Report Number: ICRR0022212

1. Project Data

Project ID	Project Name
P122943	IDP Living Standards and Livelihoods
Country	**Practice Area(Lead)**
Azerbaijan	Social Sustainabilty & Inclusion

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IBRD-80960,IBRD-86270	30-Jun-2016	64,938,784.38
Bank Approval Date	**Closing Date (Actual)**	
27-Oct-2011	31-Dec-2019	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	65,503,774.36	0.00
Actual	65,503,774.36	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Project Appraisal Document (PAD) (p. 6) and the Loan Agreement of November 16, 2011 (p. 7) the objective of the project was “to improve living conditions and increase the economic self-reliance of targeted internally displaced persons (IDP)”. On June 17, 2016 the project received Additional Financing. The objective remained the same.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The project included four components (based on PAD Data Sheet, ICR, Table 1, and Project Paper 2016)

Component A: Micro-projects (appraisal estimate US$17.70 million, an AF of US$16.5 million; actual cost US$17.77): This component was to continue financing smaller scale IDP community driven micro-projects under the Azerbaijan IDP-Economic Development Support (EDS) project. Potential micro-projects were to include: a) repair or rehabilitation of basic infrastructure (e.g. water supply, power supply, access roads, drainage systems); and b) repair or rehabilitation of social infrastructure such as schools and community centers. Communities were to be responsible for contributing 3 percent of the total value for all micro-projects. Continued communication campaigns were to ensure awareness of IDPs across Azerbaijan in regards to submitting micro-project proposals and the selection criteria. The component was to include ongoing support for the design, appraisal, and implementation of the micro-projects.

Through the AF the geographic scope of the project was expanded and the ceiling of the micro-projects that required approval by the Social Fund for Development of IDPs (SFDI) (the Project Implementation Unit) was increased to avoid a backlog of micro-projects waiting to be completed since the SFDI board did not meet on a regular basis.

Component B: Housing Renovations (appraisal estimate US$24.83 million, an AF US$22.53 million; actual cost US$22.77 million): This component was to finance renovations of IDP collective centers in a state of disrepair, where IDPs continue to live in poor conditions. The total number of IDP collective centers in urgent need of rehabilitation exceeded 190 facilities at the time of project preparation. It was proposed that up to 95 of such centers were to be selected for renovation under this component. These renovations were to include i) structural features; ii) common spaces; or iii) individual apartments.

During the AF this component was significantly revised. The name was changed to "Infrastructure Support to IDP Communities" to reflect the shift in focus from collective centers to New Settlements. Also, the component was split into two sub-components: B.1. Infrastructure Support to New Settlements; and B.2. Maintenance of Rehabilitated Collective Centers. The government aimed to resettle all IDPS from collective centers to New Settlements and wanted to move renovation efforts from collective centers to New Settlements that had been built before 2005. Furthermore, the government wanted to allocate funds to infrastructure and service projects similar to those implemented under Component A including road repairs, water supply, school improvements etc. However, the government was aware that some funds were necessary to maintain the collective centers until all IDPs could be relocated.

Component C: Livelihood Support (appraisal estimate US$8.52 million, an AF US$20.0 million; actual cost US$15.86 million): This component was to finance activities to respond to the challenges of low levels of employment and income among IDPs and their continued high levels of dependence on state subsidies for household income. This component included three sub-components:

<u>C.1 Youth Training and Business Development:</u> This sub-component was to scale-up activities piloted under the ongoing IDP Youth Support Project (IDP-YSP) funded by a Grant from the Japanese Social Fund

for Development. Activities were to include skills training (e.g. vocational, computer) and basic business training to equip them with the knowledge to set up a small business and to write a business plan in their chosen vocation.

C.2 Income Generating Activities: This sub-component was to finance the establishment of approximately 200 small businesses and micro-enterprises to be collectively owned and managed by IDP groups. Target communities were to be those with a high incidence of poverty, low employment rates, and high dependence on government subsidies as their main source of income. Within communities there was to be a special focus on IDP women. Target communities were to receive intensive community mobilization facilitation and encouraged to form small self-help groups (SHG) to identify possible income generating activities (IGA). The selection of income-generating activities was to be supported by detailed market analysis to ensure that demand for products/services existed and that sufficient net income could be generated for the participating beneficiaries. Selected SHGs with a viable business plan for an IGA were to register as local liability companies (LLC) and were to open bank accounts, into which they were to contribute savings worth five percent of the overall grant size. SHGs reaching a required savings threshold were to be supported with financial grants of not more than US$12,000 to start a new micro-enterprise.

