88/ISCO-08, and 100 training standards developed and in use	Text	Outdated standards; modern standards - 0%	Completed and exceeded target; a total of 438 standards were developed.	100% achieved. 275 occupational standards. 100 relevant training standards. 63 qualification standards. Total of 438 standards.	Annual	MOLSPP
<b>IOI 16.</b> Labor market information system in place and two reports on labor market situation and trends published	Text	Accuracy, reliability and comprehensiveness poor	Ninety percent completed. A model Performance Information and Management System (PIMS) that will allow the NES to assess key program cost effectiveness and to inform resource allocation decisions was developed: (a) key indicators defined; (b) methodology for conducting monitoring on assessment of current status in the labor market elaborated; (c) a follow-up	The MOLSPP publishes a comprehensive statistical and analytical report on labor market situation and developments	Annual	MOLSPP , NES, LI, and other LM institutions and agencies

Project Outcome Indicators	Unit of Measure	Baseline	Actual Estimate (2015)	End Target	Frequency	Responsibility for Data Collection
			<p>survey questionnaire developed to determine the (gross) placement rate of program participants;</p> <p>(d) a standard PIMS bulletin software (a set of tables presenting key indicators) to provide semiannual and annual reports on program performance and outcomes designed. Trainings and workshops were conducted for the SES staff on PIMS (including training materials). The model was tested in two local employment centers, necessary adjustments were made, and assistance was provide to the SES for the implementation of the system. The SES was provided with information as needed for evaluation of different labor market programs. One report on Azerbaijan’s labor market has been shared with the Bank. The data is being collected on a monthly basis but no reports have been produced yet.</p>			
<b>IOI 15.</b> Automated, up-to-date information on nationwide vacancies	Text	Partial, not automated	Completed (more than 75 percent of new jobs	75 percent of new jobs advertised through the NES.	Annual	MOLSPP, NES

<b>Project Outcome Indicators</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>Actual Estimate (2015)</b>	<b>End Target</b>	<b>Frequency</b>	<b>Responsibility for Data Collection</b>
available in all local NES offices			advertised through the NES)			
<b>IOI 14.</b> Operations guidelines and manuals for a new menu of ALMPs prepared and in use	Text	None	Operations guidelines and manuals for a range of new or improved ALMPs prepared and in use	Operations guidelines and manuals in use	Annual	MOLSPP, NES
<b>IOI 13.</b> Thirty new module training programs developed and in use, and three new module training centers fully functional	Text	Insufficient to meet demand; the number of modules limited	Forty-three modular training programs (out of the 30 planned) developed and in use; new training centers functional (training being provided). One hundred percent modular programs developed; training takes place accordingly.	Career counseling activities designed and implemented; relevant legislation revised; career guidance services provided and evaluation reports prepared on an ad hoc basis.	Annual	MOLSPP, NES
<b>IOI 12.</b> Central and regional career counseling centers operational	Text	None	Completed	Career counseling activities implemented; report issued; evaluation report issued	Annual	
<b>Component 2: Social Safety Net System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge-based Policies and Programs Formulation and Efficient and Effective Implementation</b>						
<b>IOI 11.</b> Computerized record keeping in the MOLSPP and its affiliated agencies offices	Text	Except for the TSA, automation only partial and only in some parts of the system	In progress	Implementation on schedule/MIS completed as planned	Annual	MOLSPP
<b>IOI 10.</b> The MIS generates intended reports on programs, participants, and flow of funds and feeds into M&E activities	Text	Not in place	Many activities have been successfully completed including the delivery of hardware and office equipment to the MOLSPP and its offices, development of the	MIS generates intended reports	Annual	MOLSPP

<b>Project Outcome Indicators</b>	<b>Unit of Measure</b>	<b>Baseline</b>	<b>Actual Estimate (2015)</b>	<b>End Target</b>	<b>Frequency</b>	<b>Responsibility for Data Collection</b>
			ministry's interactive website, introduction of video-conferencing facilities and corporate video call systems, delivery of office furniture to the MOLSPP offices countrywide, provision of training and advisory services related to improvement of the MOLSPP business processes, as well as development of guidelines for M&E of SP programs. A detailed account of direct project outputs has been recorded in previous aide memoires.			
<b>IOI 9.</b> Information and Communications Technology (ICT) Department fully capable of providing administrative and technical support and maintain MIS	Text	Weak	Completed	ICT Department fully functional	Annual	MOLSPP
<b>IOI 8.</b> Targeting mechanism and implementation procedures adjusted after each round of monitoring survey	Text	Legislation on TSA was adjusted after 2008 survey	Postponed	Adjustments take place based on 2011 monitoring survey	Annual	MOLSPP

### **Annex 3. Economic and Financial Analysis** *(including assumptions in the analysis)*

#### *Rationale for the Project*

In 2007, at the time of project preparation, Azerbaijan was experiencing an oil revenue bonanza. The GoA recognized that it had an opportunity to invest in the economy, for growth as well as in equity, through institutions and mechanisms for the welfare of current and future generations. The GoA identified these opportunities as those which will improve economic and social gains and savings for citizens and government through lowering of transaction costs for timely information and accessing benefits, better targeting of benefits, effective job training, placement and search, and the analysis of labor markets. Broadly, these opportunities were to be realized through the development of a systematic approach to the analysis, planning and administration of labor markets, employment, and SP. The GoA recognized that the labor market, despite the highly profitable oil sector, mainly consisted of low productivity, low skill and low mobility jobs. There was a need on the one hand for improving the quality of the labor force, and on the other hand for establishing a modern SP system to be able to effectively and efficiently address vulnerability in the income and life cycle of citizens.

Two of the government's SP reform priorities were addressed by the SPDP during implementation. The first was labor market institutions, policies and programs, and the labor market reform, which was needed to support the country's competitiveness, employment, and quality of labor force agenda. The second priority was the development of capacity for ensuring efficient implementation of the SP programs and its transparent administration.

#### *Project Components and Project Outcomes*

The implementation of the SPDP was through the following three out of four components (Component 3 for Pensions was canceled while a subcomponent on Disabilities was also canceled for financing under the project):

- **Component 1:** Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Services
- **Component 2:** Social Safety Net System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge-based Policies and Programs Formulation and Efficient and Effective Implementation
- **Component 4:** Project Management

Each of these project components has had a direct influence on improving economic gains (see Table 3.1).

**Table 3.1. Relationship between Project Objectives, Components, Outputs and Outcomes on Economic Gains**

<b>PDO</b>	<b>Components</b>	<b>Outputs</b>	<b>Economic Gains: Cost-effective Processes for the Administration of the Labor Market and Safety Net Programs</b>
Improvements in the delivery of safety net programs	Component 2 indirect effect on furthering the agenda on disabilities and pensions	<ul style="list-style-type: none"> <li>• Improved, computerized, and integrated social assistance administration system</li> <li>• Citizens call center</li> <li>• Citizens reception offices</li> <li>• Line queue management system</li> <li>• The social assistance administration MIS</li> <li>• Internal telecommunication system</li> </ul>	<ul style="list-style-type: none"> <li>• Lower transaction costs for citizens and the government, savings in time and resources</li> <li>• Reduction in informal payments for applications and benefits</li> <li>• Paperless system</li> <li>• Transparency, accountability, ease of doing business for citizens in accessing and applying for their social benefits and information</li> <li>• Improved targeting and better coverage of the vulnerable by the MOLSP social assistance program</li> <li>• Client satisfaction of the beneficiaries of the SSN programs</li> <li>• Improved targeting resulted in decreased errors of inclusion and exclusion, resulting in efficient use of public resources allocated to the program</li> <li>• Savings achieved through savings in time, leakage, duplication of work, and cutting down on paper and bureaucracy</li> <li>• One-stop shop</li> <li>• Nontransparent system, and high cost of rent-seeking behavior</li> <li>• Change of behavior—making social workers accountable</li> </ul>
Improvements in the delivery of labor market programs	Component 1 indirect influence; Components 2 and 3 and disabilities.	<ul style="list-style-type: none"> <li>• Electronic registration system of contracts</li> <li>• Unique ID system</li> <li>• Systematic household-level surveys</li> <li>• Labor agreements information system</li> <li>• Labor inspections system</li> <li>• Statistics and analytics system</li> <li>• Overall capacity of ministry for work and analysis enhanced</li> <li>• Connectivity</li> <li>• Enabling environment for transformation; improved the capacity, culture of data usage</li> <li>• Virtual enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Improved the business processes within the ministry and regional offices</li> <li>• Updated data and analysis based policy formulation</li> <li>• Number of job seekers served by the NES</li> <li>• Number of unemployed finding placement in jobs of participants through the ALMPs</li> <li>• Degree of users' satisfaction with labor market services</li> <li>• Savings achieved. Informality of labor market—unhealthy and insecure working conditions,</li> </ul>

