



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 31-Jan-2018 | Report No: PIDISDSA23494



**BASIC INFORMATION**

**A. Basic Project Data**

Country Azerbaijan	Project ID P159962	Project Name Azerbaijan Third Rural Investment Project: Using Technology for Development	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 29-Jan-2018	Estimated Board Date 28-Mar-2018	Practice Area (Lead) Social, Urban, Rural and Resilience Global Practice
Financing Instrument Investment Project Financing	Borrower(s) Republic of Azerbaijan	Implementing Agency State Service on Agricultural Projects and Credits, Ministry of Agriculture	

Proposed Development Objective(s)

Improve access to quality rural infrastructure and livelihoods opportunities for target rural communities.

Components

- Component 1: Rural Livelihoods and Infrastructure for Local Economic Development
- Component 2: Capacity Development for Rural Livelihoods and Infrastructure
- Component 3: Project Management and Results Monitoring

**Financing (in USD Million)**

Financing Source	Amount
Borrower	50.00
International Bank for Reconstruction and Development	100.00
LOCAL: BENEFICIARIES	12.90
<b>Total Project Cost</b>	<b>162.90</b>

Environmental Assessment Category

B - Partial Assessment



Decision

The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

1. Azerbaijan has made remarkable progress in reducing poverty. Between 2002 and 2013, economic growth averaged 12.6 percent a year, boosted by high foreign direct investment in the oil sector, and growing oil production, exports, and prices. During the same period, the country's poverty headcount declined from close to 50 percent in the early 2000s to around five percent in 2013. Household consumption in the bottom 40 percent of the welfare distribution grew by over two percent per year between 2007 and 2012. Improvements in living standards were accompanied by considerable growth of the middle class from 4.3 to 28.9 percent of the population.
2. The poverty rate declined from 10.9 percent in 2009 to 6.0 percent in 2012, with a 1.1 percentage point decline between 2012 and 2015. The country's first recession in twenty years began in 2016 and poverty is likely to have increased since 2015. The official national poverty rate in 2016 according to the State Statistical Committee (SSC) was 5.9 percent, or one percentage point higher than in 2015,<sup>1</sup> although a non-official 2015 survey points to higher poverty rates.<sup>2</sup> Contributing factors include low oil prices and reduced oil production, high inflation, a decline in economic activity, the exchange devaluation, higher unemployment rates, and lower wage growth in the labor market. Social spending has shown a pro-cyclical trend, with the biggest social assistance program, Targeted Social Assistance, shrinking by 50 percent, which is likely to affect households that were just above the poverty line before the crisis.
3. Vulnerability and poverty incidence vary across regions, with urban–rural distinctions. The 2015 Azerbaijan Monitoring Survey of Social Welfare (AMSSW) shows that the 41 percent of the population living in rural areas represents 55 percent of the poor. Within rural areas, poverty is above the average national rate in the Lankaran, Ganja-Gazakh, Guba-Khachmaz, Aran, and Dakhlik economic regions. Rural livelihoods in Azerbaijan are also under threat due to climate change effects. An increase in droughts, water scarcity, and soil degradation are expected to decrease the productivity of the agricultural sector. The poor and vulnerable in rural areas dependent on the agricultural sector will bear the burden of these climate change costs, which can

<sup>1</sup> This rate is based on the national poverty line that the SSC sets each year.

<sup>2</sup> The AMSSW conducted by the Ministry of Labor and Social Protection of Population in 2015 points to a poverty rate of 8.7 percent using the AMSSW poverty line (i.e. 72.50 AZN per capita per month in 2015), and 28 percent using a higher regional poverty line (102.10 AZN). This rate was calculated using the World Bank's standard definition of international poverty line, US\$5 PPP 2005. The World Bank Poverty and Equity Global Practice (GP) is currently collaborating with the GoA to update its poverty measurement methodology and to align it with international best practices. These differences in the poverty rates between the SSC annual household budget survey and the AMSSW can be attributed to differences in survey and poverty measurement methodology.



give rise to an increase in inequalities between the rich and poor.<sup>3</sup> The Government of Azerbaijan (GoA) has set priorities for climate change mitigation and adaptation, including setting an ambitious target for reducing greenhouse gas emissions by 35 percent by 2030, compared to the 1990 levels.<sup>4</sup>

