REPUBLIC OF AZERBAIJAN

Ministry of Labor and Social Protection of Population

AZERBAIJAN EMPLOYMENT SUPPORT PROJECT (P171250) AND ADDITIONAL FINANCING (P181649)

ENVIRONMENTAL AND SOCIAL MANAGEMENT FRAMEWORK

May2024

TABLE OF CONTENTS

Tables

Figures

LIST OF ABBREVIATIONS & ACRONYMS

ACM	Asbestos-containing materials
ESP	Employment Support Project
ALMP	Active labour market policy
APEA	Azerbaijan Public Employement Agency
CPF	Country Partnership Framework
EE	Ecological Expertise
EHS	Environmental, Health and Safety issues
EHSG	Environmental, Health and Safety Guidelines
ESA	Environmental and Social Assessment
ESF	Environmental and Social Framework
ESIA	Environmental & Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ESS	Environmental and Social Standard
DOST	Agency for Sustainable and Operative Social Provision (ASOSP)
GII	Gender Inequality Index
GOA	Government of Azerbaijan
GRM	Grievance Redress Mechanism
GRC	Grievance Redress Commission
HDI	Human Development Index
ILO	International Labour Organization
IFR	Interim Financial Report
IPM	Integrated Pest Management
LMP	Labor Management Procedures
M&E	Monitoring and Evaluation
MENR	Ministry of Ecology and Natural Resources of Azerbaijan Republic
MIS	Management information system
MLSPP	Ministry of Labor and Social Protection of Population
MLSPP PIU	Project Implementation Unit under Ministry of Labor and Social Protection of Population
MSMEs	Micro, small and medium enterprises
NGO	Non-Governmental Organization
PAP	Project Affected Person
PCBs	Polychlorinated biphenyls
PDO	Project Development Objective
PFI	Participating Financial Institution
POM	Project Operation Manual
RO	Regional Offices
SES	State Employment Service
SEE	State Ecological Expertise
SEPCO	AzSEP case officers
SIYB	Start and Improve Your Business
TSSA	Targeted State Social Assistance
USD	United States Dollar
VTC	Vocational Training Center

Executive Summary

Project background. The World Bank (WB) is providing support to the Government of Azerbaijan in implementing of the Employment Support Project (ESP, Parent Project). This operation is built around supporting the Government's Self-Employment Program. The objective of this Program is to strengthen self-employment and entrepreneurship as a pathway out of poverty and in to the labor market for vulnerable individuals. The improvement and scale up of the self-employment program are consistent with the recently adopted "Employment Strategy of the Republic of Azerbaijan for 2019-2030" and its action plan in draft. The third priority direction on "increasing the scope and efficiency of the active labor market programs and strengthening the integration of citizens who need social protection and who have difficulties in finding a job in labor market" points to the need to enhance the effectiveness and scale of interventions supporting entrepreneurship and self-employment. The WB will provide an additional financing (AF) to the ESP.

Parent Project and AF Project Development Objective (PDO). The original PDO, to improve vulnerable people's access to self-employment and income generation opportunities in Azerbaijan, will remain unchanged. The AF will expand coverage of the project activities to increase the number of beneficiaries as well as expanding the breadth of offered services and programs, not changing the nature of the Parent Project.

Rationale of the Parent Project and Proposed AF, and Project components. The Employment Support Project (the Parent Project) is implemened to improve employment outcomes (employment status and earnings) among vulnerable groups of jobseekers: youth, women, internally displaced people, martyr family members, war participants/veterans, people with disabilities and lower educated people, including beneficiaries of the Targeted State Social Assistance (TSSA) program.

The Parent Project is designed around the following three components:

Component 1: Enhancing the scope and effectiveness of the Self-Employment Program (SEP)

Subcomponent 1.1: Expanding the program scale and scope of support.
Subcomponent 1.2: Testing the introduction of complementary business support services for selected SEP beneficiaries.
Subcomponent 1.3: Improving the governance and coordination mechanism of SEP

Component 2: Strengthening employment services and programs.

Subcomponent 2.1: Labour market assessment
Subcomponent 2.2: Enhancing provision of vocational trainings and certification
Subcomponent 2.3: Career counselling
Subcomponent 2.4: Increasing the potential of employees of the State Employment Agency and DOST Agency and Digital solutions services to support integration of project interventions into existing system
Subcomponent 2.5: Piloting employment services - (Creation of additional jobs for socially vulnerable persons pilot program (Wage-subsidy), On-the-job training and Apprenticeship models.

Component 3: Project management, monitoring and evaluation, communication and public awareness

Subcomponent 3.1: Project management
Subcomponent 3.2: Monitoring and Evaluation

Subcomponent 3.3: Communication and public awareness

The AF will support reaching these goals by scaling up all three project components. It would provide: (i) financing for SEP to expand its coverage (Component 1); (ii) additional support to SEP beneficiaries (mentoring and matching grants) and wage subsidy and on-the-job-training programs (Component 2) to improve sustainability of micro-businesses and create conditions for job creation; and (iii) financing for development and piloting of a model for assessment and certification of vocational training and apprenticeship programs. These programs will target and benefit SEP beneficiary micro-enterprises as well as other firms and vulnerable jobseekers and the unemployed with limited options of income generation and/or employment. These additional activities will further contribute to building resilience against climate and other shocks while supporting human capital development. The AF would also finance institutional strengthening (Component 2) for service delivery and project management and labor market monitoring capacity for the implementing entities (Component 3). The restructuring is aimed at introducing a broader set of ALMM under Component 1.

Location. The Parent Project and AF is implemented country-wide.

Enviornmental and Social Risk Ratings for the Parent Project and AF. The environmental and social impact assessment concluded that the parent project would generate mainly positive socio-economic benefits through the establishment and growth of micro and small enterprises and the support of the required infrastructure.

The environmental risk of the Parent Project has been rated as moderate and remains the same for the AF, as the nature and scale of the activities considered in the context of risk assessment will not change for the AF. The environmental aspects are those associated with the introduction of the best environmental management practices and Occupational Health and Safety (OHS) standards through various training programs aimed at the development of specific skills to improve employability of job seekers, and through up scaling and diversifying vocational training. There are also environmental aspects related to the activities of project beneficiaries which they will be undertaking using in-kind and in-cash transfers un der Component 1, and the activities which will be supported through the provision of wage subsidiesas part of the active labor amrket measures (ALMMs) under Component 2. These include small-scale manufacturing, livestock breeding, food processing and service delivery. While the parent project and AF are not to finance any physical works, the potential environmental and social risks of such works/activities are subject of the World Bank's due diligence and addressed in a set of environmental and social instruments.

The Environmental and Social Management Framework (ESMF) was prepared for the Parent Project and is updated for the prupsoes of AF to ensure that high or substantial risk activities continue to be screened out, and those activities continue to be supported where the potential environmental and social risks and impacts are predictable, not significant in magnitude and site-specific with low probability of serious adverse effects to human health and/or environment.

The social risk is rated as low. Potential social risks related to exclusion and inequity in the benefits still remain. There are minor risks as they relate to social aspects of labour and working conditions and community health and safety. The capacity and activities for outreach, engagement, sharing of information, and on grievance management has been significantly strengthened in the implementation of the Project to date as well as systems to capture the information beneficiary feedback.:

Purpose of Environmental and Social Management Framework. The main goal of the ESMF is to establish a mechanism ensuring that any potential negative environmental and related social impacts caused by implementation of the Parent Project and AF are avoided, minimized or mitigated. Since specific subprojects are determined during the Project and AF implementation based on the demand, the ESMF remains the most appropriate environmental due diligence instrument for the AF as well. The Framework ensures that the identified subprojects are correctly assessed from environmental and social point of view to meet the WB ESF and its applicable Standards, as well as Environmental and Social Laws and Regulations of Azerbaijan Republic for adequate mitigation of any residual and/or unavoidable impacts. The Framework serves as a guidance tool for the MLSPP, the implementing agency, in identifying and assessing the potential environmental and social impacts of subprojects, in preparing Environmental and Social Management Plans (ESMPs) that will summarize necessary mitigation measures to minimize or prevent potential risks, to provide guidance on environmental and social monitoring and reporting.

Project potential environmental and social impacts. The ESMF identifies potential negative impacts that are associated with the activities undertaken by the beneficiaries of in-kind and in-case transfers, and under the ALMMs wage subsidies provision.

The environmental and social impact assessment and findings from the the parent project. demonstrate that the Project generates mainly positive socio-economic benefits through the establishment and growth of micro and small enterprises and the support of the required infrastructure. However, there are environmental aspects related to the activities of project beneficiaries which they undertake under the Parent Project and will be implementing under scaled up Components1 and 2 of AF, as descibed above, , including small-scale manufacturing, livestock breeding, food processing and service delivery. While the Parent Project and AF do not finance any physical works, the potential environmental and social risks are addressed by this updated ESMF and in detail by subproject-specific ESMPs Such impacts are related to waste generation, noise, dust and air pollution, impacts from possible pesticide use, health and safety risks, etc. It is assessed that they are typical for a limited range of activities (small-scale construction/rehabilitation work, agribusiness, small-scale processing, manufacturing and service), temporary in nature (during construction/rehabilitation works), site-specific, and can be easily mitigated by applying the best methods and appropriate mitigation measures.

The impacts expected during the operation of the facilities will need to be mitigated by using activities identified in the national environmental documents and the relevant WB Environmental Health and Safety Guidelines (EHSG) and Good International Industry Practices (GIIP).

Based on the information to date, no land acquisition has been undertaken under the Parent Project or expected to take place under the Additional Finance. Screening procedures for self-employment activities include verification that any land and property to be used by beneficiaries legally belongs to them, or that they have legal rights of use, as well as that activities do not cause any negative impacts of land, assets or livelihoods of other persons or households. Screening will continue to be undertaken where relevant.

Institutional capacities to manage environmental and social risks and impacts. The Parent Project is implemented by the MLSPP. A Project Implementation Unit (PIU) has been established within MLSPP to manage the Parent Project and will remain responsible for the day-to-day project management, including environmental and social management and addressing potential environmental and social risks.

The Project proceeds are used by the PIU to hire consultants who are adequately qualified to cover aspects related to proper environmental management, OHS and introduction of provisions of EHSG and GIIP as part of the training programs and advisory services under the

project. In addition, a training session has been delivered to the PIU staff and consultants to raise awareness on the provisions and requirements of the ESF, including environmental and social standards to be applied to the World Bank-supported operations, and specifically to the Parent Project.

Environmental and social monitoring. Environmental and social monitoring during the implementation of sub-projects shall contain information on key environmental and social aspects of sub-projects, their impact on the environment, social consequences of impacts and the effectiveness of measures taken to mitigate the consequences. Monitoring reports during the project implementation provide information on key environmental and social aspects of the project activities, especially regarding environmental impacts and the effectiveness of mitigation measures. Such information allows the PIU and the World Bank to evaluate the success of measures to mitigate the consequences within the framework of project supervision, and allow, if necessary, to take corrective actions.

Component 3 supports Monitoring and Evaluation (M&E) activities to track, document and communicate the progress and results of the project. An M&E team within MLSPP PIU is responsible for overall compilation of progress and results. This Component finances MLSPP PIU to prepare project reporting—semi-annual reports and quarterly unaudited IFRs—that are submitted to the World Bank. This Component also finances mid-term and endline project monitoring surveys to assess the PDO-level results indicators. MLSPP PIU will be responsible for producing a completion report.

Monitoring of the implementation of environmental and social measures shall continue to be carried out by environmental and social specialists of the PIU. Representatives of the Ministry of Ecology and Natural Resources (MENR) may also be involved in monitoring. The aim is to verify the main points of compliance with the ESMF, the progress of implementation, the scope of consultations and the participation of local communities. The standard checklist prepared during the evaluation studies is used for the activities report. In the med-term of the project implementation and at the end of the project, an independent audit will be carried out in the field of environmental, social, health and safety. The audits are necessary to ensure that (i) the ESMF has been properly implemented and (ii) mitigation measures are identified and implemented accordingly. The audit will be able to identify any amendments to the approach to the ESMF to improve its effectiveness.

Monitoring for social issues will be done on a continuous basis by the social specialist of the PIU to ensure adequate screening of all activities, exclusion of any activities that may cause land acquisition, resettlement or other negative impacts on assets or livelihoods of project affected persons, adherence to the provisions of this ESMF, as well as implementation of the activities included in the ppdated Stakeholder Engagement Plan, comprehensive and inclusive outreach, functioning of the grievance redress mechanism, and any measures taken to prevent exclusion of and maximize participation of vulnerable and disadvantaged groups in project consultations. Monitoring will also cover health and labor issues as outlined in the project Labor Management Procedure (LMP).

Grievance Redress Mechanism (GRM). The GRM has been established and maintained by PIU to ensure a functional, transparent and responsive system for handling grievances. Where appropriate, this system can be mainstream to other activities of the APEA beyond those of the current project to strengthen government systems. In this mechanism beneficiaries and citizens can turn to register any grievances on all issues that tackle within any infrastructure.

The PIU social safeguard specialist keeps a record of the grievances received. This will be done by applying multiple absorption channels such as mail, email, phone, project website, personal delivery.

Every grievance shall be tracked and assessed if any progress is being made to resolve them. Given that the project will deal with a high number of beneficiaries, ideally an electronic system will be put in place for entering, tracking and monitoring grievances. The project monitoring and evaluation information system includes indicators to measure grievance monitoring and resolution.The GRM User's Guide has been developed for the staff of the DOST and APEA agencies. It is intended to guide the employees on how to effectively refer ESP grievances to the PIU. This guide is intended for the use of APEA and the PIU in receiving, recording, and triaging complaints and grievances and for channeling these for appropriate action based on the type of complaint or grievance received.

ESMF Public consultations and information disclosure. The Parent Project and AF is governed by the World Bank's Environmental and Social Framework (ESF) and is designed to meet the requirements of relevant Environmental and Social Standards (ESSs). . Totally, forty nine public meetings have been conducted in coordination with APEA centres under the Parent Project. These have been to raiswe awareness of the ESMF and distribute information on how the requirements of the World Bank ESSs applicable to the Parent Project are addressed.

During February-December, 2023, the PIU conducted public meetings in (Beylagan, Imishli, Sabirabad, Saatli, Neftchala, Salyan, Sumqait, Siyazan, Xizi, Terter, Agjabedi, Oguz, Sheki, Agsu, Kurdemir Shamkir, Agstafa, Dashkasan, Gadabak, Lankaran, Gusar, Shirvan, Barda, Biləsuvar, Gusar) with representation of APEA centers where participants were updated about project the status of ESMF implementation, and informed on activities performed by PIU E&S Team in line with the World Bank ESS standards applicable to the project. The announcements on public meetings were published in social mass media in advance and administration of the meetins were impemented by PIU in coordination with APEA centers. Lankaran and Shirvan). Selected participants of the public meetings included: beneficiaries of existing self-employment program, current applicants of the SEP, local authorities (in particular local APEA centers), regional social workers. Minutes of the meetings are presented in Annex 12.

The Parent Project ESMF was duly disclosed and consulted by the MLSPP in 2020, and approved and disclosed by the Bank. It is updated for the purposes of the AF and will be disclosed and consulted in due course. In the course of the ESMF update, public consultation meetings were conducted on September-December, 2023, in Lankaran.. The detailed meetings of the public consultations on the draft ESMF are presented in Annex 12. The finalized Azerbaijani and English versions will be posted on the web page of the MSLPP (www.sosial.gov.az). The updated ESMF will be used by respective government agencies and other stakeholders during the AF implementation.

1.INTRODUCTION

1. The World Bank is providing support to the Government of Azerbaijan in implementing the Employment Support Project (Parent Project). This operation is built around supporting the Government's Self-Employment Program. The objective of this Program is to strengthen self-employment and entrepreneurship as a pathway out of poverty and in to the labor market for vulnerable individuals. The improvement and scale up of the self-employment program are consistent with the recently adopted the "Employment Strategy of the Republic of Azerbaijan for 2019-2030" and its action plan in draft. The third priority direction on "increasing the scope and efficiency of the active labor market programs and strengthening the integration of citizens who need in social protection and who have difficulties in finding a job in labor market" points to the need to enhance the effectiveness and scale of interventions supporting entrepreneurship and self-employment. The WB will provide an additional financing (AF) to the ESP.

2. The Parent Project supports two Country Partnership Framework (CPF) FY16-21 objectives. The project focuses on improved delivery of public self-employment support services which will directly contribute to the achievement of CPF Objective 1.2 (Support access to and satisfaction with public services). The project will also promote financial inclusion of Micro, Small and Medium Enterprises (MSMEs) and the B40, in line with CPF Objective 2.2 (Support enhanced access to finance for MSMEs) through its focus on complementary business support services. The AF is also aligned with the objective of promoting Human Capital Development, highlighted in the World Bank Group's CPF FY25-29 under preparation, by promoting economic diversification and with a focus on improved financing mechanisms and efficiency of service delivery.

3. The Parent Project Development Objective remains unchanged for AF and is to improve the access of vulnerable people to sustainable self-employment and income generating opportunities in Azerbaijan. This is achieved by (i) scaling up and improving the effectiveness of Self-Employment Program (SEP); (ii) strengthening program implementation capacity in the State Employment Agency (APEA), along with the capacity to provide a broader menu of activation and employment support program; and (iii) improving monitoring and evaluation practices of the APEA. The AF will expand coverage of the project activities to increase the number of beneficiaries as well as expanding the breadth of offered services and programs, not changing the nature of the parent project.The Parent Project and AF is implemented country-wide.

4. *The environmental and social risks of the Project are both rated as moderate.*

5. The Parent Project and AF is designed 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 APEA and capacity to provide a broader menu of activation and employment support program; and (iii) improving monitoring and evaluation practices of the APEA. These is achieved through provision of relevant training programs and advisory services. The AF will provide: (i) financing for SEP to expand its coverage (Component 1); (ii) additional support to SEP beneficiaries (mentoring and matching grants) and wage subsidy and on-the-job-training programs (Component 2) to improve sustainability of micro-businesses and create conditions for job creation; and (iii) financing for development and piloting of a model for assessment and certification of vocational training and apprenticeship programs. These programs will target and benefit SEP beneficiary micro-enterprises as well as other firms and vulnerable jobseekers and the unemployed with limited options of income generation and/or employment. These additional activities will further contribute to building resilience against climate and other shocks while supporting human

capital development. The AF would also finance institutional strengthening (Component 2) for service delivery and project management and labor market monitoring capacity for the implementing entities (Component 3). The restructuring is aimed at introducing a broader set of ALMM under Component 1.

6. Social risk management issues relate to: (i) inclusion/exclusion error, and (ii) stakeholder engagement and management of risks related to labour and working conditions and community health and safety. Environmental risks are related to the activities of project beneficiaries (not financed by the project) which they will be undertaking using in-kind asset transfers from the Project.

7. Toward addressing these issues: a preliminary Social Assessment (SA) was undertaken to inform the parent project and 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.

8. The environmental risk of the Parent Project has been rated as moderate and remains the same for the AF, as the nature and scale of the activities considered in the context of risk assessment will not change for the AF. The environmental aspects are those associated with the introduction of the best environmental management practices and Occupational Health and Safety (OHS) standards through various training programs aimed at the development of specific skills to improve employability of job seekers, and through up scaling and diversifying vocational training. There are also environmental aspects related to the activities of project beneficiaries which they will be undertaking using in-kind and in-cash transfers un der Component 1, and the activities which will be supported through the provision of wage subsidiesas part of the active labor amrket measures (ALMMs) under Component 2. These include small-scale manufacturing, livestock breeding, food processing and service delivery. While the Parent Project and AF are not to finance any physical works, the potential environmental and social risks of such works/activities are subject of the World Bank's due diligence and addressed in a set of environmental and social instruments.

Towards addressing the environmental and social risks, the following instruments have been prepared and updated for the pruposes of AF: (i) Environment and Social Management Framework (ESMF): (ii) Stakeholder Engagement Plan; and (iii) Labor Management Procedures (LMP). The updtaed ESMF covers applicable ESF Standards and the World Bank Group's Environmental Health and Safety Guidelines. The updated ESMF has checklists for determining where and when site-specific Environment and Social Impact Assessments (ESIAs) / Management Plans (ESMPs) will be developed. The updated ESMF also contains generic ESMP templates for each type sub-project activity and other investments that improve local living conditions, including those related to social infrastructure.

1.1. Approach and Methodology for Preparation of ESMF

9. During preparation of the Parent Project ESMF, the following reAPEArch methods were applied: desk review of the available World Bank, and national regulatory and legal documents related for the environmental and social assessment; screening of secondary socio-economic statistical data available for the targeted provinces and districts, individual interviews with international and local experts, focus groups discussions, public meetings and consultations, consideration of outcomes from the Parent Project.

10. The main goal of the original and updated ESMF is to establish a mechanism ensuring that any potential negative environmental and related social impacts caused by

implementation of the Parent Project and AF are avoided, minimized or mitigated. The Framework approach is chosen as the Parent Project and AF support a wide range of interventions in multiple locations in the country, and site-specific environmental and social due diligence can be udnertaken once site-specific interventions are defiend. The self-employment activities to be undertaken by SEP beneficieries with support of in-kind and in-cash matching grants under Component 1, and those activities supproted by wage subsidiies as part of ALMMs under Component 2 relate to agriculture and agrobusiness, small-scale processing, manufacturing, service and construction/rehabilitation work. The Framework ensures that the identified subprojects are correctly assessed from environmental and social point of view to meet the WB's ESF and its applicable Standards, as well as Azerbaijan's Environmental and Social Laws and Regulations for adequate mitigation of any residual and/or unavoidable impacts. The Framework serves as a guidance tool for the MLSPP, the implementing agency, in identifying and assessing the potential environmental and social impacts of subprojects, in preparing environmental and social management plans that will summarize necessary mitigation measures to minimize or prevent them, and to provide guidance on environmental and social monitoring and reporting.

1.2. Scope and objectives of the Environmental and Social Management Framework

11. The risks considered by the Parent Project ESMF include those related to increased generation of wastes, increased level of noise, dust, air pollution, health hazards and labor safety issues. Overall, most of these risks and impacts are typical for small scale works, agri-business activities, small handicrafts and manufacturing, etc., temporary by nature and site specific, and can be easily mitigated by applying relevant mitigation measures. These risks remain valid in the context of AF since the nature and sclae of the activities to be supported by AF are similar to those already considered for the Parent Project.

12. The ESMF describes the process of how environmental and social impacts are assessed, addressed and managed during the Parent Project and AF implementation, when sub-projects are identified in terms of technical aspects and location; as well as a set of measures for mitigation, monitoring and institutional responsibility that are taken during the Parent Project and AF implementation to eliminate adverse environmental and social impacts, their neutralization or reducing up to acceptable levels.

13. The ESMF covers general mitigation measures for possible impacts of different proposed activities to be supported by the project; implementation arrangements for project environmental and social aspects, relevant capacity building activities, consultation process etc.

14. Subprojects-specific ESMPs will be prepared in due course as part of subproject identification and preparation.

15. ESMF identifies the responsibilities of project stakeholders, procedures for environmental and social risk screening, review and approval of subproject-specific environmental and social due diligence documents, monitoring and reporting requirements, as well as plans to enhance institutional capacity through capacity building activities.

16. Finally, this ESMF is an an integrated part of the Project Operation Manual (POM) and is applicable to all linked investments financed in the Parent Project and AF areas regardless of their funding source or implementing agency and is the subject to modification in case the scope of the project undergoes modifications.

1.3. Project Overview

17. The Parent Project is designed around the following component:

- **Component 1**: Enhancing the scope and effectiveness of the Self-Employment Program (SEP);
- **Component 2**: Strengthening employment services and programs;
- **Component 3:** Project Management, Monitoring and Evaluation.

1.4. PROJECT COMPONENTS

Component 1: Enhancing the scope and effectiveness of the Self-Employment Program

18. This component improves the design and implementation of the existing SEP based on international evidence, best practices and local labor market conditions. The project supports the scale-up of the program and enhance the program effectiveness by improving its targeting, by extending the scope to income generating activities not related to livestock, by introducing complementary support services to increase the likelihood of business survival or improved employability in the medium to longer term, and by strengthening the coordination with the Targeted State Social Assistance (TSSA) program.

Subcomponent 1.1: Expanding the program scale and scope of support

19. This sub-component supports:

a) the scale up of the program (including the provision of in-kind assets and the "Start and Improve Your Business" (SIYB) training module) to about 22,000 beneficiaries over a five-year period;

b) the development and implementation of specific vocational skills training modules (in addition to the ILO standard training module currently implemented) specific to selected non-farming activities/occupations in demand based on the analysis of local economy.

20. Selection of beneficiaries is based on the existing jobseeker registry (approx. 200 thousand unemployed), with an explicit (but not exclusive) targeting of jobseekers from the categories of vulnerable individuals as defined by the existing (government-funded) self-employment program: youth, women, internally displaced people, people with disabilities and those with lower levels of education, beneficiaries of the TSSA program. Activities financed under this component are determined through a participatory approach through the involvement of the local planning committees. The development of the short skills training courses isaligned with local labor market conditions as well as demand from program applicants. The modality of training provision is defined as: short-term vocational training provided under the SEP is outsourced to leverage the existing supply of vocational training delivered through the VTC schools or through the vocational training centers operated by the APEA. To this end, a capacity assessment of the current professional training provision through these centers is out.

Subcomponent 1.2: Testing the introduction of complementary business support services for SEP beneficiaries

21. This sub-component supports the piloting and evaluation of a comprehensive package of support services for beneficiaries of SEP as a way to increase the likelihood of their success through business profitability and sustainability over time. To this end, this sub-component invests in complementary services that could turn livelihood activities for successful SEP participants into growing businesses, as a possible graduation pathway. Specifically, the subcomponent finances advisory services to:

(i) provide regular mentoring visits and advice during the first six months of business operation focusing on relevant business skills and practices, including market development and intelligence, as well as management capacity for individuals who want to create micro-enterprises;
(ii) facilitate the establishment of social enterprises and social cooperatives through advisory services and small grants;
(iii) provide services to acquire required licenses and permits;
(iv) offer financial literacy training promote access to small business development services (such as the Small Business Development Agency); and
(v) improve the linkages with subsidized credit programs (for example, those run by the Ministry of Agriculture).

Subcomponent 1.3: Improving the governance and coordination mechanism of SEP

22. The project supports improved governance and coordination arrangements of the SEP implementation. To this end, the project finances the following:

c) Introducing innovative information and communication technology solutions to streamline access to the SEP through a dedicated beneficiary support portal and mobile app. These services will allow for online application to the program and facilitate subsequent interaction with SEP case officers (SEPCOs);

d) Training the APEA staff for improved engagement modalities with clients as well as improved selection of beneficiaries with a special focus on working with vulnerable groups and technical and social support to clients;

e) Strengthening outreach and the selection process for the APEA (targeting) in local APEA centers, particularly for women to increase their participation in the SEP;

f) Improving the coordination between the TSSA and SEP through the development of a TSSA graduation strategy and trainings provided for welfare office frontline staff; and

g) Upgrading the APEAmanagement information system (MIS) to improve the monitoring and performance management of the programs as well as the analysis of the SEP beneficiary data.

23. The selection of beneficiaries is based on the existing jobseeker registry (approximately 200,000 unemployed as of end-2019), with an explicit (but not exclusive) targeting of jobseekers from the categories of vulnerable individuals: youth, women, IDPs, and beneficiaries of the TSSA program. An assessment of the country personal data protection policies and the MLSPP's data systems is conducted during implementation to identify gaps. The objective is to put in place a framework for protecting personal data used in the program and strengthening the IT governance and capacity, as well as to ensure that project personal data related activities are carried out in accordance with international best practices.

<u>Component 2: Strengthening employment services and programs</u>

24. Since not all jobseekers have the motivation to become self-employed, increasing the quality of job assistance and intermediation services would contribute to improve employment

outcomes of vulnerable jobseekers[1.] Registered jobseekers, including SEP beneficiaries, may also be interested in obtaining new skills through vocational trainings, or becoming employed in public or private sector jobs, which in turn requires linkages with active labor market programs managed by APEA, or other relevant interventions such as agricultural or entrepreneurship programs.

Subcomponent 2.1: Labor market assessment and development of a VTC strategy

25. This subcomponent supports the APEA in assessing and responding to short- and medium-term skills demanded by employers. To this end, the subcomponent will finance a comprehensive labor market assessment to improve the APEA' capacity to identify critical occupations and skills most demanded by employers. The results of the labor market demand analysis has helped to scale up the menu of employment services and ALMMs offered to support jobseekers. In this regard, this subcomponent also finances technical analysis and quantitative/qualitative surveys. The SES regularly updates this analysis to meet the changing needs of the labor market. The subcomponent finances the APEA' staff capacity-building activities such as staff training, producing user manuals, and so on to enable them to regularly update the analysis on their own in the future.

26. The subcomponent also finances the development of a strategy for expansion and improvement of the VTCs. The strategy shall involve all aspects necessary for the development of efficient and effective VTCs, spanning physical infrastructure standards to training module development/improvement guidelines to ensure the relevance of curricula and qualification offered to labor market needs. This activity is complementary to the market demand analysis mentioned earlier. Outputs of the labor market demand analysis will serve as inputs for this activity.

Subcomponent 2.2: Outreach, profiling, skills assessment, and case management for jobseekers

This subcomponent delivers further activities to improve job matching rates in APEA, and finances the following:

a) Development and rollout of a communication and outreach strategy targeting both the inactive and unregistered population as well as firms;

b) Development of a statistical jobseeker profiling tool and a skills assessment test for jobseekers;

c) Development of online instruments to integrate the profiling tool and skills assessment to the APEA MIS;

d) Development and introduction of a case management model in the APEA; and

e) Production of user manuals and training materials and the delivery of APEA staff training in using these instruments.

27. To address the low rate of economic activity among women in Azerbaijan, outreach activities aretailored to suit inactive females, with a view to increase their registration with the APEA as jobseekers. Case management approaches arealso developed with a view to respond to gender-specific labor market barriers (for example, care responsibilities or

[1] For instance, assistance to write a good CV, strengthen interviewing skills, soft-skills development, technical (re)training, better information on vacancies. First time labor market entrants (youth) may need, apprenticeship, internships.

transportation constraints). To this end, gender sensitivity trainings are organized for a subset of the APEA job counselors.

28.To serve difficult-to-reach populations and increase the number of registered vacancies in the APEA, communication and outreach activities are essential. This activity ensures that employers and vulnerable jobseekers are aware of APEA services and are encouraged to participate. In addition, implementation of outreach and communication activities to hard-to-serve populations and employers allows the APEA to expand the coverage of vulnerable jobseekers, many of whom are now excluded, and employers. This is achieved through (a) developing a communication and outreach strategy and (b) implementing it at the local level.

29.Once the APEA reaches a more diverse population, it needs to segment clients based on their employability. Counseling and employment programs that are provided to jobseekers should depend on their skills and needs. This activity aims to develop skills profiling and assessment tools and support the capacity of the APEA to employ those tools.

The project also supports the development of a case management approach in the APEA. The APEA tailors its package of employment support services to beneficiaries, particularly those who are difficult to serve. To this end, the component includes the development of a case management approach which includes needs and skills assessment for at-risk jobseekers, referrals to counseling and job APEArch assistance, skills training, and/or placement in on-the-job training or job placement services that are customized to the maximum extent to the needs of the individuals. The results of profiling and skills assessment tools provide inputs for the individual service strategy that will be implemented under the case management.

Component 3: Project management / monitoring and evaluation

Subcomponent 3.1: Project management

30. The component finances the Project Implementation Unit (PIU) in MLSPP to manage the overall project. The PIU is responsible for procurement, disbursement, monitoring, and reporting on the use of loan proceeds. The PIU includes a Director for this operation, who would have overall responsibility for the implementation of the proposed project on the Ministry's side. Given the complexity and multispectral feature of the project design, the PIU also includes sector specialists on self-employment and on labor market programs. The specialists on procurement, financial management, monitoring and evaluation, environmental and social safeguards were also hired by the PIU. Implementation arrangements contribute to continuous strengthening of MLSPP's capacity, to promote long-term sustainability of the reforms. This subcomponent also includes a communication campaign to increase the awareness about existing employment support programs and services.

Subcomponent 3.2: Monitoring and evaluation

31. This subcomponent supports:

(i) the regular monitoring of key indicators to track the performance of the different employment programs implemented by the APEA, including input indicators (budget executed, administrative and equipment expenses and number of staff employed by task) and output indicators (i.e. number of employers contacted, number of vacancies by sector and firm ownership, number of referrals, number of jobseekers that were offered, accepted or refused a job offer, job placement through intermediation services and ALMPs);
(ii) tracer studies of the employment trajectories of APEA beneficiaries;
(iii) a rigorous impact evaluation of AzSEP;

(iv) training for survey and program administrative data analysis to generate relevant statistics to inform policy making in MLSPP and APEA;
(v) overall Project management and reporting requirements.

The AF will support reaching these goals by scaling up all three project components. It would provide: (i) financing for SEP to expand its coverage (Component 1); (ii) additional support to SEP beneficiaries (mentoring and matching grants) and wage subsidy and on-the-job-training programs (Component 2) to improve sustainability of micro-businesses and create conditions for job creation; and (iii) financing for development and piloting of a model for assessment and certification of vocational training and apprenticeship programs. These programs will target and benefit SEP beneficiary micro-enterprises as well as other firms and vulnerable jobseekers and the unemployed with limited options of income generation and/or employment. These additional activities will further contribute to building resilience against climate and other shocks while supporting human capital development. The AF would also finance institutional strengthening (Component 2) for service delivery and project management and labor market monitoring capacity for the implementing entities (Component 3).The section below presents baselina data compiled for the parent project, which remain valid for the AF.

2. BASELINE DATA

2.1. Location and size

32. The Republic of Azerbaijan is located in the South-East of the Caucasus and in the zone of contact between European and Asian continents. It covers an area of 86,600 square km (12% of the territory are covered by forests, 1,7% - by water, 54,9% - by agricultural lands, (including 31,1% - by pastures, 31,4% are other lands). Approximately, 12% of the territory are covered by forests, 1,7% - by water, 54,9% - by agricultural lands, (including 31,1% - by pastures, 31,4% are other lands)*2*. There are 1 Autonomous Republic, 63 districts (rayons), 14 urban rayons, 78 cities, 261 settlements, 1,726 rural administrative divisions, 4248 rural settlements within it. In the Republic were created 1700 municipalities.

33. Azerbaijan's first constitution was adopted on November 12, 1995. The head of the country, President, is elected for 7 years by popular vote. The legislative power is exercised by 125 deputies of Milli Mejlis, elected for a term of 5 years. The executive power is appointed by the President and belongs to the Government confirmed by Milli Mejlis. The Prime Minister is a head of the Government. Judicial power is exercised by the law courts.

34. The Republic of Azerbaijan borders the Russian Federation to the north, Republic of Georgia to the northwest, the Republic of Armenia and Republic of Turkey to the west and the Islamic Republic of Iran to the south.

35. The coastline is washed by the waters of Caspian APEA in the east. Kazakhstan, Turkmenistan, Iran are countries which border the Caspian APEA in the east.

[2] Ministry of Foreign Affairs in the Azerbaijan Rebiblic http://mfa.gov.az/az/content/8

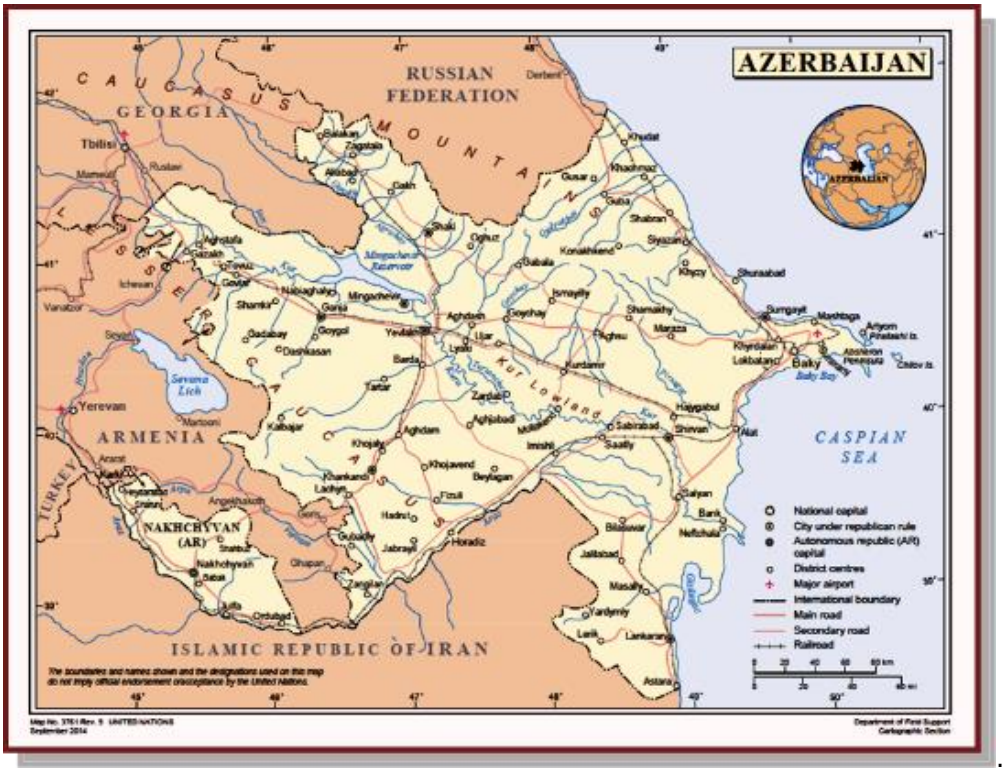


Figure 1. The Map of Azerbaijan Republic.

2.2 Geographical Position of Azerbaijan

36. Azerbaijan is situated in the northern hemisphere at approximately the same latitude as Spain, Greece, Turkey, China and Korea. The strategically important roads leading from Europe to Central and Eastern Asia pass through Azerbaijan.

37. The territory of the republic extends 400 km from north to south, and 500 km from west to east and is located between latitude 38'25"-41'55" North and longitude 50'-50'51" East.38. Situated at in the junction of Europe and Asia, Azerbaijan has a unique geopolitical and geographical position and has not lost its strategically importance for economic and cultural relations.