PDO	Components	Outputs	<b>Economic Gains: Cost-effective Processes for the Administration of the Labor Market and Safety Net Programs</b>
		<ul style="list-style-type: none"> <li>• Pilot employment center in Ismailiya for ALMPs</li> <li>• Employment and career counseling and training centers</li> <li>• Model training programs</li> <li>• Professional occupational standards</li> <li>• Labor legislation</li> <li>• Civil society participation</li> </ul>	<ul style="list-style-type: none"> <li>erosion of collective bargaining, tax evasion, illegal workers</li> <li>• Right-fitting labor force with updated skills for 21st century market economy</li> <li>• Savings in unemployment benefits, by right-fitting education and training for workforce</li> </ul>

*Economic and Social Impact*

The SPDP’s immediate and most important economic benefits are based on the introduction of cost-effective processes for the administration of the labor market and safety net programs implemented by the MOLSP and its affiliated agencies, including the NES; Ministries of Agriculture, Interior, and Education; and the LI. Even though both the subcomponent on disabilities and the pension component were canceled, there were indirect influences on the GoA’s thinking in these areas, which were influenced by the Bank’s engagement through the SPDP. Not insignificant is the fact that the director for the pension fund was appointed the minister of the MOLSP in 2014 and shortly after his appointment, the SPDP achieved significant project objectives. These achievements have laid the foundation for achieving results in the long run in SP for better inclusion into social and economic life of various vulnerable groups contributing to both individuals and the welfare of the society through increased labor force participation, decreased social cost, and increased efficacy of social spending.

In the case of the TSA program, improved targeting has resulted in decreased errors of inclusion and exclusion and thus more efficient use of public resources allocated to the program.

The activities financed by the SPDP for improving labor markets have had both economic and social outcomes. On the economic front, the link between human capital investment and productivity is understood and the need for raising the skills of the Azerbaijan workforce to match the needs of an increasing technological jobs market is recognized. The GoA recognizes that investments in occupational standards and worker training, particularly for skilled workers, are key to improving productivity and efficiency levels. The MOLSP recognizes and has agreement with the Ministry of Education that national occupational standards, when considered in the curricula, can assist in improving the quality of the workforce and broadening the opportunities available for employment.

In the long term, the SPDP’s labor market component contributes to economic and social benefits by improving the work environment for workers by creating and enforcing (through a capable LI) standards in occupational safety, thus leading to better health of workers, their improved performance at work, and decreased spending on compensations for work-related injuries, diseases, and deaths. Amendments to the labor legislation and enhancement of relevant institutions will contribute to more efficient allocation of labor. Through strengthening of employment

services and introduction of career counseling services, as well as programs to support young people in entering the labor market such as the virtual enterprises training program, the project is expected to address the weaknesses of the current employment services. Development of new occupational classifications and occupational and training standards (300 in 2014) are expected to improve labor force mobility, recruitment efficiency, and vocational education and training programs. These occupational and related training standards and assessments are an essential link between workplace employment requirements and human capital development (that is, education and training programs) that affect individual citizens throughout their life span. Occupational standards can make a major contribution to the design of quality education and training programs by ensuring that they are directly linked to the needs of the workplace and overall economy.

One of the basic constraints that Azerbaijan faced in labor markets was the lack of labor mobility because of the lack of modern occupational standards and certification that reflect employers' needs. The list of employment specifications was based on the Soviet occupational classification system. Occupational and training standards did not reflect the realities of the current labor market, resulting in a high share of graduates without jobs of vocational education and training establishments. This is expected to change over the next five to ten years as occupational and training standards go through a regular updating and renewal based on the national classification of occupations, according to ISCO-88/ISCO-08, and new occupational and training standards, which are now in place and is of critical importance for the development of modern labor markets.

The SPDP has reduced the transaction costs for the elderly and other beneficiaries to follow up on their social benefits. There was no organized complaint system or appointment system and a difficult and dense bureaucracy without any way to map focal points for each issue and problem faced by individual clients. Near-riot situations erupted because of outraged and frustrated clients at the ministry's doorsteps. In addition, transaction costs because of informal payments for expediting benefits and application forms have been reduced and are on the way to being eliminated as the system becomes fully integrated and automated.

Significant improvement was achieved through time savings such as reducing leakage and duplication of work, as well as cutting down on paper usage and bureaucracy.

**One-stop shop.** These include informality of labor market—unhealthy and insecure working conditions, erosion of collective bargaining, tax evasion, and illegal workers.

**Right-fitting labor force with updated skills for 21st century market economy.** Savings in unemployment benefits are realized through the right fitting of education for training a modern work force. Absence of a unified registry system created an opportunity cost for citizens and did not provide the necessary prerequisite to be able to allow the GoA to share the natural resource dividend through a universal dividend transfer. A nontransparent system meant high costs of rent-seeking behavior. The changes in behavior encouraged transparency and accountability for social workers.



## Annex 4. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team Members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Elvira Anadolu	Senior Health Specialist	ECSH1	Social and Health Benefits
Gordon Betcherman	Consultant	MNSHD	Labor Markets and Pensions
Vesna Bosnjak	Consultant	SASDU	Social Protection
Gonul Degirmendereli	Consultant	ECSHD	Social Protection
Lire Ersado	Senior Economist	MNSSP	Social Protection Systems
Junko Funahashi	Senior Counsel	LEGEN	Legal
Tamar Gotsadze	Health Specialist	ECSHD	Safety Nets Health benefits
Arvo Kuddo	Senior Labor Economist	HDNSP	Labor Markets, Employment services
Carmen F. Laurente	Senior Program Assistant	ECSHD	Administrative Support
Karina Mostipan	Senior Procurement Specialist	ECSO2	Procurement
Ida N. Muhoho	Senior Financial Management Specialist	ECSO3	Financial Management
Aleksandra Posarac	Lead Human Development Economist	HDNSP	Team Leader, Pensions, Disabilities, Safety Nets, Systems.
Hjalte S. A. Sederlof	Consultant	IEGPS	Social Protection
Elena Zotova	Senior Technical Specialist	ECSHD	Social Protection
<b>Supervision/ICR</b>			
Marina Petrovic	Social Protection Specialist	ECSHD	Task Team Leader
Penelope Williams	Senior. Social Protection Specialist	ECSHD	Operations Quality
Aleksandra Posarac	Lead Human Development Economist	ECSHD	Disabilities, Pensions
Elvira Anadolu	Senior Health Specialist	ECSH1	Safety Nets Benefits
Sujani Eli	Program Assistant	ECSHD	Administrative Support
Lire Ersado	Senior Economist	MNSSP	Social Protection
Yagut Iltifat Ertenlice	Procurement Assistant	ECCAZ	Procurement
Sabina V. Jafarova	Program Assistant	ECCAZ	Administrative Support
Hannah M. Koilpillai	Senior Finance Officer	CTRFC	Disbursements
Arvo Kuddo	Senior Labor Economist	HDNSP	Labor Markets/Employment services
Carmen F. Laurente	Senior Program Assistant	ECSHD	Administrative Support
Karina Mostipan	Senior Procurement Specialist	ECSO2	Procurement
Imelda Mueller	Operations Analyst	ECSH2	Operations Portal
Ida N. Muhoho	Senior Financial Management Special	ECSO3	Fiduciary
Ghada Youness	Senior Counsel	LEGEM	Legal
Zlatan Sabic	ETC IT	GHNDR	Information Technology
Maniza Naqvi	Senior Social Protection Specialist	GSPDR	ICR Lead
Katharina Ferl	Consultant	GSPDR	ICR
Anna Goodman	Program Assistant	GSPDR	Administrative Support

**(b) Staff Time and Cost**

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	US\$ thousands (including travel and consultant costs)
<b>Lending</b>		
FY07	3.45	21.19
FY08	35.43	208.90
<b>Total:</b>	<b>38.88</b>	<b>230.09</b>
<b>Supervision/ICR</b>		
FY09	15.92	82.51
FY10	35.60	182.18
FY11	31.87	156.49
FY12	33.21	149.60
FY13	29.35	124.49
FY14	38.51	168.68
FY15	38.55	193.44
FY16	18.29	105.68
<b>Total:</b>	<b>241.30</b>	<b>1,163.07</b>

## Annex 5. Summary of Borrower's ICR

### SOCIAL PROTECTION DEVELOPMENT PROJECT

#### SUMMARY

The SPDP came into effect on March 17, 2009 by the virtue of the Credit Agreement 4418AZ, signed between the Government of the Republic of Azerbaijan and IDA on November 28, 2008.

