Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 07/23/2019 | Report No: ESRSC00719
**BASIC INFORMATION**

### A. Basic Project Data

<table>
<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Project ID</th>
<th>Parent Project ID (if any)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Azerbaijan</td>
<td>EUROPE AND CENTRAL ASIA</td>
<td>P171250</td>
<td></td>
</tr>
</tbody>
</table>

**Project Name**

Azerbaijan Employment Support Project

**Practice Area (Lead)**

«PRACTICEAREA»

**Financing Instrument**

Investment Project Financing

**Estimated Appraisal Date**

1/13/2020

**Estimated Board Date**

3/19/2020

**Borrower(s)**

Republic of Azerbaijan

**Implementing Agency(ies)**

Ministry of Labor and Social Protection of the Population (MLSPP)

**Proposed Development Objective(s)**

The Project Development Objective is to improve the access of vulnerable people to self-employment and income generating opportunities in Azerbaijan.

**Financing (in USD Million)**

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>100.00</td>
</tr>
</tbody>
</table>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The proposed project aims to improve employment outcomes (employment status and earnings) among vulnerable groups of jobseekers: youth, women, internally displaced people, individuals with disabilities and lower educated people, including beneficiaries of the Targeted State Social Assistance (TSSA) program. The project will achieve this by (i) scaling up and improving the effectiveness of the Self-Employment Program (SEP); (ii) strengthening program implementation capacity in the State Employment Services (SES), along with the capacity to provide a broader menu of activation and employment support programs (job intermediation services vocational training interventions); and (iii) improving monitoring and evaluation practices of the SES.
The proposed project will be structured around three interrelated components:

- Component 1: Enhancing the Scope and Effectiveness of the SEP;
- Component 2: Strengthening the Capacity of SES to Implement Activation and Employment Services; and

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

The population of Azerbaijan is about 9.9 million people of which 52.8% urban and 47.2% rural. Azerbaijan has enjoyed high oil-driven economic growth which has helped to achieve considerable progress in poverty reduction. The official national poverty rate has dropped from 14.6% in 2010 to 4.8% in 2013, however, it gradually increased to 5.9% in 2016. Poverty in rural areas remain high, and considerable disparities exist across regions. The public administration is the largest employer for the urban population, followed by construction and manufacturing and then services. In cities, the main income source is wages, whereas, in rural areas, it is self-employment and agricultural income. About 40% of the working population is employed in agriculture sector. The oil sector is capital intensive and provides low employment. Since recent oil price shock resulted in slowing the oil-dependent growth and exposed to poverty risk about 60% of population. Rural populations are the most vulnerable, there is a significant gap between rural and urban areas in level of educational attainment and lack of adequate access to basic services in rural areas.

Azerbaijan faces the challenge of mitigating the negative impact of macroeconomic shocks of 2014-2015 on poor and build a stable and resilient middle class. In the effort to address this major challenge and combat poverty, the Ministry of Labor and Social Protection of Population (MLSPP) has put a strong emphasis on self-employment. After two successful pilot Self-Employment Programs (in Goychay region in 2014 and in Shamakhi region in 2016), the Government decided to expand the program to the national level. The proposed project will support this effort of the Government. The project will be implemented country-wide; given the strong role of location in determining poverty and inequality, policies with geographical targeting to rural areas and regions with higher poverty rates are expected to have larger poverty impact. As part of the training programs and advisory services to be delivered to potential job-seekers and staff of MLSPP/SES, the project will contribute to building respective capacity, knowledge and skills of job-seekers and civil servants, which relate to the best environmental management practices, occupational health and safety standards in line with the General and industry-specific Environmental Health and Safety Guidelines (EHSGs) and GIIPs, as considered appropriate for identifying, initiating and running new income generation activities/businesses and accessing new employment opportunities and financial products.

D. 2. Borrower’s Institutional Capacity

The project will be implemented by the MLSPP. A Project Implementation Unit (PIU) will be established, which will be responsible for the day-to-day project management, including environmental and social management and addressing potential environmental and social risks. The current capacity of the implementing agency to manage environmental risks is moderate: while there is no relevant in-house expertise/dedicated unit, the MLSPP managed a World Bank Category B project which ended four years ago and, thus, has gained certain experience in handling the requirements of the World Bank safeguard policies. The project will provide support to the PIU for hiring consultants who would be adequately qualified to cover aspects related to proper environmental management, occupational health and safety (OHS) and introduction of provisions of General and industry-specific Environmental Health and Safety Guidelines (EHSGs) as part of the training programs and advisory services under the project. In addition, a training session will be delivered to the PIU staff and consultants to raise awareness on the provisions and requirements of the
Environmental and Social Framework (ESF), including environmental and social standards to be applied to the World Bank supported operations, and specifically to the proposed project.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

**Environmental Risk Rating**

Moderate

The environmental risk of the project is rated as moderate because, while environmental risks are expected to be negligible, the training program will cover OHS and other environmental issues associated with the occupations to be identified under the Self-Employment Program. The environmental aspects of the project are mainly those associated with introduction of the best environmental management practices and occupational health and safety standards (OHS) through various training programs aimed at development of specific skills to improve employability of job seekers, especially vulnerable groups of population, through advisory services to promote access to affordable financial products for the participants of the Self-Employment Program (SEP) who would like to turn their livelihood activities into growing businesses, and through upscaling and diversifying vocational training. No environmental due-diligence instrument is required to be prepared; this will be reconfirmed during the project appraisal. References to the General Environmental Health and Safety Guidelines (EHSGs) and, as appropriate, to the industry-specific EHSGs and Good International Industry Practices (GIIP), will be duly incorporated in the design and scope of the training programs and advisory services to be supported by the project.