2.3 Description of the Physical Environment

2.3.1 Landscape

38. Azerbaijan is characterized by a diverse landscape. There are two major forms of landscape-plains and mountains. Mountains cover 60% of the total area of Azerbaijan.[3]

39. The principle geomorphological structures in Azerbaijan – Greater Caucasus, Lesser Caucasus (with Garabagh plateau) and Talysh mountains - surround the Kur-Araz lowland in the north, west and south-east.

[3] https: Azerbaijani Geographical Society//gsaz.az/

40. The Nakhichevan Autonomous Republic is situated in the mid course of the River Araz and within the boundaries of Zengezur and Dereleyez mountain chains, fringing with the river.

41. The average altitude of the territory of Azerbaijan is up to 400 meters. But the lowland of the Caspian APEA shore is below APEA level (currently -26.5 meters) while the highest peak Bazarduzu is 4466 meters in height. Thus, one can see that the difference in altitude equals nearly 4500 meters in the country. The northern part of the Greater Caucasus is situated in Azerbaijan. Two mountain chains are distinguished in this part: Head or Watershed chain with Bazarduzu (4466 meters) and Great (Side) chain of mountains with Shahdag alp (4243). Mountains chains go down to 1000-700 meters to the south-east. The mountain chains of the Greater Caucasus are surrounded by foothill areas: a steppe plateau to the north-west, Qobustan to the south-east, Alazan-Ayrichay plain to the south-west and Qusar sloping plain to the north-east.

42. The Lesser Caucasus surrounds the country in the south-west and west and is composed of a number of chains and plateaus with relatively low height.

43. Murovdag, Shahdag and Zangezur are the principal chains of the Lesser Caucasus. Garabagh plateau, extending from the south of Murovdag up to the river Araz, lies on the cones of extinct vulcanos and quaternary lava.

44. The Lesser Caucasus is formed by Jurassic and Cretaceous volcanogene and sedimentary rocks.

45. Talysh mountains cover the south-east of the country. They are composed mainly of Tertiary sediments. Talysh mountains are the chain of transition from the Lesser Caucasus to Elbrus mountains in Iran. They consist of three mountain chains, reaching 2477 meters in height and a number of their ranges.

46. Kur-Araz lowland lies on the area between the Greater and Lesser Caucasus and Talysh Mountains. As the largest intermontane lowland in the entire Transcaucasia it covers the central part of the country.

47. The Kur and Araz rivers divide the lowland into five plains: Shirvan, Qarabagh, Mil, Mughan and Salyan plains.

48. Samur-Devechi lowland, resting on Qusar sloping plain on the Caspian APEA shore, streches from Absheron peninsula to the north. Lenkeran lowland runs from the Absheron Peninsula to the south on the foothills of Talysh mountains. Kur-Araz, Samur-Devechi, Lenkeran lowlands and most part of the Absheron peninsula lie below APEA level.

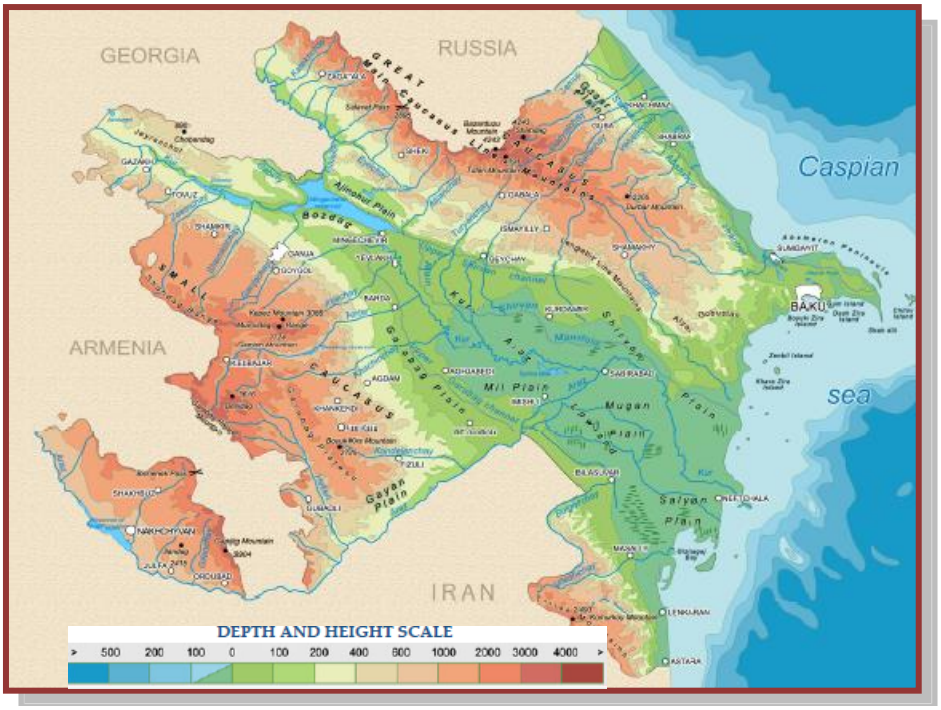


Figure 2. Physical map

2.3.2 Climate

49. The climate in Azerbaijan is majorly influenced by geographical position, landscape and the Caspian APEA. The semi-desert and dry, subtropic, temperate and frigid types of climate dominate in the country. Dry subtropical climate is typical for Kur-Araz lowland and Absheron.

50. Temperate climate observed in the slopes of the Greater and Lesser Caucasus, where Tovuz district is located, mainly covered with forests is divided into dry, warm-temperate dry, warm-temperate damp and temperate zones. Frigid climate is typical of high mountain ranges, at the tops of the Greater and Lesser Caucasus, alpine, subalpine meadows.

51. The average annual temperatures equal 15^0C on the plains while in high mountain regions they fall even below zero. Temperatures reach 25-27^0C in Aran regions and 5C in mountain regions in July. The absolute maximum is 43^0C, while the minimum is lower than -3^0C.

52. Precipitations equal 200-300 mm in Kur-Araz lowland, 600-800 mm on north-eastern slopes of the Greater and Lesser Caucasus.

Predominant winds blow to north (the Absheron peninsula), south-west (Kur-Araz lowland) and west (Lenkeran lowland).

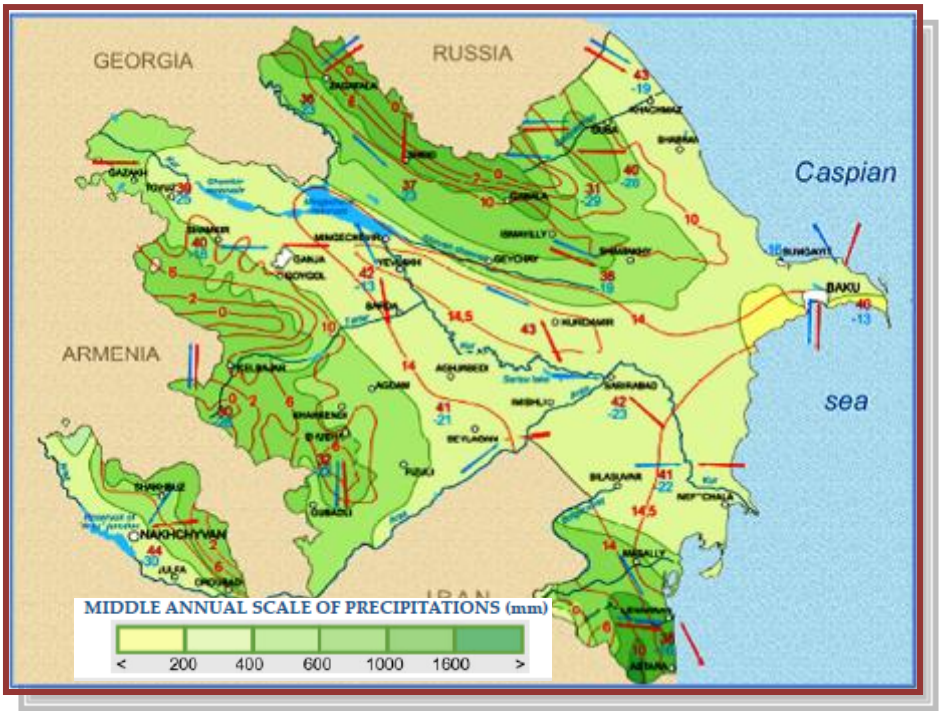


Figure 3. Mean annual precipitation and temperature in Azerbaijan

2.3.3 Geology

53. The territory of the Republic of Azerbaijan forms a constituent geological part of the Alpine folded belt. Sedimentary deposits embracing the southwestern parts of the Greater and Lesser Caucasus, including the intermountain Kur-River trough, as well as the Mid- and South Caspian basins consist of diversity fold systems. The Earth's crust thickness in Azerbaijan varies in the range from 38 to 55 km. Geological setting of the area consists of sedimentary, volcanic-sedimentary, volcanic and terrestrial deposits embracing almost entire stratigraphic range beginning from pre-Cambrian period up to Holocene time.

Mesozoic and Cenozoic eugeosynclinal, miogeosynclinal and molasse deposits are most ubiquitous among the others. As for Paleozoic sub-cratonic and the Alpine pre-Cambrian-Paleozoic metamorphic deposits occupy much smaller areas.

54. The Kur River intermontane trough has been developed over a long geologic time span. However, its recent geometry was shaped only during the Oligocene-Quaternary time span. Kur River trough is considered to be an inherited structure so the uppermost sedimentary fill uncomfortably overlies the base structural complex. The Kur River trough is divided into two sub-basins by transversal uplifts; The Middle Kur River subbasin (Upper Kur River subbasin is located in Georgia) and The Lower Kur River ones.

55. The Lesser Caucasus southeast trending foredeep trough is extended parallel to the Lesser Caucasus Somhety-Aghdam zone. Its overburden consists of Paleogene flysch type deposits and Neogene-Antropogenic molasse formations; its northwest border is observed along Kur-River fault clearly visible up to Yevlakh town, and along a flexure extended between Barda-Beylagah line, although foredeepwest border is limited by pre-Lesser Caucasus fault, its southwest border is twisting (meandering).

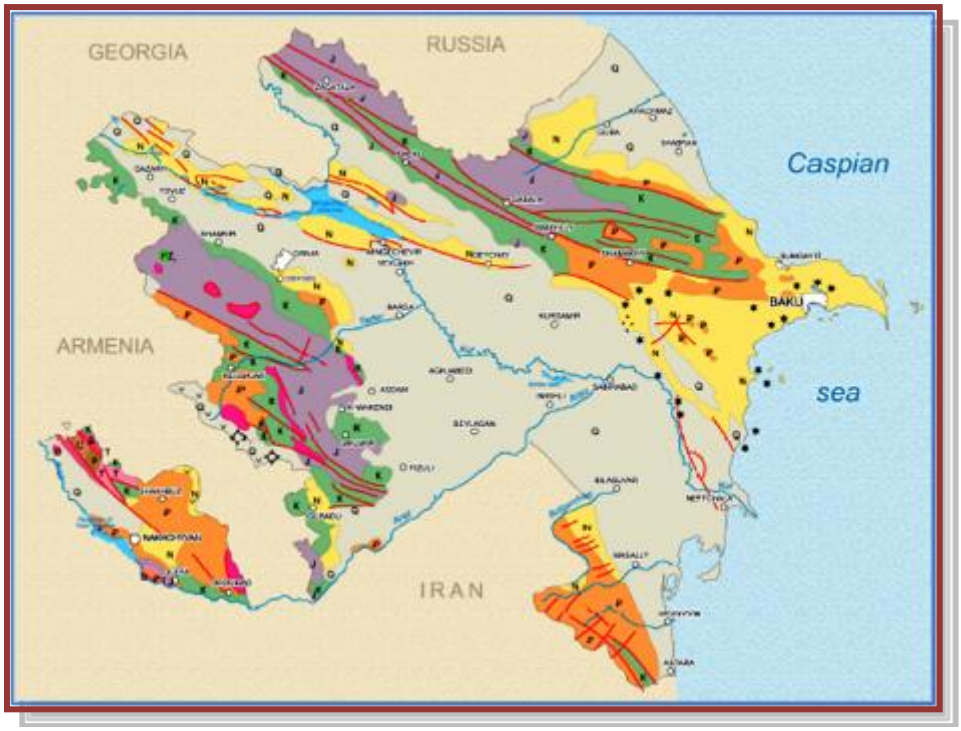


Figure 4. Geologic Map in Azerbaijan

2.3.4 Hydrography

56.Hydrographically, the Republic of Azerbaijan belongs to the Caspian APEA basin. The water systems of Azerbaijan (rivers, lakes) were formed over a long geological timeframe and changed significantly throughout that period. This is particularly evidenced by remnants of ancient rivers found throughout the country. The country's water systems are continually changing under the influence of natural forces and human introduced industrial activities. Artificial rivers (canals) and ponds are a part of Azerbaijan's water systems.

57.**Rivers.** Rivers form the principal part of the water systems of Azerbaijan. There are 8,359 rivers of various lengths within Azerbaijan. 8,188 rivers among those are less than 25 kilometers in length. Only 24 rivers are over 100 kilometers long. Kur, Araz, Qanix (in Alazan), Qabirri (Iori), Samur, Terter, Turyan, Agstafa, Hekeri, Vilesh and others are the largest rivers that flow through the country.

58.Kur and Araz run through the Kur-Araz lowland. The rivers that directly flow into the Caspian APEA, originate mainly from the north-eastern slope of the Greater Caucasus and Talysh mountains and run along the Samur-Devechi and Lenkeran lowlands.

59.Azerbaijan river systems are changing and evolving under the influence of various physiographic factors: climate, landscape, geological structure, soil and vegetation. The density of the river network increases, then gradually decreases later with higher altitudes.

60.The Kur River basin area (86,000 sq. km), where majority districts are located, up to the junction with the Araz River is smaller than the Araz water basin (101,937 sq.km). The river is still called Kur on the junction because the water level of the Kur is twice as high as that of the Araz River.

61.Akstafachay, Tovuzchay, Asrikchay, Zayam, Shamkirchay, Ganjachay and Kurekchay - flowing from the north-eastern slope of the Lesser Caucasus join the River Kura and form its right branches. It is mostly fed by rainfall (70%) and partly covered by snow and underground water.

62.Tartar, Khachin, Hakari, Okchu and Gargarchay Rivers - flowing from the southeastern slopes of the Greater Caucasus are used for irrigation of the Mil and Garabagh plains. These rivers are fed mainly by groundwater as they form in the Garabagh volcanic plateau, which consists of explodedvolcanic rocks. The widespread of such rocks has led to the lack of river network in the area.

63.The surface water units in the Project area - the river and canal network, lakes - are given in Fig. 5.

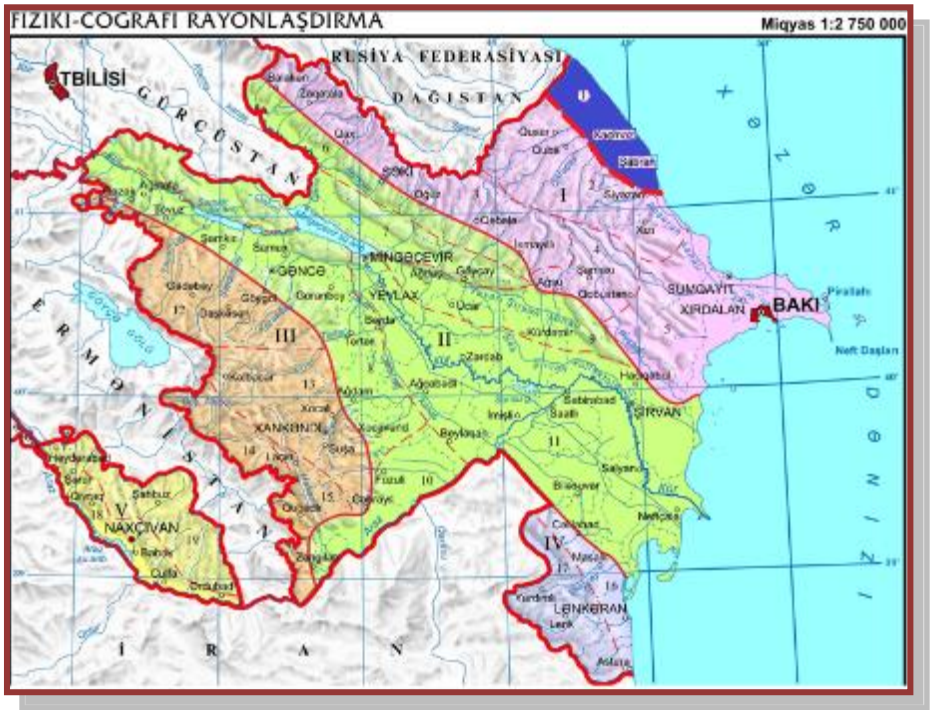
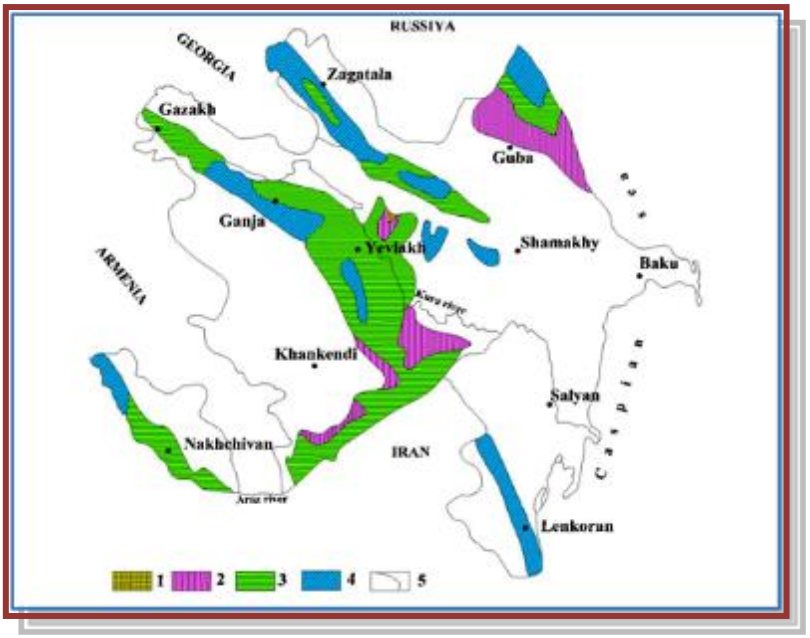


Figure 5. Physical and geographical zoning

2.3.5 Groundwater

64. Main stock of potable and low-mineralized groundwater in Azerbaijan is found in porous-stratal basins of submontane plains in Kura-Araz lowland and porous-stratal basin of Samur-Gusarchay valley[4] (Fig 6).

[4] A. B.Alakbarov. Groundwater of Azerbaijan .2016



Legend:
Unit rates of usable groundwater reserves, l/s.km2; 1 - up to 0.1; 2 – 0.1-1.0; 3 – 1.0-10; 4 – over 10; 5 – borders of areas with different groundwater reserve rates

Figure 6. Groundwater in piedmont troughs, fresh and low-mineralized

65. Unconfined aquifers are found throughout the foothill plains. At downgrading terrains, unconfined groundwater table decreases from 60-80 m on the tops of the alluvial fans reaching even to several centimeters at the fringe and natural outflow zones of the beds. Occurrence depth unconfined aquifer is much greater in the apical parts of Sheki-Zagatala (up to 89m), Shirvan (up to 73m), Gyanja- Gazakh (up to 97m), and Mil (up to 80m). Thickness of auriferous layers vary from 3-4 (Gyanja- Gazakh, Mill-Garabagh, Shirvan plains) to 178-185m (Gyanja-Gazakh, Shirvan, Nakhchivan plains). Maximum output of non-confined wells is 25-30 l/s; majority of wells have yields ranging from 3-5 l/s to 15-20 l/s. A number of springs with flow rates of 0.2-0.3 l/s and 15-20 l/s occur at the fringe and natural outflow zones and springs with the flow rates of 280-300 l/s are encountered in Sheki-Zagatala plain.

66. In depressions (mostly peripheral zones of debris cones of Garabagh, Mill, and Shirvan plains) fresh and low-mineralized are shifted by very salty or salty waters depending on the abovementioned features. In Garabagh and Mill plains, one unconfined and two confined aquifers contain mineralized water and are interlaid by a confined aquifer containing fresh water.

67.In Azerbaijan groundwater is extracted through wells and kahrizes. Groundwater production of Garabagh, Mill and Gyanja-Gazakh plains exceeds that of all other hydrogeological regions of Azerbaijan. Eight to ten percent of groundwater is used for household water supply; 3-4% is used for industrial needs, and 86-88% is used for irrigation. Meanwhile, a major part of the population has to use water from rivers and channels for household needs because of the unequal distribution of water resources and the lack of water intake facilities.

2.3.6. Land cover

68.The relief and climate play an important role in the formation of Azerbaijan's top-soil. As a result of these factors, the soil in the territory of the country is mostly located on vertical girders. There are 25 types and 60 subtypes of soil in the country.

69.Chestnut soils (gray-brown) are spread across the country at altitudes of 400-800 m. Humus content in these soils is 2.5-3.5%. This soil reaches up to 600m at the Greater and Lesser Caucasus Mountains, Ganja-Gazakh and Mil-Garabagh plains, Acinohur and

Jeyranchol low mountain ranges, and more than 1000 m in Nakhchivan. light brown, chestnut and dark chestnut soils are replaced by one another from the bottom to the top. Light brown soils dominate in the Greater Caucasus, the Lesser Caucasus, Ganja-Gazakh and Mil-Garabagh plains, and dark-chestnut soils in Ajinohur.

70. In mountains at 700-2000 m. of height the mountain-forest soils were formed. In lower zones, relatively dry areas brown mountain-forest soils are spread. In these soil with sparse forests and bushes the humus content is 5-7%. In upper parts brown mountain-forest soils can be found. Humus in beech and hornbeam forests reaches 5-6%. In Lankaran region due to the much precipitation the brown mountain-forest soils cover a large area. Due to the dry climate in Nakhichevan this soil type does not exist.

71.In south-east of the Lesser Caucasus in Azerbaijan, in the north of Garabakh and Murovdagh mountains ranges black soils are located. Humus in these lands is 6-6.5%. In lower parts of the Talysh Mountains and Lankaran lowland yellow and red soils are available. In these soils with humus of 8-12% the amount of iron-oxide is much.

72.Alazan-Ayrichay valley, Samur-Davachi lowland and Shollar meadow covered with the steppe-forest soils. In the northern foothills of the Talysh Mountains alluvial-meadow soils, on the banks of Kyzylaghaj Gulf, along the Kura River and Shirvan collector the marsh-meadow soils were formed.

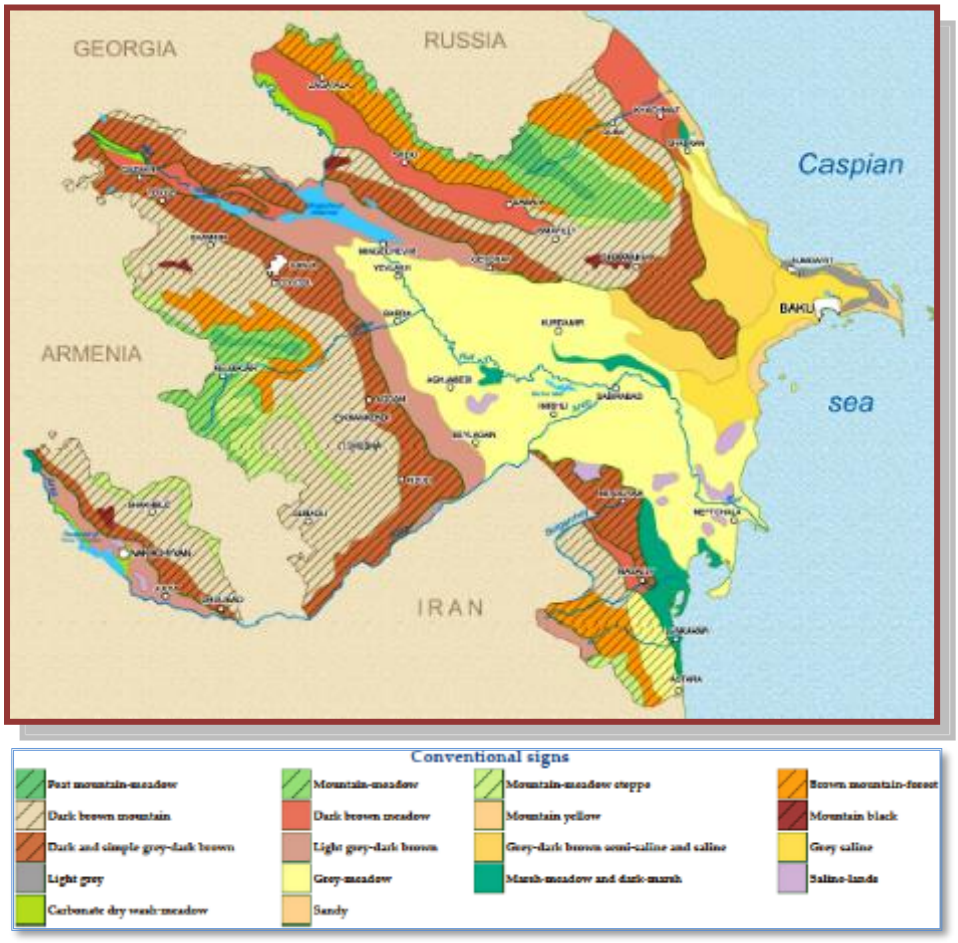


Figure 7. Land Map

2.3.7.Land resources[5]

74. Land resources included lands used in agriculture and lands covered with forest. 4227 thousand hectares of area are used in agriculture in Republic. These lands, together with the

[5] State Statistical Committee of the Republic of Azerbaijan https://www.stat.gov.az/source/agriculture/

non-agricultural territories of badlands areas, swamps and mountainous areas form the country's land fund.

75. Land fund in Azerbaijan is 8641.5 thousand hectares. Its 77% is used. In agriculture fertile lands consists of 44% of sowing areas and tillage, 4% of long-term sowing, 26% of the hay field and pastures. The sown areas occupy 1454 thousand hectares of the country.[6]

76. Areas of land not used in agriculture are 40% of the fund. 13% of these lands is private agricultural lands, 12.1% forests, 2.7% bushes, 0.8% swamps, 3.6% water basins, 31.6% other land (roads, villages, cities, industrial facilities).[7]

77. In Azerbaijan there is per capita 1.08 ha of land fund, 0.2 ha of sown area, 0.6 ha of suitable land.

2.3.8. Land type, use and ownership

78. All the lands located within the borders of the Republic of Azerbaijan form its single land fund. According to their intended use and legal regime, the lands of the Republic of Azerbaijan are divided into the following categories:

- Lands intended for agricultural use;
- Lands of settlements (cities, towns and rural settlements);
- Lands for industrial, transport, communications, defense and other purposes;
- Lands of specially protected territories;
- Lands of the forest fund;
- Lands of the water fund;
- Lands of the reserve fund.

79. The assignment of lands to categories and their transfer from one category to another is carried out in accordance with the established procedure[8] by the Cabinet of Ministers of the Republic of Azerbaijan.

80. Following agrarian reforms that commenced in 1995, 1.3 million Ha of land have been privatized to approximately 817,700 families. In addition, there are over 620,000 household farms, with an average size of 2.8 ha[9] . Agricultural production is undertaken on the farmland distributed to the residents from state farms and collective plots, and backyard / kitchen gardens, in three main agro-ecological zones:

1. Lowlands, dry/hot, irrigated
2. Uplands-lower precipitation, irrigated
3. Uplands-higher precipitation

81. Ownership of a land plot in the Republic of Azerbaijan is inviolable and is protected by state. There is state, municipal and private ownership of a land plot in the Republic of Azerbaijan. All types of ownership are equal and protected by the state. The subjects of the ownership right are: for land plots owned by the state — the Azerbaijan state, for land plots owned by municipalities — municipalities, and for land plots owned privately — citizens and legal entities of the Republic of Azerbaijan[10]. 4,919,000 hectares (56.9%) of the unified land

[6] Azerbaijani Geographical Society https://gsaz.az/articles/view/81/
[7] azerbaijans.az
[8] "Rules for assigning lands to categories and transferring them from one category to another", approved by Decision No. 10, dated January 20, 2017, of the Cabinet of Ministers of the Republic of Azerbaijan
[9] Assessment of the Agriculture and Rural Development Sectors in the Eastern Partnership countries, The Republic of Azerbaijan, EU/ FAO. 2012
[10] Law No. 695-IQ of the Republic of Azerbaijan of June 25, 1999 “On the Approval of the Land Code of the Republic of Azerbaijan”

fund of the Republic of Azerbaijan are state owned, 2,051,378 hectares (23.5%) are municipal owned, and 1,670,990 hectares (19.6%) are privately owned.

82. Everyone's right to own land, equality between types of property and protection of the ownership right, including private property, by law is guaranteed by the Constitution of the Republic of Azerbaijan. Everyone may own a land plot. The right to own land includes the owner's rights to possess, use and dispose of a land plot individually or together with others. One may be deprived of his right to own land only with the decision of law court and by law. No one can be deprived of his right to own a land plot without law court decision. Alienation of a land plot for state needs or public needs may be allowed only in the cases provided for by law and on condition of preliminary fair reimbursement of its value. Nevertheless, private land ownership entails social obligations. For the purposes of social justice and rational use of land, land ownership may be restricted by law[11].

2.4. Biological Environment

2.4.1. Vegetation

83. Azerbaijan has a rich flora. Almost all types of plants, found in the world are spread on the territory of this relatively small country. Nearly 4500 species of higher, spore-bearing flowering plants belong to 125 types and 920 geniuses.

84. The republic accounts for 66% of all plant species found in the Caucasus. Along with plant species, widely spread in the Caucasus and other regions, Azerbaijan is also characterized by nearly 240 species of endemic plants.

85. The vegetation spreads in accordance with physical and geographical formation of region, modern climate conditions, vertical zones and a number of other factors. Thus, plant species of desert and semi-desert and mire vegetation covers the plains to a height of 200 meters.

86. Desert type plants are found on the Caspian APEA shore, south-eastern Shirvan, Mil, Mugan and Shirvan. Depending on the salinity of soils such plants as garasoran, shahsevdi gishotu, are widely spread in these regions. Semi-desert plants are widely-spread in Shirvan, Salyan, Mugan, Mil and Garabagh steppes, as well as in Djeyranchol, Qobustan plains and plains around the Araz. Among semi-desert zonal formations, dominate Kur-Araz, Qobustan and Djeyranchol plains. Among other formations garagan (Kur-Araz) and dengiz (Qobustan, Nakhichevan) are typical for Azerbaijan. Other widely spread plants of semi-deserts are bulbous bluegrass, Japanese brome, beck guramat, eatsern bozag, chilingburnu and a number of salinity herbs (cheren, shahsevdi, saltwort, gishotu. Tughai forests are peculiar of these areas. The forests covering the valleys of the Kur, Araz and Qabirri rivers contain such trees as oak, willow, birch-tree, ash-tree, etc.

87. Foothill plains of the Greater and Lesser Caucasus are mainly covered with annual and perennial xerophytic plants and bushes at a height from 200 meters up to 600-700 and sometimes even 1200 meters. The area above (up to 1800-2000 meters) is covered with forests.

88. Azerbaijan has an area of 86.6 million hectares, with 1213.7 thousand hectares of woodlands.

89. Thus, forests account approximately 12% of the total area of the country. Per capita area of forests equals 0.12 hectares of land that is by 4 lower than the average global indicator (0.48 hectares).

90. Though Azerbaijan's forests occupy relatively small area they are rich in species of trees. There are 435 tree and bush species with 70 species of endemic ones. The country is

[11] Article 29 of the Constitution of the Republic of Azerbaijan

characterized by broad-leaved forests. Such forests are widely-spread on the Greater and Lesser Caucasus and Talysh mountains.

91. The forests are formed by three main types of trees-beech-tree, hornbeam and oak. They make up 86.2% of woodlands. Besides, forests also contain such broad-leaved trees as maple, elm, lime-tree, alder-tree, poplar, yalanyarpag, willow, etc. Needle-leaved forests account for 1.7% of the total area of forests. 7 species of needle-leaved trees out of 107 species of trees are naturally grown in the country. These are garajokesi, Eldar pine-tree, hookes pine, polycarpous, red and uzungovdeli juniper trees.

2.4.2.Fauna

92. Azerbaijan is situated on the junction of a number of zoogeographical zones, characterized by a specific fauna. The animals from Iran, Central Asia and the Mediterranean APEA have adapted to Azerbaijan thus enriching its nature. Due to the diverse natural conditions Azerbaijan formed a colorful animal kingdom. There are 97 species of mammals, 357 species of birds, 67 species of reptiles and Amphibians, 1 species of cyclostomes, 97 species of fish, over 15 thousand species of invertebrates on the territory of Azerbaijan.

93. In the project regions, the fauna of plains is represented by a great number of mammals, reptiles, amphibians and numerous sedentary and migrant birds.

94. One can come across such mammals as djeyran gazelle, wild boar, wolf, fox, badger, cane cat, rabbit, etc., reptiles such as swamp, Caspian and Mediterranean tortoise, striped lizard, ordinary and water grass-snake, adder, etc., amphibians-different species of tortoises, insects, birds-pheasant, partridge, turaj, different kinds of ducks and geese, loud and hissing water birds, coot, eagle, gallinule, heron, cormorant, pelicane, etc. Beside animals found in plains and mountains, these areas are also characterized by such animal species as East Caucasus billy-goat, Caucasus roe deer, Caucasus chamois, Caucasus tetra, Caucasus donkey, etc.

95. The Red Book of the Azerbaijan Republic comprises 108 animal species, including 14 species of mammals, 36 species of birds, 13 species of reptiles and amphibians, 5 species of fishes and 40 species of insects.

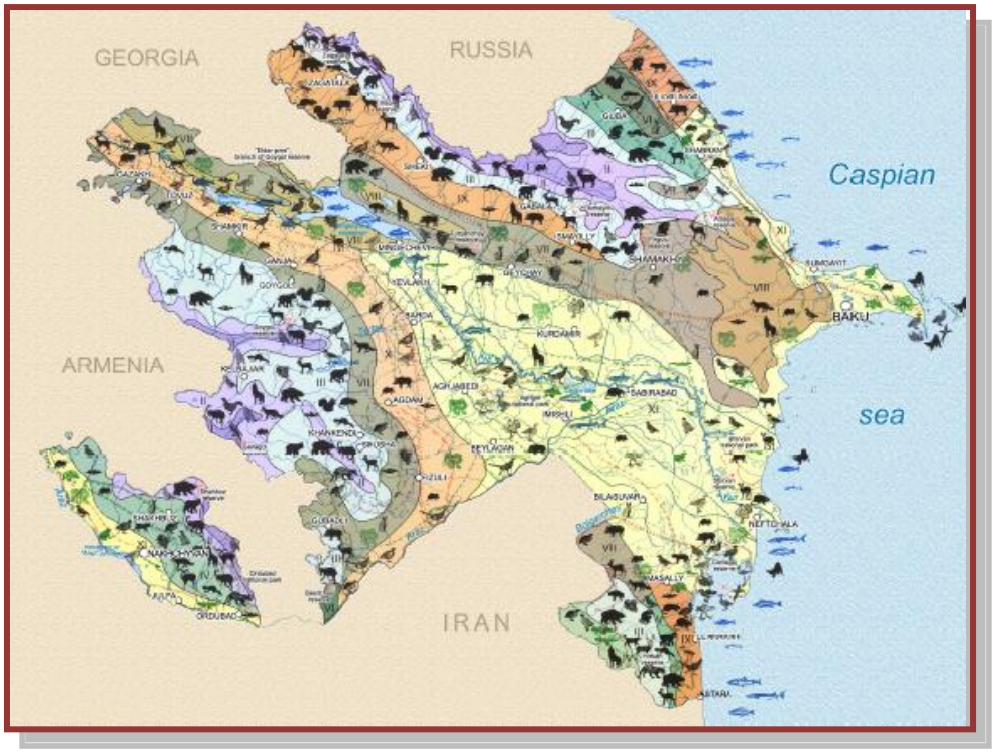


Figure 8. Zoogeographic map

2.5. Protected areas

96. The Caucasus is defined by the World Wildlife Fund of (WWF) as one of the 25 hot points of the world in terms of environmental fertility. The Caucasus region has been adopted as the main global ecological area on a basis of such criteria as diversity of kinds, endemism and taxonomic uniqueness.

97. The system of the state territories protection is based on multistage structure with its various levels for use and protection applied in different categories like in the most countries. The categories are defined as per the Law on State Protected Areas and Objects (2000)[12].

98. The protective figures are the following:

- National parks: lands and water areas that are under the state property and have a special significance in terms of environment, history, etc. The territory of these areas is used for educational, scientific and cultural purposes.
- Restricted areas: these territories are similar to the National parks but there is no need for them to be under the state property.
- State Natural preserves are established with the aim to protect the nature, wild animals and vegetation, as well as the environment. Only scientific investigation is permitted.
- State Natural Preserves are designed for conservation purposes of endangered species of either fauna or flora. As per the Law of Azerbaijan any industry development, intervention in animals or vegetation is strictly prohibited.

[12] The Republic of Azerbaijan's Fifth National Report to the Convention on Biological Diversity GEF and UNDP.2014 https://www.cbd.int/doc/world/az/az-nr-05-en.pdf

- State hunting preserves: in these areas, sustainable exploitation of the wildlife by hunting is allowed.
- Unique trees, caves or paleontological areas are protected under the name of "natural monuments".

Figure 9. Map of protected areas in Azerbaijan

99. Total area of Azerbaijan occupied by specially protected nature areas equals 8929,0 km^2 or 10.31% of the country's territory. Protected areas include 10 national parks, 10 state reserves and 24 wildlife sanctuaries (Table 1[13]).