C.3 Micro-credits: This sub-component was to build upon SFDI's existing work in providing micro-finance to eligible individual IDPs who wished to start or scale-up a business. It was proposed to extend a US$3 million line of credit to SFDI to be disbursed through up to 10 Credit Unions (CU), resulting in an expected 1500 small scale loans with average size of US$1,900.

During the AF the component was modified as follows: the activities of Component C were aligned with those of Component A and B by prioritizing young adult IDPs for Youth Training and Business Development (Component C.1) who lived in New Settlements were infrastructure and service projects were planned (Component B.1). Also, the government asked to integrate the three sub-components of Component C in a way that IDPs who had a viable business plan for an Income Generating Activity (Component C.2) could qualify for Micro-Credit (Component C.3). In addition, a new sub-component C.4 "Integrative Economic Support Pilot" was added aiming to support IDP's living in New Settlements.

Component D: Project Management and Capacity Building (appraisal estimate US$5.27 million, an AF US$7.5 million; actual cost US$7.73 million): This component was to finance all items necessary to ensure SFDI's proper implementation, coordination, and supervision of the project including staff positions, staff training, and capacity building and office assets such as vehicles and supplies.

As part of the AF, funds were added to this component to hire an outside firm to collect data for an Impact Evaluation, which was to measure the causal effects of the livelihood support activities on the socio-economic well-being of participants.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The project was estimated to cost US$78.42 million. Actual cost was US$95.02 million.

Financing: The project was financed by a Bank loan in the amount of US$50.0 million of which US$49.9 million were disbursed and Additional Financing (AF) in the amount of US$66.7 million of which US$15.5

million were disbursed. The remaining amount of US$51.8 million was cancelled at the request of the government.

Borrower Contribution: The Borrower was to contribute US$28.42 million. The actual contribution was US$29.5 million (ICR, Data Sheet). According to the ICR (p. 14) in October 2017, the government stopped meeting its co-financing obligations resulting in the pausing of all project activities since the government's financing covered VAT expenses. Co-financing resumed in February 2019.

Dates: The project was restructured three times:

- On February 19, 2016 the project was restructured to extend the closing date from June 30, 2016 to December 31, 2016 due to a slow disbursement of funds as a result of the devaluation of the Azerbaijani Manat in 2015.
- On July 17, 2016 the project was restructured to obtain AF in the amount of US$66.7 million to allow for: i) additional support to construct and/or rehabilitate physical infrastructure in new IDP housing areas: ii) providing funding to operate and maintain infrastructure financed by the project; iii) increasing the scope of livelihoods activities; and iv) supporting an impact evaluation. Also, the Results Framework was updated to reflect the results of new activities as well as to improve the tracking of ongoing activities resulting in the simplification and dropping of indicators. Furthermore, safeguard policy OP/BP 4.12 (Involuntary Resettlement) was triggered due to Component B supporting multiple infrastructure investments in selected IDP settlements, and OP/BP 7.50 (International Waterways) due to the implementation of micro-projects on water supply and sanitation systems for beneficiary communities. The closing date for the AF was set at December 31, 2020.
- In October 2017, the Government stopped meeting its co-financing obligations, which meant that all project activities had to be put on hold, Subsequently, the GoA requested that the World Bank terminate the AF Loan Agreement and discontinue all project activities.
- On December 10, 2019 the project was restructured to: (i) cancel US$51.2 million of the AF and (ii) to advance the project's closing date from December 31, 2020 to December 31, 2019. As a result of the cancellation of financing Components A and B.1 projects (that had started before the government stopped meeting its co-financing obligations in October 2017) were planned to be completed while Components A and B.1 projects that had not yet been started were cancelled. Also, projects under Component B.2 which were never started were cancelled. Activities under Component C.1 and C.2 were implemented at a reduced scope and Components C.3 and C.4 were cancelled while Component D was reoriented to focus on the closing of the project.

3. Relevance of Objectives

Rationale

Context. According to the PAD (page 1) Azerbaijan had been experiencing significant achievements in the decade before project appraisal with approximately 9.1 percent of the population being poor in 2010 compared to 50 percent of the population being poor in 2001, challenges remained. However, as a result of the conflict between Azerbaijan and Armenia over the Nagorno-Karabakh region between 1992 and 1994, approximately one million people (including both ethnic Azerbaijanis who left Armenia as refugees to settle in Azerbaijan, and Azerbaijanis from Nagorno-Karabakh and the surrounding districts who fled as internally displaced persons (IDPs)) settled into other regions of the country. Since no final resolution of the conflict has been reached, the IDPs have been unable to return to their origins, leaving them displaced for 20 years.