4. The GoA is tackling these challenges through a strategy to accelerate economic growth that is centered on economic diversification of the non-oil sector, rural development, and job creation, including through private sector investments. In 2016, the GoA endorsed strategic road maps to guide its strategy. The proposed Azerbaijan Third Rural Investment Project (AzRIP-3) will fully contribute to the Strategic Roadmap on Agriculture and Agriculture Products Processing Sector, which prioritizes: (a) enhancing the potential for socio-economic development in rural areas through the active involvement of rural communities and local self-governance institutions in planning for rural development (priority 9.1); (b) developing off-farm elements of the rural economy, such as tourism and agro-eco-tourism, handicrafts, and supporting services, with an emphasis on employment opportunities for rural youth and women (priority 9.2); and (c) supporting local communities' rural development initiatives by enhancing the ability of municipal governments to contribute to rural socio-economic development (priority 9.3).

#### Sectoral and Institutional Context

5. Improved access to basic infrastructure (such as water supply, sanitation, and other services) especially in rural areas is a central tenet of the GoA's strategy for poverty reduction and diversification of the rural economy. Rural Azerbaijan requires greater connectivity to markets. Travel distances to the nearest markets can range from 8 to 25 km, with up to 30 percent of trips made by foot.<sup>5</sup> Improving lagging services is also critical to reducing water related health risks, which may adversely affect the human capital needed to actively pursue livelihoods opportunities. Improved reliable services, especially in water, will also reduce expenditures that amount to about 10 percent of household spending.<sup>6</sup> Improving the water supply infrastructure can also generate positive impacts for climate change mitigation efforts.
6. Supporting rural and more vulnerable households to cope with external shocks will entail promoting nascent and new sources of livelihoods. Currently, 5.4 percent of Gross Domestic Product (GDP) results from rural residents, while they account for nearly 38 percent of the total work force.<sup>7</sup> In addition, improving access to capital markets and collateral (especially for women), climate-resilient value-chains, and tailored capacity building will reduce the large gap (sometimes up to a threefold difference) between farm gate and retail prices.<sup>8</sup> Closing this gap will further enable wholesalers to enter regional markets, reduce the power of local monopolies, and increase cooperation between producers and other agents in agro-food value chains. At present, agricultural operations are too small and thus too costly to participate in or climb up the ladder of

<sup>3</sup>The World Bank, *The Republic of Azerbaijan: Climate Change and Agriculture Country Note*, June 2012. <http://documents.worldbank.org/curated/en/575751468014471558/pdf/954070WP0Azerb00Box391416B00PUBLIC0.pdf>.

<sup>4</sup> United Nations Framework Convention on Climate Change. "Information to the United Nations Framework Convention on Climate Change on the Intended Nationally Determined Contribution of the Republic of Azerbaijan." [www4.unfccc.int/ndcregistry/PublishedDocuments/Azerbaijan%20First/INDC%20Azerbaijan.pdf](http://www4.unfccc.int/ndcregistry/PublishedDocuments/Azerbaijan%20First/INDC%20Azerbaijan.pdf)

<sup>5</sup> Study conducted in 2014 for the Azerbaijan Regional Road Project, cited in the The World Bank. 2015. *Systematic Country Diagnostic for Azerbaijan*.

<sup>6</sup> The World Bank, 2015. *Systematic Country Diagnostic for Azerbaijan*.

<sup>7</sup> By contrast, the oil and gas sector contributes 43 percent of the GDP but accounts for only 1 percent of total employment.

<sup>8</sup> For example, the farm gate price of live fish was two to three times lower in the local area than in the Baku market 180 km away (2.5-3.0 manats versus 6-7 manats per kilogram). Study conducted in 2014 for the Azerbaijan Regional Road Project, cited in The World Bank, *Systematic Country Diagnostic for Azerbaijan*, June 2015.



national or regional value chains. At the same time, only half the rural population has access to private savings, and only 23 percent of those who have private savings use formal bank accounts; 19 percent use informal methods such as saving clubs.<sup>9</sup> Reduced access to formal savings mechanisms increases vulnerability to shocks, thus adversely affecting capital accumulation necessary for investments in livelihoods.