Table 1. Protected areas of Azerbaijan Republic[14]

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of the national parks	8	8	8	8	9	9	9	9	9	9	10
area, *thsd. hectare*	265,3	296	310,5	310,5	322,3	322,3	322,3	322,3	322,3	322,3	421,4
Number of state nature reserves	12	11	11	11	11	11	11	11	11	11	10
area, *thsd.* hectare	177,4	216,8	209,3	209,3	209,1	209,1	209,1	209,1	209,1	209,1	120,7
Number of state nature sanctuaries	x	24	24	24	24	24	24	24	24	24	24
area, *thsd.* hectare	x	363,4	361,2	361,2	361,2	361,2	361,2	361,2	361,2	361,2	350,8

[13] Ministry of Ecology and Natural Resourses of Azerbaijan Republic https://www.eco.gov.az
[14] State Statistical Committee of the Republic of Azerbaijan https://www.stat.gov.az/source/environment/

2.6. Socio-economic background

2.6.1. Azerbaijan Economy - overview

100. Azerbaijan had a broad and diversified economic base until the collapse of the Soviet Union in 1991. Nevertheless, a significant part of its industry was dependent on imports from other Soviet republics and the bulk of its exports were specifically produced for consumers inside the USSR. The disintegration of the Soviet Union and the beginning of the Karabakh conflict severed Azerbaijan's economic ties with the other republics. The country's industrial sector and other sectors of the economy subsequently collapsed, leading to layoffs, massive unemployment and a level of poverty. The presence of hundreds of thousands of refugees and internally displaced people (IDP) further aggravated the economic situation. The exchange rate of the country had weakened because of triple digit inflation from 1992-1994 that led to massive exchange rate depreciation of the Azerbaijani manat (AZN). The Gross Domestic Product (GDP) also significantly dropped. In 1995, Azerbaijan's real GDP only totaled 37% of the 1989 level, while the average CIS level comprised 58%. On average, Azerbaijan's real GDP decreased by 15% per annum from 1992 to 1996.

101. Since 1995, Azerbaijan has made substantial progress towards stabilizing its economy. With greater political stability, the government has launched a program to stabilize the economy and has introduced structural reforms. One of the components of the reforms was a privatization process that occurred in two stages. The first stage included privatization of all small firms and enterprises. This was almost complete by 2000-2001. The government distributed privatization vouchers among the general public and launched voucher auctions in which people were allowed to exchange their vouchers for stocks in plants and factories. Most of the state-owned companies were transformed into open joint stock companies. The shares of state enterprises were sold or distributed through voucher or cash auctions as well as tenders. These and other reforms allowed the Azerbaijani GDP to increase by 1.3% in 1996 while inflation sharply declined from 1,788% in 1994 to 50% in 1995 and to 20% in 1996.

102. Prior to the decline in global oil prices since 2014, Azerbaijan's high economic growth was attributable to rising energy exports and some non-export sectors also featured double-digit growth. Oil exports through the Baku-Tbilisi-Ceyhan Pipeline, the Baku-Novorossiysk and the Baku-Supsa Pipelines remain the main economic driver but efforts to boost Azerbaijan's gas production are underway. The expected completion of the geopolitically important Southern Gas Corridor between Azerbaijan and Europe will open up another source of revenue from gas exports. Declining oil prices caused a 3.1% contraction in GDP in 2016, and a 1% decline in 2017, reinforced by a sharp reduction in the construction sector. The economic decline has been accompanied by higher inflation and a weakened banking sector in the aftermath of the two sharp currency devaluations since 2015.

103. Some disadvantages remain in governance in the public and private sector which is a drag on long-term growth, particularly in non-energy sectors. The government has made big efforts to combat these disadvantages, particularly in customs and with the "ASAN" one-stop window concept for government services. Several other obstacles impede Azerbaijan's economic progress, including the need for more foreign investment in the non-energy sector and the continuing conflict with Armenia over the Nagorno-Karabakh region. While trade with Russia and the other former Soviet republics remains important, Azerbaijan has expanded trade with Turkey and Europe and is seeking new markets for non-oil/gas exports, mainly from the agricultural sector, for example with Gulf Cooperation Council member countries, the US and others.

104. Long-term prospects depend on world oil prices, Azerbaijan's ability to implement export routes for its growing gas production, and its ability to improve the business environment and diversify the economy. In late 2016, the President approved a strategic roadmap that identified key non-energy segments of the economy for development, such as agriculture, logistics and tourism.

105. Since the presidential election in April 2018, the Government of Azerbaijan has undergone significant changes. These include the nomination of a new prime minister and the appointment of several key ministers in charge of labor and social protection, education, tax reforms, agriculture and rural development, the environment and energy. The new Government has been tasked with continuing the reforms in key sectors to recover economic growth.

106. Supported by stable oil production and a modest acceleration in domestic demand, real GDP expanded by 1.4 percent in 2018. While oil production plateaued, the hydrocarbons sector overall posted growth of 1.1 percent, thanks to higher exports of natural gas. The non-energy economy expanded by 1.8 percent, reflecting greater dynamism in most economic sectors. Consumer price inflation decelerated sharply in 2018, falling to 1.6 percent from 7.9 percent in 2017.

107. Since economic prospects will largely rely on rising gas exports, the projected acceleration in growth in the medium term will be temporary. The country needs reforms to boost private sector investment, reduce the state footprint, tackle issues of competitiveness and develop human capital.

108. The notable increases in the 2019 budget allocations for education (up by 11.3 percent) and health care (up by 41.8 percent) are important in terms of improving human capital. But further efforts are needed to align budget spending with development needs, including through strengthening medium-term budgeting and the public investment management system.

109. It is officially reported that oil-gas sector comprises 55-60% of GDP in 2005-2008. In 2009-2010, the decrease in the share of the oil sector and increase in the share of non-oil sector has been observed. Now more than 4 million people are employed in the state economy. More than 1.560.000 or 38.4% of the employed people work in the agriculture or in the forestry sector, but this field forms 5% of the annual GDP of the country. Both planting (fruit and vegetable production, vine-growing, garden products, technical plants, etc) and animal husbandry fields (diary and beef husbandry, sheep-breeding, poultry, etc) are developing in the country.

110. In recent years, as the number of newly established processing enterprises increase, the number of their employees increases as well: in 2000, 170.000 people were employed in the enterprises of this field, but in 2009, their number nearly reached 200.000, which is 5.0% of the employed people. As the construction works are intensifying across the country, the number of their employees also increases: 5.5% or 225.000 employed people work in this sector and the share of this sector in the GDP varies between 6-8% in recent years. About 1% (40.500 people) of the employed people is employed in the production and distribution of electrical energy, gas and water. Thus, more than 2 million people (nearly half of the employed people) work in various production fields of the state economy.[15]

111. The realization of reforms in economy, especially privatization of enterprises and organizations in the state property were the reasons of significant changes in distribution of employment by state and non-state sectors. So, in 2005 if the share of persons employed in the state sector made 30,3% of total number of persons engaged in economy, that in 2018 this indicator was decreased up to 23,7% and the number of persons employed in non-state sector was increased for 1,3 times during this period[16]

112. Following the Decree of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev dated 07 July 2021, a new division of economic regions was approved. The Decree states that at the moment, large-scale measures are being taken to restore territories liberated from the occupation, ensure their further development, create the necessary infrastructure, and return

[15]State Statistical Committee of the Republic of Azerbaijan https://www.stat.gov.az/source/industry/
[16] Statistical Yearbook of Azerbaijan 2019

the population to their native lands. The expediency of carrying out all the planned work following the unified program to ensure the equal development of these territories by using their rich economic potential, natural resources, and wide tourism opportunities stipulates the necessity for a revision of the division of liberated territories into economic regions.

113. There were 10 economic regions in Azerbaijan so far. By new division, the number of economic regions has reached 14. As stated in the Decree, this division serves the rapid development of the Karabakh region. That is why, Karabakh economic region (Khankendi city, Aghjabedi, Aghdam, Barda, Fuzuli, Khojaly, Khojavand, Shusha, and Terter) and Easter Zangezur economic region were created. In general, the number of economic regions has increased from 10 to 14.

114. Thus, instead of Ganja-Gazakh economic region there were created Ganja-Dashkesan economic region (Ganja and Naftalan cities, Dashkesan, Goranboy, Goygol, and Samukh regions) and Gazakh-Tovuz economic region (Agstafa, Gadabay, Gazakh, Shamkir, and Tovuz regions). The composition of the largest economic region – Aran, was also revised, resulting in the creation of 3 economic regions: Central Aran economic region (Mingachevir city, Agdash, Goychay, Kurdamir, Ujar, Yevlakh, and Zardab regions), Mil-Mugan economic region (Beylagan, Imishli, Saatli and Sabirabad regions), and Shirvan-Salyan +economic region (Shirvan city, Bilasuvar, Hajigabul, Neftchala and Salyan regions).

2.6.2.Gross Domestic Product

115. A 1.4% growth took place in the Azerbaijani economy in 2018 [*see: figure 10*]. Economic growth was driven mainly by the non-oil sector, whose growth equaled 1.8%[17] . It is worth noting that the government forecasted 1.5% GDP growth for 2018 and 2.9% growth in the non-oil sector[18]. The economic growth took place as a result of a 29.2% increase in state budget expenditures, a smaller-than-expected decline in the oil sector and growing aggregate demand as a result of the stable exchange rate of the manat.

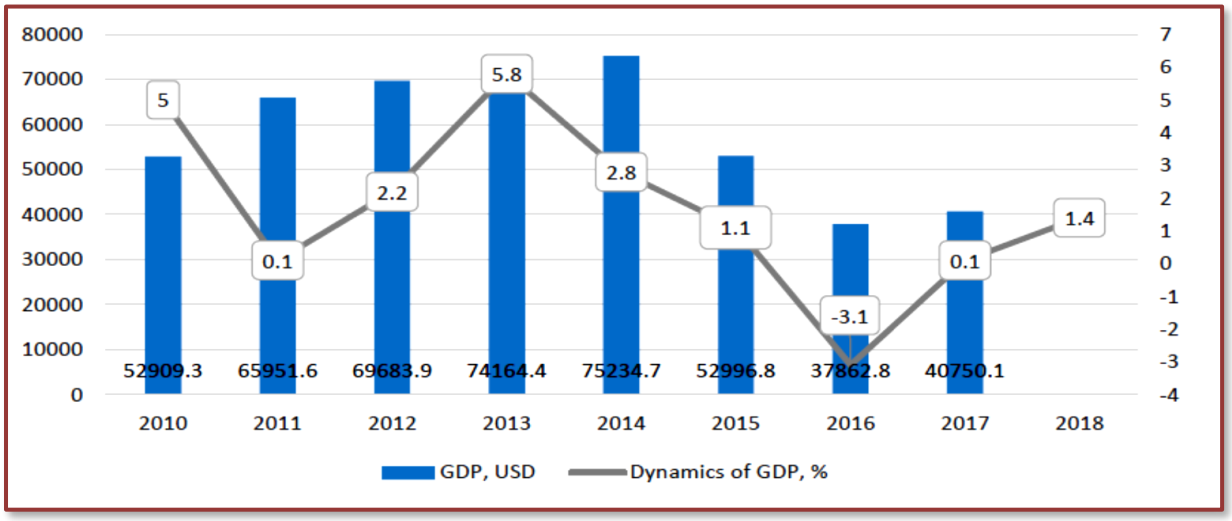


Figure 10. Dynamics of GDP growth over the years, in percentage

[17] Azərtac, Prezident İlham Əliyevin sədrliyi ilə Nazirlər Kabinetinin 2018-ci ilin sosial-iqtisadi inkişafının yekunlarına və qarşıda duran vəzifələrə həsr olunan iclası, 11.01.2019 keçirilib https://azertag.az/xeber/Prezident_Ilham_Aliyevin_sedrliyi_ile_Nazirler_Kabinetinin_2018_ci_ilin_sosial_iqtisadi_inkisafinin_yekunlarina_ve_qarsida_duran_vezifelere_hesr_olunan_iclasi_kechirilib_YENILANIB_3_VIDEO-1232332

[18] ARMB, Azərbaycan Respublikasi Mərkəzi Bankinin 2018-Ci İl Və Ortamüddətli Dövr Üçün Pul Siyasətinin Əsas İstiqamətləri Barədə Bəyanati, səh: 4, baxış tarixi: 21.10.2019 https://uploads.cbar.az/assets/81106f1727e85c6b03cddde90.pdf

116. In the course of 2018 industrial output was 47.7 billion manat (28 billion USD), which is 1.5% more than in 2017- note that the same indicator was -3.4% during 2017[19].

117. In the 2018 reporting period, 44.2% of the value added in the economy of Azerbaijan belonged to industry. The annual growth in this sector was 1.5%[20]. 73% of industrial production came from the mining industry, 22.2% from the manufacturing sector and 4.8% from the other sectors, including electricity production. However, one of the main reasons for the growth in industry is the 9.1% growth registered in non-oil industry[21].

118. Despite the growth in non-oil industry, the share of the manufacturing industry in the industrial value added decreased by 2.5 percentage points last year. That is, the share of the manufacturing sector in the industrial sector overall in 2017 was equal to 24.7%. The main reason for the increase in the share of the mining industry is the 5.8% growth of gas production.

119. During the same year agricultural production grew by 4.6%. The main reasons behind the increase in agricultural production are the formation of various incentive mechanisms (export subsidy, creation of trading platforms, organization of agroparks, forming of mechanisms promoting investments, preferential lending, etc). In 2018, the subsidy and concessional loans to this sector totaled 370 million manat (217.6 million US dollars). In addition, the provision of 200 thousand hectares of land with irrigation water in 2017-2018 resulted in an increase in the value added created within this sector[22].

120. Economic growth in 2018 occurred as a corollary of expansion in the IT sector (9.3%), transportation sector (7.8%), tourism sector (7.6%), agriculture sector (4.6%) and trade sector (3%). The only sector in which a decline was observed was construction. The value added of the construction sector shrank by 9% throughout the year[23]. The reasons behind the decline are: downturn of purchasing power, deterioration in capital investments by the population as well as the lower investments to the oil sector.

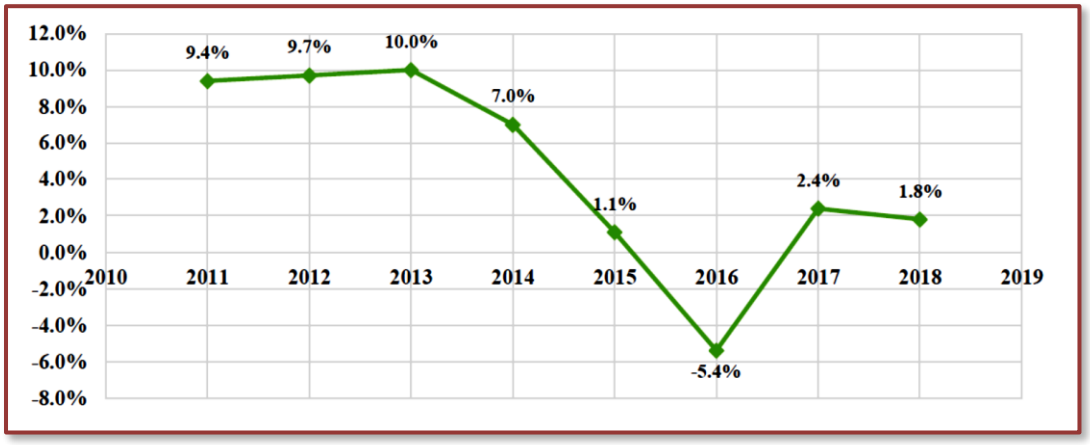


Figure 11. Dynamics of non-oil GDP growth, in percentage[24]

[19] State Statistical Committee https://www.stat.gov.az/news/index.php?id=3731
[20] State Statistical Committee, https://www.stat.gov.az/news/index.php?id=4089
[21] State Statistical Committee, https://www.stat.gov.az/news/index.php?id=4089
[22]https://azertag.az/xeber/Prezident_Ilham_Aliyevin_sedrliyi_ile_Nazirler_Kabinetinin_2018_ci_ilin_sosial_iqtisadi_inkisafinin_yekunlarina_ve_qarsida_duran_vezifelere_hesr_olunan_iclasi_kechirilib_YENILANIB_3_VIDEO-1232332
[23] State Statistical Committee, "2018-ci ilin yanvar-dekabr aylarında ölkənin iqtisadi və sosial inkişafının makroiqtisadi göstəriciləri", https://www.stat.gov.az/news/source/2018_12ay.zip
[24] Source: State Statistical Committee of Azerbaijan Republic, 2018

121. As it can be observed from the figure above, non-oil sector growth dropped by 0.6 percentage points compared to the same indicator of 2017. The underlying reason is the 9 percent decline in the construction sector. It should be noted that this sector contracted by 1.5% in 2017.

2.6.3.Main Sectors of Industry

122. Azerbaijan's economy is based on gas and oil, steel, iron, chemical and petrochemical products and textiles. Agriculture accounted for 5.63% of GDP in 2017 and employed 37.48% of the population in 2018. Main crops include wheat, barley, corn, fruits (wine grapes), potatoes, cotton, tea, silk and tobacco. The country also produces other potentially valuable crops, including indigenous pink grapes and persimmon. Soon, a new online and mobile Government platform will allow Azerbaijani farmers to sell their products.

123. Industry accounted for 49.58% of GDP in 2017 and employed 13.85% of the population in 2018. Besides oil products and its derivates, Azerbaijan produces cement, machinery, cotton, and foodstuffs. In the large-scale Azerbaijan - 2020: outlook for the future development project, the Azerbaijani Government seeks to more than double the volume of per capita GDP in the country through non-oil industries. Services accounted for 37.48% of GDP in 2017 and employed 48.67% of the population in 2018. Flourishing service sectors include banking, construction and real estate. Situated in 9 out of 11 existing climatic zones, Azerbaijan has quite a unique geographical position and privileged tourism potential. 2.8 million tourists visited the country in 2018[25]

Table *2*. Breakdown of Economic Activity by Sector[26].

Breakdown of Economic Activity by Sector	Agriculture	Industry	Services
Employment by Sector *(in % of Total Employment)*	37.5	13.9	48.5
Value Added *(in % of GDP)*	5.6	49.6	37.5
Value Added *(Annual % Change)*	4.7	-3.8	-1.9

124. The Azerbaijani government plays an active role in development of agriculture. For this purpose, it applies various measures including import substitution, tax exemptions and subsidies of machinery (combines, tractors, harvesters, and irrigation equipment), pesticides and fertilizers. Land improvement, support and development of rural infrastructure, development of villages and improvement of agricultural management are considered to be part of government support in agricultural sector. As a result of these promotions, government of Azerbaijan aims to increase productivity, technical and technological renewal, growth and diversification of agricultural exports, efficient organization of state support, improvement of the mechanism for subsidizing, development of large farms, provision of support to small farms, etc.

125. There are favorable soil-climate conditions for the development of agriculture in Azerbaijan. There are 0.2 hectares of land per capital in the country.

126. In Azerbaijan agriculture, plant-growing developed more than animal husbandry. 61% of agricultural products belong to plant growing, and 39% goes to animal husbandry.

[25] https://azertag.az/xeber/Azerbaycani_sechen_turistlerin_sayi_ilden_ile_artir-1240487, https://ulduztourism.az/xeberler/2018-ci-ilde-azerbaycana-gelen-turistlerin-sayi-aciqlandi
[26]State Statistical Committee
https://www.stat.gov.az/source/industry/,https://www.stat.gov.az/news/index.php?id=4085
https://www.nordeatrade.com/en/explore-new-market/azerbaijan/economical-context

Plant-growing developed more than animal husbandry due to the large cultivable lands and high total active temperature in Azerbaijan plains.

127. The agriculture in Azerbaijan has two broad fields-plant growing and animal husbandry.

128. ***Plant growing.*** Favorable climatic conditions, land cover allow for planting various types of plants in Azerbaijan. Especially cotton-growing, vegetable-growing, tobacco-growing, and vine-growing are the most specialized field of Azerbaijan culture and meet the domestic demand of Azerbaijan.

129. Khachmaz, Lenkeran and partly Aran and Absheron regions are specialized on vegetable-growing. Khachmaz is specialized on the slow-growing, Lenkeran on fast-growing vegetables. A great amount of vegetables are grown in the hothouses near Gandja city. In recent years, the fields of cabbage are enlarged in Agdash.

130. Melon-growing is highly developed in Aran, Absheron and Lenkeran region of Azerbaijan. Kurdemir is famous for its melons, Sabirabad and Zire for their watermelons.

131. Potatoes are grown without irrigation in Gedebey, Tovuz, Shemkir, partially in Dashkesen, Khanlar and Qusar regions of Azerbaijan. Domestic potatoes do not meet the demands of population and is additionally purchased from abroad.

132. ***Horticulture (fruit-growing and vegetable-growing).*** Horticulture is one of the specialized branches of agriculture in Azerbaijan. Quba-Khachmaz is specialized on seedy fruits, Zakatala-Sheki on nuts (chestnuts, hazelnuts, walnuts), Nakhchivan AR on stony fruits (peach, apricot), Kur-Araz on dry sub-tropical fruits (pomegranate, quince), Lenkeran on citrus fruits (orange, mandarin, feykhoa, lemon), Absheron peninsula on the Southern plants (fig, olive, pistachio, almond, etc). The largest region of fruit-growing in Azerbaijan is Quba. 85% of the fruits are produced in Quba, 15% in Sheki-Zakatala and Nagorno Shirvan economic regions. 95% of nuts production is centralized in Sheki-Zakatala economic region. There are many mulberry trees in Kur-Araz and Upper Karabakh regions.

133. Khachmaz, Lenkeran, and partly Aran and Absheron regions are specialized on vegetable-growing. Khachmaz is specialized on the slow-growing, and Lenkeran on fast-growing vegetables. A great amount of vegetables is grown in the greenhouses near Ganja city. In recent years, the fields of cabbage are enlarged in Agdash.

134. ***Animal husbandry.*** Although animal husbandry is the main part of agriculture in Azerbaijan, it meets only half of the population demands for meat, dairy and egg products. Due to large pastures and the shortage to cultivable lands, animal husbandry developed more than plant-growing in the mountainous regions of Azerbaijan, especially in Nagorno Shirvan and Kelbecer-Lachin economic regions.

135. Cattle-breeding – comprises more than 50% of total value of animal husbandry products and 45% of meat production in Azerbaijan. Cattle are the main part of cattle-breeding. In Aran and Sheki-Zakatala regions bufalo, in Lerik and Yardimli regions Zebu are raised for meat and milk production. Cattle-breeding has developed in all regions of Azerbaijan 70% of the cattle are cows and buffaloes in Azerbaijan.

136. Sheep-breeding developed in the mountainous regions and foothills of Azerbaijan Mountain Merinos, Qala, Qarabakh, Balbas and other breeds of sheep are raised in Azerbaijan. The meat, skin, and wool of the sheep are used. The speedy breeding, little labor and little demand for feeding has made sheep-breeding one of the most efficient fields of animal husbandry for meeting the demands of population to meat in Azerbaijan. There are enough natural feed resources, summer and winter pastures for the development of sheep-breeding in Azerbaijan. The majority of summer pastures being under occupation hinders the development of sheep-breeding in Azerbaijan.

137. **Poultry meets the demands of population to egg and poultry**. The largest poultry complexes are in Baku, Ganja and Nakhchivan. The deficiency of feed resources hinders the development of poultry in Azerbaijan.

138. Silkworm breeding has developed in Sheki-Zakatala, Kur-Araz, Upper Karabakh and in the plain and foothills of Nakhchivan.

139. Apiculture has developed in the sub-alpine and alpine meadows of highlands and foothills of Azerbaijan.

140. *There are 3 groups of agricultural regions in Azerbaijan according to the level of specialization.*

- Irrigated regions of agriculture (Kur-Araz, Lenkeran, Samur-Devechi lowlands, and Araz River plains in Nakhchivan);
- Agricultural regions without irrigation (foothills and middle highlands);
- Pastures and regions of animal husbandry.

141. Azerbaijan has not specialized in the silkworm breeding, apiculture and paddy growing fields of agriculture yet.

142. The fully-specialized fields of agriculture are cotton-growing, horticulture, vim-growing, vegetable-growing, tobacco-growing, etc.

Table 3. Production of agriculture harvests in households in 2018, kg

	Percent of households received appropriate harvest	Average monthly received harvest	of which used:					
			for self-consumption & gifts	sold	for animal feed	Lost or spoilt	given for processing	the rest
Wheat	0,8	723,7	34,1	210,2	39,0	0,1	15,1	425,2
Grain	0,4	937,0	34,6	226,2	92,1	0,1	0,4	583,6
Corn	0,7	18,5	5,6	6,9	0,8	0,0	-	5,2
Potato	2,8	589,9	26,7	319,9	16,1	10,6	-	216,7
Cotton	0,1	427,2	1,2	425,4	-	-	0,5	-
Tomatoes	4,9	95,5	10,6	80,2	0,1	1,5	3,2	0,0
Cucumbers	6,1	84,9	10,2	71,0	0,1	1,2	2,4	0,0
Carrot and beet	0,3	7,8	3,0	1,5	-	-	1,4	1,8
Cabbage	1,3	42,9	6,7	34,0	0,0	0,1	1,5	0,6
Onion and garlic	1,6	10,8	4,3	0,9	-	0,0	0,5	5,1
Eggplant and pepper	4,4	12,3	6,8	3,8	0,0	0,0	1,6	-
Pumpkin	0,7	15,2	3,3	3,1	0,0	0,0	0,2	8,6
Other vegetables	11,8	33,4	6,2	26,8	0,0	0,2	0,1	-
Water melon	0,1	32,6	13,7	18,9	-	-	-	-
Melon	0,1	7,5	6,8	0,7	-	-	-	-
Root crops	0,1	23,0	4,0	18,9	0,0	-	-	-

Strawberry	0,8	10,3	2,8	5,8	0,0	0,1	1,5	-
Other berries	0,8	21,6	4,4	14,9	0,0	0,2	2,1	-
Apples	4,1	36,9	5,9	23,8	0,0	0,4	1,0	5,7
Pear	3,1	15,0	5,1	8,4	0,0	0,1	1,0	0,4
Cherries, apricots, plums and peaches	7,5	24,0	5,1	15,6	0,0	0,2	3,2	0,0
Pomegranates, persimmon	3,6	78,1	10,2	65,2	0,2	1,3	0,5	0,6
Citrus fruits	0,7	197,7	13,2	183,8	-	-	0,6	0,1
Grapes	1,9	9,6	5,5	2,8	-	0,1	1,2	-
Figs	1,6	7,7	3,1	1,9	0,0	0,1	2,6	0,0
Nuts, chestnuts, almond	2,0	52,2	3,8	28,3	-	0,0	0,5	19,7
Other fruits	3,0	6,7	3,7	1,6	0,0	0,1	1,3	0,0
Sunflower	0,1	21,9	3,2	14,2	-	-	0,1	4,4
Flowers, number	0,2	12,6	10,2	2,4	-	-	-	-

Source; Statistical Yearbook of Azerbaijan 2019

2.6.4.Population

143. The population of Azerbaijan as of January 1, 2019 reached 9,981,457 people. The population density in the country is 115 people per square kilometer. As many as 52.8 percent of the total population lives in cities and 47.2 percent in villages. Also, men account for 49.9 percent of the total population, while women prevail with 50.1 percent[27].

144. At the beginning of 2019, 4.6 percent of the country's population lives in Nakhchivan Autonomous Republic, 22.8 percent in Baku, 20.3 percent in Arran region, 12.9 percent in Ganja-Gazakh region, 9.4 percent in Lankaran and 30 percent - in other economic areas of the country. Meanwhile, as many as 138,982 newborns were registered in Azerbaijan in 2018, which make 14.2 for every 1,000 people. Twins amounted to 2752, triplets - 117. New births indicator was higher than the national average in Mountainous Shirvan (16.3 for every 1000 people), Lankaran, Aran, Guba-Khachmaz economic regions (15.4), Upper Karabakh and Kalbajar-Lachin economic regions (14.6).

145. According to the latest WHO data published in 2018 life expectancy rate in Azerbaijan stands at 70.3 for men, 75.7 for female. Total life expectancy is 73.1, which gives Azerbaijan a World Life Expectancy ranking of 96.

146. Azerbaijan also ranks 90th for the number of the world's population. The population of Azerbaijan represents 0.13 percent of the world´s total population which arguably means that one person in every 760 people on the planet is a resident of Azerbaijan.

Table 4. The population of Azerbaijan Republic

Years	Population size - total	as % to total population		as % to total population	
		urban places	rural places	men	women
2008	8779,9	53,0	47,0	49,4	50,6
2009	8922,4	53,1	46,9	49,5	50,5

[27] State Statistical Committee //www.stat.gov.az/source/demography/?lang=az

2010	8997,6	53,1	46,9	49,5	50,5
2011	9111,1	53,0	47,0	49,6	50,4
2012	9235,1	52,9	47,1	49,6	50,4
2013	9356,5	53,1	46,9	49,7	50,3
2014	9477,1	53,2	46,8	49,7	50,3
2015	9593,0	53,1	46,9	49,8	50,2
2016	9705,6	53,1	46,9	49,8	50,2
2017	9810,0	53,0	47,0	49,9	50,1
2018	9891.5	52,9	47,1	49,9	50,1

Source; Statistical Yearbook of Azerbaijan 2019

147. Azerbaijan has one of the highest concentrations of internally displaced persons (IDPs) globally, currently comprising around 6.5% of the country's overall population (658,793 individuals, 175,034 families) (State IDP Committee of Azerbaijan, November 2023).
Most IDPs have been living in protracted displacement since the first Nagorno-Karabakh War (from 1988 to 1994), with thousands more people newly displaced in the Second Karabakh War (in 2020), which ended with a ceasefire endorsed in a Trilateral Protocol. ReAPEArch and analysis by the World Bank and the Government of Azerbaijan showed that despite much investment, IDPs still remain vulnerable, are more likely to be poor than non-IDPs, have worse living conditions and lower employment rates than the non-displaced, and rely heavily on state transfers as their main source of income.

148.Since 2020, conditions have evolved, creating opportunities for large-scale returns to the seven adjacent regions and Karabakh. The State Programme on the Great Return, launched in November 2022, aligns with Azerbaijan's socioeconomic development priorities for 2022-2026. The program, emphasising development and long-term strategies, delegates significant responsibilities to the State Committee for the Affairs of Refugees and Internally Displaced Persons of the Republic of Azerbaijan (IDP Committee), primarily under Priority Area 3 (Returning the population and creating sustainable communities in the areas).

2.6.5.Ethnicity

149.Azerbaijan is a multinational country with Azerbaijanis comprising 90.6% of the population. Other ethnic groups are: Dagestanis 2.2%, Russians 1.8%, Armenians 1.5%, others 3.9% (Talishes, Jews, Ingiloi, Tatars, Ukrainians, Belorussians, Udins, Kurds, etc.).[28]

2.6.6.Religion

150.The religion in Azerbaijan is separated from the state. All religions are equal before the law. The majority of the population is Muslim. At present, there are more than 2 thousand mosques, 13 churches and 7 synagogues in Azerbaijan. In addition to houses of worship, Islamic, Christian and Jewish religious educational institutions, including Theology Institute of Azerbaiajn, Sunday schools at Orthodox churches, Bible courses of prostestant communities, as well as courses teaching Hebrew language, Jewish religion and culture and etc. are functioning in the country.

After additions and amendments to the Law on Freedom of Religious Belief, 746 religious communities were registered at the State Committee on Religious Associations. 27 of them are non-Islamic. Of the latter 17 are Christian, 7 are Jewish, 2 are Bahai and 1 is Krishna consciousness religious community.

[28] Ministry of Foreign Affairs in the Azerbaijan Rebiblic http://mfa.gov.az/az/content/8

2.7. Employment and Labor Market

2.7.1. Introduction

151. Improving the quality of human resources plays a crucial role in the development of every country's labor market. Efficient use of productive forces, including labor tools, land, infrastructure, and human capital leads to steady economic growth. One of the priorities in economic and social policies worldwide is keeping the level of unemployment as low as possible. According to data from the State Statistical Committee of Azerbaijan, young people constitute the bulk of the potentially economically active population.

152.Two problems in generating more jobs, that businesses and the public sector face in Azerbaijan, are on the one hand, the lack of qualified workers, and on the other hand, the risk that they will leave the country for better career opportunities abroad. This tendency threatens the effective development of the economy and slows down corporate growth. In order to tackle this issue, the private and public sectors in collaboration with civil society should work towards effective solutions.

153.Reforms carried out in the country in recent years have led to fundamental qualitative changes in the economy, and dynamic economic development has been ensured. Appropriate measures have been taken to ensure the economic development of the regions, further improve of the social welfare and living standards of the population, and develop the country's economy, especially the non-oil sector. In order to provide employment, new jobs, enterprises, infrastructure facilities, and etc. have been created.

154.Between 2005 and 2019 the number of economically active population increased by 787.9 thousand and made 5168,0 thousand persons, of which 4,915,2 thousand persons are engaged in the fields of economic activity, 252.8 thousand persons are unemployed. The main idea behind this reAPEArch is to evaluate employment and labor market policy in Azerbaijan and in particular, how the socio-economic transformation following independence has affected the labor market situation. The labor market in the country has demonstrated a continuous increase in participation rate. In fact, the increasing participation rate in the country linked to high spillover effects from the energy sector on other sectors of the economy, such as the construction and service industries, as well as an increase in self-employment activities of small landowners and small to medium-sized businesses.

155.The realization of reforms in economy, especially privatization of enterprises and organizations in the state property were the reasons of significant changes in distribution of employment by state and non-state sectors. So, in 2005 if the share of persons employed in the state sector made 30,3% of total number of persons engaged in economy, during first six months of 2019 this indicator was decreased up to 23% and the number of persons employed in non-state sector was increased for 1,4 times during this period.[29]

156.1613.8 thousand persons or 32% from total number of employed populations in the economy for the first half of 2019 were people working under labour contracts. Majority of employees were employed in large and medium enterprises.[30]

157.78.711 thousand persons have got official unemployment status provided by the State Employment Agency on November 1, 2019. During last years the share of woman among unemployed persons decreased; for example, it was 36% in 2019 relative to 51.6% in 2005.

158.During 2005-2018, average monthly nominal wages and salaries of employees being increased for 4 times made 544.6 manat.

159.Number of persons have got official unemployment status by the State Employment Agency by the country made 20,1 thousand for the beginning of January 2019. During last

[29] State Statistical Committee https://www.stat.gov.az/source/labour/
[30] State Statistical Committee https://www.stat.gov.az/source/labour/ Artice Labour Market 000.doc

years the share of woman among unemployed persons being decreased made 37,2% in 2018 relatively to 51,6% in 2005.

160.Educational attainment of the population is one of the most important conditions for an effective labor market. Generally, people seek jobs that closely match their education background and experience. However, in a market economy, a degree is not necessarily a guarantee of employment. Additionally, jobs in a market economy are much more diverse than in a command economy. Furthermore, in general, both wages differ between the private and public sectors and working conditions are not the same in the capital city as in small provincial towns.

161.In a globalized world, one of the main factors determining the quality of the labor force is the intellectual potential of a society and its rate of enhancement. In Azerbaijan, the majority of unemployed young people have secondary general education. In terms of both the unemployed and the total labor force, the proportion of people with only primary or no education is very low, and the majority of the labor force has attained or completed secondary education.

162.Inactivity and non-participation in the labor force also occur for a variety of reasons, such as continuation of education for youth, housekeeping and childcare responsibilities for women, disabilities or low wages. Education plays a very important role in entering the labor market in the country. Having higher education is significant in increasing the chance of obtaining a job with a good wage. On the other hand, the majority of discouraged workers enter the informal sector. Non-participation is predominant among women, who may be discouraged because of family traditions and the mentality that women should perform housekeeping and childcare responsibilities, while men are the main wage earners in their family. Last but not least, it should be noted that inactivity among youngsters is mainly connected with education, while for elderly people it is connected with retirement.

2.7.2. Labor market and income of the population

163.In 2018 compared to 2017, the number of employed persons increased by 1.1% and reached 4,879.3 thousand, of which 1553.6 thousand, or 31.8%, are employed in temporary work. 57.1% of temporary workers are working in the public sector. It should be noted that the number of temporary workers in the public sector decreased by 0,63%, while those in the private sector grew by 0,63%. The number of wage-earners in the oil sector was 36,600, which equals 0,75% of the total.[31]

164.During January-November of 2018, the average monthly wage in Azerbaijan increased by 2.9% and reached 540 manat (317.6 US dollars)[32].

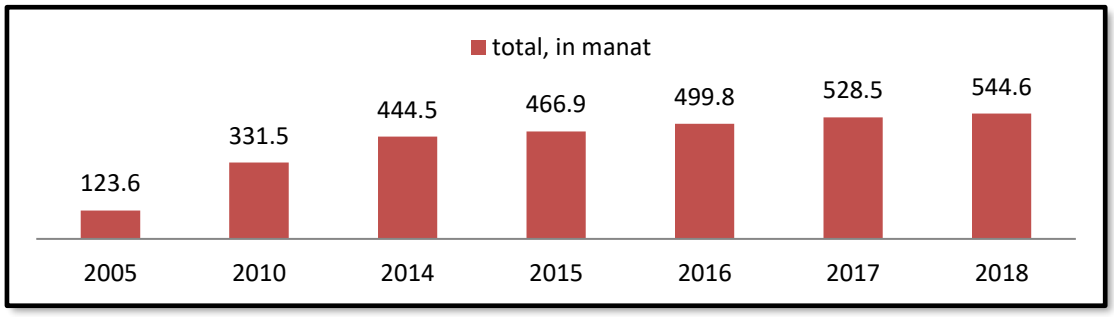


Figure 12. Average monthly salary, in manat[33]

[31] State Statistical Committee https://www.stat.gov.az/news/source/2018_12ay.zip
[32] State Statistical Committee https://www.stat.gov.az/news/index.php?id=4085
[33] *Source: State Statistical Committee of Azerbaijan Republic, 2019*

165.During the year, the income of the population was 53.7 billion manat (31.6 billion US dollars), which means an increase of 9.2% in nominal terms. The annual income per capita, on the other hand, equaled 5,467 manat (3,216 US dollars). This indicator is 8.2% higher than that of 2017[34].

166.Inflation in the consumer market for the year 2018 was 2.3%. In 2018, unlike previous years, the locomotives of inflation were non-food products (2.6% increase) and services (2.7% increases). A tough monetary policy limiting the growth of the monetary base, stability in the exchange rate of the manat and decline in prices of imports from Azerbaijan's main trading partners such as Russia, Turkey and Iran (due to the depreciation of their respective national currencies) are the main factors in keeping the domestic inflation rate low. Let us remember that the inflation rate was 12.4% in 2017.

167.During 2018, the manat's managed exchange rate regime continued and its rate was kept constant against the US dollar (1 USD = 1.7 Manat).

2.7.3. Labor market indicators

168.Employment and unemployment represent the most relevant measures not only of the way the labor market functions but also of the overall economic, institutional and legal policy framework. When the labor market is subject to imbalances and disequilibria, it generates voluntary and involuntary unemployment.