**Social Risk Rating**

Moderate

The social risk is rated as moderate reflecting: (i) significant political and governance risks outlined in the project concept note; (ii) the required analysis of a broad range of social issues, including measures for improving beneficiary targeting; (iii) the capacity building support to the client for effective stakeholder engagement; (iv) support for ESS2 and the overall ESF compliance necessary for this project. Overall, the project doesn’t have significant negative social impacts and the project aims to improve employment opportunities among vulnerable groups of jobseekers: youth, women, internally displaced people, individuals with disabilities and those with lower levels of education, including beneficiaries of the TSSA program. The project will achieve this primarily through improving the effectiveness and enhancing the scale of the existing SEP and by strengthening the capacity of SES to deliver employment services. The interventions will be in the form of (i) expanding the program scale and scope of support, (ii) testing the introduction of complementary business support services for SEP beneficiaries, (iii) improving the coordination between the SEP and the TSSA program, (iv) strengthening SES’s capacity to deliver employment services (v) piloting a new youth employment program and (vi) fostering job-relevant skills development through upscaling and diversifying vocational training. At this stage, data on the potential beneficiaries are not known. There is a risk for exclusion error and inclusion error. Exclusion error fails to target people that actually need to benefit, whereas, inclusion error may cause inefficient targeting of the project beneficiaries. From the social perspective exclusion error is more significant. Also, as part of Component 1, it is proposed to improve the targeting of SEP by a screening of individuals for their entrepreneurial attitude and knowledge to business development in sectors other than agriculture. Since not all job seekers will have the motivation or be able to become a successful entrepreneur, therefore, accessing TSSA and SES
will become critical to project-affected parties. The project design needs to address the risk of exclusion error and ensure that people which actually need to benefit are ‘included’ in the project and will be able to participate and derive full benefits from the project. Towards this, a Social Assessment will be conducted to inform the targeting or profiling of TSA vulnerable groups and minimize the potential exclusion error, as well as the outreach and program promotion activities to ensure that targeted groups are aware of and able to access program benefits.

**B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

**B.1. General Assessment**

**ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

**Overview of the relevance of the Standard for the Project:**

The project aims to improve employment outcomes among vulnerable groups of jobseekers by (i) scaling up and improving the effectiveness of the SEP; (ii) strengthening program implementation capacity in the SES and capacity to provide a broader menu of activation and employment support program; and (iii) improving monitoring and evaluation practices of the SES. These will be achieved through provision of relevant training programs and advisory services. This standard is relevant because the envisaged training programs and advisory services will have to address aspects of proper environmental management and introduction of OHS standards of occupations/businesses/activities to be identified and initiated as a result of the SEP implementation, including expanded scope and scale of entrepreneurship and improved access to relevant financial products.

Social risk management issues relate to: (i) inclusion/exclusion error, (ii) labor management, and (iv) stakeholder engagement. Toward addressing these issues: a comprehensive Social Assessment (SA) will be undertaken during Preparation stage to accomplish the following: (a) stakeholder identification/mapping; (b) targeting/profiling of vulnerable groups, (c) stakeholder analysis of expectations, concerns, and issues, possible obstacles to accessing project benefits; (d) assessments of positive and negative impacts. As the project will deploy labor, both PIU staff and consultants, Labor Management Procedures (LMP) will be prepared by Appraisal which will outline the types of workers, key elements of the national labor regulations and gaps with ESS2. Given the diverse and heterogeneous as well as poor and vulnerable stakeholder canvas, the project needs to be engaged with the stakeholders on a continuous basis, thus a Stakeholder Engagement Plan will need to be developed. Documentation and information available and reviewed as part of E&S screening are as follows:

4. World Bank. AzRIP project PADs.

**Areas where “Use of Borrower Framework” is being considered:**

The Borrower’s framework will not be used for the project as a whole, nor for any of its parts.