According to the PAD (p. 2) at the time of project appraisal, there were 597,180 internally displaced in Azerbaijan, making it one of the highest concentrations of IDPs per capita in the world. IDPs lived in 69 districts of Azerbaijan with the majority in urban settings particularly in the major urban centers of Baku and Sumgayit. The government had been assisting the IDPs with several programs aiming to provide temporary support until IDPs return. IDPs received individual direct cash transfers, as well as an assistance package of subsidies and services. As the settlement of the conflict has remained uncertain and the situation of IDPs has become a long-term challenge, the government has gradually adapted its approach by making more systematic investments in the living conditions and economic opportunities of IDPs. However, the PAD (p. 2) stated that IDPs continued to be a vulnerable group disadvantaged by their living in protracted displacement, which negatively impacts their social and economic well-being. The percentage of IDPs that have access to hot water, adequate sanitation, and electricity has been significantly lower than the general population.

Government Development Strategy. At the time of this project's appraisal, improving IDP's living conditions and ensuring livelihood opportunities was a high priority of the government. In 2012, the President approved a development concept for the country ("Azerbaijan 2020: Look into the Future") which addressed the issues facing IDPs and confirmed the Government's commitment to improve IDP's housing conditions, social infrastructure, employment, and allocate micro-credits, provide professional training and other measures and support young displaced persons.

World Bank Assistance Strategy. The project's objective was in line with the Bank's most recent Country Partnership Framework (CPF) for 2016-2020 which emphasized the need for continued support for IDPs especially under focus area 1 (public sector management and service delivery) and objective 1.2 (support access to and satisfaction with public services).

Based on the deprivation and humanitarian needs of IDPs in Azerbaijan together with both Government development strategy and the Bank's assistance strategy to the country, this review rates the relevance of this project's objectives to address the social and economic challenges facing IDPs as High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To improve living conditions of targeted internally displaced persons

Rationale

Theory of Change. The project's theory of change envisioned that project activities such as repair/rehabilitation of infrastructure and enhanced services would result in project outcomes such as households with increased access to basic rural infrastructure, households with access to an improved quality of basic rural infrastructure, people provided with adequate access to services/utility/infrastructure, and households reporting increased satisfaction with the quality of housing conditions. These outcomes would together result in the project's objective of improving IDP's living conditions.

Outputs:

- A total of 307 micro-projects were completed (105 social infrastructure micro-projects, 160 economic infrastructure micro-projects, four sanitation and environmental micro-projects, and 38 service micro-projects) surpassing the original target of 200 micro-projects as stated in the PAD.
- 539 new social institutions (or community groups) were established. The percentage of beneficiaries that were surveyed felt socially excluded decreased from 6.10 percent to 2.10 percent. Also, the percentage of surveyed IDPs who felt that could influence development decisions in a meaningful way increased from 94 percent to 97.5 percent. The beneficiaries did not report any significant changes in regard to increasing or decreasing social interactions between IDPs and non-IDPs as 90.8 percent of surveyed IDPs reported that their trusted social circles included both IDP and non–IDPs (the baseline was 89.7 percent).
- A total of 64 micro-projects were completed (22 social infrastructure micro-projects, 31 economic infrastructure micro-projects, one sanitation and environmental micro-project, and 10 service micro-projects) (a total of 371 micro-projects) not achieving the target of a total of 490 micro-projects.

Outcomes:

- In 2012 only 33 percent of households were satisfied with housing conditions, which increased to 94.2 percent in 2020, surpassing the target of 75 percent. According to the ICR (p. 17) 36,087 IDPs benefited from renovations in 103 Collective Centers. It also reports that only 11.3 percent IDPs were still in households suffering from dampness (a decrease from 93.5 percent in 2012); 87.1 percent were in households with energy efficient doors and windows (an increase from 2.3 percent in 2012); 95.7 percent were in households with access to 24 hour water (an increase from 44.3 percent in 2012); and 99.9 percent were in households with access to 24-hour electricity (an increase from 69.6 percent in 2012).
- As at June 2016 (shortly before the AF) 197,427 IDPs benefited from the completion of 307 micro-projects, surpassing the target of 185,500 IDPs.
- By the project's completion the number of beneficiaries from the project increased from 240,000 beneficiaries in 2014 to 288,922 in 2020, not achieving the target of 371,000 beneficiaries (ICR, para 35). Nevertheless, as the ICR notes, 49.7 percent of the beneficiaries were women, exactly achieving the target of 49.7 percent. The Bank team advised IEG that the sources of information on these targets were community assessment documents, which were prepared by the representatives of the SFDI (State Fund for Development of IDPs), participating NGOs and target communities for the management of the project.
- The percentage of IDP households with increased access to basic rural infrastructure increased from 55.1 percent in 2018 to 76.03 percent in 2020 (ICR, para 36), surpassing the target of 30 percent.