The project goal is to improve the level of labor market and social welfare services through strengthening of the MOLSPP's activity, enhancing institutional and human resources capacity, and improvement of SSN programs directivity.

Though labor market institutions enabling more effective use of labor resources, development of policy, programs and qualitative labor resource base complying with the requirements of modern economy, as well as development of modern social welfare programs, serving for minimization of the risks for individuals and their family members during the labor market transfer period, the SPDP renders support to continuous and balanced development of non-oil sector.

#### *Project Objectives and Components*

The PDO is to improve significantly the effectiveness and transparency in the provision of public social protection to eligible beneficiaries.

The project consists of the following three components:

- **Component 1.** Strengthening and Development of Labor Market Institutions, Policies and Programs and Renewal of the National Employment Services;
- **Component 2.** SSN System and Policy Development and Institutional Strengthening and Capacity Building for Knowledge- Based Policies And Programs Formulation And Efficient And Effective Implementation
- **Component 4.** Project Management

The total budget of the project is US\$4,234,000.00 of which 41 percent (US\$18,700,000) is financed by the Government of the Republic of Azerbaijan and 59 percent (23,640,000.00) by the World Bank.

#### *The State Labor Inspectorate Service Capacity Building* (Period of Performance: July 2010–July 2013)

‘The State Labor Inspectorate Service (SLIS) capacity building’ project has been implemented with the aim to reduce occupational accidents and diseases, improve labor conditions, contribute to the role of the SLIS through public awareness, and involve social partners (employers’ associations and trade unions) in prevention of accidents at work. ‘The SLIS capacity building’ project has covered the following fields:

- Development of health and safety legislation and standards
- Creating of proper conditions for engaging a social dialogue
- Developing an integrated and preventive method to build capacity of the SLIS
- Propaganda of health care and labor safety rules at workplaces and raising of public awareness

Within the three-year project, a range of activities aimed to increase capacity of the SLIS had been carried out through assistance rendered by foreign experts and support by high ranking officials of the SLIS. For achievement of the aforesaid goals, special mobile laboratory vehicles, portable multifunctional laboratory and measuring instruments have been purchased under the contract No. 2-B 1.1.2-G/2, dated February 15, 2012 through the SPDP, realized jointly by the Government of the Republic of Azerbaijan and the Bank. The purchased special mobile laboratory vehicles and different mobile measurement instrumentation and support devices, including Multi-meter KIMO AMI 300 SD, KIMO LX 100, 3M Quest Technology Sound Examiner SE-401, Bosh PLR-50 and empty briefcase for using in compliance with “the activity plan on development of activity of central and regional laboratories of the State Labor Inspectorate Service” have been distributed among 14 regional centers of the SLIS. On December 17–19, 2014, trainings to the officers who are in charge to work with this equipment were delivered.

The laboratory workers of the MOLSPP and officers of the SLIS have been consulted for using and exploitation of the newly purchased equipment. At present, the purchased equipments are being successfully used by the officers of the SLIS during their daily activity.

#### *Development of Improved Occupational Standards under ISCO88/08 and Relevant Training Standards*

Considering that in modern time economic progress and sustainable development based on human resources improvement constitute the basis of social and economic development policy of the GoA this issue has been stressed in the Development concept “Azerbaijan – 2020: the vision of the future” and other political documents. In compliance with this advanced approach the policy pursuing improvement of labor resources quality in the country and thereupon increase of employment opportunities of population is a top priority task.

In view of the aforesaid issues, one of directions of social reforms carried out in Azerbaijan at present moment is development and application of occupational standards as a tool for improvement of labor resources quality and labor productivity. According to the world practice, application of occupation standards, besides its social importance, also has particular financial and economic value. In the same time, application of occupational standards has social, economic, and financial impact in company and country level.

Occupational standards serve as a basis for conducting occupational monitoring in a labor market, confirming of formal/academic education to the requirements of a labor market, meeting the needs of a labor market through vocational training, advanced training and retraining, recognition of knowledge and skills obtained through non-formal educative means, organization of a carrier guidance for youth and improvement of labor force skills in compliance with the needs of a labor market. All the aforesaid is accompanied with the growth of labor productivity, improvement of economic competitiveness, increase of salaries, taxes and GDP.

Period of performance of 'ICSO 88/08 improved occupational standards and appropriate training standard development' task will be ended in August of 2015. The purpose of this activity is to increase mobility of labor force, rationality of recruitment and significance of training programs by development of occupational skills certificates. The procedures for development, conforming and assessments of occupational standards have been prepared. Report 'on review of occupational description and preparation of recommendations on occupational classification' has been produced, as well as the procedures for alignment/updating of ISCO to Azerbaijani conditions have been done. Certification (accreditation) procedures for Occupational Assessment Centers have been developed.

The following state and private enterprises have been involved in development of the occupational standards: Azerfon LLC, Azerbaijan State Railroads Closed Joint Stock Company, Auto Azerbaijan company, Azerigaz Production Association, the State Land and Cartography Committee, Sanayetehchizat Scientific Production Association, the State Agency on Procurement, Azerbaijan Social Work public union, Azerenerji OJSC, Baku Electrical Network OJSC, Seaside National Garden company, Azersun Holding, Akkord Industrial Building Investment Corporation OJSC, the Ministry of Economy and Industry of the Republic of Azerbaijan, the State Statistics Committee of the Republic of Azerbaijan, "Agrolising" OJSC, Baku Zoological Park, the State Veterinary Control Service under the Ministry of Agriculture of the Republic of Azerbaijan, the International Bank of Azerbaijan, Azerbaijan Trade Unions Confederation, the State Agency on Standardization, Metrology and Patent of the Republic of Azerbaijan, the National Confederation of Entrepreneurs (Employers) Organizations of the Republic of Azerbaijan, "Azerinshaatservice" LLC, the SOCAR, the Information Calculation Centre under the Ministry of Communication and High Technologies of the Republic of Azerbaijan, Azertelecom LLC, the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan, "Clean City" OJSC, the Ecological Department of the SOCAR, "Azersu" OJSC, the Ministry of Emergency Situation of the Republic of Azerbaijan, the Azerbaijan Tourism Association, the Azerbaijan State Academic National Drama Theatre, the Heydar Aliyev Palace, the Baku State Circus, "Sumgait Azerboru" OJSC, the Republican Hygienic and Epidemiological Centre, "ASAN Service" Centre, "Azerpost" LLC, "AzerTac", the Azerbaijan State Telegraph Agency, the National Azerbaijan Historical Museum, the Azerbaijan National Art Museum, the Shirvanshah Palace Complex, the Azerbaijan Independence Museum, the Azerbaijan State Museum of Musical Culture, the Museum of Archeology and Ethnography, Azerbaijan State Academy of Arts, the State Museum of Azerbaijan Carpet and Folk Applied Arts, Union of Azerbaijani Artists, Azerbaijan Television and Radio Programs CJSC, the Azerbaijan State Puppet Theatre, Azerbaijan National Library, the Central Scientific Library of the Azerbaijan National Science Academy, Republican Children Library, Republican Youth Library, Public Library named after A.P. Chekhov, the Presidential Library under the Administrative Department of the President of the Republic of Azerbaijan, Baku Seaside Boulevard Office, "Baku Sewing House" OJSC, the State Committee for Securities, Intellectual Transport Management System, and so on.

With regard to application of occupational and skills/ training standards the proposals on making amendments and modifications to the Labor Code and Law on Employments of the Republic of Azerbaijan have been drafted. Within the project the planned 200 occupational standards package have been developed basing on the world practice and brought into line with the local conditions by using experience and consultation of the experts representing business and occupational associations, companies, enterprises, institutions and different social stakeholders.

The booklets (brochures) have been published and the standards placed on the newly created web site ([www.dios.az](http://www.dios.az)) for increasing public awareness on occupational standards. Additionally, against 100 training standards foreseen by the project 200 training standards and 53 qualification standards have been developed.

After changes in the structure of the MOLSP of the Republic of Azerbaijan, the working group was reorganized repeatedly in 2014 and continued its activity on development of the new standards. The following results were achieved during July 2014–May 2015:

- Public awareness strategy on the developed occupational standards has been prepared and works on division them into appropriate method continued.
- Priority occupations and priority economic fields (75 occupations over seven sectors) for preparation of occupational standards have been selected and determined.
- Occupational standards for selected 75 occupational profiles have been drafted.
- At present, the drafts of selected 75 occupational profiles have been being adjusted to the local conditions by using experience and enjoying technical consultations of the specialists representing private sector, occupational associations and social partners.
- The selection process of the next 75 occupational profiles has been finalized.