Table *5*. Main social-economic indicators of the labour market[35]

	2005	2010	2014	2015	2016	2017	2018
Number of economically active population - total, thsd. persons	4380,1	4587,4	4840,7	4915,3	5012,7	5073,8	5133,1
men	2268,8	2329,7	2475,7	2510,8	2573,2	2609,0	2637,4
women	2111,3	2257,7	2365,0	2404,5	2439,5	2464,8	2495,7
Number of employed persons - total, thsd. persons	4062,3	4329,1	4602,9	4671,6	4759,9	4822,1	4879,3
men	2104,7	2227,4	2376,1	2408,2	2465,7	2502,8	2529,4
women	1957,6	2101,7	2226,8	2263,4	2294,2	2319,3	2349,9
including by property forms:							
state	1229,8	1142,7	1178,2	1176,1	1171,4	1158,4	1154,9
non-state	2832,5	3186,4	3424,7	3495,5	3588,5	3663,7	3724,4
Number of unemployed persons[2)] - total, thsd. persons	317,8	258,3	237,8	243,7	252,8	251,7	253,8
men	164,1	102,3	99,6	102,6	107,5	106,2	108,0
women	153,7	156,0	138,2	141,1	145,3	145,5	145,8
Persons received official unemployment status in State Employment Agency, total, person	56343	38966	28690	28877	32972	38481	20088

[34] https://wid.world/country/azerbaijan/
[35]State Statistical Committee https://www.stat.gov.az/source/labour/

men	27265	21979	17383	17728	20418	24496	12608
women	29078	16987	11307	11149	12554	13985	7480
of which:							
receiving benefits as unemployed, total, person	2087	87	1613	1543	1857	6974	1117[3)]
men	1316	70	1122	1087	1238	4748	668
women	771	17	491	456	619	2226	449

169.Table 6 shows employment in the country and one can see that the size of the economically active population and number of employed persons has been growing year-by-year. The number of unemployed persons is not so critical, and it is high among women in general. In this context, it should be noted that the majority of jobless people are not registered at the State Employment Agency of the country and if the discouraged persons were included then the total unemployment rate could be higher. In fact, inactivity and unemployment rates are higher in urban areas than in rural, and the main reason for this is internal migration from rural areas to big cities (mainly the capital city, Baku) to find high-paying jobs, as well as involvement of rural people in subsistence farming. However, the majority of such people usually engage in informal employment.

Table *6*. Number of employed population by economic activities thsd. persons

Economic activity	2010	2015	2019	2020	2021	2022
On economy, total	4329,1	4671,6	4785,6	4721,2	4831,1	4901,1
Agriculture, forestry and fishing	1655,0	1698,4	1720,4	1696,5	1732,9	1753,1
Mining	41,5	39,1	40,3	40,1	39,4	39,3
Manufacturing	208,9	229,8	259,5	255,3	266,0	276,3
Electricity, gas and steam production, distribution and supply	30,6	27,1	30,5	28,3	27,2	27,9
Water supply; waste treatment and disposal	25,2	25,4	30,2	29,9	32,7	33,6
Construction	287,5	336,4	363,6	358,0	373,9	379,7
Trade; repair of transport means	626,7	693,7	699,4	682,3	695,2	702,3
Transportation and storage	179,1	197,1	198,6	195,6	199,7	199,8
Accommodation and food service activities	46,9	61,5	77,5	65,5	76,9	87,9
Information and communication	55,8	60,3	60,3	58,6	59,6	60,2
Financial and insurance activities	24,4	33,0	28,0	28,9	31,9	35,0
Real estate activities	69,6	89,7	87,5	84,4	85,2	85,8
Professional, scientific and technical activities	45,6	59,6	62,4	61,1	61,6	62,9

Administrative and support service activities	46,5	55,2	70,4	90,3	94,9	97,1
Public administration and defense; social security	279,1	287,3	242,6	238,1	236,7	234,9
Education	349,8	373,5	370,6	369,9	373,8	375,5
Human health and social work activities	170,3	180,8	188,2	187,1	186,3	188,7
Art, entertainment and recreation	59,6	69,6	66,6	63,1	64,3	65,2
Other service activities	127,0	154,1	189,0	188,2	192,9	195,9

Source: Statistical Yearbook of azerbaijan 2023

170.The employed population of the country was 4759.9 thousand persons, and the employment level around 95 percent. From *Table 6*, one can see that around 36.3 percent of the employed population were engaged in agriculture, forestry and fishing. Compared to 2010, we can see noticeable increase in the number of employed people. In cities, 51.48 percent of employed people were men and the rest, 48.52 percent were women. However, in rural areas, 51.4% percent of the employed population was men and 48.6 percent were women[36].

171.From a comparison with the numbers for the early 2000s with 2018, it is clear that the proportion of men in cities increased but the proportion of women decreased, while the reverse of this change happened in rural areas. This is a result of the internal migration of men from rural areas to cities. Most of those people lived and worked in rural areas but they moved to work in cities because of higher salaries. A review of the distribution of the employed population by economic activities and sex shows that there is remarkable dominance of male employees in sectors such as mining, manufacturing, electricity, gas and steam production, distribution and supply, water supply, waste treatment and disposal, construction, transportation and storage, public administration and defense and security. Women employees prevail in sectors such as information and communication, education, human health and social work activities, administrative and support service activities and art, entertainment and recreation. Men take most of the civil service positions.

172.According to the law “On Employment” the following categories are chosen for self-employment program “AzSEP”: persons receiving targeted state social assistance, persons with disabilities over 18 years old, those registered as unemployed, persons who are less than two years of retirement age, unemployed persons released from places of detention and IDPs.

Unemployed persons who is getting unemployment insurance benefits do not participate in self-employment program.

2.7.4. Poverty

Poverty level and existing social protection system.

173.Since 2001, the share of the population living below the national poverty line (49.0%) decreased 8.6 times standing at 5.1% in 2018, and extreme poverty in the country was eliminated in 2007 (extreme poverty, which was around 10.0% in 2001-2003, fell to 0.5% in 2006 and to less than 0.1% in 2007). During this period, the decline in the poverty level in the

[36] The State Statistical Committee of the Republic of Azerbaijan https://www.stat.gov.az/source/labour/?lang=en

country took place against the background of raising the national poverty threshold (42,6 AZN in 2001, 175.2 AZN in 2015) on a regular basis, which attests to the greater importance of the achieved result.

174.In 2022, poverty line was 229.6 AZN and poverty level was 5.5% (decreased by 0.4 percentage point compared to the previous year). (Table 7)

Table *7*. Poverty line and poverty level

	2010	2015	2020	2021	2022
Poverty line, *manat*	98,7	135,6	194,9	204,7	229,6
Poverty level, *per cent*	9,1	4,9	6,2	5,9	5,5

Sourse: Statistical Yearbook of Azerbaijan Rebublic 2023

175.Despite recent declines in poverty, many low-income households can be classified as vulnerable. Moreover, remittances from family members working abroad and self-employment activities are important income-raising strategies for many low-income households. Poverty and vulnerability are higher in urban areas than in rural areas. There is a large number of "working poor" because the official employment rate does not reduce the risk of poverty. In addition, remittances and self-employment of family members working abroad are sources of income for many low-income families. High vulnerability is also a legacy of the conflict with Armenia in the early 1990s. Refugees and internally displaced persons – first generation or their children - comprise 10% of the population.

176.Crises such as serious illnesses, the unexpected death of a family member, the loss of a job or an accident leading to disability puts significant financial pressure on low-income households. This is due to the relatively high costs associated with these risks and a limited range of proper coping mechanisms. While there is a strong informal borrowing culture, borrowing mostly without interest from family and friends is not enough to cope with more severe risks. In addition, Azerbaijanis prepare for risks and have very reactive attitudes to managing risks. For example, less than 1% of low-income households regularly save. The current risk-management strategies are very risky in terms of over indebtedness.

177.An inclusive and targeted social protection system has been formed in the country that combines all elements characteristic of social protection. Over the past period, serious reforms have been carried out in this area and a number of steps have been taken to bring the social protection system in line with modern requirements. In accordance with the Ministry of Labor and Social Protection of Population the Republic of Azerbaijan, 28.3% of the country's population (about 2.8 million people) receive various social payments (because of the birth of a child, social payment for women with more than 5 children, allowance payment for children who lost their parents, payment for persons with disabilities and others) from the state throughout the social protection system of Azerbaijan. Among these social payments, the major ones according to their shares are occupational pensions, targeted state social assistance, social benefits and pensions assigned by the President of the Republic of Azerbaijan.

2.7.5. Human Development Index (HDI)

178.The human development index (HDI) of Azerbaijan is the index used by the United Nations to measure the progress of a country in multiple human development aspects. The HDI is a summary measure for assessing long-term progress in three basic dimensions: a long and healthy life, access to knowledge and a decent standard of living. A long and healthy life

is measured by life expectancy. Knowledge level is measured by mean years of education among the adult population which is the average number of years of education received in a life-time by people aged 25 years and older; and access to learning and knowledge by expected years of schooling for children of school-entry age, which is the total number of years of schooling a child of school-entry age can expect to receive if prevailing patterns of age-specific enrolment rates stay the same throughout the child's life. Standard of living is measured by Gross National Income (GNI) per capita expressed in constant 2011 international dollars converted using purchasing power parity (PPP) conversion rates.

179.In 2018 Azerbaijan's score in the HDI was 0.757 points, leaving it in 80th place in the table of 189 countries published.

180.Table 8. reviews Azerbaijan's progress in each of the HDI indicators. Between 1990 and 2018, Azerbaijan's life expectancy at birth increased by 7.3 years, mean years of schooling increased by 0.5 years and expected years of schooling increased by 2.0 years. Azerbaijan's GNI per capita increased by about 79.2 percent between 1990 and 2017[37].

Table 8. Azerbaijan's HDI trends

	Life expectancy at birth	Expected years of schooling	Mean years of schooling	GNI per capita (2011 PPP$)	HDI value	HDI range
1995	65.3	10.0	10.2	3,387	0.612	151º
2000	66.8	10.4	10.6	4,314	0.640	166º
2005	68.8	10.7	10.7	6,940	0.679	169º
2010	71.0	11.7	10.7	15,246	0.740	148º
2015	71.9	12.7	10.7	16,334	0.758	148º
2016	72.0	12.7	10.7	15,751	0.757	147º
2017	72.1	12.7	10.7	15,600	0.757	80º

2.7.6. Gender Inequality Index (GII)

181.The 2010 Human Development Report introduced the GII, which reflects gender-based inequalities in three dimensions - reproductive health, empowerment and economic activity. Reproductive health is measured by maternal mortality and adolescent birth rates; empowerment is measured by the share of parliamentary APEAts held by women and attainment in secondary and higher education by each gender; and economic activity is measured by the labour market participation rate for women and men. The GII can be interpreted as the loss in human development due to inequality between female and male achievements in the three GII dimensions.

182.Azerbaijan has a GII value of 0.318, ranking it 71 out of 160 countries in the 2017 index[38]. In Azerbaijan, 16.8 percent of parliamentary APEAts are held by women, and 93.8 percent of adult women have reached at least a secondary level of education compared to 97.5 percent of their male counterparts. For every 100,000 live births, 25 women die from pregnancy related causes; and the adolescent birth rate is 53.5 births per 1,000 women of ages 15-19. Female participation in the labour market is 62.9 percent compared to 69.5 for men[39].

[37] UNDP. Human Development Indices and Indicators: 2018 Statistical Update. Briefing *note for countries on the 2018 Statistical Update.* Azerbaijan http://hdr.undp.org/en/2018-update
[38] http://hdr.undp.org/en/composite/GII
[39] Human Development Indices and Indicators: 2018 Statistical Update. Azerbaijan.UNDP. 2019

3. LEGAL, REGULATORY AND POLICY FRAMEWORK

3.1. National environmental policies, laws and regulations

3.1.1. Laws and Regulations

183. Azerbaijan has a number of laws that include provisions for environmental protection and monitoring, and for the management of environmental issues related to development projects, originating in the constitution (1995). The Constitution is the highest law in the Azerbaijan Republic and prevails over national legislation and international agreements. It stipulates the basic rights of people to live in a healthy environment, to have access to information on the state of the environment and to obtain compensation for damage suffered as the result of a violation of environmental legislation.

184. As in other regional countries, much of the Soviet-era environment-related legislation has been replaced or modified. The Law on Environmental Protection, 1999, is the centerpiece of the new legal structure. Other acts complement it in important ways. Together, the new laws invoke the polluter-pays principle, open the door for the use of economic instruments, partially bridge the gap between existing and international environmental standards, and enhance the role of public awareness, among other new elements.

185. As stipulated in the legislation system on the regulatory – legal acts of Azerbaijan Republic, the acts that were valid before gaining the independence and later were not cancelled and that do not contradict the Constitution keep their legal validity. As a result, the transition legislation system combining the Soviet and post-Soviet rules appears. The transition process that is going on is supported by the Partnership and Cooperation Agreement (PCA) between Azerbaijan and European Union (since 1999 and 2004).

186. The Government made commitments to implement the process of bringing the national legislation on the environment protection in line with the legislation adopted at the international level based on the European Union's legislation on the environment protection. As the same process continues at present, the valid national legislation requirements will be followed in the framework of the project providing that those requirements are relevant to the provisions of the international agreements and conventions where Azerbaijan participates as a partner and they do not contradict the international standards and experiences in this area or are not irrelevant to them.

187. The Constitution of Azerbaijan Republic identifies the principles of environmental protection, possession of natural resources and the rules of their use.

188. The commented laws and principles on the environmental protection, possession of natural resources and protection of cultural heritage have been mentioned in Azerbaijan republic Constitution in the legal framework. Based on Chapter III (Human and Citizen's rights and freedoms) Article 14 of the Constitution, the natural resources belong to Azerbaijan Republic not damaging the rights and interests of any physical and legal persons. Article 39 comments that everybody has a right to live in sound environment, to collect information about the real environmental situation and to get compensation for damage to his health and property in a result of violation of ecological rights. Article 40 reads that everybody has a right to participate in the cultural life, to use cultural foundations and cultural resources as well as everybody has to treat historical, cultural and immaterial heritage with respect, take care of them, and protect historical and cultural monuments. According to Article 77 of Chapter IV (Main responsibilities of Citizens) protection of historical and cultural monuments is everybody's duty; Article 78 stipulates that the protection of environment is a personal duty of everybody.

189. The environmental legislation system consists of the following:

- The Parliament legislation setting the State rules on the protection and use of strictly

protected natural areas, environment and biological diversity;

- Presidential Decrees, Resolutions and Orders adopted by the Cabinet of Ministers ensuring the implementation of basic theses of laws;
- Orders identifying the measures for the implementation of laws by the Executive Powers, (Ministries and Committees);
- International Agreements and Conventions signed by Azerbaijan Republic

190. Some of the important laws relevant to the proposed Azerbaijan Employment Support Project focusing on environmental impact assessment are described below.

(i) ***The Law of the Republic of Azerbaijan "On Environmental Impact Assessment" (****12.08.2018)* defines the legal, economic, organizational basis of the process of assessment of the impact of economic activity and other activities, as well as implementation of strategic documents and territorial planning documents on the environment and human health; and regulates the arising issues.

The purpose of the law is to identify potential adverse effects on the environment and human health during the implementation of the activities listed in the Annex of the Law and to undertake measures to assess, eliminate or reduce their scale and the intensity according to the place and time.

EIA is compulsory in relation to the types of activities that are considered (given in the Annex of the Law) and is implemented voluntarily on other types of activities.

(ii) ***Law on the Protection of Environment, 1999:*** The Law of the Republic of Azerbaijan on the Protection of Environment (1999) establishes the legal, economic and social bases for environment protection. The objective of the Law is to project environmental balance, thus: (i) ensuring environmental safety; (ii) preventing hazardous impact of industry and other activities to natural ecological systems; (iii) preserving biological diversity; and (iv) utilizing natural resources properly. The relevant clauses of this Law are:

- Article 35. Ecological requirements set forth natural resources use.
- Article 36. Ecological requirements set forth work protection.
- Article 37. Ecological requirements set forth the placement (location) of enterprises, installations and industrial units.
- Article 38. Ecological requirements set forth the construction and reconstruction of enterprises, installations and other industrial units.
- Article 49. Protection of the earth’s climate and ozone layer.
- Article 50. The objectives of the ecological expertise are to identify impacts on environment caused by industrial units, examine the results of such impacts and predict possible impacts, in accordance with environmental requirements and qualitative parameters of the environment.
- Article 54. The units controlled by the State Ecological Expertise (SEE). According to Sub-Article 54.2, EIA is subject to SEE review and MENR is responsible for the review and approval of EIA reports submitted by project proponents.
- Articles 81 and 82. Provide for the application of international agreements in case an international institute or body has provisions that are different from those in Azerbaijani legislation.

(iii) **“Law on Environment Safety” (1999)** regulates actions of legal entities and individuals, state and local self-management bodies and their officials in the field of environmental safety in the course of implementation of their activities. The Law determines a legal basis for protection from threats caused by natural and human impacts in relation to human life

and health, tangible and moral values of the society, the environment including atmosphere, space, water bodies, subsoil, soil, natural landscape, flora and fauna. In addition, the current law regulates the activities of individual entrepreneurs engaged in the production, sale, processing, use, transportation, storage or neutralization of explosives, flammable, toxic and radioactive substances.

(iv) The Law "On phyto-sanitary control" is adopted by Milli Mejlis on May 2006 (No.102-IIIQ) and approved by the President Decree No 441 of 02.08.2006.

According to the law, the way of certification of pesticides and agrochemical substances is determined by the Cabinet of Ministers.

The Law set forth guidelines for the implementation of scientifically grounded complex measures for the protection of plants and harvest, diAPEAses and the spread of weeds. The main objective of the Law is the prevention of plants from the increase and spread of pests, diAPEAses and weeds, avoiding the loss of harvest, gather environmentally clean harvests, implementation of action system on plant conservation aimed at the protection of the environment and the public health, fauna and flora from harmful impacts of pesticides and implementation of ad-hoc governmental programs intended for the isolation and elimination of quarantined and other special dangerous pests.

(v) Law on Soil Fertility (№ 788-IQ,30.12.1999) sets out legal principles of recovery, increasing and protection of soil fertility in lands belonging to state, private sector and municipality. In accordance with the low, soil fertility means an ability to provide vital elements for nutrition of plants and sufficient humidity in a morphological, physical and chemical, mechanical and biological conditions.

The purpose of the legislation on land fertility is to determine the general rules of state regulation of restoration, increase and protection of natural fertility properties of lands in the Republic of Azerbaijan, regardless of the form of ownership. The objectives of the legislation on land fertility are to create favorable conditions for the efficient use of lands, to involve them in the economic turnover by improving the fertility of less productive and unused lands.

(vi) In order to ensure execution of laws in this area the Cabinet of Ministries issued a number of resolutions and orders. The following are the acts that were adopted by decrees №120 of the Cabinet of Ministries of 20 October 1997 concerning the approval of regulatory legal acts on the application of the Law of the Republic of Azerbaijan on **"Pesticides and Agrochemical Substances":**

- ***guidlines*** on carrying out state tests of pesticides and agrochemical substances;
- ***rules*** on registration of pesticides and agrochemicals;
- ***rules*** on certification of pesticides and agrochemicals;
- sanitary ***rules*** of storage, transportation, utilization and sale of agricultural toxic chemicals;
- ***rules of*** disposal, decontamination and destruction of obsolete and prohibited pesticides and agrochemicals;
- ***rules of*** disposal, decontamination and destruction of agricultural and food products the use of which is impossible;
- ***the list*** of environmentally high-toxic harmful pesticides and agrochemicals;
- Limits, legal and technological ***mode*** of operation of special row material regions for the production of diet and baby food stuffs.

191. A complete list of relevant laws is given at Table 9.

Table *9*. Relevant Laws, Legislations, and Policies in Azerbaijan

No.	Law / Regulation / Policy	Date of Adoption
1.	Law of the Republic of Azerbaijan on “Protection of environment”	1999
2.	Law on “Environmental safety”	1999
3.	Law of the Republic of Azerbaijan on “Industrial and municipal wastes”	1998
4.	Law of the Republic of Azerbaijan on “Public awareness raising on environmental issues”	2002
5.	Law of The Republic of Azerbaijan on specially protected natural territories and sites	2000
6.	Law of the Republic of Azerbaijan on Protection of Atmospheric Air	1999
7.	Law on Access to Public Information, Public Participation in Decision Making and Access to Justice in Environmental Matters	1999
8.	Law on Sanitary and Epidemiological Safety	1993
9.	Law on Protection of Flora	1996
10.	Land Code	1996
11.	Water Code	1997
12.	Forestry Code	1997
13.	Law on Public Health	1997
14.	Law on Radiation Safety of Population	1997
15.	Law on Fauna	1999
16.	Law on Mandatory Environmental Insurance	2002
17.	Law on Access to Environmental Information	2002
18.	Law on Environmental Education	2002
19.	Decree 176, on Payments for the Use of Natural Resources and Environmental Contamination	1992

3.1.2 Environmental Assessment Process in Azerbaijan

192. Environmental assessment and review procedures in Azerbaijan, as stipulated in the SEE, do not include the categorization of projects. After initial review by the SEE, projects are categorized as high risk or low risk projects. For high risk projects full Environmental Impact Assessment (EIA) is required. However, for low risk projects the SEE does not require additional action. Since categorization is absent under Azerbaijan environmental regulations, the ADB guidelines will be adopted for subproject categorization under the Investment Project. A summary of EA process in Azerbaijan is given at Table 10 below:

Table 10. Summary of Guidance on the EA Process in Azerbaijan

Screening	The developer is required to submit an Application (containing basic information on the proposal) to MENR to determine whether an EA is required.
Scoping	Requirement for a Scoping Meeting to be attended by the developer, experts and concerned members of the public, and aimed at reaching a consensus on the scope of the EA
Project description	Full description of technological process and analysis of what is being proposed in terms of planning, pre-feasibility, construction and operation.
Environmental studies	Requirement to describe fully the baseline environment at the site and elsewhere, if likely to be affected by the proposal. The environment must be described in terms of its various components - physical, ecological and social.
Consideration of alternatives	No requirement to discuss Project alternatives and their potential impacts (including the so-called “do-nothing” alternative), except for the description of alternative technologies.
Impact assessment and mitigation	Requirement to identify all impacts (direct and indirect, onsite and offsite, acute and chronic, one-off and cumulative, transient and irreversible). Each impact must be evaluated according to its

	significance and severity and mitigation measures provided to avoid, reduce, or compensate for these impacts.
Public participation	Requirement to inform the affected public about the planned activities twice: when the application is submitted to the MENR for the preliminary assessment and during the EA process. The developer is expected to involve the affected public in discussions on the proposal.
Monitoring	The developer is responsible for continuous compliance with the conditions of the EA approval through a monitoring program. The MENR undertakes inspections of the implementation of activities in order to verify the accuracy and reliability of the developer's monitoring data. The developer is responsible for notifying the MENR and taking necessary measures in case the monitoring reveals inconsistencies with the conditions of the EA approval.

3.1.3 Regulatory Standards

193. Sanitary-hygienic and ecological regulations – Maximal Allowable Concentrations (MAC) – is used for identification of the environmental quality, assessment of impact on human health and control. MAC - maximal allowable concentrations of substances are such concentrations, that these substances do not impose any direct or indirect influence on human health (both -immediate and cumulative effects) and do not lead to deterioration of hygienic conditions. MAC is different for residential areas, work places and recreation zones.

194. MAC does not identify facilities having impact on the environment (impact sources) and does not regulate their activities. Emission Limit Values (ELVs)-for air and Permissible Effluent Discharge Limits (PEDL) norms –for water bodies can be used for regulation of the quantity of hazardous substances discharged by the enterprises into the environment, determination of waste limits and coordination of these limits with authorized bodies.

195. The following principle constitutes the basis of application of environmental norms: the quantity of any mixture in water, air and soil has to meet the requirements of sanitary-hygienic norms under the condition that the enterprises located in the region follow those regulations.

196. The requirements determined by the legislation are put forward for soil contamination, noise, vibration, electromagnetic radiation. These requirements (standards) are described in the following legal-regulatory documents.

197. A list of main legal-regulatory documents in the field of environmental norms and standards in Azerbaijan is given below:

- "Rules of protection of ground water contamination by waste water". State Committee on Ecology and Control over Nature Use. Baku, 1994
- Resolution of the Cabinet of Ministers of RA # 216 dated 22 September 1998 on the "Rules of water facilities use for rest and sport purpose".
- Resolution of the Cabinet of Ministers of RA # 112 dated 13 July 2002 on the "Rules of State registration of hazardous substances discharged in atmosphere and hazardous physical impacts on it".
- Resolution of the Cabinet of Ministers of RA # 63 dated 15 April 2002 on the "Rules of inventory of hazardous substances discharged in atmosphere and sources of physical impact on it".
- Resolution of the Cabinet of Ministers of RA # 63 dated 15 April 2002 on the "Rules of the implementation of atmospheric air protection by the legal entities being a source of hazardous chemical, biological and physical impact on atmospheric air".
- Preparation of PEL (PFL) normatives project by the enterprises and recommendations on its content. State Committee on Ecology. Baku, 1994
- "Instructions on the inventory rules and classification system of waste generated in operation and service areas", Ministry of Justice, (July 01, 2003, Certificate No 419).
- GOST 3223-85 "Sanitary norms of permissible noise level at work places", M.1985

- OND-86 State Committee on Hydrometeorology. The calculation methods of concentration of substances contained in waste from the enterprises in atmospheric air. Hydrometeo-publication. 1987.
- GOST 17.2.3.01-86. Atmosphere. Rules of air quality control in residential areas. 1986
- RD 52.04.52-85. Regulation of waste in unfavourable meteorological condition.. L.: Hydrometeo-publication. 1987
- GOST 17.2.3.02-78. Environmental protection, Atmosphere. Rules of determination of hazardous substances as permissible waste by enterprises. M.1978
- GOST 12.1.005-88. Safe standards system of labour. The general sanitary-hygienic requirements put forward for working area air. M. 1988
- Instructions on standardizing discharges of hazardous substances in atmosphere and water facilities. State Nature Committee of the USSR. M. 1989
- Regulatory documents in the area of nature protection and effective use of natural resources. State Ecological Committee. 1994
- GOST 17.0.0.01-76. Environmental protection and standard system in the area of environmental use.
- GOST 17.4.3.06-86. Environmental protection. Soils. General description taking into account soil impact with chemical substances.
- The methodical rules for assessment of soil contamination with chemical substances for determination of soil contamination degree. M., Ministry of Health of the USSR, March 13, 1987, № 4266-87.
- GOST 27535-87 “Internal and external noise from vehicles. Permissible degrees and calculation procedures” , M.1987
- GOST 12.1.002-84. SSBT. Electric site of industrial frequency. Permissible voltage of electric field in the working area and its control requirements.
- “Norms of vibration and noise contaminations that can have a negative impact on the environment and human health” Order of President of RA # 796 dated July 8, 2008.
- GOST 12.1.003-83. SSBT. Noise. General requirements for safety.
- GOST 12.1.012-90. SSBT. Vibration safety. General requirements.
- SanPiN 42-128-4433-87. Sanitary norms for permissible turbidity of chemical substances in soil.

3.1.4 International cooperation over environmental issues

198. As it is mentioned in Article 148.II of the Constitution of Azerbaijan, the international agreements approved by Azerbaijan Republic become an integral part of the legislation of Azerbaijan.

199. It is noted in Article 51 of the Constitution (Legal Value of International Acts) whenever there is disagreement between normative-legal acts in legislative system of the Azerbaijan Republic (except Constitution of the Azerbaijan Republic and acts accepted by way of referendum) and international agreements wherein the Azerbaijan Republic is one of the parties, provisions of international agreements shall dominate. This principle is noted in Articles 81 and 82 (International Cooperation on Environmental Protection Issues), Chapter 14 of the Law on Environmental Protection. So, Azerbaijan has signed many international agreements and conventions as it is shown in Table 3.3.

Table *11*. Summary of International and regional conventions

Convention	Objectives	Year of ratification
International Conventions		
The UN' Climate Change Framework Convention -1972	Making comparison of information on greenhouse gas emissions, cooperation in the field of planning	1995
Conservation of European Wild Life, Flora and Habitats Convention–1979	Protection of wild plant and animal species and their habitats	1999
Basil Convention 1989	Mainly covers trans-boundary transfer of hazardous wastes	2001
RAMSAR Convention- 1971	Conservation of swimming bird populated wetlands of high international significance	2001
Stockholm Persistent Organic Pollutants Convention 2001	Reduction of emission of dioxides, furans, hexachloridebenzols and PXBs (for their reduction to minimum level or complete elimination purposes)	2003
Vienna Ozone Layer Protection Convention 1985	Provides a mechanism for combining efforts on international scale for protection of ozone layer as well as mandatory legal requirements restricting the production or use of ozone destructive substances specified in the Convention's Montreal Minutes.	1996
Biodiversity Convention 1992	Conservation of biodiversity, sustainable use of its components as well as fair and equitable distribution of obtained benefits	2000
Conservation of World Cultural and Natural Heritage Convention 1972	Identifies natural and cultural heritage monuments potentially to be included in the list of World Cultural Heritage.	1993
International Convention on Protection of Plants (Rome, 1951)	An agreement concluded for the purpose of prevention of pest spread and transition destructive to plants and green products as well as promotion of pest control measures	2000
Desertification Control Convention 1994	Desertification control and reduction of impact from droughts	1998
Convention on International Trading with Endangered Wild Fauna and Flora Species (CITES) 1973	Provides control over trading with selected animal and plant species	1998
Regional conventions		
Aarhus Convention – 1998	Ensures gaining information related to environmental issues, public participation in decision-making process and rights for public justice	1999
Espoo Convention - 1991	Promotes environmentally friendly and sustainable development through the application of ESIA (particularly as preventative measures against the deterioration of the environment in the trans-boundary context.	1999
Convention on the protection and use of trans-boundary water streams and international lakes – 1992	To prevent, control or reduce trans-boundary impacts arising from pollution of international water resources as a result of anthropogenic activities	2002
Geneva Convention 1979 on trans-boundary air pollution at great distances	Ensures the means of control and reduction of trans-boundary air pollution	2002
Convention on trans-boundary Impacts from Industrial Emissions– 1992	Envisages prevention of trans-boundary impact potential industrial emissions, precautions and response measures	2004

Convention	Objectives	Year of ratification
International Deliveries of Hazardous Cargoes by Motor Roads	Covers requirements on packaging and labeling of hazardous cargoes as well as structures, equipment and operation of used transport vehicles, Details on technical specifications are provided in the Attachment	2000
Tehran Framework Convention on the Caspian APEA	Ratified by all of five coastal countries and came into effect in 2006. Sets requirements to member countries for the implementation of a number of joint measures on the Caspian APEA pollution control.	2006

3.1.5 National Environmental Administrative Framework

200. The principal institution for environmental regulation is the Ministry of Ecology and Natural Resources or MENR. This was established in 2001 by Presidential Decree of President Heydar Aliyev No. 485. The ministry's activities are sub-divided into the following main areas:

- Development of draft environmental legislation for submission to the Azerbaijan Parliament;
- Development and implementation of environmental policy;
- Enforcement of standards for environmental protection;
- Water monitoring and management;
- Suspension or termination of activities not meeting set standards;
- Advisory on environmental issues;
- Expert review and approval of environmental documentation;
- Implementation of the requirements set out in international conventions ratified by the Republic of Azerbaijan; and
- Protection of marine (Caspian APEA) bio-resources, forest management and bio-resources and protected areas management

201. The MENR is responsible for the review and approval of submitted environmental impact assessments. Table 12 presents the list of ministries or agencies with environmental responsibilities.

Table *12*. Azerbaijan Ministries or Agencies with Environmental Responsibilities[40]

Sector	Ministry/Agency
Air	Ministry of Ecology and Natural Resources, Ministry of Health
Biodiversity, Forestry, Fisheries	Ministry of Ecology and Natural Resources
Land and Soils	Ministry of Ecology and Natural Resources, Ministry of Agriculture
Water	Ministry of Ecology and Natural Resources, Azerzsu Joint Stock and Company, Ministry of Health, Agency for Amelioration of Water Resources and Ministry of Agriculture
Oil Pollution	SOCAR, Ministry of Ecology and Natural Resources
Hazardous Waste	Ministry of Emergency, Ministry of Ecology and Natural Resources and Ministry of Health
Waste	Ministry of Economy, Ministry of Ecology and Natural Resources, executive powers and municipalities
Mineral Resources	Ministry of Ecology and Natural Resources
Sustainable Development	Ministry of Economy
Climate Change	Ministry of Ecology and Natural Resources

[40] Azerbaijan_Environmental_Performance_Reviews__Second_Review-2011

3.2. Employment and social protection sector policies, laws and reforms

3.2.1. Relevant Laws and Regulations

- According to Article 35 of the *Constitution of the Republic of Azerbaijan* labour is the basis of individual and social welfare (Annex 13). Everyone has got right to choose independently a certain kind of activity, occupation, employment and place of work based on his/her capability to work. Nobody can be subject to forced labour. Labour contracts are signed voluntarily. Nobody can be forced to sign labour contract. In some cases, however, involuntary labour is allowed, such as involvement to forced labour, conditions and periods of which are established by court decision, involvement to labour for fulfilling the orders of authorized persons during the military service and involvement of citizens to do the required work during a state of emergence and in times of martial law. Everybody is entitled to work in a safe and healthy environment and without any discrimination to get paid for his/her work no less than the amount of minimum wages defined by the State.

- *Labour Code of the Republic of Azerbaijan 1 February 1999 № 618-IG*. The Code sets the conditions for contractual relations between employers and employees and minimum standards on labour protection.

- On August 28, 2018, the new *Law of the Republic of Azerbaijan "On Employment» came* into force. Thus, the Law on Employment, dated July 02, 2001, has been invalid.
  The main updates in the law can be classified in several groups:
  - creation of employment subsystem in the central electronic information system of the MLSPP;
  - registration of job seekers and unemployed persons in employment subsystem and provision of electronic services to them;
  - insured persons' salary financing program (subsidized employment);
  - registration of legal entities engaged in mediation in employment activity in the register;
  - setting up an electronic vacancy bank and the obligations of the employer in connection with it;
  - determination of quota and social workplaces for employment of persons in need of social protection
  - creating a registry of employed people
  - development of standards for social enterprises and jobs beyond the quota
  - rules of organization and activity of labor exchanges and job fairs;
  - creation of unified information resources for control of informal employment
  - state support for self-employment;

- *Law of the Republic of Azerbaijan No 768-IIQ dated 5 October, 2004 «On Living Wage"* (as amended by Law No. 109-IIIQD dated May 12, 2006, and Law No. 260- IIIQD dated March 6, 2007) describes the principles and procedures of setting the living wage in the Azerbaijan Republic and its state support, as well as its increase in consistence with the social and economic development in the country.

- *Law on entrepreneurship activity № 405, dated December 15, 1992* defines the principles of entrepreneurship in the Republic of Azerbaijan, rights and obligations of business entities, forms and methods of its protection and approval by the state, and interaction of entrepreneurs with state bodies and relevant executive authorities (hereinafter - the organizations). The law is aimed at creating conditions for broad implementation of economic initiative and business on the basis of the principle of equality of all forms of ownership, selection of areas of activity and making economic

decisions. Azerbaijan established new category for micro, small, medium and large businesses. The relevant document was approved by the Cabinet of Ministers of Azerbaijan. According to the resolution, "Criteria for the division of micro, small, medium and large entrepreneurship subjects" was approved to ensure fulfillment of Article 1.2 of the Presidential Decree dated February 5, 2018 (Amendments to the Law of the Republic of Azerbaijan "On Entrepreneurship Activity" on Approval of Criteria for Division of Micro, Small, Medium and Large Entrepreneurship Entities).

- *Law of the Republic of Azerbaijan "On social insurance"* (18 February 1997 No. 250-IQ). This Law regulates relationships in the area of social insurance, defines legal, economical and organization grounds for social insurance in the Republic of Azerbaijan.

- 16 February 2011 – *"Regulation on the State Employment Service under the Ministry of Labour and Social Protection of the Republic of Azerbaijan".* This Regulation defines the role and responsibilities of the State Employment Agency under MLSPP in organising delivery of state employment services in the country.

- "*Unemployment Insurance Law*" of the Republic of Azerbaijan was approved on June 30, 2017 to strengthen social protection of the unemployed and job seekers. Implementation of this law will provide wider opportunities for the organization of vocational trainings and re-training courses on advancement of professional skills, public work, labour exchange and labour fairs, as well as extensive adoption of self-employment projects and legalization of labour relations.

- *Law on Targeted State Social Assistance № 1039–IIQ dated 21 October 2005* (with amendments made in 2008, 2015, 2018, 2019) regulates the purposes and principles of rendering targeted state social assistance, the legal basis for the appointment and other relations arising in this area. Targeted state social assistance is a subsidy provided by the state to low-income families. Before need criterion was an annual limit approved by the state budget for the purpose of establishing targeted state social assistance, depending on the subsistence minimum for the major socio-demographic groups of the population.

- *Law on "Prevention of Disability, Rehabilitation and Social Protection of Disabled"* (August 1995) defines "disabled person" as "a person, with limited functions, who need in social assistance and protection due to congenital or injury/illness caused by physical or mental deficiencies."

- *Law of the Republic of Azerbaijan No. 275-IVQ dated December 30, 2011 "On social service".* This Law according to Item 16 of part I of article 94 of the Constitution of the Azerbaijan Republic establishes legal, organizational, economic and organizational basis of state policy in the field of social servicing of persons which are in difficult life situation and governs the relations arising in this area. Operation of this Law extends to citizens of the Azerbaijan Republic and also the foreigners and persons without citizenship needing social services who are constantly living in the territory of the Azerbaijan Republic. The purpose of social service is ensuring prevention of the circumstances aggravating level of living, social psychological state of the citizens leading to their isolation from society, provision of social services in case of difficult life situation. In June 2019 President of the Republic of Azerbaijan Ilham Aliyev has signed an Order on additional measures for expanding social services for the children and other persons who need in special care.