However, the baseline was only established in 2018, six years into project implementation. It is also noted that the PAD distinguished between: i) access to all weather/rural roads; ii) increase in access to 24 hour electricity; iii) increase in access to health and education services; and iv) increase in access to community facilities. Each of these sub-indicators had a specific baseline.

- According to the ICR (p. 18) 98.5 beneficiaries surveyed by SFDI reported access to all weather and/or rural roads (an increase from 59.9 percent at baseline); 98 percent reported access to 12 to 24 hour water (an increase from 83.2 percent); and 97.7 percent reported access to 24-hour electricity (an increase from 89.1 percent). A total of 98.1 percent of beneficiaries surveyed reported “changes in access to services, infrastructure, and utilities” with 95.5 percent rating their access to services, infrastructure and utilities as “good” or excellent and 95.8 percent rating the quality of their services, infrastructure and utilizes as “good” or “excellent” (ICR, para 39)
- The percentage of IDP households who were satisfied with the quality of basic rural infrastructure increased from 24.20 percent in 2018 to 52.69 percent in 2020, surpassing the target of 30 percent (ICR, para 36).

This review concluded that there was considerable evidence that the living conditions of targeted IDPs had improved. Therefore the efficacy with which Objective 1 was achieved was rated substantial.

Rating
Substantial

OBJECTIVE 2

Objective
To increase the economic self-reliance of targeted internally displaced persons:

Rationale
Theory of change. The project’s theory of change envisioned that project activities such as supporting self-employment, skills and business development, and access to finance through grants and micro-credits would result in an increase in the number of employed beneficiaries, an increase in beneficiaries’ monthly income, an increase in the value of assets owned by beneficiaries, and an increase in the profitability of micro-loans. These outcomes were expected to result in the project’s objective of increasing the economic self-reliance of IDPs.

Outputs:

- The number of active loan-accounts (under the original project) decreased from 747 accounts in 2015 to 735 accounts in 2020, not achieving the target of 3,300 accounts (ICR, Annex 1, page 44).
- However, the percentage of active loan-accounts held by vulnerable IDPs was zero, not achieving the target of 30 percent (ICR, Annex 1, page 45).
- The percentage of active loan-accounts held by women was 30 percent, surpassing the target of 20 percent (ICR, Annex 1, page 46). 100 percent of project-supported institutions were reporting on this indicator, achieving the target of 100 percent.
- 134 LLCs out of the targeted 400 were established. Each LLC was composed of approximately 11 members (each presenting a different household in the community). The second group of 133 self-

help groups was registered as LLCs but did not receive livelihood grants. The third group of 133 self-help groups were not mobilized due to the cancellation and early project closure. Also, only 833 youth groups received support during the AF phase, not achieving the target of 2,500 youth due to its cancellation and early project closure (ICR, para 45).

Outcomes:

- 3,527 of the new small businesses that had been operating for at least one year were generating a profit (ICR, para 45). In addition, 262 Local Liability Companies (LLCs) had active saving accounts.
- The income of direct project beneficiary households increased from 2,060 AZE to 3,263 AZE (58.5 percent increase), surpassing the target of a 20 percent increase (ICR, para 48).
- The number of targeted beneficiaries who gained employment increased from 6,236 beneficiaries in 2016 to 8,566 beneficiaries in 2020, not achieving the target of 9,600 beneficiaries (ICR, para 45).
- The number of targeted female beneficiaries who gained employment increased from 3,601 beneficiaries in 2016 to 4,977 beneficiaries in 2020, not achieving the target of 5,400 beneficiaries. As noted under Objective 1, IEG was advised by the Bank team that the sources of information on these targets were community assessment documents, which were prepared by the representatives of the SFDI, participating NGOs and target communities for the management of the project.
- Income generating activities (IGAs) increased the value of assets owned by direct beneficiaries from 2,394 AZE in 2017 to 8,561 AZE in 2020, surpassing the target of 2,633.4 AZE. For the Youth Support Project (YSP) beneficiary households, the value of assets owned increased from 5,395 AZE to 7,464 AZE as a result of households acquiring additional units of livestock and vegetable/fruit gardens (ICR, para 48).
- The quality and sustainability of IDP livelihoods increased by 30.36 percent surpassing the target of a 20 percent improvement. The indicator was measured by a composite index including IDP increased incomes, assets, and access to services. The index value for YSP beneficiaries increased by 68.49 percent. According to the ICR (p. 19) the data covered the first phase of the IGA (134 self-help groups comprising 1,493 individual members) and the first phase of 833 YSP beneficiaries. Separate indices were created for the YSP and IGA sub-components (since they cover separate sets of beneficiaries which could not be combined into one single index described in Annex 6 of the ICR). However, the survey did not include a control group (ICR, para 43). Therefore, the data in the indices cannot be causally attributed to the project activities. Also, the YSP data had a larger standard deviation indicating that the index value is less robust than that of the IGA.
- All grievances registered related to delivery of project benefits were addressed, achieving the target of 100 percent.