7. **Gender.** Strengthening women’s decision-making power and economic opportunities will have large positive spill-overs to immediate families and beyond. Azerbaijan’s ranking in the Global Gender Gap Index is 86th out of 144 countries.<sup>10</sup> Labor market gender gaps, and women’s un – or under-employment, lower education, and insufficient access to credit, among others, contribute to this ranking. For example, labor market gender gaps resulted in an estimated 16 percent loss of GDP per capita in 2015;<sup>11</sup> and 46 percent of women aged 15 to 64 are unemployed or looking for work. Key government priorities include shifting women away from low productive agriculture (where some 40 percent of rural women are employed), and ensuring access to bank loans especially for female headed households and women not officially registered as property owners.<sup>12</sup>
8. **AzRIP-1 and AzRIP-2.** The GoA and the World Bank have partnered to address rural infrastructure gaps using participatory, community-driven approaches under the two preceding Azerbaijan Rural Investment Projects (AzRIP). For over a decade, these two projects contributed to transforming local economies and responding to locally-identified priorities. Community-driven development under AzRIP-1 gave control of decisions and resources to community groups, based on non-negotiable principles of transparency and accountability, participatory planning, and inclusion of the marginalized.<sup>13</sup> The on-going AzRIP-2 refined the community-driven approach and expanded its coverage geographically, while introducing support to the rural population’s economic development through livelihood pilots.
9. AzRIP-1 and AzRIP-2 have together benefited 3.5 million people by improving their access to infrastructure and services.<sup>14</sup> The two projects have rehabilitated or improved over 7,000 km of rural municipal roads, and improved access to drinking water sources for more than 700,000 people. In AzRIP-2 beneficiary villages, the share of villagers reporting an average income of only AZN 225 or below declined by 11 percent during the project period, while no such reduction in the share of those earning low incomes was observed in non-beneficiary communities during the same period. AzRIP-2 has also created additional regular income for 93,868 rural people by aggregating their production capacity and connecting them to value chains through 25 small-scale enterprises.
10. The AzRIP Geographic Information System (GIS) Map, launched by the Ministry of Finance in October 2017, is a geo-located visual presentation of a database of more than 2,000 AzRIP-1 and AzRIP-2 investments. Publicly

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<sup>9</sup> World Bank. 2016. *Enhancing Financial Capability and Inclusion in Azerbaijan: A Demand-Side Assessment*. Washington, DC: World Bank Group.

<sup>10</sup> See World Economic Forum. 2016. *Global Gender Gap Report*. Available at: <http://reports.weforum.org/global-gender-gap-report-2016/rankings/>.

<sup>11</sup> Analysis carried out by the World Bank as part of the 2016 South Caucasus Programmatic Gender Assessment.

<sup>12</sup> Currently, there are 300,000 female-headed households who account for 86 percent of single-headed households in rural areas State Statistical Committee Gender Statistics, available at: <http://www.stat.gov.az> (accessed September 2017).

<sup>13</sup> The first AzRIP (2005–12) was US\$36.1 million, including a US\$30 million International Development Association (IDA) Credit, and a \$6.1 million in GoA contribution. The on-going second AzRIP (2012–18) is US\$130 million, including a US\$80 million IBRD loan, and a \$50 million GoA contribution.

<sup>14</sup> Data provided by the AzRIP Project Management Unit (PMU).



accessible online, the AzRIP GIS Map makes AzRIP's expenditures and outputs fully transparent<sup>15</sup> and reflects the social capital built in the 56 rayons of the country. The map shows that communities have contributed to the project and have undertaken activities with the support of municipalities and the rayon Executive Committee members<sup>16</sup> (ExComms) to maintain AzRIP investments in working condition for as long as ten years after the infrastructure was first rehabilitated. The map has been welcomed by communities who are actively using it to locate their projects, offer feedback, and compare their efforts with those of other communities.