- *Law of the Republic of Azerbaijan No. 55-IIIQ dated February 7, 2006 "On social benefits"* (Law No.720-IVQD of 30 September 2013 to Amend Law on Social Benefits)

establishes social benefits in the Republic of Azerbaijan and other relations arising in this area regulates. The following basic definitions are used for the purposes of this Law:

- social benefits (hereinafter referred to as allowances) - as defined by law provision of social assistance to certain categories of persons in the established order monthly or lump sum money;
- disabled persons - disabled people, aged up to 18 years with limited opportunities of health children, the women who reached age of 62 years, the men who reached age of 67 years, the women who reached age of 57 years, women who gave birth to 3 and more children and brought up them to 8-year age, or brought up the child with limited opportunities of health to 8-year age, the men who reached age of 62 years and independently bringing up 3 and more children to 8-year age in view of the death of mother or deprivation of its maternal rights without entering repeated scrap or grown up the child with limited opportunities of health to 8-year age, the children of the died supporter who did not reach age of 18 years (before the end of training by pupils in full-time courses, but not advanced age of 23 years), or handicapped children is more senior 18 years which limited opportunities of health are established before achievement of 18 years by them.

3.2.2. Relevant policy and programs

202. *The National Employment Strategy (2019-2030)* was approved by the President in October 2018, enabling better management of Azerbaijan's labor resources, employment and social protection. The goal of the strategy is to ensure the transition from employment policy to intensive phase, increase employment, provide full employment, support decent work and increase labor productivity. As a result, the Ministry of Labor and Social Protection of Population will be better able to manage labor resources, employment and social protection. Under the employment strategy, 530 Ministry staff responsible for job placement, vocational training, retraining and career guidance gained important new skills through ILO supported training. This will enable them to provide better services, particularly to young job seekers.

203. Proceeding from Presidential Decree dated April 7, 2016 on "Additional measures for ensuring self-employment of population" self-employment program has been launched by the Ministry of Labour and Social Protection of Population in order to ensure self-employment for able-bodied people. 13440 small-scale businesses (agriculture, services, production related) succeeded in the realization of their business ideas within this program from 2016 to present. The program is still ongoing.

204. *State Program on Poverty Reduction and Sustainable Development*. Recognizing poverty as a multidimensional problem, the core program for poverty reduction in Azerbaijan is geared toward inclusive growth. The overarching goal is to achieve the status of a high-income country by 2023. Based on this vision, the following nine strategic goals were formulated:

- ensuring sustainable economic development through maintaining macroeconomic stability and balanced development of the non-oil sector;
- increasing income-generating opportunities and achieving substantial reduction in the poorest sections of the population;
- reducing social risks for old age groups, low-income families and vulnerable groups by developing an effective social protection system;
- continuing systematic implementation of activities aimed at improving the living conditions of refugees and IDPs;
- improving the quality of and ensuring equal access to affordable basic health and education services; (vi) developing social infrastructure, and improving the public utilities system; (vii) improving the environment and ensuring sustainable management of the environment; (viii) promoting and protecting gender equality;

- continuing institutional reforms and improving good governance.

205. *State Program on Socioeconomic Development of Regions,* 2014–2018. About 80% of the population lives outside of Baku. Job creation in the regions is a key concern as about 38% of the total workforce is employed in agriculture, producing only 7.5% of the gross domestic product. To tackle widespread regional disparities, the government undertook an analysis of the regions in 2003. Based on the results, the State Program on Socioeconomic Development of Regions, 2004–2008 was drafted and implemented. A successive regional program covered 2009 to 2013. The third state program is building on the success of the previous programs.

206. *"Azerbaijan 2020—Look into the Future".* Endorsed in early 2013, the strategy document constitutes the main overall policy guidance for Azerbaijan's development. It aims at creating a knowledge-based economy, increasing the country's competitiveness and diversifying the economy to attain sustainable economic growth. Infrastructure and technology play a prominent role in the concept, including transport, energy and finance. The middle class is to be expanded and regional inequality reduced.

207. In June 2019 the Ministry of Labor and Social Protection of Population, State Employment Service of Azerbaijan (now APEA) and the United Nations Development Program (UNDP) announced the start of the *Self-Employment Programme for Persons with Disabilities.*

208. *The Self-Employment Programme* is part of the Creating Inclusive and Decent Jobs for Socially Vulnerable Groups Project implemented by the Ministry of Labor and Social Protection of Population, State Employment Service (now APEA) of Azerbaijan and supported by the UNDP. The aim is to support 500 unemployed persons with disabilities who have the desire and vision to start their own business. To help the unemployed bring their business ideas to life, the programme provides free training in entrepreneurship, advice and financial support in the form of equipment and/or materials. In 2019-2020, the programme will be piloted in the following regions of Azerbaijan: Ganja, Mingachevir, Sumgayit, Shamkir, Zaqatala, Goychay, Barda, Shamakhi, Fizuli, Absheron, Sabunchu and Binagadi regions. All unemployed persons with disabilities registered in the State Employment Centers in these regions are eligible to participate.

209. *Agency for Sustainable and Operational Social Security (in Azerbaijani Dayanıqlı və Operativ Sosial Təminat Agentliyi (DOST))* is a governmental agency which was created by order N 229 of President of the Republic of Azerbaijan (on 9 August 2018) in order to improve governance in employment, social protection, labor. It is guided by the Constitution of the Republic of Azerbaijan, international treaties to which the Republic is a party, laws of the Republic, decrees and orders of the President, decisions and resolutions of the Cabinet of Ministers of Azerbaijan, other normative legal acts and agency's Charter. It collects all the services of the MLSPP at one place using Single Window System. The first agency center is opened in Yasamal, Baku city. "DOST" centers are established to provide employment services, labor, social protection and guarantees, as well as other services in accordance with the activities of the MLSPP.

210. Main spheres of agency's services include:

- Labor
- Employment
- Social security
- Appointment of pensions
- Social benefits
- Targeted social assistance
- Disability assessment

- Disability determination
- Banking services
- Lawyer consultation
- Insurance services
- Pension
- Individual registration and removal of insured persons
- Functional help services
- Social services and etc.

211. *DOST centers* also allow providing methodological assistance to employers and employees. DOST centers have the competence of registration of labor contracts. Furthermore, in special cases agency is providing unemployed people with an opportunity of self-employment, and provides a new system of disability determination. DOST centers also have a duty to create and update the unified portal for vacancies, registering CV-s of jobseekers and unemployed. DOST agency is operating on a commercial basis (self-financing autonomous principle) and most of the services are paid.

212. ***Other relevant strategies*.** About 60 state programs, strategies and concepts are being implemented. Sector strategies and/or master plans are under preparation for energy and transport as well as for the regional development of Greater Baku.

213. *The Second Decent Work Country Program* covering cooperation priorities in 2016-2020 years was signed between *the Government of Azerbaijan and the ILO*. The key priorities of this country program are advocating international labour norms and main principles and rights in the field of labour, developing social dialogue, increasing employment through implementation of active labour market programs, enlarging entrepreneurship opportunities, strengthening occupational safety and broadening social protection system.

214. Azerbaijan has committed itself to contribute to the achievement of Sustainable Development Goals for 2016-2030 approved at the UN Sustainable Development Summit held on September 25-27, 2015. *"National Coordination Council on Sustainable Development*" was established with Presidential Decree dated October 6, 2016. Azerbaijan submitted to the UN its first voluntary review on the implementation of 6 sustainable development goals (including SDG 5 on gender equality) in June 2017. A strategic document "Azerbaijan 2030: National Priorities for Socio-Economic Development" by the Presidential Decree dated February 2, 2021.

International Conventions and Agreements

215. The most important international conventions related to project are the following:

- ILO Employment Policy Convention (No. 122, from 1964), ratified by the Republic of Azerbaijan 11.5.1992
- ILO Employment Service Convention (No. 88, from 1948), ratified by the Republic Azerbaijan 11.3.1993
- ILO Vocational Rehabilitation and Employment (Disabled Persons) Convention (No. 159, 1983) ratified by the Republic Azerbaijan 19.05. 1992
- ILO Forced Labor Convention (No. 29, from 1930) ratified by the Republic Azerbaijan 19.05.1992
- ILO Discrimination (Employment and Occupation) (No. 111, from 1958) ratified by the Republic Azerbaijan 19.05.1992
- ILO Equal Renumeration Convention (No. 100, from 1951) ratified by the Republic Azerbaijan 19.05.1992
- ILO Minimum Age Convention (No. 138, from 1973) ratified by the Republic Azerbaijan 19.05. 1992
- ILO Worst Forms of Child Labour Convention (No. 182, from 1999) ratified by the

4.RELEVANT WORLD BANK ENVIRONMENTAL AND SOCIAL STANDARDS

216. The World Bank ESF sets out the World Bank's commitment to sustainable development, through a Bank Policy and a set of Environmental and Social Standards (ESSs) that are designed to support Borrowers' projects, with the aim of ending extreme poverty and promoting shared prosperity.

217. The ESSs[41] set out the requirements for Borrowers relating to the identification and assessment of environmental and social risks and impacts associated with projects supported by the Bank through Investment Project Financing. The Bank believes that the application of these standards, by focusing on the identification and management of environmental and social risks, will support Borrowers in their goal to reduce poverty and increase prosperity in a sustainable manner for the benefit of the environment and their citizens.

218. The standards will:

a) support Borrowers/Clients in achieving good international practice relating to environmental and social sustainability;
b) assist Borrowers/Clients in fulfilling their national and international environmental and social obligations;
c) enhance nondiscrimination, transparency, participation, accountability and governance;
d) enhance the sustainable development outcomes of projects through ongoing stakeholder engagement

219. The ten Environmental and Social Standards establish the standards that the Borrower and the project will meet through the project life cycle, as follows:

4.1. ESS 1 – Assessment and Management of Environmental and Social Risks and Impacts

220. ESS1 sets out the Client's responsibilities for assessing, managing and monitoring environmental and social risks and impacts associated with each stage of a project supported by the Bank through Investment Project Financing, in order to achieve environmental and social outcomes consistent with the Environmental and Social Standards (ESSs). The Client will undertake an environmental and social assessment to assess the environmental and social risks and impacts of a project throughout the project life cycle. The environmental and social assessment is the primary means of ensuring projects are environmentally and socially sound and sustainable and will be used to inform decision making.

221. The Client will undertake the environmental and social assessment at the scale and level of detail appropriate to the potential risks and impacts.

222. The environmental and social assessment will be based on current information, including a description and delineation of the project and any associated aspects, and environmental and social baseline data at an appropriate level of detail sufficient to inform characterization and identification of risks and impacts and mitigation measures. The

[41] www.worldbank.org/en/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards and http://projects-beta.vsemirnyjbank.org/ru/projects-operations/environmental-and-social-framework/brief/environmental-and-social-standards

assessment will evaluate the project's potential environmental and social risks and impacts; examine project alternatives; identify ways of improving project selection, siting, planning, design and implementation in order to apply the mitigation hierarchy for adverse environmental and social impacts and seek opportunities to enhance the positive impacts of the project.

223. The environmental and social assessment will be conducted in accordance with ESS1, and will consider, in an integrated way, all relevant direct, indirect and cumulative environmental and social risks and impacts of the project, including those specifically identified in ESS1–10. The breadth, depth, and type of analysis undertaken as part of the environmental and social assessment will depend on the nature and scale of the project, and the potential environmental and social risks and impacts that could result. The Borrower will undertake the environmental and social assessment at the scale and level of detail appropriate to the potential risks and impacts.

224. The environmental and social assessment will include stakeholder engagement as an integral part of the assessment, in accordance with ESS10.

225. The environmental and social assessment will include and take into account coordination and consultation with affected people and other interested parties, particularly at an early stage, to ensure that all potentially significant environmental and social risks and impacts are identified and addressed.

226. According to ESS1 the Client will manage environmental and social risks and impacts of the project throughout the project life cycle in a systematic manner, proportionate to the nature and scale of the project and the potential risks and impacts.

4.2. ESS 2 – Labor and Working Conditions

227. ESS2 recognizes the importance of employment creation and income generation in the pursuit of poverty reduction and inclusive economic growth. Borrowers can promote sound worker-management relationships and enhance the development benefits of a project by treating workers in the project fairly and providing safe and healthy working conditions. ESS2 applies to project workers including fulltime, part-time, temporary, APEAsonal and migrant workers.

228. The objectives of the ESS2 application: promote safety and health at work and the fair treatment, nondiscrimination and equal opportunity of project workers; to protect project workers, including vulnerable workers such as women, persons with disabilities; children (of working age, in accordance with this ESS) and migrant workers, contracted workers, community workers and primary supply workers, as appropriate; to prevent the use of all forms of forced labor and child labor; to support the principles of freedom of association and collective bargaining of project workers in a manner consistent with national law; to provide project workers with accessible means to raise workplace concerns.

229. The Borrower will develop and implement written labor management procedures applicable to the project. These procedures will set out the way in which project workers will be managed, in accordance with the requirements of national law and this ESS. The procedures will address the way in which this ESS will apply to different categories of project workers including direct workers, and the way in which the Borrower will require third parties to manage their workers in accordance with ESS2.

4.3. ESS 3 – Resource Efficiency, Pollution Prevention and Management

230. ESS3 recognizes that economic activity and urbanization often generate pollution to air, water, and land, and consume finite resources that may threaten people, ecosystem services and the environment at the local, regional, and global levels. The current and projected atmospheric concentration of greenhouse gases (GHG) threatens the welfare of

current and future generations. At the same time, more efficient and effective resource use, pollution prevention and GHG emission avoidance, and mitigation technologies and practices have become more accessible and achievable. This ESS sets out the requirements to address resource efficiency and pollution prevention and management throughout the project life cycle consistent with GIIP.

231. The ESMF should include sections on resource efficiency and pollution prevention and management. Assessment of risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including raw materials, water use, air pollution, hazardous materials, and hazardous waste are included within scope of the ESMF, and ESMPs as relevant.

232. The ESMF should include sections on resource efficiency and pollution prevention and management. Assessment of risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including raw materials, water use, air pollution, hazardous materials, and hazardous waste are included within scope of the ESMF, and ESMPs as relevant.

233. The Borrower will consider ambient conditions and apply technically and financially feasible resource efficiency and pollution prevention measures in accordance with the mitigation hierarchy.

234. The measures will be proportionate to the risks and impacts associated with the project and consistent with GIIP, in the first instance the EHSGs.

235. The Borrower will implement technically and financially feasible measures for improving efficient consumption of energy, water and raw materials, as well as other resources. Such measures will integrate the principles of cleaner production into product design and production processes to conserve raw materials, energy and water, as well as other resources. Where benchmarking data are available, the Borrower will make a comparison to establish the relative level of efficiency.

236. The applicability of this ESS is established during the environmental and social assessment described in ESS1.

4.4. ESS 4 – Community Health and Safety

237. ESS4 recognizes that project activities, equipment, and infrastructure can increase community exposure to risks and impacts. In addition, communities that are already subjected to impacts from climate change may also experience an acceleration or intensification of impacts due to project activities.

238. ESS4 addresses the health, safety, and security risks and impacts on project-affected communities and the corresponding responsibility of Borrowers to avoid or minimize such risks and impacts, with particular attention to people who, because of their particular circumstances, may be vulnerable.

239. OHS requirements for project workers are set out in ESS2, and measures to avoid or minimize impacts on human health and the environment due to existing or potential pollution are set out in ESS3.

240. The applicability of this ESS is established during the environmental and social assessment described in ESS1.

4.5. ESS 5 – Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement

241. ESS5 recognizes that project-related land acquisition and restrictions on land use can have adverse impacts on communities and persons and sets forth requirements for their avoidance and mitigation. This standard is not relevant for the Project.

4.6. ESS 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources

242. ESS6 recognizes that protecting and conserving biodiversity and sustainably managing living natural resources are fundamental to sustainable development. Biodiversity is defined as the variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species, and of ecosystems. Biodiversity often underpins ecosystem services valued by humans. Impacts on biodiversity can therefore often adversely affect the delivery of ecosystem services.

243. ESS6 recognizes the importance of maintaining core ecological functions of habitats, including forests, and the biodiversity they support. Habitat is defined as a terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the nonliving environment. All habitats support complexities of living organisms and vary in terms of species diversity, abundance and importance.

244. This ESS also addresses sustainable management of primary production and harvesting of living natural resources.

245. ESS6 recognizes the need to consider the livelihood of project-affected parties, including Indigenous Peoples, whose access to, or use of, biodiversity or living natural resources may be affected by a project. The potential, positive role of project affected parties, including Indigenous Peoples, in biodiversity conservation and sustainable management of living natural resources is also considered.

246. The applicability of this ESS is established during the environmental and social assessment described in ESS1.

247. Based on the environmental and social assessment, the requirements of this ESS are applied to all projects that potentially affect biodiversity or habitats, either positively or negatively, directly or indirectly, or that depend upon biodiversity for their success. This ESS also applies to projects that involve primary production.

4.7. ESS 7 – Indigenous Peoples, Sub-Saharan African Historically Indıgenous Peoples/Sub-Saharan Afrıcan Hıstorıcally Underserved Tradıtıonal Local Communıtıes

248. This ESS7 applies whenever Indigenous Peoples / Sub-Saharan African Historically Underserved Traditional Local Communities (as they may be referred to in the national context) are present in, or have collective attachment to a proposed project area, as determined during the environmental and social assessment. This Standard is not relevant for the Project.

4.8. ESS 8 – Cultural Heritage

249. ESS8 recognizes that cultural heritage provides continuity in tangible and intangible forms between the past, present and future and formulates requirements aimed at reducing

or avoiding negative impacts on tangible and intangible cultural heritage. This standard is not relevant for the Project.

4.9. ESS 9 – Financial Intermediaries (FI)

250. ESS9 applies to Financial Intermediaries that receive financial support from the World Bank. This standard is not relevant for the Azerbaijan Employment Support Project.

4.10. ESS 10 – Stakeholder Engagement and Informaiton Disclosure

251. This ESS recognizes the importance of open and transparent engagement between the Borrower and project stakeholders as an essential element of good international practice. Effective stakeholder engagement can improve the environmental and social sustainability of projects, enhance project acceptance, and make a significant contribution to successful project design and implementation.

252. The client will engage with stakeholders throughout the project life cycle, commencing such engagement as early as possible in the project development process and in a timeframe that enables meaningful consultations with stakeholders on project design. The nature, scope and frequency of stakeholder engagement will be proportionate to the nature and scale of the project and its potential risks and impacts.

253. In consultation with the Bank, the Borrower will develop and implement a Stakeholder Engagement Plan (SEP) proportionate to the nature and scale of the project and its potential risks and impacts.

254. Stakeholder engagement is an inclusive process conducted throughout the project life cycle. Where properly designed and implemented, it supports the development of strong, constructive and responsive relationships that are important for successful management of a project's environmental and social risks. Stakeholder engagement is most effective when initiated at an early stage of the project development process and is an integral part of early project decisions and the assessment, management and monitoring of the project's environmental and social risks and impacts.

255. Requirements regarding engagement with workers are found in ESS2. Special provisions on emergency preparedness and response are covered in ESS2 and ESS4. In the case of projects involving involuntary resettlement, Indigenous Peoples or cultural heritage, the Borrower will also apply the special disclosure and consultation requirements set out in ESS5, ESS7 and ESS8.

256. ESS10 applies to all projects supported by the Bank through Investment Project Financing. The Borrower will engage with stakeholders as an integral part of the project's environmental and social assessment and project design and implementation, as outlined in ESS1.

257. For the purpose of this ESS, "stakeholder" refers to individuals or groups who :(a) are affected or likely to be affected by the project (project-affected parties); and (b) may have an interest in the project (other interested parties).

5. POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

5.1. Background

258. The objective of the Parent Project and AF is to improve the access of vulnerable people to sustainable self-employment and income generating opportunities in Azerbaijan. This is achieved by (i) scaling up and improving the effectiveness of the Self-Employment Program (SEP); (ii) strengthening program implementation capacity in the State Employment Agency (APEA), along with the capacity to provide a broader menu of activation and employment support program; and (iii) improving monitoring and evaluation practices of the APEA. The AF will provide: (i) financing for SEP to expand its coverage (Component 1); (ii) additional support to SEP beneficiaries (mentoring and matching grants) and wage subsidy and on-the-job-training programs (Component 2) to improve sustainability of micro-businesses and create conditions for job creation; and (iii) financing for development and piloting of a model for assessment and certification of vocational training and apprenticeship programs. These programs will target and benefit SEP beneficiary micro-enterprises as well as other firms and vulnerable jobseekers and the unemployed with limited options of income generation and/or employment. These additional activities will further contribute to building resilience against climate and other shocks while supporting human capital development. The AF would also finance institutional strengthening (Component 2) for service delivery and project management and labor market monitoring capacity for the implementing entities (Component 3).

259. The environmental and social impact assessment concluded that the Parent Project would generate mainly positive socio-economic benefits through the establishment and growth of micro and small enterprises and the support of the required infrastructure. There are environmental aspects related to the activities of project beneficiaries which they undertake using in-kind and in-cash transfers and through the provision of wage subsidies under the ALMMs. These include small-scale manufacturing, livestock breeding, food processing and service delivery. While the Parent Project and AF do not finance any physical works, the potential environmental and social risks of such works/activities are subject of the World Bank's due diligence and are addressed in a set of environmental and social instruments, including this updated ESMF. Such impacts/risks are related to waste generation, noise, dust and air pollution, impacts from possible pesticide use, health and safety risks, etc. It is expected that they all will be typical for small-scale project activities (small-scale agribusiness, processing, handicrafts, manufacturing, and various services) and site-specific. Such impacts can be easily mitigated by applying the best methods and appropriate mitigation measures. Those mitigation measures should be in line with the provisions of the World Bank ESF, General and industry-specific EHSGs and GIIP, and in accordance with the requirements of national legislation

260. Any activities that could result in temporary and/or permanent involuntary land acquisition, or restrictions to land use, to economic activities, or access to resources, are not financed under the Parent Project and AF. Project beneficiaries need to demonstrate legal ownership or right of use to the land on which their activities will be implemented.

5.2. Positive Impacts

261. From the assessment, the identified positive impacts of the Parent Project and AF include:

- Socio-economic benefits to poor communities within selected beneficiary communities
- Provision of employment and of immediate necessary training for sustainable

future employment
- Enhanced capacity to support decentralization and promote national growth
- Opportunity for women, the disabled and other vulnerable groups
- Benefits to women-headed households via matching grants in gardening, vegetable growing, manufacturing of textile goods, beauty salon services, household services, bakery, confectionery, greenhouse, agribusiness, etc.
- Capacity building and entrepreneurship support to all beneficiaries. Given the low capacity among the grant applicants and beneficiaries envisioned under the project—in particular, among vulnerable groups—business development support interventions are envisioned to provide them with technical assistance in preparing applications and follow up support during implementation.
- Increased food security,
- Increased household income for the smallholder farmers, due to higher agricultural productivity and consequent sales;
- Improved farmer skills from trainings in technologies, seed breeding, fertilizer use and land conservation;
- Increased opportunity for engagement in other income generating activities or small scale businesses by smallholder farmers;
- Increased access and control of resources particularly for women who are usually disadvantaged and improved agricultural production;
- Increased ability to cope with climatic shocks and changes;
- Improved access to health, education and marketing services; and
- A coordinated approach to agricultural investment, which may result in efficient use of resources due to reduction in duplication, overlaps and gaps in agriculture efforts;
- Increased knowledge on business knowledge and practice/ skills;
- Increased number of taxpayers and social insurance payments;
- Increased number of soft outcomes such as job APEArch behaviors, motivation, attitudes to work and financial behaviors (borrowing, saving)
- Developed GRM for AzSEP applicants and beneficiaries
- APEA management information system (MIS) will be upgraded
- More training modules developed
- Strengthened M& E system of MSLPP
- Developed statistical profiling tool and skill assessment tests for jobseekers
- Labor market assessment and development of VTC strategy carried out
- Streamlined online support services

5.3. Negative Impacts

262. The ESMF also identifies a number of potential negative impacts that may result from the implementation of the subprojects. On the environment side, these negative impacts might include the following:

- Eutrophication of aquatic environment
- Occupational health and safety hazards related to the chosen self-employment activities.
- Increased use of agrochemicals resulting in pollution of both ground and surface waters;
- Increased use of fertilizers which may lead to eutrophication of water bodies;
- Threats to human health and the environment due to poor pesticides and herbicides storage, handling and application by agro dealers and smallholder farmers;
- Contamination of water due to poor management of pesticides;
- Increased siltation of water bodies due to increased cultivation on marginal lands;

- Loss of vegetation from land clearing to pave way for increased agricultural production and feeder roads;
- Increased soil erosion due to topsoil removal and excavations;
- Soil pollution due to spillage of rehabilitation materials;
- Deteriorating water quality due to spillage of oil, lubricants and hazardous substance
- Air pollution from dust generated by rehabilitation works;
- Increased road traffic accidents;
- Generation solid and liquid waste;
- Compulsory land acquisition;
- Crop residue and other solid waste;
- Atmospheric emission and particulate matter;
- Noise.

263. On the social side, negative impacts may include:

- Increased social marginalization and inequality if the program is not delivered in an inclusive, equitable and participatory way;
- Possible exclusion of eligible beneficiaries due to lack of information or capacity to apply;
- Reinforcement of traditional social norms and women's under-representation in labor force if programs fail to effectively recruit women beneficiaries;
- Insufficient or weak information disclosure and consultations;
- Loss of trust in central and local institutions in the event of poor handling of project-related grievances;
- The workload at the employment centers are likely to go up, which will have implications on resources, the lack of capacity of local staff. New recruitments may hinder smooth implementation of the project.

264. As evident from the above, the Parent Project and AF design does not carry inherent social risks. However, the quality of implementation of the ESMF, as well as the stakeholder engagement activities, and labor management procedures may impact the degree of achievement of positive impacts and possibly produce related risks as well.

5.4. Potential Cumulative Impacts

265. Considering the small size of most sub-projects, it would be easy to dismiss the negative effects that each project might have on the environment. For instance, small farmers may request modest grants for the purchase of basic farm inputs of seed, fertilizers, pesticides and fuel, and for livestock. Such a grant to a single farmer would present little environmental concern and a large number of such small loans spread throughout the country would have a relatively negligible effect. However, if a large number of requests for loans originated from the same area, and more importantly from the same watershed, the cumulative effect of all of the small (negligible) effects could be significant. There have been no such cases under the Parent Project, and PIU will continue the close monitoring of adequate distribution of types of activities within the scope of AF, to avoid the situations triggering severe cumulative impacts, as detailed below.

266. Cumulative effect is important in spatial terms, as indicated above, and also over time. For instance, a grant for seed purchase in itself has no negative impact, and in fact, has much the opposite with an increased production and return to the farmer. However, the same grant provided for more than two years in a row could promote poor crop and land management and disrupt a relatively current good agricultural management system characterized by long rotations. By avoiding a crop rotation program the farmer can deplete the fertility and organic

content of his soil and further promote soil erosion. Over time there would be a cumulative effect.

267. Farmers should not be denied credits on the basis of their location, but if monitoring of patterns indicates concentrations of grants (e.g. fertilizers) in one watershed, the PIU environmental specialist should alert the APEA, and local environmental authorities and the PIU office for special monitoring of the situation. If the cumulative effects have the potential to become severe, lending for the activity should be suspended.

268. Another example applied to small and medium enterprises is the application of grants for rehabilitation or for the start-up of new businesses. In agro-processing and other agribusinesses, small-scale processing, manufacturing and service works the environmental concerns usually focus on air emissions and effluent discharge. In the case of air emissions, there are usually standards in place that guide the concentration of various emissions at the stack. Although each industrial activity may have emission controls well within established national standards, cumulatively, all of the enterprises in one region (e.g. in a small closed valley with poor air circulation) could significantly contribute to the deterioration of overall air quality, resulting in an impact on human health. Similarly, for water quality, a number of enterprises releasing effluents into a water body could cumulatively affect the quality of the water in a significant manner even though each enterprise may be releasing very small amounts of effluent that meet set standards.

269. The other aspect of cumulative effects of the overall project is the accumulation of a large number of very small impacts over the full range of grant-funded activities. That is, the cumulative impact of all of the small impacts as a result of a number of grants for fertilizer purchase, added to the cumulative impact of all of the small impacts from the manufacturing sub-projects, added to the cumulative impact of all of the small impacts from the non-farm enterprises. The overall cumulative impact could be significant. Since many of these activities can have an effect on water quality, the overall effect on water quality could be significant.

270. In a comprehensive examination of cumulative effects, analysis would be made of all of the other activities taking place that have impacts. For instance, other programs that could be providing agricultural lines of grant program, forestry programs that could be contributing to soil erosion, and in the same vein, road construction activities and other general construction that could add to the soil erosion problem.

271. In order to prevent the risk of adverse cumulative environmental effects, a brief environmental analysis will be made of the portfolio every year by the PIU environmental specialist and reported to the relevant authorities in the MLSPP, MENR and the World Bank.

272. On the social side, systematic deficiencies in beneficiary engagement, inclusive outreach, quality of information provided and of consultations, or of the grievance redress mechanisms can accumulate to produce wider lack of trust in the program. Lack of transparent information can also produce misperceptions on the integrity of the program. The grievance and redress mechanism should be accessible not only to persons directly involved in the program but also other citizens that may be directly or indirectly influenced by program activities, for example, neighbors, community members, local leaders, etc. These stakeholders are likely to be clients and consumers of products produced by project beneficiaries and have a stake in these products being produced in a safe, environmentally and socially conscious manner.

273. Failure to engage with diverse stakeholders and to diversify the types of activities within one region can also inadvertently discourage potential applicants. For example, if the majority of grants and training provided in a region are concentrated in agriculture, qualified applicants with skills in other sectors may be less proactive to apply to the program. Similarly,

if the majority of beneficiaries represent one vulnerable group, a misperception can be created on who the program is targeted to.

274. Frequent engagement with beneficiates is also key in order to identify and attempt to reduce systematic obstacles and barriers to potential beneficiaries. Collecting such feedback and sharing in a continuous way with project implementation authorities can support continuous improvement of the program and maintain high trust in its results.

275. In order to prevent and mitigate the above risks, the PIU social specialist will conduct regular monitoring of activities on site, including meetings with selected and potential beneficiaries, and other community members, ensure that social screening reports are prepared in a thorough manner, and stakeholder engagement activities are implemented with high quality, and that the GRM is known and accessible to project beneficiaries. All social-related issues will be described in regular project monitoring reports. Systematic issues identified in any social aspect will be flagged by the social specialist to PIU management and corrective or remedial actions will be discussed and pursued.

276. The following measures are introduced under the Parent Project and will continue being implemented under AF to enhance the positive impacts and to mitigate the adverse ones:

- Training the farmers on proper application of fertilizers;
- Training the farmers and agro-dealers on best practices for pesticide storage, handling, application and disposal;
- Equipping the farmers with skills in improved water catchment management;
- Increasing and intensifying extension services for imparting knowledge to farmers;
- Training the farmers in good soil and water conservation and land management techniques;
- Minimize stripping of vegetation so that surface soil is less susceptible to erosion;
- Control flow of water to reduce erosion and siltation through engineering solutions;
- Rehabilitate all quarry sites and burrow pits after civil works;
- Haul roads should be regularly maintained;
- Conduct road safety awareness campaign meetings with local communities;
- Dispose all waste in designated and approved dump sites;
- Training beneficiaries on basic labor health and safety provisions relevant to their area of occupation
- Training responsible local-level stakeholders involved in service delivery (case workers, local government, local leaders)
- Conducting inclusive our each and participatory meetings when selecting types of activities and training as per demand
- Training of the above actors on specific measures and accommodations that should be taken into considerations when working with specific vulnerable groups (for example, women, persons with disability, IDPs) to ensure their participation (for example, setting timing of meeting when women can attend, providing transportation support for persons with disability etc. can help to ensure their participation)
- Training of all persons involved in the functioning of the GRM on their role and responsibilities
- Maintenance of functioning GRM and grievance log
- Regular monitoring and reporting on the above measures.

277. The above measures are considered during for ESMP development for individual sub-projects. An indicative list types/sectors of subprojects has been identified during the Parent

Project preparation (Annex 1), and remains valid for the socpe of AF. All subprojects shall be assessed in terms of their potential impacts and necessary mitigation measures in compliance WB EHSG and GIIP.[42]

278. A summary of potential environmental and social risks and impacts during the implementation of sub-projects/activites, which are supported under Components 1 and 2 of the Parent Project and AF, and generic mitigation measures are presented in Annex 2.

279. As only those sub-projects that do not require land acquisition or involuntary physical relocation are included in the financing within the framework of this project, all sub-project activities shall be carried out in the territory of existing facilities, that minimizes the impact on flora and fauna during the construction stage.

280. Herewith, for the construction of some facilities, there may be an option when it is necessary to dismantle part or all existing building or structure, which will significantly increase the volume of waste, dust and noise.

281. For sub-projects related to the modernization of existing production, namely, the purchase of new equipment or the expansion of production by increasing capacity, the main impact on the environment is usually occurring during the operation phase, in the form of increased waste generation and wastewater. In these cases, no construction / rehabilitation work is foreseen. However, in the case of modernization by replacing existing old equipment, emissions and waste generation might be reduced due to the use of modern equipment.

[42] See: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

6. ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

282. As part of the environmental and social procedures, the Bank classifies all projects into one of four classifications: *High Risk, Substantial Risk, Moderate Risk or Low Risk*. In determining the appropriate risk classification, the Bank takes into account relevant issues, such as the type, location, sensitivity, and scale of the project; the nature and magnitude of the potential environmental and social risks and impacts; and the capacity and commitment of the Client to manage the environmental and social risks and impacts in a manner consistent with the ESSs.

283. *The Environmental Risk Rating is Moderate.* The Project will support scaling up of the Government-implemented SEP, including the provison of in-kind grants for the activities to be identified based on demands of potential recipients, and not financing any physical works associated with the use of those in-kind grants, and shall ensure that the General and Industry Specific EHSGs, are duly incorporated into the training programs to be delivered under the project to potential job seekers and new businesses. The training program will cover OHS and other environmental issues associated with the occupations to be identified under Azerbaijan SEP.

284. The environmental aspects of the project are mainly those associated with introduction of the best environmental management practices and 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 AzSEP who would like to turn their livelihood activities into growing businesses, and through up scaling and diversifying vocational training. Subprojects envisaged under the project, for which the project will provide in-kind transfer of assets, are mainly of a small scale. Potential environmental impacts are expected to be easily mitigated.

285. These impacts may include increased pollution due to improper care, handling and storage of material and waste, generation of excessive noise and dust levels, and, possibly, health impacts related to inadequate disposal of hazardous and medical wastes, asbestos containing material. The ESMF will ensure that high and substantial risk activities are screened out, and those activities are supported where the potential environmental and social risks and impacts are predictable, not significant in magnitude and site-specific with low probability of serious adverse effects to human health and/or environment. Any activities that entail land acquisition, resettlement, or negative impacts on private assets or livelihoods will be considered ineligible under the project. Project beneficiaries will be required to present evidence or legal ownership of land use rights to any land that will be used in the project supported self-employment activities.

(i) *The social risk of the Project is rated as Low*.Overall the Project, including the Additional Finance, aims to improve employment opportunities among vulnerable groups of job-seekers. Potential social risks related to exclusion and inequity in the benefits still remain as well as risks as they relate to labour and working conditions and community health and safety. The capacity and activities for outreach, engagement, sharing of information, and on grievance management has been significantly strengthened in the implementation of the Project to date, as well as systems to capture the information beneficiary feedback. In the frame of project interventions following activities has been done and will be continued: testing the introduction of complementary business support services for AzSEP beneficiaries,

(ii) improving the coordination between the AzSEP and the TSSA program,

(iii) strengthening APEA's capacity to deliver employment services

(iv) Improvement of APEA's capacity on building communication with beneficiaries and

other stakeholders for better matching project needs and expectations

(v) strengthening of women compiteveness in labour market

(vi) Strengthening of GRM awareness of APEA staff

(vii) APEA capacity building in project ESMF and applicable E&S standards

(viii) foster job-relevant skills development through up scaling and diversifying vocational training.

(ix)

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 APEA will become critical to project-affected parties. Continuation of education for youth, housekeeping and childcare responsibilities for women, disabilities or low wages may cause inactivity and non-participation in the labor force

ESS 1 - Assessment and Management of Environmental and Social Risks and Impacts

286. The environmental risk for the AF is rated as as Moderate.

287. The Parent Project and AF 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 APEA provide a broader menu of activation and employment support program; and (iii) improving monitoring and evaluation practices of the SES. These are achieved through provision of relevant training programs and advisory services. The envisaged training programs and advisory services 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. The AF will expand coverage of the project activities to increase the number of beneficiaries as well as expanding the breadth of offered services and programs, not changing the nature of the Parent Project.

288. Social risk management issues relate to: (i) inclusion/exclusion error, and (ii) stakeholder engagement. Environmental risks are associated with the beneficiary implemented subprojects, for which the project will provide in-kind asset transfer. The social risk for AF is classified as low. Overall the Project, including the Additional Finance, does not entail adverse social impacts as it aims to improve employment opportunities among vulnerable groups of job-seekers. Potential risks related to exclusion and inequity in the benefits still remain and very minor risks as they relate to labour and working conditions and community health and safety. The capacity and activities for outreach, engagement, sharing of information, and on grievance management has been significantly strengthened in the implementation of the Project to date as well as systems to capture the information beneficiary feedback.

289. Toward addressing these issues: a preliminary Social Assessment (SA) was undertaken to inform the parent project and 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.

290. The findings of SA informed the project design and reflected in the Stakeholder Engagement Plan. Additionally, various assessments to be done under the project will delve more deeply into the issue of vulnerable groups and identify measures to minimize exclusion risks.

291. Towards addressing the environmental and social risks, the following instruments have been prepared for the Parent Project and updated for the purposes of AF: (i) ESMF; (ii)Stakeholder Engagement Plan; and (ii) LMP. The ESMF covers applicable ESF Standards and the World Bank Group's EHSG. The ESMF has checklists for determining where and

when site-specific ESIAs/ESMPs. The ESMF also contains generic ESMP templates for each type sub-project activity and other investments that improve local living conditions, including those related to social infrastructure.