Although, as the ICR noted in para 29, restructuring had the greatest impact on Component C since the most vulnerable IDPs, including young adult IDPs, were the primary beneficiaries of this component's activities. Nevertheless, overall the objective of increasing the economic self-reliance of targeted IDPs was achieved. Hence the efficacy of the achievements towards Objective 2 was rated substantial.

Rating
Substantial

OVERALL EFFICACY

Rationale

The achievement of both objectives was Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency:

The PAD (page 15) included an economic analysis, which made the following assumptions: (i) the useful life of the project was estimated at 15 years; (ii) the residual value of social and economic infrastructure at the end of the project life was assumed to be zero; (iii) the marginal cost of temporary housing was estimated to increase by 10 percent annually in years 11-15 of useful life; (iv) environmental impacts were considered negligible and were not quantified for this analysis; (v) the opportunity cost of capital used for calculating NPV was 12 percent; (vi) US$ 2010 constant prices were used for the estimates, (vii) cost of taxes and subsidies were excluded in the economic evaluation of the project, and (viii) tax payments were included in the analysis of financial flows. Based on these assumptions the economic analysis of the project in the PAD estimated a Net Present Value (NPV) of US$80.5 million and an Economic Rate of Return (ERR) of 32 percent. The project's financial cash flows generated an estimated internal rate of return (IRR) of 23 percent, accounting for proportionally greater financial cash outflows for capital expenditures, recurrent costs and, negligibly, for tax receipts.

Another economic analysis was conducted when the project received AF, which compared the project costs with the expected benefits. The analysis made the following assumptions: (i) a discount rate of six percent was used; and (ii) income generated and savings were assumed to grow at a rate of 10 percent. An NPV of US$393.95 million with an IRR of 20 percent was calculated. After project closing the analysis was updated using project cost data based on actual expenditures. The NPV was re-estimated at US$286.97 million (using a discount rate of 6 percent) with an IRR of 18 percent.

The ICR (p. 23) conducted an economic analysis using the following assumptions (the same as the AF analysis): (i) useful life of the project was estimated at 15 years; (ii) 2013 was used as the first year; (iii) annual increase in assets (livestock) for the income generating program (IGP) was 30 percent; (iv) annual increase in income as a result of the IGP was 30 percent; (v) annual depreciation of equipment and tools was 8.5 percent for Component C.1; (vi) annual increase in per capita income was 10 percent; and vii) US$ in constant 2013 prices were used for the estimates. Based on these assumptions, the NPV was US$286.97 million (using a discount rate of 6 percent) with an IRR of 18 percent.

According to the ICR (p. 24) differences between the results of the analysis conducted at appraisal and at completion were due to the following: (i) at appraisal it was estimated that 129,512 people would benefit from Component A, but the actual number of beneficiaries at project completion was 197,427 resulting in a higher IRR for Component A; (ii) following the AF it was estimated that 45,000 residents of Collective Centers would benefit from Component B investments, but because some activities were attenuated the actual number was only 24,002 beneficiaries resulting in a lower NPV and IRR at completion.

The ICR provided a sensitivity analysis from which it was concluded that there were "three critical assumptions, for which a variation of +/-10% of the value adopted in the main scenario entailed a variation of more than 5% in the NPV." The assumptions were the discount rate, changes in the annual increase in assets (livestock), and income generating activities for IDPs (para 58).

Cost Effectiveness:

The ICR also compared cost per beneficiary for Component C livelihoods interventions (US$2,076) with results from the Bank's analysis of "Trends in Economic Inclusion Program Costs", which collects and analyzes costing data from 35 economic inclusion programs around the world. This project had the third highest cost per beneficiary of the 24 government-led projects included in the study. However, the ICR provided no information on benefits to compare with costs.