11. **Value Added of AzRIP-3.** In response to the actions proposed under the GoA's 2016 Strategic Roadmap on Agriculture and Agriculture Products Processing Sector, AzRIP-3 aims to introduce community- and municipality-led local socio-economic development, including support to off-farm employment opportunities in rural areas, and women's economic empowerment. Furthermore, as per the GoA's priorities for rural development as set out in the proposed State Program for Rural Socio-Economic Development 2019-2023, priority in AzRIP-3 is given to developing livelihood enterprises, accompanied by the provision of supporting socio-economic infrastructure. AzRIP-3 will leverage the institutional capacity of the long-serving Project Management Unit (PMU) and the social capital built in participating communities to offer a platform through which to diffuse new technologies, and introduce a series of innovations to increase local economic development in a transparent and accountable manner.
12. Furthermore, innovation, scaling-up the use and applications of the GIS-based Management and Information System (MIS), an increased focus on empowering women economically, and transitioning to municipal level planning will underpin AzRIP's strategic approach to reducing rural poverty. A framework for building capacity at all levels (communities, municipal governments, and project management staff) will be an important aspect of the project. AzRIP-3 will facilitate the use of digital technologies, which can enable communities to overcome low physical connectivity, and can help municipal governments to plan for better investments. AzRIP-3 will prioritize investments, including for infrastructure, by placing greater weight on infrastructure that promotes livelihoods investments that increase direct market access for communities.

### C. Proposed Development Objective(s)

#### Development Objective(s) (From PAD)

The Project Development Objective (PDO) of AzRIP-3 is to improve access to quality rural infrastructure and livelihoods opportunities for target rural communities.

#### Key Results

- i. Improvement in access to basic infrastructure in target communities, measured by decreased travel time.
- ii. Share of households in target communities that report income increases.
- iii. Number of beneficiaries, disaggregated by gender.
- iv. Percentage of AzRIP infrastructure community projects judged to be of good technical quality by technical audit.

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<sup>15</sup> Based on the World Bank's 2016 World Development Indicators, 78.2% of Azerbaijanis use the internet.

<https://data.worldbank.org/products/wdi>

<sup>16</sup> Executive Committees (ExComms) are deconcentrated offices of the central government. The heads of ExComms are appointed by the President and their budgets form part of the central government budget. The constitution provides for a lower tier of elected local government, the municipalities.



#### D. Project Description

13. **Component 1 – Rural Livelihoods and Infrastructure for Local Economic Development** (US\$138.5 million): Provision of grants to finance eligible demand-driven: (a) Community Projects (CPs) in: (i) rural infrastructure for local economic development, including Local Village Roads<sup>17</sup>, and (ii) livelihoods support; and (b) Sub-Projects identified in Municipal Development Plans in municipalities in the Pilot Rayons.
14. This component will provide grants to eligible communities to finance livelihoods and infrastructure projects proposed by community groups that contribute to local economic development. All community groups in rural rayons are eligible for grant funding under this component. AzRIP-3 will introduce a new local development planning process that includes community groups, municipal governments, and private sector representatives. A committee consisting of representatives of these same groups, as well representatives of rayon ExComms and rayon-level line departments, will select CP proposals based on an expanded set of criteria linked to proposals' estimated contributions to local economic development. In approximately 150 municipalities in five Pilot Rayons, the project will introduce a new local economic development planning process led by municipalities that will include private sector representatives, in addition to community groups. The local economic development planning process and revised sub-project selection criteria will be defined in the Project Operations Manual (POM). The promotion under this component of green infrastructure solutions and greening of investments (e.g. through tree-planting alongside roads, wind breaks, etc.) could also contribute to the climate mitigation benefits, in line with Azerbaijan's Nationally Determined Contribution and its priorities in the Land Use, Land-Use Change and Forestry sector.
15. **Component 1.1 – Infrastructure for Local Economic Development.** This component will provide grant funding for infrastructure CPs and ensure that the investments are sustainable, efficient, and complementary. Potential technology-related investments include internet-connected computer facilities; innovation centers, and incubators that diffuse technology into rural areas, and provide internet access as some of the basic measures to help rural entrepreneurs succeed. Approximately 150 municipalities in five Pilot Rayons will receive capacity building support and grant funding to finance infrastructure Sub-Projects identified in Municipal Development Plans. The grant ceiling for the municipal Sub-Projects will be \$15,000 per Sub-project per year and only capital investment will be eligible for financing. The grant ceiling for Sub-Projects will be reviewed at mid-term or after the program for financial management (FM) and procurement capacity building has been delivered.
16. The grant ceiling for infrastructure CPs will be increased to US\$160,000 to accommodate higher quality construction materials, allow for the financing of larger-scale investments identified in municipal-level plans, and cover initial operations and maintenance (O&M) costs. All infrastructure not included in the project's negative list is eligible for financing, if it meets the project's selection criteria, and is consistent with central government or rayon development plans, but not funded from other sources. AzRIP-3 will not rehabilitate roads in the main transport network managed by the State Road Agency (highways, republican roads, and local roads). Only village roads managed by municipalities or local Executive Authorities are eligible for rehabilitation under AzRIP-3.
17. **Component 1.2 – Rural Livelihoods Development** will leverage the experience of livelihoods pilots under AzRIP-2 with innovative features. It will emphasize information and communication technologies (ICT)