ESS 2 – Labor and Working Conditions

292. The LMP has been revised to include the activities covered under the Additional Finance, number of the different categories of workers, and now also includes the Code of Conduct for workers. It identifies main labour requirements and risks associated with the project, reviews national labour law and practices for consistency with the objectives of this Standard and helps the MLSPP to determine the resources necessary to address labour issues. The categories of workers (direct, contracted and primary supply workers) will remain the same as the Parent Project. Due diligence will continue to be undertaken to identify any potential labour risks with supplier including those related to safety issues. A grievance mechanism for workers is in place and the Project GRM is used for beneficiaries including apprentices that will be supported as part of the Additional Finance. These is awareness raising on issues of APEA/SH and code of conduct is now included in the LMP as well as monitoring form on screening workplace environment.The APEA and MLSPP PIU will ensure that all contracts with workers, primary supply workers are consistent with the requirements of ESS2. The MLSPP PIU will incorporate ESS2 requirements into tendering processes and establish policies for monitoring the performance of contractors in relation to ESS2. Contracts will be checked by MLSPP PIU to ensure compliance with ESS2 requirements and to report to the World Bank on the status of ESS 2 implementation.

293. A Project-specific GRM is available for all workers hired within the project. LMP specifies details of Grievance Mechanism. The MLSPP PIU will be ensure that the grievance mechanism is easily accessible to all project workers.

ESS 3 – Recourse and Efficiency, Pollution Prevention and Management

294. This standard is relevant because the implementation of subprojects under Components 1 and 2 within the scope of AF is associated with generation of various types of wastes and the use of resources such as water or energy. Due to small scale of subprojects, the requirements of this standard rare duly addressed by subproject-specific ESMPs and application of the EHS Guidelines. Assessment of risks and impacts and proposed mitigation measures related to relevant requirements of ESS3, including raw materials, water use, air pollution, hazardous materials, and hazardous waste are included within scope of the ESMF, and ESMPs as relevant, integrated Pest Management check-lists and procedures for site-specific ESIAs/ESMPs. Furthermore, energy efficiency and pollution prevention practices are presented where appropriate as part of the training programs and advisory services to be delivered under the project.

ESS 4 – Community Health and Safety (CHS)

295. The standard is relevant because the implementation of subprojects under Components 1 and 2 of the AF may cause nuisance to local communities and/or carry minor risks to their health and safety. The requirements of this standard are duly addressed by inclusion of community health and safety provisions of the EHS Guidelines into the subproject-specific ESMPs as well as to the training programs and advisory services delivered under the Parent Project and AF. Awareness raising has been provided on APEA/SH and will continue to be provided.

ESS 5 – Land Acquisition, Restrictions on Land Use, and Involuntary Resettlement

296. This Standard is not currently relevant. Based on the information to date, no land acquisition has been undertaken under the Parent Project or expected to take place under the Additional Finance. Screening procedures for self-employment activities include verification that any land and property to be used by beneficiaries legally belongs to them, or that they have legal rights of use, as well as that activities do not cause any negative impacts of land, assets or livelihoods of other persons or households. Screening will continue to be undertaken where relevant.

ESS 6 – Biodiversity Conservation and Sustainable Management of Living Natural Resources

297. This standard is relevant because the implementation of subprojects under Compnents 1 and 2 of the AF may cause minor impacts on biodiversity and/or living natural resources, if implemented in rural areas. The requirements of this standard are duly addressed by introduction of principles of sustainable management of living natural resources into subproject-specific ESMPs as well as to the training programs and advisory services under the Parent Project and AF, especially those targeting poor rural population.

298. Specifically, in order to ensure that project activities undertaken by beneficiaries under Components 1 and 2 do not cause adverse impacts on biodiversity and living natural resources, the ESMF provides for a set of environmental and social screening criteria to be applied during the evaluation and approval of in-kind grants,.

299. Additionally, ESMF criteria for working near protected areas and potential critical habitats includes requirements for detailed mapping and, where necessary, identification of species and habitats. Specific issues include instructions for necessary sections in any site specific ESMPs and provision for protecting biodiversity in project financed activities. Under the Parent Project, no subproject or activity was undertaken in the vicinty of protected areas.

ESS 7 – Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

300. This Standard is not relevant as there are no Indigenous Peoples who meet the definition of this Standard in Azerbaijan.

ESS 8 – Cultural Heritage

This standard is not relevant because the Project activities do not represent any risk to cultural heritage both tangible and intangible. However, as a precautionary measure, the ESMF describes chance find procedures and institutional responsibilities.

ESS 9- Financial Intermediaries

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

ESS 10 – Stakeholder Engagement and Information Disclosure

302. The SEP has been updated to reflect the new activities and engagement undertaken to date including in advance of the Additional Finance together with records of consultations. The legislative section of the SEP has also been updated with summaries of changes that have taken place recently.

303. The interested, affected and vulnerable stakeholder groups remain with beneficiaries targeted including unemployed people, women including female-headed households,

youth, internally displaced people (IDPs), individuals with disabilities, war veterans, and unskilled people.

304. The SEP also now includes the worker grievance mechanism in addition to the Project GRM that has been widely communicated with guidelines being developed to further support the operationalisation of it. The engagement has covered APEA/SH and the guidelines on the GRM will also include separate channel for APEA/SH complaints..

6.1 Risk Classification

305. As part of the environmental and social procedures, the MLSPP PIU adopts the WB ESF risk classification system for subprojects under the Parent Project and AF. The risk classification informs the scope and nature of the environmental and social due diligence and risk management required for any given subproject/activity. Activities classified under the ESF risk classification system, and sample mitigation measures are outlined in Annex 6 (Risk Classification for Proposed Types of Subprojects).

306. Towards addressing the risks, following instruments were prepared and updated: (i) ESMF: (ii) Stakeholder Engagement Plan; and (iii) LMP. Client has prepared and disclosed an ESMF since project is financing a broad range of small and medium scale activities, most of which will not be identified until implementation begins. The ESMF covers applicable ESF Standards and the World Bank Group's Environmental Health and Safety Guidelines. The ESMF has checklists for determining where and when site-specific ESIAs/ESMPs will be necessary.

307. The ESMPs identify feasible and cost-effective measures that may reduce potential significant adverse environmental and social impacts to acceptable levels. The ESMP divides the project cycle into three phases: construction, operation and decommissioning. For each phase, the project team identifies any significant environmental and social impacts. For each impact, mitigation measures are to be identified and listed. The ESMP format (enclosed in Annex 7, Attachments 1 and 2) also provides for the identification of institutional responsibilities for "installation" and operation of mitigation devices and methods. To keep track of the requirements, responsibilities and costs for monitoring the implementation of ESMP, a Monitoring Plan is applied.

308. The ESMF also contains generic ESMP samples for typical subproject (Annex 8), such as local roads improvement and maintenance, maintenance of water resources and water supply networks, waste disposal, and other investments that improve local living conditions, including those related to social infrastructure.

7. ESMF IMPLEMENTATION ARRANGEMENTS

7.1 ESMF Process Flow at the Project

309.The PIU established under MLSPP for the Parent Project will remain responsible for the day-to-day project management under AF, including environmental and social management and addressing potential environmental and social risks.

310.Overall, activities for the Parent Project and AF arepredicated on the principles of transparency, inclusiveness and responsive citizen engagement throughout the project cycle. Citizen engagement values the right of citizens to have an informed say in the decisions that affect their lives. It is based on a two-way interaction and dialogue with government and emphasizes the sharing of power, information, and a mutual respect between government and citizens.

311.With regards to ESMF implementation, MLSPP PIU is responsible for the:

i. support of Business Development Service Providers (Enablers) with information and capacity building (including the environmental criteria to be used, procedures to conduct the ESIA etc.);

ii. capacity building of APEA staff on the applicable World Bank ESS standards, ESMP requirements as well as on environmental/social impacts of subprojects;

iii. environmental and social screening and evaluation of grant proposal eligibility from the E&S point of view;

iv. communication and coordination with ESA competent authorities (Local authorities of MENR)

v. ensuring proper implementation of the ESMP requirements as well as social due diligence tasks during the subprojects' realization;

vi. addressing complaints and feedback from project stakeholders and the public, including grievances regarding environmental/social impacts of subprojects;

vii. supervising (independently or jointly with the State Ecological Inspectorate) environmental protection and mitigation measures stipulated in the ESMPs;

viii. monitoring of environmental impacts as part of overall monitoring of the subproject implementation; and

ix. reporting on environmental and social impacts originated during implementation of subprojects and analyzing the efficiency of mitigation measures applied to minimize negative consequences.

Together with subproject implementers and beneficiaries, MLSPP PIU is responsible for the implementation of above activities.

7.1.1. ESMF Process Flow at the Grant Level

The activities to be supported under the AF are similar in nature and scale to those already considered under the ESMF. Therefore, the ESMF Process Flow will remain valid and will be applied to the activities under the AF, which are subject to E&S due diligence.

Figure 13. The ESMF Process Cycle at the Grant Level

Selection of Grant (in-kind and in-cash transfer of assets) proposals

*312.**Subcomponent 1.1: Expanding the program scale and scope of support.*** This sub-component supports (i) the scale up of the program (including the provision of in-kind assets and the SIYB training) to about 22,000 beneficiaries (as per the original project within a 5-year period). In the course of the parent project implementation, the number of beneficiaires increased to 25,527 beneficiaries. This number may further increase considering the upcoming procurements on new assets and COC 3 under AF, reaching 30,000 beneficiaries.; and (ii) the development and implementation of specific vocational skills training modules (in addition to the ILO standard training module currently implemented) specific to selected non-farming activities/occupations in demand based on the analysis of local economy.

*313.**Subcomponent 1.2: Testing the introduction of complementary business support services for SEP beneficiaries.*** This sub-component supports the piloting and evaluation of a comprehensive package of support services for beneficiaries of AzSEP as a way to increase the likelihood of their success through business profitability and sustainability over time. To this end, this sub-component invests in complementary services that could turn livelihood activities for successful SEP participants into growing businesses, as a possible graduation pathway. Specifically, the subcomponent will finance advisory services to

i. provide regular mentoring visits and advice during the first six months of business operation focusing on relevant business skills and practices, including market development and intelligence, as well as management capacity for individuals who want to create micro-enterprises;
ii. facilitate the establishment of social enterprises and social cooperatives through advisory services and small grants;
iii. provide services to acquire required licenses and permits;
iv. offer financial literacy training promote access to small business development services (such as the Small Business Development Agency); and
v. improve the linkages with subsidized credit programs (for example, those run by the Ministry of Agriculture).

*314.**Subcomponent 1.3: Improving the governance and coordination mechanism of SEP***

The project, as referred to both Parent Project and AF, supports improved governance and coordination arrangements of the SEP implementation. To this end, the project finance the following:

(a) Introducing innovative information and communication technology solutions to streamline access to the SEP through a dedicated beneficiary support portal and mobile app. These services allow for online application to the program and facilitate subsequent interaction with APEA ;

(b) Training the APEA staff for improved engagement modalities with clients as well as improved selection of beneficiaries with a special focus on working with vulnerable groups

and technical and social support to clients;

(c) Strengthening outreach and the selection process for the SEP (targeting) in local APEA centers, particularly for women to increase their participation in the SEP;

(d) Improving the coordination between the TSSA and SEP through the development of a TSSA graduation strategy and trainings provided for welfare office frontline staff; and

(e) Upgrading the SES management information system (MIS) to improve the monitoring and performance management of the programs as well as the analysis of the SEP beneficiary data.

315.The selection of beneficiaries will be based on the existing jobseeker registry (approximately 217,608 unemployed as of end-2023), with an explicit (but not exclusive) targeting of jobseekers from the categories of vulnerable individuals: youth, women, IDPs, and beneficiaries of the TSSA program. An assessment of the country personal data protection policies and the MLSPP's data systems will be conducted during implementation to identify gaps. The objective will be to put in place a framework for protecting personal data used in the program and strengthening the IT governance and capacity, as well as to ensure that project personal data related activities are carried out in accordance with international best practices.

*316.**Subcomponent 2.1: Labor market assessment and development of a VTC strategy***

This subcomponent supports the APEA in assessing and responding to short- and medium-term skills demanded by employers. To this end, the subcomponent finances a comprehensive labor market assessment to improve the APEA' capacity to identify critical occupations and skills most demanded by employers. The results of the labor market demand analysis help scale up the menu of employment services and ALMPs offered to support jobseekers. In this regard, this subcomponent also finances technical analysis and quantitative/qualitative surveys. The SES is responsible for regularly updating this analysis to meet the changing needs of the labor market. The subcomponent finances the APEA' staff capacity-building activities such as staff training, producing user manuals, and so on to enable them to regularly update the analysis on their own in the future.

317. The subcomponent also finances the development of a strategy for expansion and improvement of the VTCs. The strategy involves all aspects necessary for the development of efficient and effective VTCs, spanning physical infrastructure standards to training module development/improvement guidelines to ensure the relevance of curricula and qualification offered to labor market needs. This activity is complementary to the market demand analysis mentioned earlier. Outputs of the labor market demand analysis serve as inputs for this activity.

318. ***Subcomponent 2.2 Outreach, profiling, skills assessment, and case management for jobseekers.***

319. This subcomponent delivers further activities to improve job matching rates in APEA. The project finances the following:

a) Development and rollout of a communication and outreach strategy targeting both the inactive and unregistered population as well as firms;
b) Development of a statistical jobseeker profiling tool and a skills assessment test for jobseekers;
c) Development of online instruments to integrate the profiling tool and skills assessment to the APEA MIS;

d) Development and introduction of a case management model in the APEA; and

e) Production of user manuals and training materials and the delivery of APEA staff training in using these instruments.

320. To address the low rate of economic activity among women in Azerbaijan, outreach activities are tailored to suit inactive females, with a view to increase their registration with the APEA as jobseekers. Case management approaches are also developed with a view to respond to gender-specific labor market barriers (for example, care responsibilities or transportation constraints). To this end, gender sensitivity trainings are organized for a subset of the APEA job counselors.

321. To serve difficult-to-reach populations and increase the number of registered vacancies in the APEA, communication and outreach activities are essential. This activity ensures that employers and vulnerable jobseekers are aware of APEA services and are encouraged to participate. In addition, implementation of outreach and communication activities to hard-to-serve populations and employers allow the APEA to expand the coverage of vulnerable jobseekers, many of whom are now excluded, and employers. This is achieved through (a) developing a communication and outreach strategy and (b) implementing it at the local level.

322. Once the APEA reaches a more diverse population, it needs to segment clients based on their employability. Counseling and employment programs that are provided to jobseekers should depend on their skills and needs. This activity aims to develop skills profiling and assessment tools and support the capacity of the APEA to employ those tools.

323. The project also supports the development of a case management approach in the APEA. The APEA is expected to tailor its package of employment support services to beneficiaries, particularly those who are difficult to serve. To this end, the component includes the development of a case management approach which includes needs and skills assessment for at-risk jobseekers, referrals to counseling and job APEArch assistance, skills training, and/or placement in on-the-job training or job placement services that are customized to the maximum extent to the needs of the individuals. The results of profiling and skills assessment tools provide inputs for the individual service strategy that will be implemented under the case management.

324. ***Subcomponent 3.1: Project management.*** The component finances the PIU in MLSPP to manage the overall Project. Specialists on procurement, financial management, monitoring and evaluation, environmental and social specialists have been hired by the PIU. Implementation arrangements contribute to continuous strengthening of MLSPP's capacity, to promote long-term sustainability of the reforms. This subcomponent also includes a communication campaign to increase the awareness about existing employment support programs and services;

325. ***Subcomponent 3.2: Monitoring and evaluation.*** Administrative record keeping provides important information to monitor programs' implementation, and to identify potential bottlenecks and solutions. Monitoring activation and employment support programs should not only serve the purpose of tracking outcomes (job placement and quality of jobs), but they should also provide insights into program design and implementation – for example, whether the net income from self-employment for example is sufficient to ensure sustainable livelihood – and to identify obstacles, issues and lessons learned. To this end, this subcomponent supports (i) the regular monitoring of key indicators to track the performance of the different employment programs implemented by the APEA and output indicators; (ii) tracer studies of the employment trajectories of APEA beneficiaries; (iii) a rigorous impact evaluation of AzSEP; (iv) training for survey and program administrative data analysis to generate relevant statistics to inform policy making in MLSPP and SES; and (v) overall project management and reporting requirements.

7.2. Screening of Sub-projects for Environmental and Social Risks and Impacts

The screening process establihsed for the Parent Project, will continue to be aplied for activities under Components 1 and 2 under the AF.

7.2.1. List of Non-Eligible Activities for Subprojects

326.The initial screening for the eligibility of the subproject is based on the list of excluded activities that will not be permitted by the WB. Therefore, subproject proposals that include these activities are not be considered for financing.

327..Non-eligible activities for Component 1 & 2 subprojects are listed in Table 13. below.

Table *13*. List of Non-Eligible Activities for ESP Subprojects

- Have negative environmental or social impacts, and/or cumulative impacts[43], that are irreversible or immitigable;
- Projects requiring land acquisition, land use restrictions, involuntary resettlement;
- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB, wildlife or products regulated under CITES;
- Production or trade in weapons and munitions;[44]*
- Animal husbandry activities;
- Production or trade in alcoholic beverages;*
- Production or trade in tobacco;*
- Gambling, casinos and equivalent enterprises;*
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where WBG considers the radioactive source to be trivial and/or adequately shielded;
- Production or trade in unbounded asbestos fibers;
- Production or trade in wood or other forestry products other than from sustainably managed forests;
- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (gasoline, kerosene, and other petroleum products;
- Production and processing of genetically modified organisms (GMOs);
- Use of banned pesticides;
- Use of species provided in Appendix 1 to the Bonn Convention on International Trade and Endangered Species of Wild Fauna and Flora mentioned in the Red Book of Azerbaijan Republic;
- Will cause high negative impact on income/livelihood resources;
- Involve any kind of forceful evictions of people;
- Do not meet the required technical and quality specifications;
- Exclude the poor/marginalized population or otherwise vulnerable groups;
- Do not provide equal pay for equal work for women and men;
- Are financed, or scheduled to be financed, by the government or other development partners;
- Finance the construction of any new dams or the rehabilitation of existing dams including structural and or operational changes;
- Production or activities involving forced labor;[45]

[43] Incremental impacts of the project when added to impacts from other relevant past, present and reasonably foreseeable developments as well as unplanned but predictable activities enabled by the project that may occur later or at a different location

* This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations. These activities do not take place on sites of the financed interventions.

[45] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty

- Involve activities that cause or lead to child abuse, child labor exploitation or human trafficking; No child under the age of 15[46] should work on the construction, rehabilitation or maintenance of a subproject;
- Entail the purchase or use of illegal/illicit drugs, military equipment or other potentially dangerous materials and equipment, including chain saws, pesticides; insecticides; herbicides; asbestos (including asbestos-containing materials); or other investments detrimental livelihoods including cultural resources; and
- Involve development of new settlements or expansion of existing settlements in critical habitats, protected areas or areas proposed for certain levels of national protection (e.g., reserved forests).

Source: The list was derived from The IFC Exclusion List but aligned with the project. IFC's defines the types of projects that IFC does not finance (http://www.ifc.org/exclusionlist) and local law.

7.2.2. Grant (in-kind transfer of assets and in-cash matching grants) Screening Procedures

328.Once it is confirmed that the subproject is not part of the list of prohibited activities, APEA working with applicants will carry out a rapid assessment of the likely environmental and social impact, that will be based on the requirements of national legislation and WB ESSs, completing the screening form presented in the *Annex 3*. Subproject activities will be also checked against WB risk classification to ensure that High and Substantial risk activities are screened out. The Screening Checklist on Social Issues should be also filled out for this purpose, (see *Annex 4).* The summary of the Environmental and Social Screening will be presented as specified in Annex 5*.*

329.This will make it possible to identify the type and scale of potential environment impacts and determine to which risk category the subproject should be attributed. Generally, the significance of impacts and risks will depend on the *type* and *scale* of the subproject, its *location*, *sensitivity* of environmental issues, and the *nature* and *magnitude* of potential risks and impacts.

330.Type and scale of projects. **Subprojects with High and Substantial Environmental and Social Risks and Impacts will not be financed.** A "High Risk" rating generally would entail the following impacts (a) significantly impact human populations, including settlements and local communities (b) alteration of environmentally important areas, including wetlands, native forests, grasslands, and other "critical" natural habitats and ecosystem services; (c) direct pollutant discharges that are large enough to cause degradation of air, water or soil, endangered species and "critical" habitats; (d) large-scale physical disturbances of the site and/or surroundings; (e) extraction, consumption or conversion of substantial amounts of forest and other important natural habitats, including above and below ground and water-based ecosystems; (f) measurable modification of hydrologic cycle; (g) hazardous materials in more than incidental quantities; and (h) significant involuntary displacement of people and other significant social disturbances.

331.Location. There are a number of locations which prompt activity classification into "**Substantial or High Risk**": (a) in or near sensitive and valuable ecosystems and "critical" habitats — juniper forests, wetlands, wild lands, vulnerable soils, and particular habitats of endangered rare and endemic species; (b) in densely populated areas, where resettlement may be required or potential pollution impact and other disturbances may significantly affect

[46] Articles 4, 42, 46.4 of Labour Code set the minimum employment age as 15. In addition, there are some labour restrictions on what type of work can be done, and how many working hours are permissible by workers under the age of 18. Examples of labor restrictions include: age of 15 cannot work more than 24 hours per week while those under 18 cannot work more than 35 hours per week; during the academic year, the maximum number of hours is half of this, 12 and 17.5 hours, respectively. These limitations are consistent with the ILO Convention on Minimum Age.

communities; (c) in regions subject to heavy development activities or where there are conflicts regarding the allocation of natural resources; along watercourses, in aquifer recharge areas or in reservoir catchments used for potable water supply; and on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, prime agricultural soils). Subprojects located in the proximity of such areas will be classified as Substantial or High-Risk activities from environmental perspective and will not be considered for support by the Project.

332.Sensitivity. Sensitive issues may include (but are not limited to): conversion of wetlands, potential adverse effects on endangered species and habitats as well as protected areas or sites, involuntary resettlement, impacts on international waterways and other trans boundary issues, and toxic waste disposal.

333.Magnitude. There are a number of ways in which magnitude can be measured, such as the absolute amount of a resource or ecosystem affected, the amount affected relative to the existing stock of the resource or ecosystem, the intensity of the impact and its timing and duration. In addition, the probability of occurrence for a specific impact and the cumulative impact of the proposed action and other planned or ongoing actions may need to be considered. Taking into account the scale of the proposed subprojects, it is expected that the magnitude of their environmental impacts will be low to moderate, and their social impacts will be moderate. Therefore, only subprojects that are rated as "*Moderate" or "Low" Risk* will be considered for AESP support through provision of in-kind transfer of assets. Annex 6 provides guidance on classifying proposed subprojects against the ESF risk classification system and advises on whether or not ESMP is to be prepared for any given subproject.

7.2.3. Application of Environmental and Social due diligence

334. The Environmental Screening Checklists (see Annex 3) are presented in a simple Yes/No EMS format. If environmental and social screening undertaken by completing checklists presented in Annexes 3, 4 and 5 define that the proposed sub-project is Low risk, no further assessment/due diligence is required.

335. For those proposals which have been assigned, as a result of environmental and social screening, Moderate Risk rating, an Environmental and Social Management Plan (see ESMP Outline presented in *Annex 7*) will be required to identify, evaluate and to prevent potential environmental and social risks and impacts, and to identify mitigation measures for the defined impacts and risks. Annex 8 provides for sample ESMPs which can be used for the development of subproject-specific ESMPs.

336. For *Moderate Risk* subprojects it is necessary to disclose the ESMP and conduct public consultations with the project affected people and interested parties. For all projects that would require an ESMP face to face consultations should be organized. For that purpose, it is necessary to disclose in advance the ESMP (about two weeks) in on the MLSPP PIU website as well as providing hard copies to local public administrations and key interested parties (environmental authorities). During the consultations, the subproject applicants, under the guidance of RO environmental and social specialists, will register all comments and suggestions on improving the ESMP and will prepare relevant reports to be included in the final version of the ESMP. Furthermore, specific information related to subproject activities and environmental and social due diligence should be also publicly available on-line on the MLSPP PIU website. Based on that the public consultation can be done virtually receiving relevant questions/proposals on-line and taking them into consideration while finalizing the subproject ESMPs. As described above, only in some cases, as per national legislation and when it is necessary to prepare an ESMP, the subproject applicant/beneficiary supported by regional officers has to submit ESMP for approval to the regional level State Ecological Expertise, which will issue a decision, to be used for approving and/or rejecting subproject proposals.

337. The final approval of subprojects is carried out by MLSPP PIU, once all EA documents

have been prepared, accepted, and, if needed, preliminary approval is provided by the State Ecological Expertise. The MLSPP PIU and subproject beneficiaries will then sign an agreement which will include statements on compliance with all environmental and social documents, subproject-specific ESMPs.

Table 14 indicates the process flow for the ESF instruments development:

Table 14. Environmental and Social Instruments Development for in-kind transfer of assets

Step 1.	a) Subproject applicant conducts initial environmental and social screenings and prepares an Initial Environmental and Social Checklist (Annex 3, Form 1) during 3 days of business training.
Step 2.	The PIU conducts a social and environmental screening of the proposed sub-project against project requirements and defines E&S risk rating (low or moderate) based on Form 1. PIU fills in Form 2,
Step 3.	a) For Low risk subproject, no further due diligence is required. b) For Moderate risk subproject, an ESMP shall be developed (as per guidance and samples presented in Annexes 7 and 8). Should the proposed subproject involve use of pesticides or fertilizers, Annexes 9, 10 and 11 should be consulted for the consideration of associated risks and preparation of the Pest Management Plan, if needed. c) If the proposed subproject is selected for support by provision of in-kind transfer of assets, MLSPP PIU E&S specialists (or recruited external expert/firm) will prepare the ESMP and PMP, as needed;
Step 4	MLSPP PIU will organize disclosure of the draft ESMP and carry out public consultation meetings, involving NGOs, community representatives, affected groups, etc. Formal minutes will be prepared to record inputs provided by the participants.
Step 6.	PIU will conduct random monitoring of middle risk subprojects in all regions where the project operates and fill in the Form 3. Filed Monitoring Form which will be stored in project information folder (Annex 3, Form 3)
Step 5	Upon approval of subprojects, MLSPP PIU will complete subproject appraisal and proceed with signing of the in-kind asset transfer/in-cash matching grant agreement with respective subproject beneficiaries, or proceed with the implementation of respective ALMMs supported by wage subsidies. For the in-kind assed transfer and in-cash matching grants, respective ESMPs will be an integral part of such agreements.
Step 6.	APEA and MLSPP PIU E&S specialists conduct regular supervision, monitoring and reporting, as per agreed monitoring plan.

7.2.4. ESMP Review Process

338. As explained above, a site-specific evaluation will be conducted in accordance with the WB's ESF, and site-specific ESMPs will be prepared as a result of such evaluation. These will be the responsibility of MLSPP PIU, which will be supported by the APEA in the regions. For Moderate risk subproject, the ESMP should be a part of the subproject proposal package and must be an annex to any (procurement) documents used for the provision in-kind transfer of assets. Labor management procedure will also form a part of ESMP. Implementation of ESMP on the ground will be the responsibility of subproject beneficiary. In case of any non-compliance, MLSPP PIU through APEA will be required to take corrective action as the primary responsible party. Distribution of the responsibilities of all parties involved in the project is presented in Table 15.

339. The preparation and implementation of ESMPs are expected to cost only a small fraction of design and construction cost, as most mitigation measures will be very generic, off-the-shelf, and implementable without specialized skills, experience or equipment. able 15. Roles and Responsibilities in ESMP Review and Implementation

Responsible Party	Responsibilities
World Bank	▪ Review, approve and disclose ESMF, LMP and Stakeholder Engagement Plan on WB's official website. ▪ Review and approve labor management procedures. ▪ Conduct implementation support and supervision missions in order to ensure that the Project is in compliance with WB ESF requirements and standards.
MLSPP PIU	▪ Prepare and implement the ESMF, SEP, LMP and ESCP and submit for Bank approval ▪ Disclose the ESMF, Stakeholder Engagement Plan, LMP and ESCP on MLSPP PIU website ▪ Prepare ESMPs according to ESMF ▪ . ▪ Disclose ESMPs on the official website of MLSPP PIU and incorporate ESMPs into the agreement with beneficiaries and procurement documents. ▪ Perform random inspections of the implementation of ESMPs, make recommendations and decide whether additional measures are needed. ▪ In case of non-compliance, ensure that the agreement with beneficiaries and procurement eliminates the noncompliance and inform the WB about the noncompliance and follow up. ▪ Set up a multi-level GRM, monitor and address grievances related to the project under specified timelines. ▪ Provide guidance to the APEA, APEA on E&S Risk prevention and mitigation measures. ▪ Summarize the environmental and social issues related to project implementation to WB in regular progress reports by incorporating APEA monitoring reports of ESMPs. ▪ Be open to comments from affected groups and local environmental authorities regarding environmental aspects of project implementation. Meet with these groups during site visits, as necessary. ▪ Coordinate and liaise with WB supervision missions regarding environmental and social aspects of project implementation.
APEA	▪ Assign field specialists for the environmental and social monitoring. ▪ Hold consultation meetings, prepare and distribute leaflets or other informative documents together with PIU to inform communities. ▪ Manage the grievance mechanism at the subproject beneficiary level; communicate grievances to MLSPP PIU regularly through monitoring reports. ▪ Monitor site activities on a regular basis (weekly monthly etc.) ▪ Include ESMP progress summary into the regular reports to be submitted to the MLSPP PIU.
	▪
Subproject applicants/ beneficiaries	▪ Implement ESMPs on project sites. ▪ Report on regular basis on the ESMP implementation progress to APEA and MLSPP PIU. ▪ Flag any unexpected environmental and social issues during implementation, , and the local APEA office and PIU should be informed immediately.

7.2.5. Pest Management and Mineral Fertilizers Issues

340. *General remarks.* The pest management issues which can be potentially raised by the Project may relate to possible direct purchasing or indirect effect of stimulating greater use of agro-chemicals associated with more intensive cultivation and/ or higher crop value under the subprojects to be financed. The objective of ESMF in this regard is to encourage adoption of Integrated Pest Management approach and increase beneficiaries' awareness of pesticide-related hazards and good practices for safe pesticides use and handling. Pesticides prohibited for use by WHO[47] should not be applied by the subproject implementers. The principles of the Integrated Pest Management and rules for application of pesticides, their handling and storage are presented in *Annex 9*. *Annex 10* presents recommended structure of a Pest Management Plan (PMP) and Annex 11 presents recommended measures to control the potential risks with chemical fertilizer use.

Recommended measures to control the potential risks with chemical fertilizer use

341. The MLSPP PIU's Environmental Specialist will review and approve the PMP prior to the approval of the subproject and monitor the implementation of the PMP.

342. *Safety issues in mineral fertilizers usage and handling.* Similarly, as in the case of usage of pesticides, fertilizers usage may provide important benefits, they also pose certain risks associated with accidental exposure on environment and on farmers during their inappropriate handling and usage. To avoid adverse environmental impacts while using mineral fertilizers it is necessary to comply strictly with a series of requirements, stipulated in the existing legal documents as well as in the fertilizers Guidelines for their handling. The rules and procedures of production, storage, transportation and usage of the mineral fertilizers are reflected in a relatively small number of documents, and most of them were adopted at the time of the USSR.

343. *Reviewing and approving subprojects which might involve purchasing and usage of mineral fertilizers.* As handling and usage of mineral fertilizers might cause harm to the environment and to the farmers' health, in the case of such types of subprojects the beneficiaries have to attach to the subproject proposal a short memo, including the following information: (a) types of fertilizer and its amount; (b) storage conditions; (c) ways of field usage; (d) measures to be undertaken to control possible hazard scenarios; and (e) responsible person. The subproject proposal along with this memo will be reviewed by the APEA and by the MLSPP PIU Environmental Specialist who will provide his approval. The first two such subprojects will be also subject to prior review by the WB.

7.3. Environmental and Social Monitoring and Reporting

344. Environmental and social monitoring during the implementation of sub-projects shall contain information on key environmental and social aspects of sub-projects, their impact on the environment, social consequences of impacts and the effectiveness of measures taken to mitigate the consequences.

345. Component 3 supports Monitoring and Evaluation (M&E) activities to track, document, and communicate the progress and results of the project. An M&E team within MLSPP PIU is responsible for overall compilation of progress and results. This Component finances MLSPP PIU to prepare project reporting—semi-annual reports and quarterly unaudited IFRs—that will be submitted to the World Bank. This Component also finances a Management Information System (MIS), which MLSPP PIU has established and utilizes for project monitoring, automatic generation of project reports, project transparency (grants publicized on the website), and citizen feedback.

346. This Component will also finance mid-term and end line project monitoring surveys to assess the PDO-level results indicators. MLSPP PIU is responsible for producing a completion report which draws on the MIS data and surveys prior to project completion.

[47] https://www.who.int/ipcs/assessment/public_health/pesticides/ru/

347. Monitoring of the implementation of environmental measures shall be carried out by Environmental Specialist of the PIU. Representatives of the MENR may also be involved in monitoring. The aim is to verify the main points of compliance with the ESMF and subproject-specific ESMPs, the progress of implementation, the scope of consultations and the participation of local communities. The standard checklist is used for the reporting. In the medium term of the project implementation and at the end of the project, an independent audit will be carried out to monitor the status of environmental, social, health and safety aspects of the project. The audits are necessary to ensure that (i) the ESMF has been properly implemented and (ii) mitigation measures are identified in subproject-specific ESMPs and implemented accordingly. The audit will be able to identify any amendments to the ESMF to improve its effectiveness.

348. Monitoring for social part will be done on the continuous bases by the PIU Social Specialist to ensure, that there is no unanticipated impact during construction works on land, productive assets, illegal users, people's livelihood, access to the assets etc. Monitoring will also cover health and labor issues.

7.3.1. Monitoring Plans

349. The implementation of environmental and social mitigation measures is monitored by MLSPP PIU.

350. Environmental and social monitoring system starts from the grant preparation and implementation phases through the operation phase in order to prevent negative impacts of the project and ensure the effectiveness of mitigation measures. This system helps the World Bank and the MLSPP to evaluate the success of mitigation as part of project supervision and allows taking an action when needed. The monitoring system provides technical assistance and supervision when needed, early detection of conditions related to mitigation measures, follows up on mitigation results, and provides information of the project progress.

351. Environmental and social monitoring implemented by the MLSPP PIU shall provide information about key environmental and social aspects of subprojects, particularly the environmental and social impacts and the effectiveness of mitigation measures specified in respective subproject-specific ESMPs. Such information enables the PIU to evaluate the success of mitigation as part of project supervision and allows for corrective action(s) to be implemented, when needed. In this regard the Monitoring Plan identifies monitoring objectives and specifies the type of monitoring, and their link to impacts and mitigation measures.

352. Specifically, the monitoring section of the ESMP provides: (a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements; and, (b) monitoring and reporting procedures to: (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation. A Monitoring Plan Format is presented in the Part 3 of the ESMP Template (see: Annex 7)

7.3. 2. Monitoring and Reporting Responsibilities

353. The environmental performance of the project shall be regularly monitored, documented and reported. In the case of instrumental monitoring data, the original records of the results of the required instrumental environmental monitoring (air, water and soil quality) shall also be presented in a separate file for records.

354. For those sub-projects which required the preparation of ESMPs, it is recommended that sub-borrowers, with the assistance of SEPCO, develop a checklist for site inspections both before and during the implementation of subprojects. The checklist shall contain a list of mitigation measures to be implemented at construction sites, the status of their implementation and some explanations on the status of implementation, as required. On monthly basis the beneficiaries will present short reports on ESMPs implementation to the APEA Regional Offices, and SEPCO report to the PIU one quarterly basis. The list of measures that are

checked by the RO environmental and social specialists when visiting the site shall correspond to the measures specified in respective subproject-specific ESMPs. Based on the reports received from ROs, the PIU will prepare semi-annual report on ESMF and ESMPs implementation which shall be an integral part of the progress reports to be submitted to the WB. Such semi-annual reports shall provide information on key environmental and social aspects [48]of the project activities, especially regarding environmental impacts and the effectiveness of mitigation measures.

355. Monitoring sections of subproject-specific ESMP reflect:

(a) details of monitoring methodology, including parameters to be measured, methods used, sampling locations, frequency of measurements; and

(b) monitoring and reporting procedures: to (i) ensure early identification of conditions requiring mitigation measures; and (ii) provide information on the progress and results of mitigation.

356. If social monitoring identifies any impact on land, productive assets, illegal users, people's livelihood, assess to the assets etc. the subproject physical works should be suspended and the PIU needs to be informed immediately.

357. If any issues identified by the environmental and social monitoring, the CAP shall be developed. The CAP should contain information on a subproject, status of physical works, impact types, and the assessment of environmental and social impacts observed, and, proposed mitigation measures (if needed in addition to those specified by respective ESMPs). CAP should be prepared by the subproject beneficiary and approved by the PIU.

358. ***The MLSPP PIU***, being ***responsible for*** environmental and social reporting to the WB, shall ***:***

- Record and maintain the results of project supervision and monitoring throughout the life of the project. It will present summary progress reports on ESMF/ESMP implementation and the environmental and social aspects of subprojects on a semi-annual basis to the World Bank, and as part of this reporting, provide updates on any AESP related arrangements. This will include updates on any grievances/feedback received, during the reporting period, and on how those were addressed;
- Prepare semi-annual reports on the progress of implementation of the provisions of ESMF and measures proposed by subproject specific ESMPs;
- In accordance with Stakeholder Engagement Plan, regularly inform stakeholders on the status of the project implementation and project environmental and social performance.

[48]Including the impact on the labor force, gender issues, impact on socially vulnerable groups, the standard of living of the population, impact on land resources and others.

8. PUBLIC CONSULTATION AND DISCLOSURE

8.1. ESMF Disclosure and Public Consultation

359. The Parent Project and AF is governed by the World Bank's ESF.

360. While updating the ESMF, the PIU E&S Teamconducted public consultation meetings in three project districts (Lankaran, Shirvan and Barda cities , between September and December 2023. During of the public consultation meetings PIU dessiminated information about current status of the ESMF implementation, activities undertaken by the Parent Project in line with the requirements of ESF ESSs, and also provided information on environmental and social monitoring of subprojects implemented by benerficiaries.

361. The detailed minutes of the public consultaitons on the current ESMF are presented in Annex 2 The finalized Azerbaijani and English versions will be posted on the web site of the MLSPP. The updated ESMF will be used by respective government agencies and other Project stakeholders during the Project implementation.