The ICR also compared the average unit cost for buildings, roads, water supply systems, and electrical systems financed under Component A with average unit costs of the Azerbaijan Second Rural Investment Project. Slightly higher construction unit costs incurred in this project were, according to the ICR, a result of higher quality materials and different construction methods. For all other investments, unit costs were similar.

Operational Efficiency:

The project experienced implementation delays due to the lack of counterpart funds. For a period of 18 months between 2017 and 2019 project activities were on hold and no new beneficiaries were reached. However, the project still had to cover costs for staff and project management. Therefore, while the cost per beneficiary for Component C was US$1,748 for the parent loan, it was US$2,884 per beneficiary under the AF. Also, most of the AF was cancelled and the project was closed earlier than planned due to the economic slowdown driven by a drop in oil and gas prices, which resulted in the collapse of the micro finance sector. Despite the higher staff and management costs the total of these costs during the project's implementation was 14% which was "in line with the average level for ten government-led projects for which data is available" (ICR, Annex 3, Figure 7)

Also, the government did not agree with the Bank in terms of investing in the maintenance of collective centers and since it preferred to invest in New Settlements. This resulted in US$5 million that were to finance continuous operation and maintenance of collective centers not being used.

After assessing all aspects of the efficiency analysis including some benefits that could not be quantified, this review concluded that the analyses indicated that the project generated a relatively high economic rate of return and produced "value for money". Therefore, notwithstanding some operational inefficiencies, the project's overall efficiency is rated Substantial.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	32.00	0 ☐ Not Applicable
ICR Estimate	✓	0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objective was High given the objective's close alignment with Government strategy and the Bank's most recent Country Partnership Framework (CPF) (2016-2020) which emphasized the need for continued support for IDPs. The Efficacy of the project's achievements toward the two project objectives (in the context of both the original and the temporarily enlarged project scope following the AF) were both Substantial. Overall, the project's efficiency was assessed as substantial. Based on these assessments, the project had minor shortcomings and its outcome is therefore rated Satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

The potential risks to development outcome can be classified in the following broad categories:

Government commitment: According to the ICR (p. 36) the government continues to be committed to supporting IDPs despite political changes and the appointment of a new chairman to lead the state committee for refugees and IDPs in mid-2018, who did not have the same rank as his predecessor resulting in the cancellation of the project and the advancement of its closing date. However, the ICR (p. 36) stated that the government continues to have staff and institutions working on IDP related issues. Also, the government has recently collaborated through public-private partnerships to speed up its construction of New Settlements. However, the Bank team concluded (November 6, 2020) when the project closed, there was no indication from government that it would continue funding livelihood support activities.

Financing: The ICR (p. 36) stated that the Bank has several ongoing programs in its existing regional portfolio that could support IDPs. However, no new partnership between the Bank and the government to implement a new IDP project has been established.

Technical: The project was able to build capacity within IDP community groups. According to the ICR (p. 36) the IDPs who established LLCs through the Income Generating Activities and the youth who participated in the Youth Training and Business Development program were able to develop skills, which they could continue to use to earn an income. The ICR stated that some LLCs are aiming to expand their businesses.

Institutional support: The government has not put forward a plan on the role of the SFDI and it is not clear if the SFDI will continue its work. Therefore, not supporting the SFDI and the technical capacity built and networks with NGO implementing partners, microfinance institutions, and regional and local consultants might negatively impact the future support for IDPs.

8. Assessment of Bank Performance

a. Quality-at-Entry

According to the ICR (p. 29) the project built on experience from previous Bank projects and diagnostics such as the Azerbaijan IDP-Economic Development Support project, especially, the IDP community driven micro-projects. The design of the AF was informed by two studies that were conducted during project preparation and implementation of the original project “Building Assets and Promoting Self Reliance: The Livelihoods of Internally Displaced Persons” and “Azerbaijan Internally Displaced Persons Youth Support Project”).

The SFDI was chosen to act as the project implementation unit due to its experience in implementing previous Bank projects and its adequate capacity allowing for a swift start of project implementation.

The Bank identified several risks such as the risk of community mobilization / participation not being acceptable in local context which was mitigated through intensive citizen engagement mechanisms, recruitment of community mobilizers and NGOs. However, the Bank did not identify the risk that the government might stop meeting its co-financing obligations under the AF due to an economic slowdown as a result of a drop in oil and gas export prices. When government financing did stop, it resulted in the cancellation of the loan agreement and the suspension of the micro-credit program.