The occupational standards developed up-to-date have been being actively used by the state and private institutions. The prepared standards serving as a guide at state and private enterprises are regulating labor relations between employers and employees. According to the International Labor Organization there are 6000 priority occupations in the world. As per opinion of the Bank's expert on Labor Market issues 800–850 standards are able to cover 95 percent of Azerbaijan economy. Totally 275 occupational standards will be developed by August of 2015. Therefore, to cover the economy of Azerbaijan fully development of another 575 occupational standards are needed.

#### *Development of Qualification Standards and Training Materials* (Period of Performance: July 2013–July 2014)

Qualification standard is a directing document for affirming and certification of skills. At the same time, qualification standards form national qualification frame (system) for a country. Qualification standards determine the skills required from employees for competitive participation in a labor market and certify the methods enabling to achieve the most optimal way. At present, the system recognizing skills gained by formal or non-formal way does not exist in Azerbaijan. The purpose of qualification standards in long-term period is to increase competitiveness and productivity of human resources in an internal, regional and international labor market. Hence, these standards will serve for improvement the position of Azerbaijan in an international labor division and increase country's an economic force. The task for application of qualification standards is to help establishment of educational and educative process in compliance with the needs and requirements of a labor market. Thus qualification standards form the basis for development of educative modules for skills-based training programs. Qualification standards basing on occupational standards are developed in four stages:

- Development of initial version
- Discussions with stakeholders - employers and educational and training institutions
- Sector commissions' opinions
- Approval as a National Qualification Standard

Totally 63 qualification standards have been developed within the project.

*Improvement of Module Training Programs*  
(Period of Performance: March 2010–March 2012)

This project was launched in April of 2010. The proposals for development of the most demanded new 40 module training programs on occupation/ specialization and directions, assistance in their realization, support to establishment of regional occupational training centers and improvement of legislative and institutional framework and monitoring system has been drafted within the project.

Achievements:

- The main documents on module trainings and labor market have been analyzed, international experience studied and strategy for preparation of module training programs determined.
- A study visit for a working group consisting of six representatives of the MOLSP and the Ministry of Education to Poland was arranged on November 7–12, 2010. The topic of the study visit was development of module training program.
- Four-staged training materials for training of trainers have been prepared and translated from English into Azerbaijani language.
- Four training workshops on training of trainers have been held and certificates issued to 12 participants.
- Module training packages on 43 occupations/directions have been developed. Each module training package covers (a) Training elements, (b) job description, (c) Manual for graduates, (d) Manual for teacher, (e) module block selection tables, and (f) training program (including the list of equipment for conducting of trainings).
- Propaganda materials on 43 module trainings have been prepared.
- Proposals on establishment of quality monitoring system on module training.
- Development of institutional base of the SES, including drafting of proposals on establishment of pilot regional occupational training centers.

- Drafting of proposals on making amendments and modifications to the Law of Republic of Azerbaijan on Employments for development of training services rendered to jobseekers and unemployed citizens.

Instead of 30 programs initially envisaged, the design of a set of 43 modular training programs has been completed. At the request of the MOLSPP, the development of 13 additional programs has been contracted out and completed. In September 2013, the Ministry of Education validated the programs and they are used by the Ministry during training facilities. The contractor has developed specifications of standard equipment and materials required for specific modular programs.

As a result of repairing and reconstruction works at Goychay city and Baku city Regional Occupational Training Centers new classrooms and workshops have been established, and thus enables to conduct trainings on several occupations in compliance with the demands of labor market since 2013. The need in printing of training materials on module programs prepared within the project for their further use in learning process has emerged. The educative materials on the following occupations are being printed:

- (a) Mechanic (metal processing)
- (b) Waiter
- (c) Confectioner
- (d) Tour guide
- (e) Cook
- (f) Men-hairdresser
- (g) Laundry worker
- (h) Assembler, plastic and aluminum materials
- (i) Furniture maker
- (j) Entrepreneur (small business)

#### *Career Guidance Services for Youth*

(Period of Performance: June 2010–December 2011)

Taking into account that career guidance on technical and vocational training, future career guidance, counseling services on higher educational institutions to graduates and university entrants are not provided in Azerbaijan, their selection of specialty at educational institutions is based on their interest only, but not on the existing requirements of a labor market. Students of vocational training schools being unaware on the needs and requirements of a labor market had difficulties to determine priority fields. All the above have necessitated preparation of vocational oriented and career development programs for youth and teenagers.

The aim of Labor Market Analyze is to provide assistance to unemployed individuals, students and other categories of population in seeking appropriate employment, getting employment opportunities, increasing awareness among students on employment perspectives concerning to alternative specializations; informing the abovementioned population groups on the existing options in a labor market. Awareness rising among the unemployed youth on the existing possibilities in education and prospects for continuing education may be considered as one of such activities. Quality of information and its grounding, as well as strengthening of counseling services provides opportunities to people from different age groups to continue their education at all times.



All type of activities creates condition for citizens to manage their education and affairs, successfully develop their career by means of different many-branched educational opportunities. A report has been drafted and capacity building activities completed by the experts in compliance with the Terms of Reference.

Twenty individual coaching sessions have been provided; 14 piloting activities have been delivered at 5 schools of Baku and Sumqayit cities; 160 students (grades 8–11), 45 parents, 25 teachers and 12 employers have attended these events; 4 career guidance counselors have been trained and 2 local experts additionally involved in the piloting activity.

#### *Development of Modernized Employment Service*

(Period of Performance: June 2010–September 2013)

The project goal is development of job search assistance programs, job fairs, interaction with employers, small business services, development of such employment services, as well as development and realization of new and cost effective employment services in a country which allows unemployed and job searching citizens to enter a labor market through institutional capacity building of the Ministry and the SES. The appropriate task covers conducting of pilot tests at three districts of Azerbaijan and delivery of training to the officers of the SES.

#### Achievements:

- The existing international best practices and strategies in employment field have been analyzed and report on application method of these practices and strategies in Azerbaijan produced.
- In February to March of 2011 study visits for the officers of the SES to Lithuania and Austria arranged and the report produced.
- A booklet on initial results of the project has been drafted and presented by a project leader at European Employment Forum, held in Brussels in November 2011.
- Guidance for unemployed and job searchers have been drafted, 2,000 copies printed and distributed to local employment centers.
- Guidance for job clubs (establishment, implementation and assessment) has been drafted, 2,000 copies printed and distributed to local employment centers.
- Guidance for labor fairs (establishment, implementation and assessment) has been drafted, 2,000 copies printed and distributed to local employment centers.
- Guidance on strengthening of cooperation between employers and the SES has been drafted, 2,000 copies printed and distributed to local employment centers.
- Guidance for establishment and realization of business club (small business services) drafted, 1,000 copies printed and distributed to local employment centers.

- The concept, activity plan (2011–2015) and of the Law on Social enterprises for strengthening of disabled people’s integration into labor market have been drafted.
- Proposals on development of legal basis and institutional framework, the concept for introduction of new service model at the SES and design of the three pilot employment centers have been developed.
- The workshops on using of the aforementioned guidelines for the officers of the SES and Employment Policy and Regulation of a labor market section arranged on February 25, 2011 and on 22, 23, 24 and 27 February of 2012.
- On February 28, 2012, the project’s expert group produced generalized presentation on Manuals developed within improved employment service project and the Minister of Labor and Social Development of Population also participated.

As a result of assumed measures, activity of the employment service concerning to unemployed, jobseekers and employers have been improved and condition for controlling unemployment have been created. A group of consultants in cooperation with an expert group of the MOLSPP have completed all planned works upon this task. New activity guidance for officers of the Employment Service have been prepared and distributed to the local Employment Service Centers. Establishment of ‘enterprise club’ and provision of consultancy services to consultants on individual employment have been planned. The guidance for developed ALMPs has been issued.

The following guidelines for improved ALMPs have been drafted: (a) job search skill training program package including the list of equipment and training materials for training of trainers; (b) training manual for a Job Club Leader and Guidelines for participants of job clubs, including the list of equipment; (c) procedures for operating the vacancy and job fairs program, including the list of necessary equipment; and (d) procedures, orientation and training program and administrative materials for vacancy identification (employer contact services).

Additionally, the following materials were drafted: (a) proposals for making amendments to the Employment Law of the Republic of Azerbaijan aimed at strengthening of ALMPs and SP of jobseekers; (b) proposals and concept for improving the institutional structure and management of NES (General Employment Department), financing of its activities, and complying their material-technical base with modern requirements; (c) guidance for development of range of services provided by small business advisory services; and (d) Programs on employment of persons with disability and their integration to a labor market, including Action Plan and Draft Law on Social Enterprises of the Republic of Azerbaijan.

*Development of PIMS at the State Employment Service*  
(Period of Performance: February 2011–February 2012)

Establishment of Information and Management System at the SES was reasoned by the need to develop labor market institutions, policies and programs, as well as capacity building or preparation and implementation of a labor market and an employment policy. The main goal was preparation of manuals on management of ALMPs, Information and Management System on the activity of the SES for promoting labor market programs supported by the law on Employment.