8.2. Grievance Redress Mechanism

8.2.1. Procedures:

362. Information about the GRM from sub project applicants and beneficiaries are recorded through email communication, telephone calls and directly during the public/community meetings. Brochures are distributed during consultations and public meetings, and posters are displayed in public places such as in government offices, project offices, APEA offices, community notice boards, etc.

363. The overall process for the GRM will be comprised of six steps:

- **Step 1**: Uptake. Project stakeholders will be able to provide feedback and report complaints through several channels: in person at focal points of various levels (SES offices, PIU, and MLSPP), by mail, telephone/ hotline (142), online letter http://e-mlspp.gov.az/LETTER.aspx and email. An example of a grievance registration form is provided in Annex 11.
- **Step 2**: Sorting and processing. Complaints and feedback will be compiled by PIU Social specialist and/ or APEA center employee and recorded in a register. Each focal point will assign one individual to be responsible for dealing with each complaint. The timeline for complaint resolution according to national legislation will be **15 working days** upon receipt of the complaint that does not require additional study and reAPEArch, and **30 working days for the appeals** that need additional study.
- **Step 3**: Acknowledgement and follow-up. The complainant will be informed of the outcome immediately and at the latest within **5 days** of the decision. The responsible person will communicate with the complainant and provide information on the likely course of action and the anticipated timeframe for resolution of the complaint. If complaints are not resolved within 15 days, the responsible person will provide an update about the status of the complaint/question to the complainant and again provide an estimate of how long it will take to resolve the issue. In addition, each focal point will report to the PIU every two weeks on grievances that have remained unresolved for 30 days or more.
- **Step 4**: Verification, investigation and action. This step involves gathering information about the grievance to determine the facts surrounding the issue and verifying the complaint's validity, and then developing a proposed resolution, which could include

changes of decisions concerning eligibility for mitigation, assistance, changes in the program itself, other actions, or no actions. Depending on the nature of the complaint, the process can include site visits, document reviews, a meeting with the complainant (if known and willing to engage), and meetings with others (both those associated with the project and outside) who may have knowledge or can otherwise help resolve the issue. It is expected that many or most grievances would be resolved at this stage. All activities taken during this and the other steps will be fully documented, and any resolution logged in the register.

- **Step 5**: Monitoring and evaluation. Monitoring refers to the process of tracking grievances and assessing the progress that has been toward resolution. The PIU will be responsible for consolidating, monitoring, and reporting on complaints, enquiries and other feedback that have been received, resolved, or pending. This will be accomplished by maintaining the grievance register and records of all steps taken to resolve grievances or otherwise respond to feedback and questions. Within the project the concept and the operational guidelines and the MIS module of a GRM system for APEA to record and address complaints not only from AzSEP beneficiaries /applicants but also from other registered jobseekers will be developed.
- **Step 6**: Providing Feedback. This step involves informing those to submit complaints, feedback, and questions about how issues were resolved, or providing answers to questions. Whenever possible, complainants should be informed of the proposed resolution in person. If the complainant is not satisfied with the resolution, he or she will be informed of further options, which would include pursuing remedies through the World Bank, as described below, or through avenues afforded by the Azerbaijan legal system. On a monthly basis, the PIU will report to the MLSPP on grievances resolved since the previous report and on grievances that remain unresolved, with an explanation as to steps to be taken to resolve grievances that have not been resolved within 30 days. Data on grievances and/or original grievance logs will be made available to World Bank missions on request, and summaries of grievances and resolutions will be included in periodic reports to the World Bank.

364. MLSPP through PIU will be responsible for carrying grievances through all six steps. Step 4 (Verify, Investigate, and Act) could involve interviews of the aggrieved party, workers, or other stakeholders; review of records; consultation with authorities; and/or other fact-finding activities. If the grievance cannot be resolved to the satisfaction of all parties, it will be referred to Grievance Redress Commission (GRC1), who would retrace Step 4 as needed. GRC 1 will include senior representatives of State Employment Agency regional centers. If the issue cannot be resolved by GRC 1, it will be referred to GRC 2 which will consist of PIU leadership, senior managers of APEA in Baku city.

8.2.2. Grievance Log

365. As noted previously, the PIU will maintain a grievance log. This log will include at least the following information:

- Individual reference number
- Name of the person submitting the complaint, question, or other feedback, address and/or contact information (unless the complaint has been submitted anonymously)
- Details of the complaint, feedback, or question; location
- Date of the complaint.
- Name of person assigned to deal with the complaint (acknowledge to the complainant, investigate, propose resolutions, etc.)

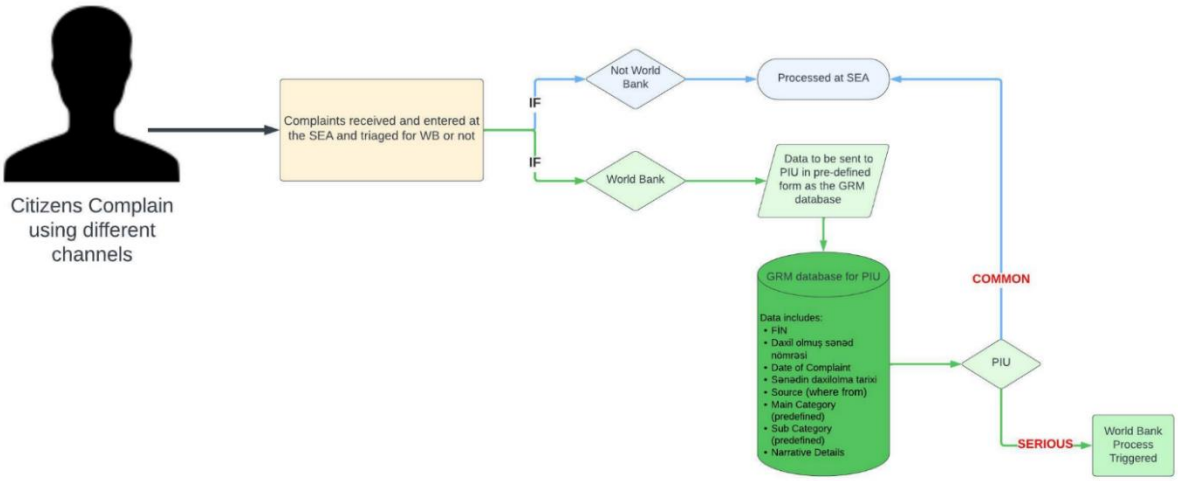
- Details of proposed resolution, including person(s) who will be responsible for authorizing and implementing any corrective actions that are part of the proposed resolution
- Date when proposed resolution was communicated to the complainant (unless anonymous)
- Date when the complainant acknowledged, in writing if possible, being informed of the proposed resolution
- Details of whether the complainant was satisfied with the resolution, and whether the complaint can be closed out
- Date when the resolution is implemented (if any).

8.2.3. Monitoring and Reporting on Grievances

366. Details of monitoring and reporting are described above. Day-to-day implementation of the GRM and reporting to the World Bank will be the responsibility of the PIU. To ensure management oversight of grievance handling, the Internal Audit Unit will be responsible for monitoring the overall process, including verification that agreed resolutions are actually implemented.

8.2.4. World Bank Grievance Redress System

367. Communities and individuals who believe that they are adversely affected by a World Bank-supported project may submit complaints to existing project-level grievance redress mechanisms of the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate GRS, please visit https://projects.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



Annex 1. Types of subprojects under Components 1 and 2 of th AF (in-kind transfer of assets, in-cash matching grants, and activities where wage subsidies are provided as part of ALMMs).

	Sub-projects	Risk Category	Notes
1.	Auto mechanic services	*Low*	
2.	Auto lubrication services	*Moderate*	
3.	Car cleaning services	*Low*	
4.	Car painter	*Moderate*	
5.	Broiler incubator	*Low*	
6.	Small carpenter's shop	*Moderate*	
7.	Greenhouse business	*Moderate*	
8.	Shoe repair and production	*Moderate*	
9.	Carpet washing service	*Moderate*	
10.	Auto electric services	Low	
11.	Car tire restoration and repair services	Moderate	
12.	Small photo workshop	Low	
13.	Printing service	Low	
14.	Floor and parquet polishing service	Moderate	
15.	Manufacture of PVC doors and windows	Moderate	
16.	Production of bakery products	Low	
17.	Agrotourism	Moderate	
18.	Small blacksmith shop	Moderate	
19.	Phone repair	Low	
20.	Doner shop	Low	
21.	Men's barber shop	Low	
22.	Women's beauty salon	Low	
23.	Small tailor's shop	Low	
24.	Delivery service	Low	
25.	Combi master and WC area installation service	Low	
26.	Water leak detection service	Low	

Annex 2. Typical Adverse Environmental and Social Risks and Impacts and Proposed Mitigations Measures

Environmental Impacts and Risks	Mitigation Measures
Soil Erosion: does the project involve crop agriculture? If so, which crops? Is agricultural field is located on the slopes and/or on the plain areas? Does the project involve ploughing/plant cultivation on the slopes?	1) Plugging across the slope 2) Contour tillage 3) Avoid creation of new terraces since it is linked with loss of topsoil, etc. 4) Appropriate crop rotation: fallow land - wheat - maize - sunflower - Lucerne - Lucerne (2 years long)- legumes (pea, haricot, etc.) / wheat maize, etc. 5) On lands which are subject to erosion preferable cultivation of plants with require dense sawing (e.g. wheat, rye, etc.) and avoid cultivation of tilled crops (e.g., maize, sunflower), 6) Orchards: creation of grass strips between the rows, deep cultivation between the rows, 7) Where possible, to use the branch of field crops with the branch of cattle-breeding and gardening, upstream reforestation and planned watershed management also helps mitigate etc.
Habitats and Biodiversity Loss: Will the project involve use or modification of natural habitats (pasturing on and ploughing up the steppe areas, cutting or removal of trees or other natural vegetation, etc.)	1) Avoiding use of remained natural or semi-natural steppe areas for pasturing and crop production 2) Avoid, where possible, cutting of trees and other natural vegetation, etc. 3) Minimize loss of natural vegetation/ Protection of vegetation during construction activities
Soil pollution: Will the project applies pesticides? If yes which types and their amount?	1) Use of less harmful (non-persistent) pesticides 2) Not to apply more pesticides than needed 3) Develop integrated pest management plans for activities using pesticides.
Land, habitats & ecosystems degradation: Is the area which is to be used currently a natural (not converted) habitat (forest, wetland, natural grassland, etc.)? Does the project involve production of livestock? If so, what type and how many? Will the animals be stall-fed, pastured or free-ranging?	1) Not to exceed pastures' capacity and avoid overgrazing 2) Where possible, use of stabling 3) Where possible, do develop sawn pastures 4) Where possible, fencing the grazing areas to use them subsequently, giving to others possibility to restore, etc. 5) Not to graze in natural areas in early spring and late autumn, etc.) 6) Use natural meadows and grasslands rather for mowing than grazing, etc.
Land degradation: Will the project involve land excavation?	1) Removal of topsoil to adjacent agricultural lands
Generation of solid wastes - what type of wastes will be generated (various types of construction wastes, wastes from agro processing activities, livestock manure, bird droppings) and their approximate amount	1) Separation of wastes, their usage and recycling 2) Disposal on authorized landfills 3) Full utilization of manure as organic fertilizers

Environmental Impacts and Risks	Mitigation Measures
Waste management/contamination from spills	1) Identify possible waste 2) Minimize wastes 3) Alternative uses 4) Prepare waste recycling plans 5) Environmental sound storage and treatment 6) Safe disposal, as per national regulations and Environmental, Health and Safety (EHS) Guidelines of the World Bank 7) An accident clearance contingency plan should be prepared 8) Controls should be made against all types of toxic emissions. 9) Untreated, raw & contaminated water should not be allowed to be 10) Disposed in perennial, non-perennial water channels or close to any 11) Water source & reservoirs. 12) Ensure minimal operational waste impact of the facilities on the environment. 13) Designate locations for handling and storage of effluents and waste materials. 14) keep work area clean, remove all rubbish from the work space and situate receptacles for waste and debris in convenient locations. 15) Never throw away, or bury, wastes in or around abandoned wells. 16) Set aside special areas for storage of raw materials, finished products, tools and accessories. 17) Use pans and screens to prevent deposits of oil, liquid wastes or water on the surrounding floors.

Environmental Impacts and Risks	Mitigation Measures
Toxic Materials: Asbestos management	1) If asbestos is located on the project site, mark clearly as hazardous material. 2) When possible the asbestos will be appropriately contained and APEAled to minimize exposure.The asbestos prior to removal (if removal is necessary) will be treated with a wetting agent to minimize asbestos dust. 3) Asbestos will be handled and disposed by skilled & experienced professionals 4) If asbestos material is be stored temporarily, the wastes should be securely enclosed inside closed containments and marked appropriately 5) The removed asbestos will not be reused
Biodiversity and Habitats Loss: Will the project located in vicinity of protected areas or other sensitive areas supporting important habitats of natural fauna and flora? Is it planned enlargement of area under agricultural crop production based on transformation of natural habitats?	1) Consideration of alternative locations, where possible 2) Careful timing of works and work APEAsonally, as appropriate: no construction during breeding APEAson 3) Where possible, to fence the area under construction to lessen even occasional disturbance on habitats and biodiversity 4) Inform personnel about importance of adjacent environmentally important area, if any 5) Where possible, to plant (or maintain) green corridors to ensure movement of terrestrial fauna
Underground water pollution - does the project involve usage of fuel and lubricants? If the project involves production of stall fed livestock does it has a manure platform?	1) Fuel and lubricants: use of specially arranged sites (with concrete floor) for fuel and lubricants handling and storage to avoid their leakages into the soil and runoff into water bodies 2) Pesticides: see above 3) Use of special platforms and tanks with a waterproof bottom for accumulation of manure and preparing of organic fertilizers, etc.

Environmental Impacts and Risks	Mitigation Measures
Construction[49]	1) Careful selection of location for and planning of the project 2) To minimize construction site's size and design work to minimize land affected, 3) Where possible, to execute construction works during dry APEAson to avoid excessive contaminated runoff Properly arranged waste disposals 4) Cleaning of construction site, replacing lost trees, boundary structures, re-vegetation of work area 5) During interior demolition use debris-chutes above the first floor; 6) Keep demolition debris in controlled area and spray with water mist to reduce debris dust; 7) Suppress dust during pneumatic drilling/wall destruction by ongoing water spraying and/or installing dust screen enclosures at site; 8) Keep surrounding environment (side-walks, roads) free of debris to minimize dust; 9) There will be no open burning of construction / waste material at the site; 10) There will be no excessive idling of construction vehicles at sites; 11) Construction noise will be limited to restricted times agreed to in the permit; 12) During operations the engine covers of generators, air compressors and other powered mechanical equipment should be closed, and equipment placed as far away from residential areas as possible; 13) The site will establish appropriate erosion and sediment control measures such as e.g. hay bales and / or silt fences to prevent sediment from moving off site and causing excessive turbidity in nearby streams and rivers. 14) Waste collection and disposal pathways and sites will be identified for all major waste types expected from demolition and construction activities. 15) Mineral construction and demolition wastes will be separated from general refuse, organic, liquid and chemical wastes by on-site sorting and stored in appropriate containers. 16) Construction waste will be collected and disposed properly by licensed collectors 17) The records of waste disposal will be maintained as proof for proper management as designed. 18) Whenever feasible the contractor will reuse and recycle appropriate and viable materials (except asbestos).
Inadvertent damage to cultural heritage sites, chance finds	1) Develop Cultural Heritage Mananagement Plans; 2) If case of chance finds, notify relevant authorities of found objects or sites by cultural heritage experts; 3) Fence-off the area of finds or sites to avoid further disturbance; 4) Conduct an assessment of found objects or sites by cultural heritage experts; 5) Identify and implement actions consistent with the requirements of this ESS and national law; and 6) Train project personnel and project workers on chance find procedures. 7) Chance find procedures and CHMPs are mitigation measures

[49] The project will not finance construction work. However, it is not ruled out that the project participants will carry out a limited amount of construction / reconstruction work to accommodate the equipment and tools provided to the Project participants. For this reason, environmental and social impacts will be taken into account during limited construction / installation work directly related to project activities.

Environmental Impacts and Risks	Mitigation Measures
Air quality: Will the project provide pollutant emissions? Which types of pollutants (SOx, NOx, solid particles, dioxins, furans, etc.)	1) Use of approved methods and techniques to prevent and control emissions (e.g. absorption) 2) Where possible, enclosure of dust producing equipment, and use of local exhaust ventilation 3) Arrange barriers for wind protection (if raw material is stored in open piles 4) Where possible, use of fuels with a low sulfur content, such as natural gas or liquefied petroleum gas and use of low-sulfur raw material 5) Where possible, installation of dedicated filtration systems, etc. 6) Selection of materials or processes with no or low demand for VOC-containing products 7) Where possible, to install and modify equipment to reduce solvent use in manufacturing process 8) To execute strict primary and secondary control of air emissions, etc.
Water Quantity: will the project involve water use? Which volumes and from which water source (centralized water supply system and/or from water reservoir)?	1) To ensure natural flow of water/ minimum disruption of natural streams flows 2) To install water meters to control and minimize water use 3) Avoid or minimize surface water abstraction in case of downstream the wetland is situated, etc.
Water Quality/Pollution: Will the project contribute to surface water pollution - what will be the approximate volumes of waste water discharge? Does the project involve discharges of waste waters in water reservoirs and/or in centralized sanitation network/septic tank?	1) For small rural enterprises: to install local wastewater treatment facilities (e.g., septic tanks) b. For big enterprises: not to exceed established limits of pollutants in effluents 2) To minimize water and mud collection 3) Renovation of existing sewerage system/ connection to municipal sewerage system 4) Properly arranged waste disposals 5) Where possible, to plant at least bush vegetation down slope to reduce pollutants runoff into surface water bodies
Loss of Biodiversity: Will the project involve introduction of alien species (in case of aquaculture projects)?	1) Where possible, to avoid introduction of alien species 2) In case of use of already introduced alien species to ensure their non-coming into natural ecosystems, e.g., during water discharge from ponds, etc.
Loss of Biodiversity: Will the project located in vicinity of protected area or wetlands?	1) Not to exceed established limits of pollutants in effluents and emissions 2) To avoid or minimize construction and operational activities during breeding and migration periods, etc.
Degradation of water ecosystems	1) Avoid application of pesticides in the strip with width of 300 m along the natural surface water bodies, 2) Avoid cutting of trees and other natural vegetation along the water bodies 3) Avoid coming of alien species into natural water bodies, 4) Properly arranged waste disposals sites, etc.
Weeds, pests, diAPEAses: will the project contribute to spreading of weeds, pests and animal and plant diAPEAses?	1) Avoid cultivation of plant mono-culture on agricultural lands 2) Appropriate pest management 3) Giving the priority to the agro-technical and biological measures for the control of weeds, pests, and diAPEAses, 4) In cattle farms, to adhere carefully established rules to prevent or minimize animal diAPEAses, etc.
Sedimentation of water bodies - will the project contribute to sedimentation of water bodies due to soil erosion?	1) To avoid excessive soil erosion: see above 2) Minimize soil processing 3) Provide retention/ sedimentation ponds, as necessary 4) To control reed harvesting (to avoid overharvesting)

Environmental Impacts and Risks	Mitigation Measures
Socio-economic environment	
Social impacts - does the project involve the following: (a) occupational safety issues; (b) health hazards; (c) involuntary land acquisition or displacement of third parties using land; (d) loss of the access to sources of income; (e) loss of physical and/or economic assets.	Appropriate project design: location, methods of construction, use of safe technologies during operation period, work timing, careful decommissioning, etc. Projects which result in involuntary land acquisition or displacement of third parties using land; relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood whether or not there is displacement will not be financed by the project.
Will the project assure non-deterioration of human health, occupational safety and non-disturbance of residents living near project area? If no, is it possible by applying proposed mitigation measures to reduce the project environmental and social impacts to admissible levels?	1) To ensure collective and individual protective measures (work clothes, masks, shoes), when needed. 2) To adhere established occupational safety requirements as well as simple rules, e.g.: a. water spaying twice a day during construction to avoid dust b. ventilation of internal areas during and post construction c) timing of work 3) To conduct regular instructing of employees on health and occupational safety requirements 4) To restrict vehicle speeds and trough-traffic in residential areas, especially trucks, using signing and appropriate design 5) Restrict trough-traffic in residential areas 6) Work timing to minimize disturbance/ restrict construction to certain hours, 7) Restrict movement of hazardous materials in residential areas/ regulation of transportation of materials; apply any load restriction required during and post construction periods, 8) Incorporate safety and environment protection requirements in the project contract documents, etc.
Disturbance and/or unrest of residents living near the project area and anticipated public concerns, e.g., project location, waste disposal sites, harmful emissions into environment, and aesthetic arrangement of constructed sites?	1) Public consultations and meetings should be held on regular basis to discuss community concerns and to take relevant actions. 2) Make the GRM accessible to the community members to file their concerns, complaints.

Annex 3. Environmental and Social Screening Checklists

Initial Environmental and Social screening Project ID

Form 1 (to be completed by subproject applicant/beneficiary with support of APEA)

Part A

1) ***Beneficiary :*** _____

2) ***Sub-Project Name***: _____

3) ***Brief Description of Sub-project***

Questions	Answers
a) *Type of the activity*	
b) *Subproject applicant (name, contact information)*	
c) *Project area*	
d) *Location*	
e) *Property ownership*	
f) *Existence of on-going operations*	
g) *Plans for expansion or new construction*	

Part B

Environmental Screening	Yes	No	Notes
1.Does this project likely to cause soil erosion? / harm cultivated/arable land? on forest resources? wildlife areas other than national parks and protected areas?			
2.Does this project involve construction activities?			
3.Does this project degrade/reduce the quality of the drinking water?			
4.Water Quality/Pollution: Will the project contribute to surface water pollution?			
5.Sedimentation of water bodies - will the project contribute to sedimentation of water bodies due to soil erosion?			
6.Underground water pollution - if the project involves production of stall-fed livestock will it have a manure platform?			
7.Will the project (if being implemented in the areas surrounding water bodies, lakes and ponds) intend to use any water bodies?			
8.Does the proposed project/activity intend to use or is dependent on forest resources?			
9.Is the project likely to lose biodiversity and harm young leaves/twigs in the forest area?			
10.Does the project involve discharges of waste waters in water reservoirs and/or in centralized sanitation network/septic tank?			
11.Will the project be implemented in areas located in high risk zone such as landslide prone area, steep slopes, highly degraded land in hills, riverine area susceptible to annually flooding, or in areas causing large-scale soil erosion?			
12.Will the project be implemented in the areas surrounding heritage site/religious temple/religious site/graveyard?			
13.Will the project endanger indigenous plant species of ecological significance?			
14.Does this project cause/involve in any activities which could harm human health/create hazard?			
15.Will the project provide air pollution emissions?			
16.Weeds, pests, diAPEAses: will the project contribute to spreading of weeds, pests and animal and plant diAPEAses?			

Part C

Social Screening	Yes	No	Notes
1.Does the project involve the following? (a) occupational safety issues			
(b) health hazards			
(c) involuntary land acquisition or displacement of third parties using land			
(d) loss of access to sources of income			
(e) loss of physical and/or economic assets			
(f) disturbance of residents living near the project area			
In case of “Yes” response to one of several questions above - is it possible by applying proposed mitigation measures to reduce the project environmental and social impacts to admissible levels?			
2.Does the project require public consultation to consider local people’s environmental concerns and inputs, per national legislation?			

Subproject beneficiary:

Date:

Environmental and Social screening

Project ID

Form 2

1. Sub-project Environmental Risk Category (*High, Substantial, Moderate or Low*) ____ (if project is categorized as *High or Substantial* no needs to fill next pages – sub-project could not be included into the project)

2. Subproject activities will be implemented:

a) in or near sensitive and valuable ecosystems — wetlands, wild lands, and habitat of endangered species	□
b) in or near areas with archaeological and/or historical sites or existing cultural and social institutions	□
c) in densely populated areas, where resettlement may be required or potential pollution impact and other disturbances may significantly affect communities	□
d) in regions subject to heavy development activities or where there are conflicts in natural resource allocation; along watercourses, in aquifer recharge areas or in reservoir catchments used for potable water supply; and on lands or waters containing valuable resources (such as fisheries, minerals, medicinal plants, prime agricultural soils)	□

If any "yes" - the sub-project will not be financed

3. Confirmation of subproject risk classification:

If Low – no further due diligence
If Moderate – ESMP is required

Risc category_____

4. What are the specific issues to be addressed by ESMP? (Soil, water, biological diversity loss, health and etc)

_____
_____
_____

5. What is the time frame developing the ESMP? _____
_____

Conclusion (could the sub-project be included in the program and if yes, under which conditions):
_____
_____

Form 3. PIU Field Monitoring Form

Rayon:_____ Date:_____

1.Subproject applicant (name, Taxpayer4 identification numbercontact information)		
1 Beneficiary contact data:		
2 Address:		
4 Title of asset (sub project):	5 When beneficiary started the business? (day/month/year): __ / __ / _____	
6 Whether asset has been delivered?	ϒ Yes	ϒ No
7 Whether the asset is installed?	ϒ Yes	ϒ No
8 Has the final monitoring been done?	ϒ Yes	ϒ No
9 Benefisiarın monthly income (approximately) (in operation case)		
10 Does the beneficiary have any record of current business?		
ϒ No	ϒ Yes	*If yes, please list these issues below:*
11.Any problem(s) with asset management? (Please describe accurately)		
12. Actions to be implemented to solve the problems:		
13. What is current condition of given assets?		
ϒ Good	ϒ satisfactory	ϒ non satisfactory
14. Labor safety during the implementation of the project ? Are the rules followed by beneficiaries ?	ϒ Yes	ϒ No
15. İş prosesi zamanı fərdi mühafizə vasitələrindən (qoruyucu eynəklər, respirator maskalar, əlcəklər və s.) istifadə olunurmu?	ϒ Bəli	ϒ Xeyr

16. Are personal protective equipment (safety glasses, respirators, gloves, etc.) used during the work process? ϒ Yes ϒ No
17. Are cases of involvement of persons under the age of 15 in emplyement observed? ϒ Yes ϒ No
18. Any disturbance of others/surrounding community during operation was discovered? Are cases of emergence observed? ϒ Yes ϒ No
19. Final notes (if any):
20.Act was prepared by : Signature:

Annex 4. Risk Categories of Proposed Subprojects and Relevant ESS Instruments

Low Risk Subprojects (subprojects which are unlikely to have direct and adverse impacts - no ESMP is required)
Small scale agricultural subprojects, if they were not established through conversion of natural habitat, do not use pesticide, and have not some other adverse impacts on the environment. - Agriculture, horticulture, vineyards and orchards (small scale 5 ha and less) - Livestock (small-scale - less than 10 heads of cattle, small cattle) - Production of poultry meat up to 1000 birds - Construction of silos for drying, cleaning, storage of grains - Construction of greenhouses (without boiler houses) - Flax production - Purchase of tractors and other agricultural machinery - Agro-tourism - Seeds purchasing - Bee keeping - Agricultural machinery (tractors, winnowers, sowing machines, etc.) - Nutrition; - Flour milling *Trade* -Wholesale and retail trade by non-hazardous goods -Sales - Markets with less than 50 APEAts; *Services* -Hair cutting shops -Hoteling - Internet café - Wool processing enterprises; - Granaries; - Small workshops for wine making and production of fermented beverages, - Small shops for processing leather; - Repair of rubber products with restoration of tires; - Veterinary clinics; - Vulcanization and minor car repairs; - Garages and parking lots of enterprises, organizations and public use; - Small carpet shops; - Small weaving and sewing shops; - Small carding shops (processing of wool, cotton wool); - Mini-mills; - Small enterprises for smoking meat and fish products - Car washing; - Processing of facing stones; - Recreational and civil-purpose facilities, as well as social and cultural facilities that do not have boiler houses and treatment facilities connected to sewers; - Points of acceptance and snoring of cocoons; - Reconstruction and land reclamation improvement of the old irrigated lands on an area of less than 100 hectares; - Bakery, production of bakery and pasta. - Canning industry (processing of raw materials <1000 tons / year).
Moderate Risk Subprojects (subprojects which may have some environmental and social impacts development of an ESMP is mandatory)
Small scale agricultural subprojects (listed as the "WB Moderate Risk Category» above), if they were established through conversion of natural habitat, consider using pesticide or significant amount of chemical fertilizers, and may have other adverse impacts on the environment. *Medium scale agricultural subprojects* - Agriculture, horticulture, vineyards and orchards (medium-scale intensive operations 5-300 ha) - Animal husbandry (medium scale - from 10 to 500 head of cattle and up to 1000 small ruminants)*

- Cattle-breeding complexes;
- Production of poultry meat from 1000 birds (special measures are required to reduce the impact)
- Recultivation of fallow lands (up to 100 ha);
- Creation of mariculture and aquaculture farms on rivers or lakes between 0.25-0.5 ha (excluding exotic species)
- Use of agricultural land (10-25ha) for non-agricultural commercial purposes
- Use of virgin soils and a whole space for intensive farming
- Warehouses of agricultural products;

Food industry (medium scale)

- Agro-processing plants, food, beverages, seeds, fibers (more than 1000ton / year)
- Canning industry (annually process from 3000 to 20,000 tons of products).
- Dairy products, milk and dairy plants
- Slaughterhouses, meat processing plants and plants for processing the remains of animals (medium scale -500 - 5000t / year)

Manufacturing/agro-processing (small scale)

- Collection and processing of medicinal herbs
- Creation of food industries for semi-finished products (production capacity <1000 tons / year)
- Manufacture of soft drinks
- Service stations, car parks;
- Small workshops for the production of clay products and building materials;
- Small hydroelectric power stations (with a capacity of less than 30 mw);
- Repair of engines and machines, as well as their coloring;
- Public catering enterprises with more than 50 APEAts
- Markets with more than 50 APEAts;
- Assembly and repair of electrical equipment;
- Greenhouses with boiler rooms;
- Factories for the manufacture of confectionery;
- Refrigeration plants with a capacity of more than 50 tons

Note: *Although medium animal husbandly is in principle can be considered as eligible activity, but taking into account the level of pastures erosion in Azerbaijan this type of activity directed to increasing of livestock number should be excluded or carefully reviewed (location, status of pastures etc.).

III. Substantial and High Risk subprojects (objects and activities from the list of the National category IV of the environmental impact) - non-eligible for financing under:

- Construction and reconstruction of on-farm water management systems, construction of water pipelines of intra-farm level;
- Construction and operation of surface irrigation and drinking water supply
- Construction of new facilities, or planting perennials.Construction of buildings for storage of agricultural goods and products
- Construction of warehouses for chemical pesticides and mineral fertilizers
- Complex of livestock farms (more than 1000 animals)
- Reconstruction and reclamation of irrigated lands on the area from 100 to 1000 hectares
- Construction of buildings, structures and enterprises for processing agricultural products

Note: The activities mentioned below are generic and define the risk categories by the WB. It should be noted that not all activities in this list are necessarily supported under the current Employment Support Project.

Annex 5. ESMP Content and Format

For Moderate risk sub-projects, the preparation of the ESMP is required. The ESMP identifies feasible and cost-effective measures that may reduce potentially significant adverse environmental impacts to acceptable levels. The plan includes compensatory measures if mitigation measures are not feasible, cost-effective, or sufficient. Specifically, the ESMP (a) identifies and summarizes all anticipated significant adverse environmental and social impacts ; (b) describes--with technical details--each mitigation measure, including the type of impact to which it relates and the conditions under which it is required (e.g., continuously or in the event of contingencies), together with designs, equipment descriptions, and operating procedures, as appropriate; (c) estimates any potential environmental impacts of these measures; and (d) provides linkage with any other mitigation plans required for the project.

Environmental monitoring during project implementation provides information about key environmental aspects of the project, particularly the environmental impacts of the project and the effectiveness of mitigation measures. Such information enables the borrower and the Bank to evaluate the success of mitigation as part of project supervision and allows corrective action to be taken when needed. Therefore, the ESMP identifies monitoring objectives and specifies the type of monitoring, with linkages to the impacts assessed in the ESA report and the mitigation measures described in the ESMP. Specifically, the monitoring section of the ESMP provides(a) a specific description, and technical details, of monitoring measures, including the parameters to be measured, methods to be used, sampling locations, frequency of measurements, detection limits (where appropriate), and definition of thresholds that will signal the need for corrective actions; and (b) monitoring and reporting procedures to (i) ensure early detection of conditions that necessitate particular mitigation measures, and (ii) furnish information on the progress and results of mitigation.

To support timely and effective implementation of environmental project components and mitigation measures, the ESMP draws on the environmental assessment of the existence, role, and capability of environmental units on site or at the agency and ministry level.[3] If necessary, the ESMP recommends the establishment or expansion of such units, and the training of staff, to allow implementation of EA recommendations. Specifically, the ESMP provides a specific description of institutional arrangements-who is responsible for carrying out the migratory and monitoring measures (e.g., for operation, supervision, enforcement, monitoring of implementation, remedial action, financing, reporting, and staff training). To strengthen environmental management capability in the agencies responsible for implementation, most EMPs cover one or more of the following additional topics: (a) technical assistance programs, (b) procurement of equipment and supplies, and (c) organizational changes.

For all three aspects (mitigation, monitoring, and capacity development), the EMP provides (a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and (b) the capital and recurrent cost estimates and sources of funds for implementing the ESMP. These figures are also integrated into the total project cost tables.