However, according to the ICR (p. 30) the project design lacked clarity on the institutional arrangements for a sustainable operation and maintenance of IDP collective centers. During the preparation of the AF, the Bank and the government were not able to agree on investing in the maintenance of the collective centers. The government preferred to invest into New Settlements instead, which resulted in US$5 million not being allocated for continued operation and maintenance as part of the AF. Also, it was difficult for the SFDI to obtain permission by the government for visiting the collective centers that had been rehabilitated under the original project.

The project’s M&E design was adequate. Minor shortcomings in the M&E of the original project were addressed in the AF (see section 9a for more details).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

According to the ICR (p. 35) the Bank conducted regular supervision missions (a total of 16) to discuss and identify implementation bottlenecks with the SFDI. The ICR (p. 31) stated that when the quality of some micro-projects was found to be Average to Below Average, the Bank adapted the design, implementation, operation, and maintenance of all future micro-projects. Also, the ICR (p. 35) stated that when the Bank noticed that technical standards were not met for work financed by Components A and B, the Bank hired an international expert engineer who identified shortcomings, provided recommendations to address them, and modified the Project Operations Manual to avoid similar shortcomings in the future.

According to the ICR (p. 36) the Bank proactively tried to prevent a lack in counterpart financing from disrupting the implementation of activities under AF and raised the issue in several supervision missions. Also, the Bank offered the government several options to address this issue such as a loan restructuring to allow for VAT expenses being covered under the loan. However, the Bank was not successful in avoiding negatively impacting project activities and an abrupt closure of the project.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The objective of the project was clearly specified and the theory of change and how activities and outputs were to lead to the intended outcomes was sound and adequately reflected in the Results Framework. The selected indicators encompassed all outcomes of the PDO statement and were adequate to capture the project's contribution towards achieving the objective. Also, all indicators were sufficiently specific, measurable and had a baseline and a target.

According to the PAD (p. 12) the SFDI was to be responsible for monitoring and evaluating the outcomes of the project. Project specific monitoring and evaluation (M&E) system were to be developed, with corresponding data collection schedules, formats, and Project Management Information System (PMIS).

The ICR (p. 32) stated that for the AF, the project's M&E was strengthened by introducing new M&E methodologies and provide additional data collection, especially for livelihood activities.

However, some of the indicator's baselines were established in 2018, six years into project implementation.

b. M&E Implementation

According to the ICR (p. 32) the SFDI collected M&E data, prepared quarterly progress reports and reported updated results for the Implementation Status Reports (ISRs) on a regular basis. Also, the SFDI hired a full-time M&E specialist and set up an M&E unit under the AF, which strengthened SFDI's ability to collaborate with the Bank on designing the impact evaluation.

Throughout project implementation SFDI modified the project's M&E system. For example, when the SFDI realized that it was not feasible to randomize the rollout of Component A and B sub-projects, SFDI and the Bank agreed that the impact evaluation would only cover Component C activities. Therefore, SFDI developed its own tools to measure PDO indicators 2, 3, and 4 to assess activities of Component A and B. However, as a result of 18 months delay in project implementation, the project was not able to collect reliable data. The baseline survey of the impact evaluation was conducted in November/December 2017 and the endline surveys of IGA and YSP beneficiaries were conducted in May/June 2019 and March 2020. However, the endline survey's scope was reduced and did not include a control group of beneficiaries. Also, when the project received AF in 2016, the indicators in the Results Framework were substantially modified.

The ICR (p. 32) stated that the SFDI developed a grievance redress and beneficiary feedback system and set up a phone line for beneficiary feedback. SFDI responded to all calls received. Under the AF a new indicator was added to report on this topic ("percentage of grievances registered related to delivery of project benefits addressed").

c. M&E Utilization

According to the ICR (p. 33) data from the original project were used to inform AF. As a result, AF included an impact evaluation to capture more complex data such as "quality of livelihoods", which posed a challenge to measure under the original project. Also, data from the original project indicated that high repayment rates would allow the program to take a greater risk. Therefore, under the AF, an additional stipulation was introduced and at least 50 percent of micro-loan beneficiaries had to be new to micro-credit. Furthermore, community feedback was reviewed by SFDI and used to inform project design such as adding hand railings and increasing the number of bathrooms.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project was classified as category B and triggered the Bank's safeguard policy OP/BP 4.01 (Environmental Assessment) due to Components A and B small and medium infrastructure projects. According to the ICR (p. 33) an Environmental and Social Safeguard Specialist was hired to ensure compliance with the site-specific Environmental and Social Management Plans (ESMP) that were prepared for each sub-project. The project also triggered OP/BO 7.50 (International Waterways). However, in May 2011, the Bank's regional Vice President granted an exception to the notification requirements under OP

7.50 for the project. This exception was granted again for the AF in January 2016. Under the AF, OP/BP 4.12 (Involuntary Resettlement) was triggered as the location and details of infrastructure projects under Component B.1 were not yet known. However, the ICR (p. 33) stated that the project did not require land acquisition or resettlement. The project's safeguard performance was Satisfactory with compliance throughout its implementation period.