The following outcomes have been achieved with the establishment of Information and Management System at the SES:

- A report on measures to be taken for lifting gaps at labor market programs existing in the Information and Management System through the best international practice has been produced and submitted.
- Information and Management System model providing data to management of the SES for assessment of different labor market programs and sharing resources (programs, client groups and regions) the has been drafted.
- An appropriate methodology for calculation of ALMP indicators has been prepared.
- A tracking query program for determination of total employment service for program participants has been drafted.
- A standard Information and Management System brochure for producing of semi-annual and annual reports on program activity and achieved results have been drafted.
- Trainings and workshops for the officers of the SES on using Information and Management System have been held.
- In two employment centers, a model practically has been tested, and appropriate amendments to the model made.
- Assistance to the SES in realization of the system has been rendered.
- A query list for tracking request has been prepared.
- Assistance in preparation of the first MIS brochure presenting Main Information and Management System to the SES has been rendered.

The developed Information and Management System model enables to asses rationality of the cost incurred for development of the NES programs, as well as provide information on making decision concerning allotment of funds. The main indicators regarding this system have been determined, methodology for assessment monitoring of the current situation in labor market developed, control questionnaire for determination of general employment rate among the employment program participants drawn, standard software for making semi-annual and annual reports on achieved results by Information and Management System developed.

*Reconstruction of the CSPP under the MOLSPP Located in Narimanov District of Baku City*  
(Period of Performance: April 2012–August 2012)

Contract for Reconstruction of Center for Social Protection of Population under the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan located in Narimanov District, Baku city was signed with “VAFI-Region” LLC in the total amount of AZN 118,962.88 (including taxes) was signed on 13 April 2012.

*Repair and Refurbishment Works at Baku City Employment Department, Goychay Vocational Regional Training Centre and Ganja City Pilot Regional Training Centre*  
(Performance Period: September 2013–April 2014)

One of main directions of the current employment strategy is to decrease unemployment level in Azerbaijan, and especially priority is given for increasing employment level in the regions. For these purposes Baku city Employment department, Goychay Vocational Regional Training Centre and Ganja city Pilot Regional Training Centre have been established. The established employment centers pursue the goal to provide vocational trainings and increase employment level among the youth. Ismayilli district Pilot Employment Centre started its activity in May of 2014 and Baku city Employment Department in December of 2014. Renovation works at Baku city Employment Department, and renovation works and provision of Ismayilli district Pilot Employment Centre with furniture and specialized equipment have been carried out through the SPDP. Moreover, installation of heating system at Ismayilli district Pilot Employment Centre is also completed.

Renovation works carried out in Vocational Training Center in Goychay city and Ganja city Pilot Regional Vocational Training Center are in the final stage.

The function of Employment Centers is integration of unemployed and job searching citizens into a labor market and training of real employment opportunities. In this regard purposeful changes in work conditions and supporting system of the Employment Centers have been made and high-leveled data base established.

Pilot Employment Centre is provided with data base, covering labor market situation in the given territory, as well as data on unemployed and job searching citizens. Moreover, in the Centre an information and news stand on vacancies has been installed, uninterrupted internet provided, cabins for rendering consultancy on occupational issues and provision assistance on psychological adaptation, training of job searching skills for unemployed and job searching persons created. Labor exchange service for persons looking for temporary jobs also will be provided in the Centre. The Centre has been supplied with duly equipment, active employment measures, occupational standards, job searching technology and other educative means. Unemployed citizens applying to the employment centers are interviewed and directed to employers offering appropriate vacancies. Unemployed and jobseekers are provided with trainings on selected profession on free of charge. ALMPs are also included into training programs. The individuals successfully finishing the courses are provided with jobs. Training participants from other districts are provided with transportation, food and accommodation expenses. As a result of successful activity of such type of employment centers the major problem of the country – urbanization problem have been solved through increasing of employment level in the regions. The MOLSPP referring to successful activity of the employment centers also is planning to establish such type of centers at different regions of Azerbaijan, including such frontier regions as Guba-Gusar, Gazakh Akstafa, Lenkoran-Masalli.

*Assessment of Rationality of ALMPs Implemented by Ismayilli Pilot Employment Training Centre*  
(Period of Performance: April 2015–July 2015)

For assessment of rationality of ALMPs implemented by Ismayilli Pilot Employment Training Centre holding of a survey in 2015 is planned. The main aim of the task is assessment of efficiency

and effectiveness of A , especially job search supporting programs, job search skills training, employment services, vacancy and labor fairs, individual entrepreneurship associations, module training programs, virtual enterprises and employer feedback (if exists in surveying pilot region) services. The purpose of the survey is to collect data on the following tasks:

- Assessment of a program by beneficiary
- After completing the training beneficiary's the status in a labor market
- Respondents' opinion on increasing of their potential after participation in the training

The survey was conducted and finished in time successfully.

*Establishment and Activity of Virtual Enterprises (Practice Firms)*  
(Period of Performance: May 2012–August 2015)

Establishment of 'virtual enterprises' within the SPDP was reasoned by a need to liquidate gap between theory and practice, pave the bridge between education and labor world and easy steps from academic life into career life.

The main purpose of the task implemented by PEN International Company is to improve interactive training, gain and develop professional skills, present daily professional life and labor market realities to students and jobseekers in the frame of practice firm/virtual enterprises. Thanks to virtual enterprises students and graduates make acquaintance with working environment and business ethics, and get opportunity for participating in career trainings. Therefore, this activity serves as an initial practice base for inexperienced youth.

For realization of this task the experts have selected the Azerbaijan State Economic University and Khazar University as institutions for placement of virtual enterprises. The allotted class rooms have been furnished with computers, office equipment, and furniture. Moreover, the experts have prepared training materials; activity on development of software for virtual enterprises is continuing, Business Methodology Manual, Project Strategy and synthesis documents also drafted. The central office is serving as a state body and Practice Firms are representing private companies.

**Khazar University.** Totally five persons have been engaged in a Central Office and in a Practice Firm of a Virtual Enterprise at Khazar University. Three of them (one general manager, one accountant/ banker and one communications officer) are working at the central office, and two of them (one practice firm leader /instructor and one practice firm trainer) are engaged in the practice firm.

**Azerbaijan State Economic University.** Totally four persons have been employed at a Practice Firm of Virtual Enterprise at Azerbaijan State Economic University ( one practice firm leader /instructor and three practice firm trainer) employed in the practice firm.

At both institutions appropriate conditions enabling high-qualitative activity have been created, required furniture and specialized equipment supplied. The enterprises have been transferred into international intranet operating mode. In 2014 international experts provided trainings to teachers and students of both universities.

The number of such type of virtual enterprises in the world exceeds 7000, and all these enterprises are closely cooperating. Young specialists participating at virtual enterprises gain not only local experience, but also international practice through cooperation with similar enterprises operating abroad. The students' knowledge is assessed by the grades collected within three months. The successful graduates are awarded with international certificates.

*Procurement of Necessary Video-Conference System Equipment for the MOLSP of the Republic of Azerbaijan*

(Period of Performance: September 2011–December 2011)

The aim of procurement of UPS and additional appliances and update devices for existing hardware for the MOLSP of the Republic of Azerbaijan was to update video-conference system of the ministry. Contract was signed with “Gentech” FZE (United Arab Emirates). The equipment complex, including Videoserver MCU, Regional Videoterminal, Management Application, TV Monitor and UPS were supplied to improve the whole system in the ministry.