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<sup>17</sup> "Local Village Road" means a road in the Borrower's territory which is managed by municipalities or local executive committees.



enabled services to achieve catalytic higher-value and higher-growth livelihood outcomes, and contribute to job generation and local economic development. Grant financing to Community-Based Enterprises (CBEs)<sup>18</sup> will encourage innovative and context specific interventions. CBE grant size will amount on average to approximately US\$100,000, with a ceiling of US\$160,000.

18. Women's Development Groups (WDGs) will be formed to manage savings and loans so that women can increase their creditworthiness and increasingly be seen as reliable clients and as an attractive market (e.g., for finance, marketing, inputs, services). The criteria laid out in the POM will define which WDGs are eligible for one-time matching grants of up to 100 percent of their first-year savings.
19. As WDGs gain experience and become viable, enterprise groups with women-only membership will be formed to support the economic and social empowerment of women, enhance their ability to engage with a range of institutions and individuals, and take advantage of local livelihoods opportunities. Grants to the WEGs could potentially fund computer and ICT training for women at the innovation centers funded under sub-component 1.1.
20. **Component 2 – Capacity Development for Rural Livelihoods and Infrastructure** (US\$8.1 million). This component will support: (i) local economic development by enhancing the capacity of local stakeholders engaged in the implementation of Part A (a) of the Project; and (ii) capacity development of municipalities to develop Municipal Development Plans and to implement Sub-Projects under Part A(b) of the Project.
21. This component will enhance the capacity of engaged local stakeholders, including communities, municipal governments, Regional Grant Approval Committees (RGACs), staff in the Regional Operations Offices (ROOs), the central office of the PMU, and service providers in all aspects of rural infrastructure CP and Sub-project development (including the planning, design, contracting, procurement, FM, participatory monitoring and evaluation, and technical and operational review). It will also carry out livelihood support services in communities for developing the capacity of involved stakeholders, including local communities, groups and individuals, municipal governments, RGACs, staff in the ROOs, and central office of the PMU, and service providers to identify, plan and implement income-generating livelihoods CPs.
22. Customized capacity building approaches will be developed and implemented across three stakeholder tiers, comprised of local community groups, municipalities and the PMU. Specifically, this component will finance technical assistance (TA), including the hiring of consultancy services (firms and individual consultants), to support the implementation of activities under component 1.
23. *At the community level*, AzRIP-3 participants will receive training in innovative areas, e.g., design of projects, access markets, scale up businesses. They will also be exposed to technologies for rural economic development (e.g. just-in-time market data, including on weather, pricing, climate-change induced extreme weather warnings, etc.). Training will also focus on higher quality and more sustainable infrastructure CPs, higher growth livelihoods CPs, and strategic investments that contribute to local economic development beyond the community level. In the Pilot Rayons, communities will receive capacity development on planning infrastructure projects in partnership with municipalities.

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<sup>18</sup> Referred to as Business Groups under AzRIP-2.