The project also developed a grievance redress mechanism (GRM), which was managed by the community mobilization team. According to the ICR (p. 34) complaints could be submitted in person, by phone, or by email. When the project closed 60 submissions made and the majority was related to requesting additional work, and complaints regarding the quality of work, letters of gratitude, and miscellaneous inquiries. Each entry to the GRM received a personal response (ICR, para 90).

b. Fiduciary Compliance

Financial Management:

According to the ICR (p. 34) the project complied with the Bank's financial covenants, had satisfactory management arrangements in place and submitted accurate quarterly reports in a timely manner. The auditor did not identify any major weaknesses or deficiencies. The Bank team stated (November 3, 2020) that the external auditor's opinion was qualified. The delays in counterpart financing in late 2017 resulted in a delayed submission of the 2017 and 2018 project and entity audit reports resulting in the project not meeting legal requirements to audit project financial statements on time. As a result, the project's Financial Management was downgraded to Moderately Unsatisfactory. Once the project received financing by the counterpart again, and the 2018 and 2019 project and entity audit reports were submitted and found acceptable in June 2019, Financial Management was upgraded to Moderately Satisfactory.

Procurement:

Component A (micro-projects) and B (infrastructure projects) had adequate customized procurement mechanisms, which were approved by the Bank. A Procurement Manager and Procurement Assistant based within the SFDI conducted procurement activities. According to the ICR (p. 34) the Procurement Manager was experienced in Bank procurement processes and procurement staff cooperated closely with component managers and technical staff. Throughout project implementation six procurement post-reviews (PPRs) were conducted and no major deviations were found. Procurement activities where delayed when the government did not provide funding, resulting in some ongoing contracts being suspended and the project's procurement performance being rated Moderately Satisfactory.

c. Unintended impacts (Positive or Negative)

NA

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Satisfactory	Relevance of the Objective was High and Efficiency and Efficacy were both Substantial indicating minor shortcomings in the project's achievement of its objectives. The project's outcome is therefore rated Satisfactory.
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The ICR (p. 37-38) section on "Lessons and Recommendations" was heavily focused on findings with many recommendations. Lessons that IEG gleaned from the ICR are summarized below.

- **Investments in temporary IDP housing and ensuring adequate maintenance are challenging since the housing is supposed to be temporary and housing is not owned by IDPs.** There are indications in the ICR that sustainable investments and quality maintenance to ensure adequate living conditions are critical to the health, schooling as well as the economic and social development of IDPs. Therefore, the lesson from this project is that long-term maintenance plans for infrastructure maintenance need to be developed during project preparation and implementation with the possibility that beneficiaries make current and future contributions to the cost of maintenance in order that infrastructure is sustained.
- **Future social assistance and employment programs can build on community mobilization as developed in this project, especially for reaching women.** SFDI and its network of regional consultants learned that they needed to establish a level of trust with IDP communities before they could work with them in this project, Consequently SFDI and its network of regional consultants built strong relationships with IDP communities which were beneficial in their future work together..

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided an adequate overview of project preparation and implementation and included a detailed Economic analysis. The ICR was not always concise. Although IEG recognizes the considerable amount of detailed information on the project and that the analysis of the project's efficiency was very thorough, the main report was 38 pages (many more than the established limit) and 73 pages including annexes (much longer than the PAD). Nevertheless, the ICR was candid, outcome driven, and contained interesting analysis and conclusions based on credible evidence

However, the Lessons and Recommendations were mainly findings about the project and focused largely on making recommendations based on the findings. The ICR’s Results Framework in Annex 1 stated under the heading of “Original Target” not the targets of the parent project but the targets of the Additional Financing operation (i.e. the "Formally Revised Target"). Finally, the ICR did not explain why the project 's outcome was rated Moderately Satisfactory when according to the harmonized OPCS/IEG guidelines a "Satisfactory" rating would have been expected because the ICR had rated relevance as high, and both efficacy and efficiency as substantial.

This review acknowledges the considerable effort devoted to the ICR and rates its quality as Substantial.

a. Quality of ICR Rating

Substantial