*Procurement of Software for Establishment of Electronic Information System for Recording Labor Agreement Notification by the MOLSP of the Republic of Azerbaijan*

(Period of Performance: July 2014–December 2014)

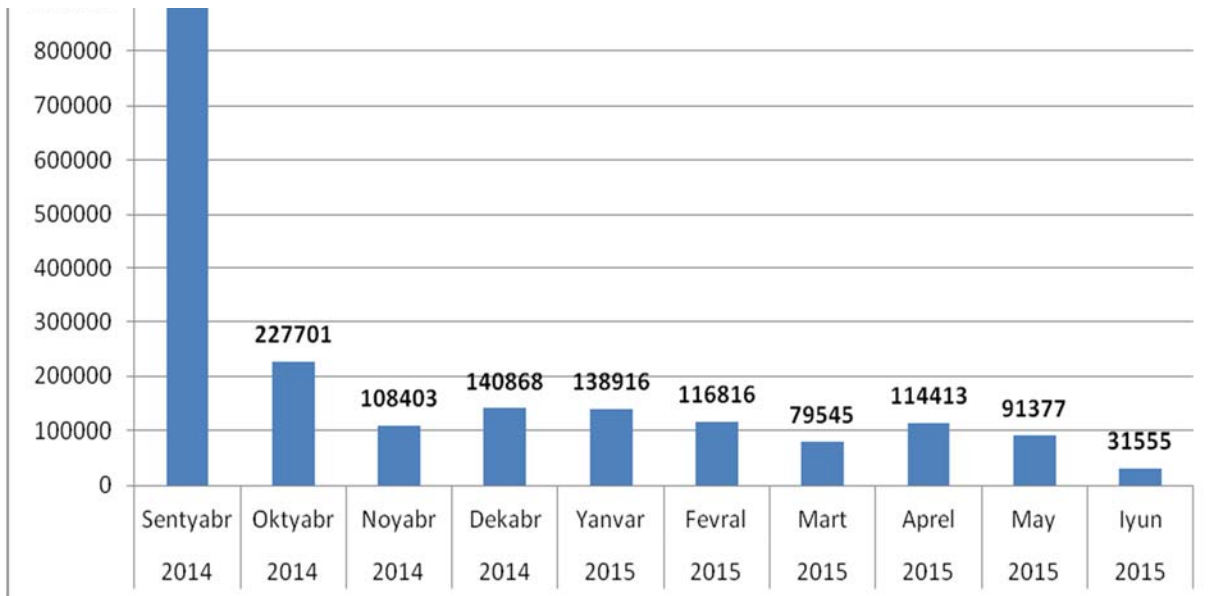
The software complex has been developed for ensuring realization of the Article 4.1 of the Decree of the President of the Republic of Azerbaijan under No. 100 dated February 03, 2014 on “Enforcement of the Law of the Republic of Azerbaijan on making amendments to the Labor Code of the Republic of Azerbaijan under No. 875-IVQD, dated December 27, 2013.”

Creation of software enabled employers to enter employment agreements notification into the system in a real mode. As a result, a new information reserve has been being formed which enables the officers of the SLIS of the MOLSP of the Republic of Azerbaijan to fulfill their functions, ensure rights of employees, investigate cases of employees' labor rights breach and remedy breach of rights . In case of employment agreements' changing or annulment the software also allow employers to enter this info too. Software complex consists of two parts:

- Entry of employment agreement notifications into the system by the employers
- Gaining of information by employee on employment agreement notification

This system allows employees to know on his employment status through entering into the system. Another important function of the project is creating of conditions for getting real information on labor market, increase of transparency among labor market participants, support in eliminating illegal employment. 2297623 notifications were entered into the Electron Information System for Notification on Employment Agreements as of June 01, 2015. Figure 5.1 shows the statistics on the Electronic Information System for Notification on Employment Agreements.

**Figure 5.1. Statistics on the Electronic Information System for Notification on Employment Agreements**



*Demonstration of Advertising Clip on ‘Registration of Employment Agreement Notifications in Electronic and Information System of the MOLSP’*  
(Period of Performance: November 2014–January 2015)

The amendments made to the Labor Code of the Azerbaijan Republic on December 27, 2013 stipulates electronic registration of employment agreements, concluded between employers and employees in electronic information system of the MOLSP of the Republic of Azerbaijan. For development of technical structure of these reformative measures an electronic information system for registration of employment agreement notifications has been applied.

Due to the needs in wide-ranging propagandistic campaign in mass media for ensuring effective application of the system in the country a graphic social clip “on registration of employment agreement notifications in electronic information system of the MOLSP” has been developed and broadcasted in local TV channels (ATV, AzTV and Khazar TV).

*Procurement of Tablets for Officers of the SLIS under the MOLSP*

For realization of conditions stipulated in the Article 218 of Labor Code of the Republic of Azerbaijan, the SLIS—the state body authorized to control observance of the HSE laws, by conducting inspections at enterprises, stops activities where such activity jeopardizes health and life of workers, and does not comply with safety rules, until such flaws are eliminated. Moreover, the SLIS for analyzing and investigation establishes a commission, as stipulated by the appropriate legislation and launches investigation when information on accidents in production is incoming.

All state controlling bodies, including the SLIS should maintain electronic records on carried out inspections (number of carried out inspections, features, inspections results, including discovered faults, if any, decisions made with regard to errors made) and for classification of entrepreneurs to risk group. The unified data register of inspections is kept for having full and operative information

on periodicity, sequence, frequency and getting full and operative information on the results of conducted inspections. The SLIS is liable to enter information on each conducted inspection into unified data register of inspections of the Ministry of Justice of the Republic of Azerbaijan.

A technical support for establishment of electronic state control system ensuring operative, mobile and rational management in activity of the SLIS and enabling the officers of the Service to have mobile access to the system is needed. For this purpose, (215 people) the officers of the SLIS have been provided with specialized and multifunctional tablets. Multifunctional devices enable users to get comprehensive information on human resources in electronic form, to assess the risks of infringements of requirements of labor legislation in mobile and traveling form. All the aforesaid enables inspectors of the SLIS to get access to huge volume of information on human resources kept in e-form and evaluate the risks of infringement of labor legislation in a shortest time. In general, electronic control system sufficiently increases rationality and transparency of inspections conducted by the SLIS.

From another point of view, activities carried out in electronic form require conducting of computerized electron inspection (audit) in Azerbaijan which is considered as an international standard. Computer-based inspection or e-audit is established on the basis of the principle of elaboration and analyzing of human resources, and other data kept in e-format. Through conducting onsite inspections adherence by employers to the rights of employees in compliance with the Labor Code will be improved. In its turn, this will be resulted with decrease of informal employment level in the country, increase of transparency in labor and employment relations between employers and employees, and improvement of the state control over protection of employees' rights.

#### *Procurement of Additional Devices for Tablets Purchased for Officers of the SLIS under the MOLSP*

As mentioned above, for ensuring operative, mobile and rational management in the activity of the SLIS and enabling the officers of the Service to have mobile access to the system 215 multifunctional tablets have been distributed to the officers of the SLIS. For full functionality of the system, additional technical device – the need in purchasing of “Bluetooth-card reader” have emerged. Outside the office with the aid of “Bluetooth-card reader” the inspectors will be able to access to the system safely, sign the documents by electronic signature, and print the drafted reports. And this will positively effect to easy inspectors work, improve transparency between employee, employer and the government and increase the control of the state in this field.

#### *Procurement of Tablets (Net-books) for Officers of the State Social Welfare Services (SSWS) of the MOLSP*

(Period of Performance: March 2015–July 2015)

On February 23, 2015, the President of the Republic of Azerbaijan signed the decree on “Development of targeted state social assistance system.” The decree stipulates ensuring fast, comfortable and transparent access of the citizens to social welfare services, application of innovative technologies in the activity of the state institutions in distribution of targeted state social assistance in compliance with advanced world practice as well as strengthening of SP of low-income families. One of important issues arising from the decree is establishment of the centralized



data system for Unified Electronic Appeal and Assignment Sub-System on targeted state social assistance of the MOLSP of the Republic of Azerbaijan. Taking into consideration the need in analyzing social and financial situation of households for appointment of targeted state social assistance by specialized computers the net-books for the SSWS of the MOLSP of the Republic of Azerbaijan has been purchased. Procurement of new equipment was reasoned by the need to ensure operative, mobile and rational management in activity of SSWS, for establishment of electronic state control, and enabling the officers of the service to have mobile access to the system. By using technological innovations the officers of the SSWS will be enabled to assess the social welfare status of the citizens willing to get the targeted state social assistance and analyze it through getting access to common data base at place. TSA was given totally to 121435 families, 530670 individuals in 2014.

*Purchase of Software for Establishment of Electronic Data Exchange System and Interactive Call Centre at the MOLSP of the Republic of Azerbaijan*  
(Period of Performance: July 2014–December 2014)

In September 2014, a Call Centre 142 was put in commission for establishment of Electronic Data Exchange System and interactive Call Centre at the MOLSP.

The software complex has been developed to ensure implementation of the Article 5 of the Decree No. 100 of the President of the Republic of Azerbaijan dated February 03, 2014 on “Enforcement of the Law of the Republic of Azerbaijan No. 875-IVQD, dated December 27, 2013 on making amendments to the Labor Code of the Republic of Azerbaijan”.

It is expected that establishment of Call Centre will improve the relations between the state and citizens and vice versa, and intensify the data exchange process. The purpose in purchasing of the current software is strengthening of SP of population, application of targeted state social assistance system, medical and social rehabilitation of disabled, medical and social expertise, protection of employees’ labor rights and realization of the state control over application of labor legislation in work places, employment of unemployed and job seeking citizens, efficient responding to citizens queries, requests and complaints.