**ESS10 Stakeholder Engagement and Information Disclosure**

Stakeholder Engagement (SE) includes the following: (i) stakeholder identification and analysis; (ii) planning for stakeholder engagement; (iii) consultations and disclosures; (iv) grievance mechanism; and (v) continuous interface with and reporting to the stakeholders. At this stage, the main stakeholders, especially, the likely affected/beneficiaries are expected to include youth, women, internally displaced people, individuals with disabilities and
those with lower levels of education, including existing beneficiaries of the TSSA program. Further stakeholder identification, targeting, and analysis will be undertaken as a part of the proposed SA. All these will help in preparing a Stakeholder Engagement Plan which will lay out the methods and timings to reach out to different stakeholders. SE will also help in drawing on the experience and expertise of thought leaders and influencers from the government, civil society, and the private sector. Overall, SE will help in developing a common shared understanding among all sections as well as sustained constructive relationships enabling avoiding risks. It will be ensured that all consultations are inclusive and accessible (both in format and location) and through channels that are suitable in the local context. The client will maintain, and disclose, a documented record of all stakeholder engagement activities. Stakeholder Engagement Plan will include mechanisms for setting out a Grievance Mechanism which would help the beneficiaries/affected individuals to express their concerns and grievances and provide the borrower to address them effectively.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions
The standard is relevant because the project will require the involvement of project staff and hiring consultants by the PIU for analytical or capacity building works. However, during the project preparation stage employment status of staff involved in the project preparation/implementation will be determined whether they are civil servants or direct workers hired by PIU. Those who are involved in project implementation (including consultants) and who are not civil servants will be covered under LMP. Also, OHS standards based on General and industry-specific EHSGs and GIIP, will be introduced through training programs and advisory services to be supported by the project. The project is not expected to employ contracted labor (e.g., civil works contractors) nor community workers; however this will be confirmed by Appraisal stage. The team will review national labor law and practices for consistency with the objectives of ESS2 and will flag any gaps and recommended gap-filling measures in the LMP.

ESS3 Resource Efficiency and Pollution Prevention and Management
This standard is currently not relevant as the project activities will not be associated with the use of resources such as water or energy. However, the energy efficiency and pollution prevention practices will be presented where appropriate as part of the training programs and advisory services to be delivered under the project.

ESS4 Community Health and Safety
The standard is not currently relevant because the project activities will not have any adverse environmental and social impacts on communities. However, the community health and safety provisions in line with EHSGs will be introduced as part of the training programs and advisory services to be delivered under the project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement
The standard is not currently relevant. Based on the information to date, no land acquisition is expected to take place under the project.
ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources
This standard is not currently relevant because the project activities will not cause any impact on biodiversity and living natural resources. However, principles of sustainable management of living natural resources will be introduced through training programs and advisory services to be delivered under the project, especially those targeting poor rural population.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities
The standard is not relevant because no indigenous people are known to reside in Azerbaijan.

ESS8 Cultural Heritage
The standard is not relevant because the project activities do not represent any risk to cultural heritage both tangible and intangible.

ESS9 Financial Intermediaries
This standard is not currently relevant because no financial intermediaries are party to the project implementation modality.

C. Legal Operational Policies that Apply

| OP 7.50 Projects on International Waterways | No |
| OP 7.60 Projects in Disputed Areas         | No |

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?
Financing Partners
N/A

B. Proposed Measures, Actions and Timing (Borrower’s commitments)
Actions to be completed prior to Bank Board Approval:
1. LMP for direct and contracted workers will be prepared before Appraisal.
2. Draft Stakeholder Engagement Plan acceptable to the Bank will be prepared and disclosed before Appraisal.
3. Prior to project appraisal, prepare a Social Assessment.
4. Hire or assign within the MLSSP an Environmental and Social Specialist to prepare, implement and monitor activities related to social assessment, labor management procedures, stakeholder engagement, grievance redress (as per SA, LMP, Stakeholder Engagement Plan).

5. Prepare an Environmental and Social Commitment Plan.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

1. General and Industry-Specific EHSGs to be referred and followed on the part of OHS.
2. MLSSP implements and reports on Stakeholder Engagement Plan.
3. MLSSP implements and reports on GRM.
4. MLSSP implements and reports on LMP.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS 01-Nov-2019

IV. CONTACT POINTS

<table>
<thead>
<tr>
<th>World Bank</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact: Maddalena Honorati</td>
<td>Title: Senior Economist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone No: 458-1878</td>
<td>Email: <a href="mailto:mhonorati@worldbank.org">mhonorati@worldbank.org</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contact: Sandor I. Karacsony</td>
<td>Title: Senior Economist</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone No: 5247+383 / 4</td>
<td>Email: <a href="mailto:skaracsony@worldbank.org">skaracsony@worldbank.org</a></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Borrower/Client/Recipient

Borrower: Republic of Azerbaijan

Implementing Agency(ies)

Implementing Agency: Ministry of Labor and Social Protection of the Population (MLSPP)

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

VI. APPROVAL

Task Team Leader(s): Maddalena Honorati, Sandor I. Karacsony
Practice Manager (ENR/Social)  Audrey Sacks Recommended on 17-Jul-2019 at 14:21:49 EDT
Safeguards Advisor ESSA  Nina Chee (SAESSA) Cleared on 23-Jul-2019 at 16:40:49 EDT