24. *At the municipal level*, municipal governments will receive training to prepare local development plans that account for infrastructure assets and livelihoods opportunities. Municipal governments will also receive training in technology, including GIS-based MIS, business planning web applications, and citizen feedback systems. Procurement and FM training will lay the groundwork for possible block grant transfers to municipal governments at a future stage.
25. *At the PMU level*, staff will receive training in asset management, contracting, procurement, FM, and monitoring and evaluation (M&E).
26. **Component 3 – Project Management and Results Monitoring** (US\$16.3 million): Provision of goods and consulting services to assist the PMU and its ROOs for the purposes of effective management and implementation of Project activities, including carrying out outreach and communication campaigns, and M&E of Project implementation, including technical, financial, and social audits, MIS, IT services and carrying out studies on rural socio-economic development for the Project.
27. This component will institutionalize the AzRIP GIS Map within the PMU and expand its functionality by enabling remote and real time supervision of project implementation with photos and other data fed from hand-held devices. It will enable overlays of infrastructure maps and the location of economic assets (e.g. markets) to enable spatial planning for local economic development. Modules/data portals may also be added to enhance citizen engagement through direct provision of feedback on aspects of quality or complaints.
28. Under this component, the PMU will hire additional engineering staff for Project Assistance Teams (PATs) and ROOs (i.e., civil, water, roads and electrical engineers), to support beneficiary communities and municipalities in planning and implementing infrastructure projects.<sup>19</sup> The PMU will also hire additional livelihoods experts to strengthen and supervise the scale up of the livelihoods development sub-component. Additional staff will be recruited to provide the new expertise required to support WDGs and WEGs.
29. Analytical work will generate the local know-how to strengthen project design, implementation, and M&E systems. Routine technical audits will provide accurate data on asset condition and associated O&M spending by communities and municipalities for a panel of projects. In addition, this component will fund: (a) an economic analysis of AzRIP-3 CPs; (b) specific household surveys to track the main outcome indicators; and (c) an evaluation of AzRIP-3. It will also fund special studies on spatial development, strategies for sustainable rural infrastructure and services, opportunities for on-farm and off-farm enterprise activities, the application of technology for rural development, and women’s economic empowerment.

## E. Implementation

### Institutional and Implementation Arrangements

30. The PMU, established under the State Service on Management of Agricultural Projects and Credits (SSMAPC), has been implementing the two predecessor projects and will implement the proposed AzRIP-3. Day-to-day management of the project is delegated to the PMU constituted within the SSMAPC. The PMU will have direct responsibility for the management, administration, and coordination of the proposed project. To support AzRIP-3’s innovations, the PMU’s capacity will be further enhanced in the areas of engineering and livelihoods

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<sup>19</sup> A detailed description of the PATs and ROOs including their roles and responsibilities can be found under Component 3 in Annex 1.



development, MIS, information technology (IT), contracting and procurement of specialized TA, capacity building and training, M&E, and human resource (HR) management. The PMU will have ROOs in seven Operational Zones. The project institutional and implementation arrangements will be described in detail in the updated POM.

- 31. At the national level, the project institutional arrangements will include the Working Group (WG)<sup>20</sup> established by the SSMAPC to review the POM on a quarterly basis and adopt revisions as required.

**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

In the main, the proposed AzRIP-3 will continue to finance the rehabilitation of small scale infrastructure (“community project - CP”) such as Category 5 intra-community roads, schools, irrigation facilities and clinics in the same 58 rayons of the country as under the predecessor project, AzRIP-2. The list of beneficiary rayons may be slightly modified, however, the total number of beneficiary rayons will unlikely change significantly, and the AzRIP-3 will continue to cover almost all of the rural areas in Azerbaijan, spanning across all the Country's agro-ecological zones (Lowland Plains, Upland Rainfed, and Highlands). The ceiling for infrastructure CPs will be increased to \$160,000 to accommodate improved design surveys and higher quality construction materials. It is expected that the AzRIP-3 would finance about 800 CPs in the project life. The AzRIP-3 will also support the same types of income generation activities supported under the AzRIP-2 which are mostly related to small-scale agricultural production or processing such as chicken incubator and milk collection and processing. The number of such income generating activities will be increased from the current 15, however, the expansion will be gradual and will start only from the second year, based on the experience of modified approach to be tested during the first year.

**G. Environmental and Social Safeguards Specialists on the Team**

Gulana Enar Hajiyeva, Environmental Safeguards Specialist  
Sophia V. Georgieva, Social Safeguards Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	This policy is triggered because the implementation of community projects (rehabilitation of local village

<sup>20</sup> The WG includes representatives of the Ministries of Agriculture, Economy, members of Parliament including from the Committee on Regional Policy, the Committee on Women, Family, and Children, the RGACs, and civil society. Representatives of the Center for Municipal Development in the Ministry of Justice will be invited to join the WG.