A Call Centre operates in two modes: in non-working days and during non-working hours - in automatic regime; and in working days and during working hours - in live regime. The system mainly consists of two main parts:

- (a) Call receive module;
- (b) Software for registration of appeals and their analyzing.

This module includes the following functions: identification of calls (live and automatic), registration of calls, and direction of calls to operators (in live mode).

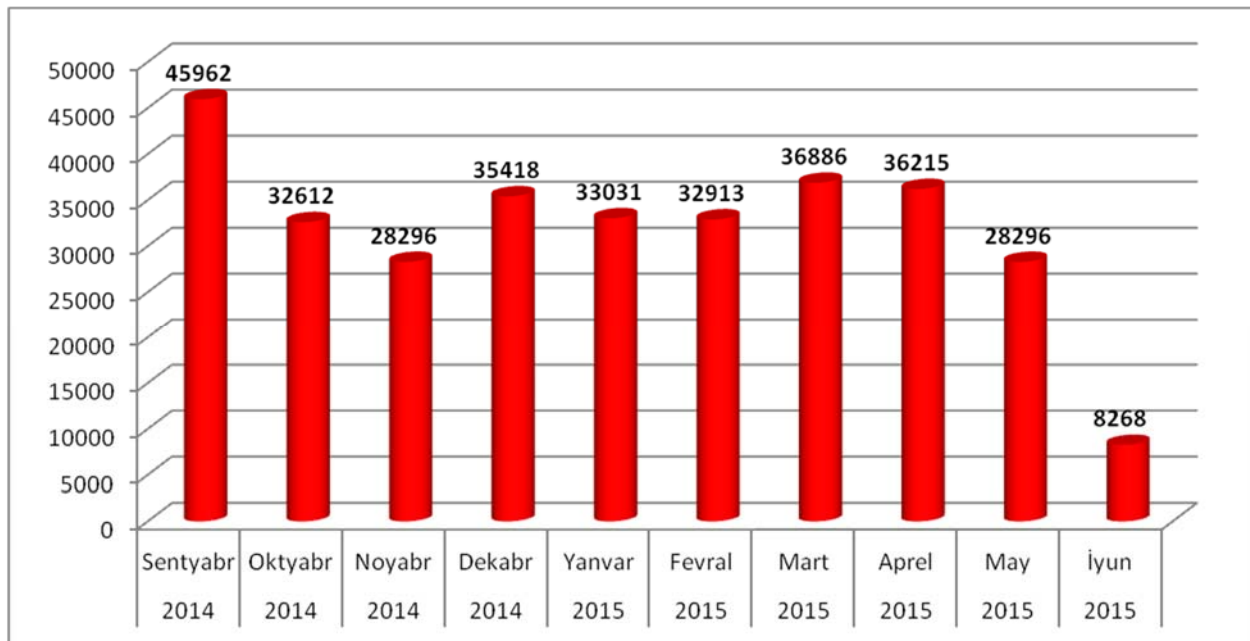
Taking into consideration that automatic regime has been intended for non-working days and hours this system covers the following possibilities: voiced interactive menu (the structure of voiced menu and the text to be voiced is determined by the duly structure bodies of the Ministry) for using by applicants and storage of messages.

Before directing live calls to operators the calling person enable to listen information from interactive voiced menu. Moreover, the queuing system in live regime was established in such manner that the calling person continuously is informed on his queue number.

Date and time of calls, calling phone number (phone number is not registered if such not possible), end date and time of call are register by the system automatically.

By using the Call Centre, the citizens can directly apply to the ministry and its subordinate bodies and their questions operatively are responded. 399656 calls were made to the Call Centre as of June 01, 2015. Figure 5.2 shows the statistics of calls. (Period of performance: December 2014)

**Figure 5.2. Calls Made to the Call Centre**



#### *Installation of Electronic Queuing System in the Citizens' Reception Room at the Administrative Building of the MOLSP*

Installation of electronic queuing system in the citizens' reception room at the administrative building of the MOLSP has been reasoned by necessity to increase transparency in interrelation between the MOLSP and citizens.

Electronic queuing system is working as follows: an applicant entering a reception room of the ministry comes up to the electronic queuing unit. In the screen of the unit appears buttons indicating activity directions of the ministry. An applicant by pressing an appropriate button is choosing the required activity direction and puts his ID card on the unit for scanning. The unit by scanning the needed information issues a queuing number for an applicant. An applicant enters into waiting hall. In a big diagonally screen the lists of queuing applicants is shown. When an applicant's queue comes up his/her number is announced by the queuing system and appears on the screen. After completion of service process by pressing an appropriate button on a client satisfaction dispenser an applicant is enabled to assess service quality.

Totally 3242 applicants have been served at citizen's reception room as of June 2015. For easing and making more comfortable use of the system by applicants a barcode reader and a Multifunction Device, incorporating scanning, printing and copying functions have been purchased. Moreover, special equipment has been installed in the citizens' reception room which allows receipt of applicants by high ranked officers of the ministry.

*Procurement of Software for Automation of Registration of Appeals and Citizens' Reception Room at the MOLSPP*

(Period of Performance: March 2014–July 2015)

For ensuring rational activity at citizen's reception room, control queuing and provision of high quality services to applicants, old people, disabled persons by the Ministry and its bodies, that is the SLIS, the SSWS, the SES and the State Medical and Social Expertise and Rehabilitation Service there necessity in application of electronic queuing system emerged. Through this system information kept at initial data base on applicant will be made available and thus more efficient working condition will be ensured. Information collected by the system will enable to know applicant's satisfaction level and attain more rational activity of the ministry through investigating whether there have been any repeated appeals.

Procurement of software “for automation of appeals’ registration and citizens’ reception room” was necessitated by the need in development of SP of population, introduction of targeted state social assistance, medical and social rehabilitation of disabled persons, conducting of medical and social expertise, protection of employees’ labor rights and realization of the state control on application of labor legislation at job sites, employment of unemployed, and job seeking citizens, operative responding to citizens informative, inquiring and complaining type of appeals on the above mentioned issues.

*Procurement of Power Supply Equipment for Interrupted Power Supply of a Server Room at the MOLSPP*

(Period of Performance: October 2013–December 2014)

Automation was necessitated with the need of realization of the tasks standing before the ministry, increasing transparency in interrelation between the ministry and citizens, as well as enhancing quality of the services provided by the ministry. To meet emerged needs a new additional server unit has been purchased for the purpose to strengthen information system. Introduction of new equipment enables to keep a big deal of information, as well as to receive and store more appeals than previously.

*Repair and Refurbishment Works at the Server Room of the MOLSPP*

(Period of Performance: May 2015–July 2015)

To increase quality of the services provided by the subordinate bodies of the ministry construction of ‘Faraday’s room’, embracing data base which will protect information kept at server room from electromagnetic waves is envisaged. Installed electric power supply unit will provide reliability and stability of an operation of a server room and ensure sustainable and interrupted functioning of information system. Works have been finalized in accordance with the contract successfully.

*Procurement of Specialized Equipment for Fire Safety and Hair Temperature Stability at a Server Room of the MOLSP*

(Period of Performance: April 2015–August 2015)

The necessity in procurement of specialized equipment was reasoned by the need to provide fire safety and hair temperature stability at a server room of the MOLSP. Works have been finalized in accordance with the contract successfully.

*Laying of Additional Fiber-optic Cables and Installation of Communication Lines in the Server Room for Development of Communication Lines of the MOLSP*

(Period of Performance: May 2015–July 2015)

For development of communication lines of the MOLSP laying of additional fiber-optic cables has been envisaged. Laying of additional fiber-optic cables will ensure continuity and improve quality of data exchange of the MOLSP, as well as ensure citizens with comfortable and uninterrupted use of the electronic services provided by the MOLSP. The process implementation has been launched.

*Procurement of Software Applications for all Modules of IT Infrastructure of the MOLSP*

(Period of Performance: August 2013–March 2015)

A necessity in analyzing of information has emerged because of the need in organization and improvement of activity of the MOLSP, as well as competent formation of realized policy, and improvement of quality provided to population. The ‘SAP Business Objects BI Suite’ software has been purchased for data processing of information and analyzing on different indices. The officers of the ministry and its subordinate bodies (the SLIS, the SSWS, the SES and the State Medical and Social Expertise and Rehabilitation Service) while appointment thanks to the software are enabled to enter data directly into initial data base and get analyzed info on required parameters. This upper-system enables to analyze information on different parameters: sex, old, type of activity, area of residence of a citizens and so on.

SAP Business Objects BI Suite Software is able to realize the following processes:

- Installation and configuration of SAP HANA data base for BW software
- Integration of software application for the SSWS
- Integration of the software application for the division of Social Welfare Policy
- Integration of the software application for the SES
- Integration of the software application for the section of SP Policy of Disabled
- Integration of the software application for the Labor Policy Section
- Integration of the software application for the Employment Policy Section

- Integration of the software application for welfare standards and actuary calculations division
- Integration of the software application for the SLIS
- Development of the software application required for conducting of inspection by the SLIS

*Development of M&E Indicators, Guidelines, and Procedures for SP Programs and Disbursements, Living Standards/Social Welfare of Population in Azerbaijan, as well as Capacity Building of the M&E Section*

(Period of Performance: January 2013–January 2014)

Development of M&E indicators, guidelines and procedures for SP programs and disbursements, living standards /social welfare of population in Azerbaijan, as well as capacity building of the M&E Section was necessitated by the need to attain the following goals:

- Carry out a SWOT analysis concerning the current functioning of data exchange mechanisms necessary for comprehensive analysis on the social policies.
- Prepare a detailed mid and long term strategic plan for the effective implementation of the integrated M&E system supported by all institutional partners.
- Create the necessary conditions for a better dialogue, exchange of information and coordination between all the institutional partners gathering the data on social benefits and services.
- Identify the needs for human resources, skills and equipment (including information systems) at short and midterms of the MOLSP in order to develop and efficient integrated M&E system.

The mission has met with the Head of Monitoring, Evaluation and Living Assessment Measurement Department of the MOLSP and representative of the consulting firm (ADECRI) to review the status of activities under this subcomponent. A report on achievements and issues encountered in the implementation of M&E related activities has been issued. So far, based on the international best practices (applied to the country context) a list of 100 SP indicators (including data sources) has been developed. Guidelines on how to use them was developed. Totally about 30 MOLSP officers have been trained under this activity.

*Azerbaijan Monitoring Survey for Social Welfare*

(Period of Performance: April 2015–August 2015)

Currently, Azerbaijan Monitoring Survey for Social Welfare is conducted within the State SPDP. The survey is coordinated and supported by the Bank's Poverty and Development Research Group.

The goal of survey is to obtain precise picture of total consumption and expenditure of households as well as its break down by different household groups such as socioeconomic groups, income

groups, size and composition groups, urban and rural households, regional groups, and so on residing in Azerbaijan. Information on the following divisions will be collected within survey:

- Number of household members
- Education
- Healthcare
- Economic activity
- Job search, income
- Subjective evaluation
- Housing conditions
- Durable goods
- Consumption - daily expenses
- Consumption - foodstuff
- Consumption - non-foodstuff
- Agriculture
- Social services
- TSA
- Internally displaced persons
- Respondent's opinion

The survey results will be compared with the results gained during the similar survey conducted in 2008–2011. Comparative analyze, assessment of changing status of population will enable to assess the rational activity of the ministry. The survey results will play a key role in making duly modifications in working plan and amendments in management of the ministry.

It is closely cooperated with the State Statistics Committee for achievement of efficiency and effectiveness during fieldworks. This is the first survey in Azerbaijan when a survey is conducted by using tablets operating on the special software. The enumerators will conduct survey using tablets and record all data into them. All this allow realizing the survey operatively and tracing daily work turnover.

Conducting of field works is envisaged in April–June 2015, and performance of technical report in August of 2015. Survey field works will cover in total 10,000 households.

*Cooperation with International Experts for Development of Selection Methodology of the Respondents Participating in the Household Survey*  
(Period of Performance: October 2014–August 2015)

Cooperation with international consultants with regard to the Azerbaijan Social welfare monitoring survey is carried on. International expert on selection working closely with the MOLSP and the State Statistics Committee has provided technical guidance on selection and establishment of target groups to analyze rationality of purposefulness of SP programs coverage. The consultant also renders assistance to the MOLSP of the Republic of Azerbaijan and Department of Population's Social Welfare of the State Statistics Committee.

The consultant cooperating with the MOLSP of the Republic of Azerbaijan and Department of Population's Social Welfare of the State Statistics Committee has undertaken to realize the following works:

- Development of general household survey selection methodology basing on statistical data gained by the Census of population conducted in the Republic of Azerbaijan in 2009. Also drafting of the procedures for development of selection plan required for conducting of precise statistic estimation of SP programs on regions also basing on that methodology.
- Development of the representative selection list of households for evaluation of program performance by using the data base of the MOLSP on TSA;
- Giving consultations to the officers of the MOLSP and the State Statistics Committee on creating of sampling frames of households and surveying beneficiaries;
- To produce the Final Technical Report covering selection and assessment procedures approved by the client.

*Cooperation with Local Individual Consultant for Coordination Works at Households*  
(Period of Performance: January 2015–August 2015)

A local individual consultant has been engaged with regard to Azerbaijan Monitoring Survey for Social Welfare. The main duty of a consultant is to ensure timely completion of a survey and properly implementation of other procedures in a duly manner:

The duties of a survey coordinator are as follows:

- Support to the Director, SPDP, in the preparation, implementation, and finalization of the AMSSW.
- Act as a focal point for the AMSSW with the key collaborators on the survey, namely, sampling expert, the State Statistical Committee, firm hired for field work, and the World Bank project team.
- During preparation phase, will support the Director in reviewing sampling strategy, questionnaire finalization, and selection of survey firm.
- During the implementation phase a survey coordinator is liable:
  - Liaise closely with the selected firm to monitor and ensure all agreed protocols are followed. The Survey Coordinator will participate actively in the pre-survey training of investigators and serve as resource person (in collaboration with the Bank team) on the questionnaire, layout and method of data collection (paper or computer assisted).
  - Review all reports and intermediate data submitted by the firm.

- Keep the Director informed of progress and flag any emerging concerns.
- Organize regular meetings of the Project team and Bank team to inform of progress.
- During the finalization phase, the Survey Coordinator will review (with World Bank support) the survey data for quality and also review the final report submitted by the firm. The Survey Coordinator will inform the project and World Bank team of any concerns.
- Perform any other duties to support the effective and efficient implementation of the AMSSW.

*Purchase of Mobile Phone Balance Cards*

(Period of Performance: April 2015–July 2015)

As mentioned above, ‘Azerbaijan Monitoring Survey for Social Welfare’ has been being conducted. The goal of the survey is to obtain precise picture of total consumption and expenditure of households as well as its break down by different household groups such as socioeconomic groups, income groups, size and composition groups, urban and rural households, regional groups and so on residing in Azerbaijan.

The timing of interview with respondents participating at survey is taking about 2.5 hours. Aimed to improve quality of survey results, mobile phone balance cards to be gifted to survey participants for stimulating their active participation in a survey have been purchased. Conducting of field works in April–June 2015, and performance of technical report in August of 2015 is envisaged. Survey fieldworks will cover in total 10,000 households. In order to ensure distribution of mobile phone balance cards exactly among the interviewers a protocol report has been prepared and submitted to a contractor company. In addition, a letter addressed to survey participants by a deputy Minister Mr. Ilgar Rahimov which is explaining the goal and an essence of the survey, as well as informing on stimulating gifts have been issued.

*Procurement of Storage Equipment*

(Period of Performance: August 2015)

Fast growth of data base of Electronic Information System of the MOLSP on Employment Agreement Notification lately has actualized the need in storage. Taking into consideration significance for employers and employees in ensuring stability and durability of Electronic Informational System on Employment Agreement Notification storage has been procured

*Procurement of SAP Support Service*

(Period of Performance: 01 January 2016–31 December 2016)

As continuation of past contract of Ojag company, upon the request of the ministry’s SAP support services for 1 year has been procured to maintain implementation of SAP software in the frame of ‘SAP Enterprise Support’.



*A Technical Workshop on Disability Assessment*  
(Period of Performance: December 15–16, 2014)

On December 15–16, 2014 a workshop on Disability Assessment in Azerbaijan: Current Achievements and Way Forward” has been organized by the MOLSPP and World Bank jointly.

The event has been attended by the representatives of the MOLSPP, various government bodies, international development partners, and civil society organizations. The leading experts in disability assessment representing the World Health Organization, Swiss Paraplegic Research, as well as experts from the Netherlands, Portugal, and Cyprus also participated in a workshop.

The goal of a workshop was review of disability assessment system applicable in Azerbaijan, study international practice, and benefit international expertise. A social model- successfully used in Europe, as well as required reforms for transferring from medical model into social model of disability assessment in Azerbaijan has been discussed in details during a workshop. At the end of a workshop the participants have made their proposals with regard to the reforms to be realized in future.

### **Annex 6: List of Supporting Documents.**

- Borrower's ICR, November 23, 2015.
- TSA Survey, 2015.
- Project Documents: Project Appraisal Document Report Number 42616-AZ April 29, 2008.
- Project Documents Portal for Correspondence.
- Implementation Status and Results Reports.
- Aide Memoires.
- Back-to-office report.