roads managed by municipalities or rayon Executive Committees, potable water systems, irrigation infrastructure, electricity transformers, rural schools and health care centers) can be associated with certain environmental impacts which are expected to be minor and can be prevented or minimized through appropriate preventive actions and mitigation measures. Those anticipated impacts might be caused by civil works and include generation of dust, noise, wastes (including medical), soil and water pollution, damage to soil by excavation works. Since community projects and local village roads are not pre-identified and will be determined in the course of the project implementation by applicant communities through intensive participatory processes, an Environmental and Social Management Framework (ESMF) is applied. The ESMF of the previous AzRIP 2 has been updated for the purposes of AzRIP 3, and establishes screening mechanisms and governs the process of development and implementation of specific mitigation plans. The screening mechanism shall also ensure that Category A-type community projects are not eligible for the project support. Climate change co-benefits will be determined in detail on a community project level, along with identification of adaptation and mitigation activities to address climate change risks specific for every community project. The TA envisaged under Component 2 to support the implementation of the activities of Component 1, including capacity building at the community and municipal level, shall duly address the requirements of WB safeguard policies. The Terms of Reference (TOR) for the respective consultancy services will incorporate the tasks to meet the safeguard requirements. Additional procedure will be included in the Project Operations Manual to minimize the risk of elite capture including introduction of social audits and enhanced citizen engagement, and measures have been included in the ESMF to prevent the potential risk of child/forced labor. The ESMF has been duly disclosed and cleared by the Bank.

Any community project which may cause conversion or degradation of critical natural habitats will not be

Natural Habitats OP/BP 4.04

No



		eligible for the project support. ESMF provides for relevant screening criteria.
Forests OP/BP 4.36	No	Any community project which may cause adverse impacts to health and quality of forests. the right or welfare of forest dependent communities, or may bring about change in the management, protection or utilization of natural forests or plantations, will not be eligible for the project support. ESMF provides for relevant screening criteria.
Pest Management OP 4.09	No	The project will not support purchase of pesticides
Physical Cultural Resources OP/BP 4.11	No	No community project which may cause adverse impact on physical cultural resources will be eligible for the project support.
Indigenous Peoples OP/BP 4.10	No	N/A
Involuntary Resettlement OP/BP 4.12	No	Like the predecessor project, AzRIP-2, investments that will result in land acquisition or the loss of private assets will not be allowed. A quick post-review conducted by the PMU confirmed that no land acquisition or asset loss occurred under the AzRIP-2.
Safety of Dams OP/BP 4.37	No	The project will not support any activities relying on safe operation of dams
Projects on International Waterways OP/BP 7.50	Yes	As was the case with the previous projects, AzRIP 3 will support activities on rehabilitation or construction of irrigation and drainage systems, water supply improvement and wastewater treatment. Such activities might be developed in rivers flowing into the Caspian Sea and trans-boundary rivers, which are international waterways for the purposes of the OP 7.50. It is expected (and also based on the experience under the previous operations) that proposed community projects would not produce a noticeable change for the abstraction volumes of the systems and would not have an adverse change to the quality or quantity of river flows, while the works would not change the nature of the original systems. As required by OP 7.50, the riparian states have been duly notified.
Projects in Disputed Areas OP/BP 7.60	No	No community project will be implemented on disputed areas



**KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT**

**A. Summary of Key Safeguard Issues**

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

Project environmental risks are not significant, are reversible and manageable through implementation of appropriate mitigation measures. No involuntary resettlement or land acquisition is expected to occur.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The project is not expected to cause any significant indirect or long term impact.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

N/A

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The AzRIP PMU has updated the Environmental and Social Management Framework (ESMF) based on the lessons learnt during the current phase of the Project.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Potential project affected people will directly benefit from the improvement of priority infrastructure identified by themselves and the establishment and operation of the Community Based Enterprises which will be owned by themselves. Grievance mechanisms are embedded in the participatory processes which have been well established and further strengthened under the AzRIP-3.

**B. Disclosure Requirements**

**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank  17-Jan-2018	Date of submission for disclosure  18-Jan-2018	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
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**"In country" Disclosure**

Azerbaijan  
25-Dec-2017

Comments

In-country disclosure of the cleared draft ESMF and public consultations were held in the period of December 25, 2017, through January 6, 2018, in the districts of Ismayilli, Goygol, Sabirabad, Barda, Nakhchivan and Masally. The finalized ESMF along with detailed minutes of the meetings were submitted to the Bank on January 15, 2018.



**C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)**

**OP/BP/GP 4.01 - Environment Assessment**

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

**OP 7.50 - Projects on International Waterways**

Have the other riparians been notified of the project?

Yes

If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?

NA

Has the RVP approved such an exception?

NA

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes



### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

### CONTACT POINT

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**APPROVAL**

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