The ESMP should include the following elements:

a. *Project Description*. Describes the nature and scope of the project and the geographic, ecological, temporal and socioeconomic context in which the project will be carried out. The descriptions include a map of the project site, identify impacts on land or assets, and identify any off-site or support facilities that will be required for the project.

b. *Baseline data*. Describe relevant physical, biological and social condition including any significant changes anticipated before the project begins. Data should be relevant to project design, location, operation or mitigation measures.

c. *Environmental and Social Impacts*. Environmental and Social Impacts. Describe the likely or expected positive and negative impacts in quantitative terms to the extent possible. Identify mitigation measures.

d. *Environmental and Social Management Plan (ESMP).* If significant impacts requiring mitigation are identified, the ESMP defines the mitigation that will be done, identifies key monitoring indicators and any needs for institutional strengthening for effective mitigation and monitoring to be carried out; consists of Management and Monitoring Plans (see Attachments 1 and 2 below).

e. *Appendices.*

This section should include:

(i) References used in ESMP preparation;
(iv) Tables reporting relevant data discussed in the main text/responsibilities for "installation" and operation

ATTACHMENT 1. ENVIRONMENTAL AND SOSIAL MANAGEMENT AND MITIGATION PLAN

Description of activities of the sub project	Expected Environmental and Social risks and impacts	Mitigation Actions	Monitorinq indicators	Responsibility

ATTACHMENT 2. ENVIRONMENTAL AND SOSIAL MONITORING PLAN

Project Phase	What parameter is to be monitored?	Where will the parameter be monitored?	How will the parameter be monitored?	When will be parameter be monitored?	Why is the parameter being monitored?	Responsibility	Remarks

Annex 6. Sample ESMPs for subprojects likely to be proposed under the project

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
1	**Fertilizer** **Production of agricultural products**: ▪ greenhouse business ▪ intensive gardening ▪ vegetable growing	• Reduction in soil organic content • modified soil structure and reduction in soil moisture holding capacity *In the long run, possible loss of productivity as a result of insufficient soil moisture*	✓ use of mulch or compost in conjunction with crop rotation practices. ✓ Control over the use of mineral fertilizers – excessive use should not be allowed. Further reduce chemical fertilizer use through incorporation of various organic cultivation practices. *Mitigation moderately easy since chemical fertilizer costs are high*
		Nutrient enrichment of water bodies • eutrophication of water bodies • contaminated potable water sources water supply; • must APEArch for new source	✓ organic farming; ✓ .crop rotation ✓ optimum fertilizer quantities and application schedules should be planned and implemented *Mitigation moderately easy since fertilizer costs are high*
		Emission of greenhouse gases from chemical fertilizers • contribution to global warming • climate change	✓ optimum fertilizer quantities and application schedules should be planned and implemented *Mitigation moderately easy since fertilizer costs are high*
2	**Pesticides** ▪ greenhouse business ▪ intensive gardening ▪ vegetable growing	*Impaired health of handlers including those who store, sell, transport and apply pesticides* • increased health costs; • lost family income; • insurance costs	✓ Ensure selection of pesticides that are relatively safe (preferably WHO Class III and Class II after training in the proper handling and use of pesticides; ✓ İntroducing IPM methods. The objective of introducing IPM (integrated pest management program) is to ensure safe crop production practices.
		Possible impaired health of food consumers • increased health costs; • lost work time; • lost family income	✓ use of appropriate chemicals that minimize residue and are least harmful to consumers; ✓ Delaying first spray to maintain natural population of biological control agents; ✓ consider organic farming ✓ health warnings to wash foods; ✓ avoid the use of pesticides like those in POPs categories, and broad-spectrum products with mammalian toxicity and high persistence. ✓ monitoring pest activity with pest surveys and light and pheromone trap catches where feasible. ✓ insectivorous bird population support

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		Soil contamination long term loss • altered soil microfauna important to soil • biodiversity loss • eventual loss of soil productivity	*Difficult: because agrochemical companies promote their products amongst farmers and farmers will generally adopt the least cost chemical that does the job*
		Ground and surface water contamination due to: *-leakage of stored concentrate or discarding unrinsed 'empty' containers in or near to a water supply* *-spray drift under windy conditions or - --application too close to open water* • movement of pesticide from treated land by heavy rains and runoff waters • spills that leak to groundwater and move laterally in aquifers • impaired health of local and downstream water consumers • biodiversity losses • aquatic ecosystems damaged	✓ Use optimal (recommended) amount of pesticides ✓ Consider planting across the slope ✓ Make sure pesticides storage areas are away from water supplies and above high water flood levels. ✓ Cover wells if spray operations are to be carried out in their vicinity. ✓ Do not spraying when winds exceed 11 km/hrs.
3	**Plant production technologies**	*Deep cultivation contributes to soil erosion* *Loss of soil productivity and stream sedimentation* • Water regulation losses; • modified aquatic ecosystems	✓ Practices other than deep ploughing (e.g. direct seed drilling without disturbing the soil, or shallow tilling). *Mitigation will be difficult.* *Difficult to change old ways. Agriculture extension service will be required to provide training, advice and demonstrate advantages.*
		Soil erosion • stream sedimentation • modified hydrological regime • desertification • loss of productivity • loss of soil moisture • aquatic ecosystem modified • flooding and drought conditions increased	✓ contour ploughing required ✓ Optimal ploughing schedules to ensure minimal time for exposed soil. ✓ organic agricultural practices adopted (e.g. shallow tilling) *Mitigation will be difficult.*

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		Reduction of groundwater; extraction of surface water • biodiversity loss • desertification • loss of water to other current and potential users	✓ Water sharing plan to ensure equitable distribution. ✓ Water saving techniques *Mitigation very difficult.*
		Salinization; waterlogging • desertification • loss of productive land	✓ Appropriate drainage system. *Mitigation relatively easy.*
		Water contamination as a result of application of fertilizers and pesticides, • eutrophication of water bodies • contaminated potable water sources • modified aquatic ecosystems	✓ optimum fertilizer quantities and application schedules should be planned and implemented ✓ use optimal (recommended) amount of pesticides ✓ consider planting across the slope ✓ adopt organic farming ✓ use Integrated Pest Management methods
4	**Furniture, PVC, auto mechanical services (:** ▪ The functioning of small shops for the production of furniture; ▪ The functioning of small shops for the production of ceramic products, ▪ Plastic door and window production ▪ The functioning of small shops for the auto mechanical service	• Surface /ground water pollution • Air pollution with wood dust, chemicals (solvent vapors, varnish, etc. - mainly for furniture shops) • Noise pollution (mainly for furniture shops)	✓ Approval of environmental standards for water in accordance with the "Rules of protection of ground water contamination by waste water". State Committee on Ecology and Control over Nature Use. Baku, 1994 ,SanPin 4630-88, СанПиН № 4630–88. санитарные правила и нормы охраны поверхностных вод от загрязнения ✓ Prevention of discharge of waste water into the sewerage, open reservoirs or on a land configuration not conforming to the established Rules of discharge into the sewerage [50]and on a land configuration. ✓ Timely compensation payments for discharges into sewer networks; ✓ Ensuring the compliance of emissions from workshops into the air with national requirements ✓ The noise level in the territory of surrounding accommodation shall not exceed 55 dB during the day and 45 dB at night. If standards are exceeded, use additional noise reduction measures: double-glazed windows in workshops, acoustically-treated coating, or acoustic shield[51];

[50] Instructions for the regulation of emissions (discharges) of polluting substances into the atmosphere and water bodies - State Committee for Nature of the USSR, 11. 09.1989, No. 09-2-8 /

[51] "Norms of vibration and noise contaminations that can have a negative impact on the environment and human health" Order of President of RA # 796 dated July 8,

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		• Waste generation	✓ The noise level for workers in the workplace shall not exceed 70 dB. In case of excess - use Personal Protective Equipment (PPE) ✓ Separation of waste into recyclable and non-recyclable; ✓ Sale of recyclable waste to the relevant organizations (paper, plastic, ferrous and nonferrous scrap, mercury lamps); ✓ Timely disposal of non-recyclable waste at municipal landfills; ✓ Avoidance of waste storage outside the shop territory
		• Safety precautions for workers	✓ Ensuring the work performance in accordance with the Labor Code of the Republic of Azerbaijan (1999), *Law of the Republic of Azerbaijan "About Employment"* (2018) and the General Guidance of the IFC on the Occupational Safety and Health (2007)
5	**Craftsmanship – New equipment procurement** ▪ auto mechanical shops	• Packaging materials waste	✓ Separation of waste into recyclable and non-recyclable; ✓ Recyclable waste shall be passed out / sold to relevant organizations, non-recyclable waste shall be disposed at municipal landfill;
6	**Repair of motor vehicles**	• Pollutants entering waterways or storm water drains. • This can be caused by spills of liquids such as oil, coolant, solvent and other cleaning fluids.Soil and groundwater pollution caused by waste oil and • other liquids leaking from Underground Storage Tanks (UST). • Air pollution (including odours) from the release of refrigerants, solvents, LPG and exhaust emissions. • Greenhouse gas emissions caused by energy use in the workshop and modification to client vehicles. • Air pollution caused by tampering with vehicle emission or anti-pollution controls and exhaust systems. • Noise impacting on staff and neighbors.Health and safety risks of	*Water Quality* ✓ Regularly check and clean storm water drains near your workshop to ensure they are free of debris. ✓ Mop the workshop floor rather than hosing. ✓ Avoid hosing driveways or yards. ✓ Keep a spill kit close to where spills are likely ✓ and ensure all staff know how to use it. ✓ Keep your premises and equipment clean and ✓ well maintained. <u>*Hazardous substance and liquid waste*</u> ✓ Store oils, chemicals, paints and solvents in areas that will not allow spills to escape to the environment: a. in a bunded area of the workshop b. on bunded pallets or trays in a covered area c. in a chemical storage unit ✓ Regularly check that containers are not leaking ✓ Treat liquids collected in bunded areas or the wash bay in an oil water separator ✓ Never dispose of chemicals into storm water drains

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		workers	✓ Keep lids on your bins or store them in a covered area to prevent the wind blowing waste away ✓ Use a liquid waste contractor to dispose of spent chemicals and other liquid waste. Don't put liquid wastes, such as oily rags or filters, into your waste bins ✓ Avoid storing waste bins on footpaths or property belonging to others ✓ If possible, separate different kinds of waste for easy collection and recycling *Air quality* ✓ Ensure staff keep engine run-time to a minimum ✓ Keep lids on containers of solvent-based chemicals to reduce evaporation ✓ Extract and recycle refrigerants from airconditioning systems and dispose of item legally. ✓ They cannot be released to the atmosphere ✓ Use a damp cloth, mist spray or vacuum device to clean brakes not compressed air ✓ Never modify or tamper with vehicle emission systems *Noise* ✓ Conduct all work inside the workshop to limit noise emissions ✓ Maintain equipment, such as air compressors, to prevent noise ✓ Do not modify vehicles in a manner that might increase noise ✓ Locate noisy equipment away from doors and openings
7	**Poultry – development (Broiler incubator)**	• Feed waste, animal (bird) waste, bird carcasses, sludge treatment plant residues, etc .;	✓ Ensuring the manure(bird droppings) storage in accordance with international regulations (Food and Agriculture Organization (FAO)) to provide the required land area for bird droppings storage; ✓ The use of bird droppings as fertilizer for fields after testing for harmful substances (heavy metals), taking into consideration the standards and the APEAson of application (usually before the beginning of the APEAson of plant growth); ✓ Increasing the efficiency of storage, trans loading and use of feed to minimize losses and waste generation; ✓ Maintaining the feeding system in good working condition to prevent spilling and getting of feed on the ground;

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		• Pollution of surface and underground water; • Atmospheric pollution, including harmful substances, odor and greenhouse gases; • Handling of hazardous materials (antibiotics, hormones, disinfectants)	✓ Provision of structures for bird droppings storage, preventing leakage into surface and underground water (concreting of bottom and walls, installation of double valves); ✓ Reduced use of water for cleaning (use of high pressure nozzles with low flow rate); ✓ Reduction of water consumption and spills during watering of birds by preventing spills and the use of automated watering devices; ✓ Arrangement of waste water treatment into water bodies and sewerage in accordance with the Rules of discharge into the sewerage and on a land configuration. ✓ Ensure the compliance with SPZ for livestock farms, animal farms, breeding nurseries and poultry farms in accordance with national regulations; ✓ Consideration of the possibility of bird droppings composting to reduce odor; ✓ Introduction of balanced nutrition (IFC and FAO recommendations); ✓ Minimizing the surface area of bird droppings during storage; ✓ Cooling of droppings surface (optimum 15°C) and humidity to reduce emissions into the atmosphere; ✓ Introduction of special chemicals for ammonia emissions reduction (IFC and FAO recommendations); ✓ Installation of dust collection systems during dust-creating operations (feed grinding) and general measures to reduce dust (water spraying on access roads); ✓ correction of animal nutrition as recommended in the General Guidelines for Livestock and Poultry Production (2007) ✓ Perform loading and unloading operations, storage and transportation of hazardous materials in accordance with the IFC's General EHS Guidelines; ✓ Minimize the use of hazardous materials using integrated pest and predator control strategy (IFC's Guidelines " Environmental, Health, and Safety Guidelines for Poultry Production ", 2007[52]);

[52] chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.ifc.org/wps/wcm/connect/26828301-873b-4497-99f0-5b7e9123dcfe/Final%2B-%2BPoultry%2BProduction.pdf?MOD=AJPERES&CVID=jkD2FoC

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		• Animal diAPEAses Biosafety Impact on workers and population of the surrounding territories	✓ Use advanced pest control practices (IFC's Guidelines " Environmental, Health, and Safety Guidelines for Poultry Production ", 2007) ✓ To carry out prevention measures, diagnostics of animals and required measures in accordance with the Law of the Republic of Azerbaijan "On Veterinary Medicine" and the IFC's Guidelines on "Occupational Safety and Health " (section 1.1, "Animal DiAPEAses") ✓ Always follow biosafety procedures ✓ Observance of the rules of conduct for all persons in contact with animals on the farm ✓ Selection of individual vaccination programs and vaccines. ✓ Regular disinfection of the farm, equipment and other facilities ✓ Strict control over access to and from the farm ✓ Ensuring the performance of work in accordance with the Labor Code of the Republic of Azerbaijan (1999), *Law of the Republic of Azerbaijan "About Employment"* (2018) and stud bulls" and the IFC's Guidelines on "Occupational Health and Safety " (2007), (Section 1.2 and 1.3)
8	**Poultry – production, meat processing**	• Solid waste and by-products;	✓ Separation of high-risk materials (HRM) from carcasses before processing of the latter into commercial by-products[53]; ✓ Disposal of HRM in accordance with the national procedure or IFC Guidelines (specialized high-temperature furnaces)[54]; ✓ The use of recyclable solid waste for subsequent use in the manufacture of clothing, feed for animal, but another kind; ✓ Disposal of unused solid waste in specialized high-temperature furnaces or biogas units ✓ Storage of sick and dead animals, their utilization shall be made in strict accordance with the Law of the Republic of Azerbaijan "On Veterinary Medicine" (2005) and the IFC's Guidelines on "" Environmental, Health, and Safety Guidelines for Poultry Production ", 2007" (section 1.1 "Environmental Protection. Recyclable Solid Livestock Waste"

[53] The definition of HRM is presented in the IFC's Guidelines on "Occupational Safety and Health for Livestock", section 1.1 "Environmental Protection"
[54] Guidelines for the environment, health and safety protection. Poultry. IFC, 2007

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		• Waste water; • Air emissions (odor, dust); • Resource consumption • Impact on workers (EHS) • Impact on population (EHS)	✓ Ensure the rational use of water in the production process in accordance with the IFC's General EHS Guideline (2007); ✓ Ensure the collection and treatment of waste water in accordance with national requirements and the IFC's Guidelines on "Occupational Safety and Health (section 1.1 "Environmental Protection. Waste Water") ✓ Ensuring the location of meat processing enterprises in accordance with GOST 17.2.3.01-86. Atmosphere. Rules of air quality control in residential areas. 1986, SanPIN 17 "Sanitary rules and regulations for the protection of atmospheric air", ; ✓ Use of the recommendations on odor and dust reducing given in the IFC's Guidelines on "Occupational Safety and Health " (section 1.1 "Environmental Protection. Air Emissions") ✓ Improvement of the energy efficiency of livestock enterprises in accordance with the IFC's Guidelines on "Occupational Safety and Health for Poultry Production" (section 1.1 "Environmental Protection. Energy Consumption") ✓ Ensuring the performance of work in accordance with the Labor Code of the Republic of Azerbaijan (1999), *Law of the Republic of Azerbaijan "About Employment"* (2018) and the IFC's Guidelines on " Environmental, Health, and Safety Guidelines for Poultry Production ", Occupational Safety and Health " (2007), (Section 1.2 and 1.3) ✓ Use veterinary medicines only in accordance with the Law of the Republic of Azerbaijan "On Veterinary Medicine" and the IFC's Guidelines on "Occupational Safety and Health for Poultry Production" (section 1.3 " Health and Safety of the Local Population");
9	**Small sewing shops -** functioning	• Surface /ground water pollution • Atmospheric air pollution	✓ Approval of environmental standards for water in accordance with the national standards ✓ Prevention of discharge of waste water into the sewerage, open reservoirs or on a land configuration not conforming to the established Rules of discharge into the sewerage and on a land configuration. ✓ Timely compensation payments for discharges into sewer networks ✓ Ensuring the compliance of emissions from workshops into the air with national requirements Decision of the Cabinet of Ministers of RA # 63 dated 15 April 2002 on the “Rules of the implementation of atmospheric air

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS

		• Noise pollution
		• Vibration
		• Waste generation
		• Safety precautions for workers
		• Impact on workers (EHS)
		  ○ Severity and intensity of work processes,
		  ○ Insufficient illumination,
		  ○ Microclimate
			protection by the legal entities being a source of hazardous chemical, biological and physical impact on atmospheric air".
			✓ The premises shall have a mechanical general exchange supply and exhaust ventilation, designed for the effective removal of cotton fiber dust.
			✓ The air removed from the shops shall be cleaned in dust collectors before being released into the atmosphere.
			✓ The noise level in the workplace shall not exceed the allowable values according to "Norms of vibration and noise contaminations that can have a negative impact on the environment and human health" Order of President of RA # 796 dated July 8,"
			✓ For sewing machine operator and masters the level of the total production noise in workplace shall not exceed 70 dB. In case of excess - use Personal Protective Equipment (PPE)
			✓ The level of vibration in the workplace shall not exceed the allowable values according to Norms of vibration and noise contaminations that can have a negative impact on the environment and human health" Order of President of RA # 796 dated July 8," and GOST 12.1.012-90. SSBT. Vibration safety. General requirements (whole-body low-frequency vibration registered on the cover of sewing tables)
			✓ Separation of waste into recyclable and non-recyclable;
			✓ Sale of recyclable waste to the relevant organizations;
			✓ Timely disposal of non-recyclable waste at municipal landfills;
			✓ Avoidance of waste storage outside the shop territory
			✓ Ensuring the performance of work in accordance with the Labor Code of Azerbaijan , the Order of the Minister of Labor and Social Protection of the Population of the Republic of Azerbaijan "On approval of labor protection rules for workers of knitting and sewing manufacture" (and IFC's General Guidelines on "Occupational Safety and Health" (2007)
			✓ The same as for the impact on the workers in the weaving shop (paragraph 3b)

10	**Rehabilitation of existing buildings / facilities**	Construction-related, localized dust, noise, and traffic impacts, debris	-Use of protective gear, proper disposal of construction debris and general solid waste.

	PROPOSED TYPES OF SUBPROJECTS	EXPECTED ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS	MEASURES TO PREVENT/MITIGATE NEGATIVE IMPACTS
		management, worker health and safety including risk of COVID-	- Application of Environmental Requirements and OHS Requirements for contractors including commitment to the Minitry of Ecology (MENR) and Ministry of Health and WHO guidelines regarding protection measures from Covid-19 Epidemic DiAPEAse including but not limited to: social distancing between workers, in the event of an outbreak, an emergency response plan is in place and project-related staff and contractors provided with training to implement the plan - provision of full PPE for workers including face mask, orientation for workers about how to deal with different issues during works
11	**Tourism**	- Degradation of natural and physical integrity due to upgrading of tourist facilities and/or increased pedestrian or vehicular traffic - Damage to the natural habitat and wildlife due to poor management practices in the eco-tourism facility - Damage to the natural habitat and wildlife due to poor management practices in the eco-tourism facility	-Consult local authorities on measures to be included in the design and management to minimize any negative impacts. - Ensure that the location and design of the upgraded facility is non- obtrusive and integrates safety, sanitation, waste management, etc. - Ensure that the tourism facility will not use illegal fuelwood or timber or any other forest product. - Ensure that the tourism facility has an efficient waste management system which includes: segregation of non-degradable wastes and their possible resale or disposal in a designated landfill site; and, composting of biodegradable wastes. - Report any illegal activity damaging/threatening the natural habitat/wildlife by the visitors to the appropriate authorities - Train all tourist staff in sustainable management and use of tourist resources - Application of Environmental and Health and safety including Guidelines for contractors including commitment to the Ministry of Health and WHO guidelines regarding protection measures from Covid-19 Epidemic DiAPEAse as mentioned above

Annex 7. Principles of IPM, Use and Handling Pesticides

Principles of the Integrated Pest Management.[55] The primary aim of pest management is to manage pests and diAPEAses that may negatively affect production of crops so that they remain at a level that is under an economically damaging threshold. Pesticides should be managed to reduce human exposure and health hazards, to avoid their migration into off-site land or water environments and to avoid ecological impacts such as destruction of beneficial species and the development of pesticide resistance. One important strategy is to promote and facilitate the use of Integrated Pest Management (IPM) through preparation and implementation of an Integrated Pest Management Plan (PMP). The IPM consists of the judicious use of both chemical and nonchemical control techniques to achieve effective and economically efficient pest management with minimal environmental contamination. IPM therefore may include the use of: a) Mechanical and Physical Control; b) Cultural Control; c) Biological Control, and d) rational Chemical Control. Although IPM emphasizes the use of nonchemical strategies, chemical control may be an option used in conjunction with other methods. Integrated pest management strategies depend on surveillance to establish the need for control and to monitor the effectiveness of management efforts.

Alternatives to Pesticide Application. Where feasible, the following alternatives to pesticides should be considered:

- Rotate crops to reduce the presence of pests and weeds in the soil ecosystem;
- Use pest-resistant crop varieties;
- Use mechanical weed control and / or thermal weeding;
- Support and use beneficial organisms, such as insects, birds, mites, and microbial agents, to perform biological control of pests;
- Protect natural enemies of pests by providing a favorable habitat, such as bushes for nesting sites and other original vegetation that can house pest predators and by avoiding the use of broad-spectrum pesticides;
- Use animals to graze areas and manage plant coverage;
- Use mechanical controls such as manual removal, traps, barriers, light, and sound to kill, relocate, or repel pests.

Pesticide Application. If pesticide application is warranted, users are recommended take the following actions:

- Train personnel to apply pesticides and ensure that personnel have received applicable certifications or equivalent training where such certifications are not required;
- Review and follow the manufacturer's directions on maximum recommended dosage or treatment as well as published reports on using the reduced rate of pesticide application without loss of effect, and apply the minimum effective dose;
- Avoid routine "calendar-based" application, and apply pesticides only when needed and useful based on criteria such as field observations, weather data (e.g. appropriate temperature, low wind, etc.),
- Avoid the use of highly hazardous pesticides, particularly by uncertified, untrained or inadequately equipped users. This includes:
- Pesticides that fall under the World Health Organization Recommended Classification of Pesticides by Hazard Classes 1a and 1b should be avoided in almost all cases, to be used only when no practical alternatives are available and where the handling and use of the products will be done in accordance with national laws by certified personnel in conjunction with health and environmental exposure monitoring;
- Pesticides that fall under the World Health Organization Recommended Classification of Pesticides by Hazard Class II should be avoided if the project host country lacks restrictions on distribution and use of these chemicals, or if they are likely to be accessible to personnel without proper training, equipment, and facilities to handle, store, apply, and dispose of these products properly;
- Avoid the use of pesticides listed in Annexes A and B of the Stockholm Convention, except under the conditions noted in the convention and those subject to international bans or phase

[55] This section is based on the World Bank Group in the Environmental, Health, and Safety Guidelines prepared in 2007.

outs;

- Use only pesticides that are manufactured under license and registered and approved by the appropriate authority and in accordance with the Food and Agriculture Organization's (FAO's) International Code of Conduct on the Distribution and Use of Pesticides;
- Use only pesticides that are labeled in accordance with international standards and norms, such as the FAO's Revised Guidelines for Good Labeling Practice for Pesticides;
- Select application technologies and practices designed to reduce unintentional drift or runoff only as indicated in an IPM program, and under controlled conditions;
- Maintain and calibrate pesticide application equipment in accordance with manufacturer's recommendations. Use application equipment that is registered in the country of use;
- Establish untreated buffer zones or strips along water sources, rivers, streams, ponds, lakes, and ditches to help protect water resources;
- Avoid use of pesticides that have been linked to localized environmental problems and threats.

The national pesticide registration list should be also followed.

Pesticide Handling and Storage. Contamination of soils, groundwater, or surface water resources, due to accidental spills during transfer, mixing, and storage of pesticides should be prevented by following the hazardous materials storage and handling recommendations. These are the following:

- Store pesticides in their original packaging, in a dedicated, dry, cool, frost-free, and well aerated location that can be locked and properly identified with signs, with access limited to authorized people. No human or animal food may be stored in this location. The store room should also be designed with spill containment measures and sited in consideration of potential for contamination of soil and water resources;
- Mixing and transfer of pesticides should be undertaken by trained personnel in ventilated and well lit areas, using containers designed and dedicated for this purpose.
- Containers should not be used for any other purpose (e.g. drinking water). Contaminated containers should be handled as hazardous waste, and should be disposed in specially designated for hazardous wastes sites. Ideally, disposal of containers contaminated with pesticides should be done in a manner consistent with FAO guidelines and with manufacturer's directions;
- Purchase and store no more pesticide than needed and rotate stock using a "first-in, first-out" principle so that pesticides do not become obsolete. Additionally, the use of obsolete pesticides should be avoided under all circumstances; a management plan that includes measures for the containment, storage and ultimate destruction of all obsolete stocks should be prepared in accordance to guidelines by FAO and consistent with country commitments under the Stockholm, Rotterdam and Basel Conventions.
- Collect rinse water from equipment cleaning for reuse (such as for the dilution of identical pesticides to concentrations used for application);
- Ensure that protective clothing worn during pesticide application is either cleaned or disposed of in an environmentally responsible manner
- Maintain records of pesticide use and effectiveness.

Pest Management Plan (PMP). The content of the Pest Management Plan should apply to all the activities and individuals working. It should be emphasized also that non-chemical control efforts will be used to the maximum extent possible before pesticides are used. The Pest Management Plan should be a framework through which pest management is defined and accomplished. The Plan should identify elements of the program to include health and environmental safety, pest identification, and pest management, as well as pesticide storage, transportation, use and disposal. Management Plan is to be used as a tool to reduce reliance on pesticides, to enhance environmental protection, and to maximize the use of integrated pest management techniques.

The Pest Management Plan shall contain pest management requirements, outlines the resources necessary for surveillance and control, and describes the administrative, safety and environmental requirements. The Plan should provide guidance for operating and maintaining an effective pest management program/ activities. Pests considering in the Plan may be weeds and other unwanted vegetation, crawling insects and other vertebrate pests. Without control, these pests provoke plants' deceases. Adherence to the Plan will ensure effective, economical and environmentally acceptable pest management and will maintain compliance with pertinent laws and regulations.

Reviewing and approving Pest Management Plan. A PMP should be prepared in all cases of direct purchasing and usage of pesticides by all subprojects beneficiaries. The draft PMP should be reviewed by the Grant officers as well as by the PIU environmental specialist, who will provide its approval. These documents are also subject to WB prior review for the first two such types of subprojects from the each PFI.

Recommended modules for Pest management trainings. Pest management Plan can include the training activities organized either broadly throughout the project districts or in some particular district of bigger importance. The recommended modules are the following:

- Basic concepts of the integrated method of plant and animal protection;
- Alternatives to the use of pesticides, training of workers in their use, and the application of the minimum effective dose;
- Study of pests, entomophages, their biology, microbiological preparations and the role of biological factors in the regulation of pest numbers;
- Compliance with the environmental requirements of the pest control system, crop diAPEAses and weeds. Description of environmental measures to ensure the conservation and enhancement of the crop;
- Requirements for environmental and industrial safety in the storage, transportation and use of pesticides;
- Selection of technologies and applications to reduce unintentional emissions or chemical diversions, in accordance with the provisions of the integrated plant pest management program under controlled conditions, compliance with international and local environmental safety standards and standards;
- Templates of the Environmental and Social Management Plan (using the experience of other WB projects) as well as plans for combating agricultural pests.

Annex 8. Recommended Structure of a Pest Management Plan

Following review of the Environment Screening Checklist submitted by the applicant for a sub-project loan, the Grant Manager Officer and/or PIU Environmental Specialist will determine if the applicant needs to prepare a PMP. This determination would be made on the basis of toxicity of the pesticides to be used and the environmental risks posed by the activity. When, a determination is made that a PMP is to be prepared by the sub-project loan applicant, a two stage process would be applied towards the preparation of the PMP.

Stage A: Additional Information Request

The applicant would provide the following information:

1. Types and application of pesticides
   - (i) What are the pesticides that are to be purchased, including name of product, type of formulation, concentrations of the active ingredient?
   - (ii) Where are the pesticides to be purchased from, including name of store and location?
   - (iii) What are the quantities of pesticides to be purchased and the package sizes and quantities in each package?
   - (iv) What type of equipment is to be used to apply the pesticides
   - (v) Are applicators trained in the proper and safe use of the pesticides?
2. Purpose and appropriateness of pesticides
   - (i) What crops to you plan to use the pesticide?
   - (ii) What pests and/or diAPEAses are to be controlled by the pesticide?
   - (iii) What non-chemical pest control measures have been used in the past to control the pests and/or diAPEAses mentioned in (ii) above?
   - (iv) How often is the pesticide to be applied and in what quantities in any given application?
   - (v) How will the timing of the application of the pesticide be decided?
   - (vi) Have you been trained or received advice on non-chemical pest control or integrated pest control (IPM)?
   - (vii) If not trained, how do you plan to obtain assistance, advice or training in pesticide application quantities and methods; calibration of spraying equipment; use of protective gear; storage and disposal methods, etc.
3. Handling, storage and disposal of pesticides
   - (i) How will the pesticides be transported to the project site?
   - (ii) Where will the pesticides be stored in the farm?
   - (iii) Will the storage location of the pesticide be secured / locked and who will have access to these stores?
   - (iv) How will animals, children and unauthorized persons be excluded from access to the storage areas?
   - (v) Where will mixing of pesticides happen and what precautions will be taken to keep the storage and pesticide mixing areas away from grain stores and production areas?
   - (vi) How will excess unused and mixed pesticide products be disposed of?
   - (vii) How will empty pesticide containers be disposed of?
   - (viii) How will pesticide records in terms of purchase, use and disposal be maintained?

4. Environmental Aspects
   - (i) Are pesticide application areas near water bodies, wetlandhfields or areas of known natural habitats?
   - (ii) Are there know natural pollinators found in the vicinity of the application areas? If so what precautions would be used to ensure that non-target beneficial species are not harmed?

Stage B: Preparation of Pest Management Plan

Based on the information provided by the subproject loan applicant, the PFI Loan Officer (if necessary, in consultation with PIU Environmental Officer) will identify the risks associated with the application of the pesticide and the more important and most practical mitigation measures that need to be applied, including any complementary measures using non-chemical control measures. The PFI Loan Officer will advise the applicant on the scope and nature of the PMP to address potential

impacts of the subproject activities. If needed, the PFI Loan Officer and/or PIU Environmental Specialist can advise the loan applicant on professional services that could be obtained for completion of the subproject specific PMP. Typically the outline of the PMP would be the following:

(a) *Purpose of Activity* provides information on extent and severity of pest and diAPEAses in the crops to be grown

(b) *General Information of Area* which should provide data on land use and soil, water resources, layout of facilities, etc.

(c) *Review of Existing Pest Management Practices and Capacity* which should provide data on current practices (chemical and non-chemical) in control of the particular pests and diAPEAses, constraints and track record and extent to which pest and diAPEAses of fruit and agricultural crops have been managed and controlled; and reasons for enhanced pesticide applications through the proposed subproject loan.

(d) *Types, amounts and application of Pesticides* provides information on the types, amounts and nature of the pesticides to be purchased and used and the current and proposed handling, application, storage and disposal methods for the pesticides

(e) *Capacity, training and knowledge of the safe application and use of pesticides* provides information on existing knowledge and capacity of staff and personnel in the safe use and application of pesticides and identification of gaps in training and knowledge for improving capacity.

(f) Potential risks and hazards associated with application and use of pesticides in subproject loan would provide information on the environmental and human health impacts associated with the handling, application, storage and disposal of pesticides under the subproject loan, including potential impacts on non-target beneficial species, soil and water and natural habitats.

(g) Mitigation Measures to avoid and manage potential pesticide impacts that would provide information on the following:

- Mechanical and physical control, cultural and biological control measures, if any that can be used in conjunction with or without pesticide applications to suppress or reduce the severity of the target pest or diAPEAse to be controlled;
- Chemicals and chemical procedures that will be used to control pests and diAPEAses, conditions under which the chemicals will be used, including climatic conditions, vegetation conditions, timing of applications, to improve the effectiveness of the pesticide and reduce its environmental impacts as well as specific measures to be employed to protect sensitive ecosystems, aquatic systems and ground water;
- Management of health and safety aspects that would define measures to ensure safe handling, transport, application, storage and disposal of pesticides so as to reduce environmental and health risks;
- Measures that would be introduced for public safety and protection during pesticide applications;
- Measures to track and monitor pesticide use and effectiveness in controlling desired pests; Measures to be undertaken to create awareness, improve information flow and improve capacity of farm workers on the hazards on the unsafe use, handling and storage of pesticides and measures for reducing such risks, as well as options for integrated pest management;
- Measures to be taken to obtain technical support for pest management and safe use and
- application of pesticides, when necessary; and
- Budget estimate for implementation of the PMP.

Health and Safety. By definition, pesticides are poisons, but the toxicity and hazards of different pesticide compounds vary greatly and might be different from organism to organism. Pesticide hazard depends not only on the toxicity, but also on the chance of exposure to toxic amounts of the pesticide. Pesticides can enter the body through oral ingestion, through skin, or through inhalation. There are a number of safety precautions that should be taken when manufacturing, transport, application, storage and handling of pesticides.

Annex 9. Recommended measures to control the potential risks with chemical fertilizer use

Typical hazards associated with chemical fertilizer use and remedial measures: Similarly, as in the case of the usage of pesticides, fertilizer usage may provide important benefits to horticulture development, but they also pose certain risks associated with accidental exposure of environment and of farmers during their inappropriate handling and usage. To ensure minimization of hazards associated with inappropriate handling, storage and usage of mineral fertilizers, a number of measures can be employed. The Table 16provides information about typical hazard scenarios that that may arise in conjunction with the procurement, handling and storage of fertilizers as well as the recommended measures to control the potential risks.

Table 16. Fertilizer Control Strategy

Likely Hazard Scenario	Recommended Control Strategy
Spillage	• Ensure all storage areas and/or facilities are secure and appropriate. • Ensure all fertilizer products can be contained within the storage area and/or facility selected • Provide appropriate equipment and materials to clean up a spillage
Transportation and delivery of goods	• Cover any loads of fertilizer products whilst in transit • Ensure that deliveries of fertilizer products are made at appropriate times • Do not accept any containers of fertilizer products that are damaged and/or leaking. • Ensure that any spillages that occur during delivery are cleaned up appropriately.
Drift of dust from storage areas and/or facilities	• Keep fertilizer products covered and/or APEAled • Clean up spillages promptly • Keep “in use” stocks to the minimum required • Staff responsible for storage areas and/or facilities to ensure that the drift of dust beyond the perimeter is kept to a minimum.
Storage areas - Floors	• Keep floor surfaces swept clean of fertilizer to prevent tracking by people and/or vehicles beyond the perimeter. • Sweep up and dispose of spillages in a timely and appropriate manner
Cross contamination of product	• Keep each fertilizer product will in a separate storage container and/or position within the facility and/or area.
Confusion of Product	• Maintain an accurate storage manifest/register. • Keep products and blends are segregated at all times. • Ensure all storage bays and bins are clearly labeled. • Ensure all storage, loading and blending plant and equipment is cleaned from all residues when changing from one product to another. • Do not store product in bags that are not correctly stamped
Occupational Health and Safety	• Contact between fertilizer products, people and livestock will be minimized.
Risk Assessments	Risk Assessments are required to be conducted on the procurement, storage and handling of fertilizer products.

Contact with people and livestock	• Managers will develop, implement and monitor the effectiveness of hazard management procedures • All persons using fertilizer products are to adhere to the hazard management procedures and adopt safe working practice and ensure that direct contact with fertilizer and the inhalation of fertilizer dust is minimized.

Annex 10. Social Security Provisions In The Constitution Of Azerbaijan

Relevant articles:
Article 16 – Social development and state
Azerbaijani state takes care about improvement of prosperity of all people and each citizen, their social protection and proper living conditions.
Azerbaijani state participates in development of culture, education, public health, science, arts, protects environment, historical, material and spiritual heritage of people.

Article 17 – Family, Children and State
Family as a basic element of society is under special protection of the state.
Parents must take care of their children and their education. The state controls implementation of this responsibility.
III. Children who do not have parents or guardians and are deprived of parental care are under the protection of the State.
…
1. The State implements children's rights.

Article 34. Right for marriage
…
III. Family and marriage are protected by state. Maternity, paternity and childhood are protected by the law. The state provides support to large families.
…
Article 35 – Right to work
…
VII. Unemployed persons have the right to receive social allowances from the state.
…
Article 38 – Right for social protection
1. Everyone has the right for social protection.
2. Most vulnerable persons must get support, in the first place, from members of their families.
III. Everyone has the right for social protection on reaching specific age according to legislation, in case of illness, disability, loss of bread-winner in the family, due to unemployment and in other cases envisaged by legislation.
1. Minimum sum of pensions and social allowances is specified by law.
2. The state creates possibilities for development of charitable activity, voluntary social insurance and other forms of social protection.
Article 41 – Right for protection of health
1. Everyone has the right for protection of his/her health and for medical care.
2. The state takes all necessary measures for development of all forms of health services based on various forms of property, guarantees sanitary-epidemiological safety, creates possibilities for various forms of medical insurance.
III. Officials concealing facts and cases dangerous for life and health of people will bear legal responsibility.
Article 94 – General rules established by Milli Majlis of the Azerbaijan Republic
1. Milli Majlis of the Azerbaijan Republic establishes general rules concerning the following matters:
2. use of rights and liberties of a person and citizen specified in the present Constitution, state guarantees of these rights and liberties;
…
16. labor relationships and social maintenance;
…
Article 109. Competence of the President of the Azerbaijan Republic
…
3. approves state economic and social programs;
…
Article 119. Authority of Cabinet of Ministers of the Azerbaijan Republic

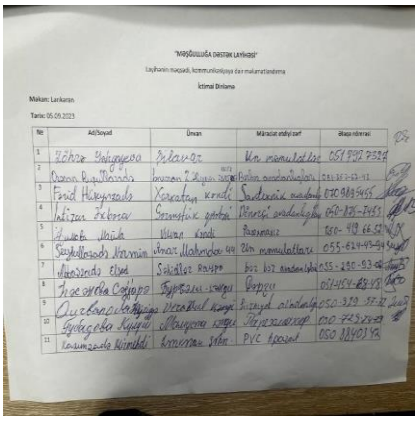
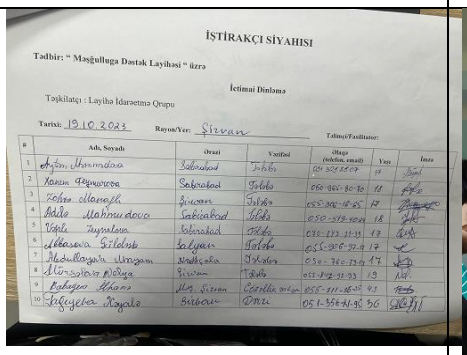
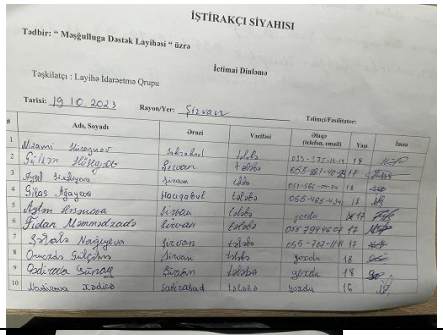
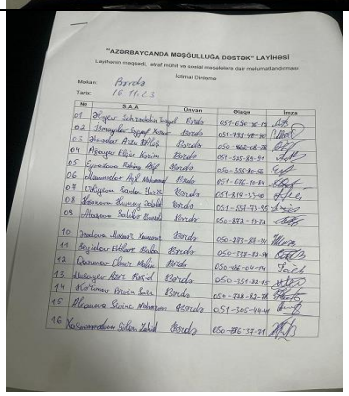
Cabinet of Ministers of the Azerbaijan Republic:
provides implementation of state social programs;
…
Article 144. Authority of municipalities
1. The following questions are settled at the meetings of municipalities:
…
7. acceptance and implementation of local programs of social protection and social development;

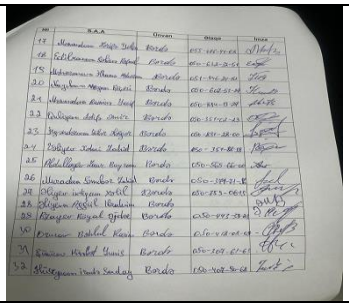
Annex 11. Grievance Form

Grievance Form			
Grievance reference number (to be completed by GRM Focal Point):			
Contact details (may be submitted anonymously)	Name (s):		
	Address:		
	Telephone:		
	Email:		
How would you prefer to be contacted (check one)	By mail/post: ☐	By phone: ☐	By email ☐
Provide details of your grievance. Please describe the problem, which it happened to, when and where it happened, how many times, etc. Describe in as much detail as possible.			
What is your suggested resolution for the grievance, if you have one? Is there something you would like Employment Services Center or another party/person to do to solve the problem?			
How have you submitted this form to the project?	Website ☐	email ☐	In person ☐
	By telephone ☐	By post ☐	Other (specify) ☐
Who filled out this form (If not the person named above)?	Name and contact details:		
Signature			

To be filled by GRM Focal Point			
Name of Focal Point person assigned responsibility			
Resolved or referred to GRC1?	☐ Resolved	☐ Referred	If referred, date:
Resolved referred to GRC2?	☐ Resolved	☐ Referred	If referred, date:
Completion			
Final resolution (briefly describe)			
	Short description	Accepted? (Y/N)	Acknowledgement signature
1st proposed solution			
2nd proposed solution			
3rd proposed solution			

Annex 12. Minutes of public meetings

#	Location	Date	Participants	Photos	Key issues delivered to participants and outcomes
1	Lankaran, The Center named after H.Aliyev Center	05.09 2023			World Bank Environmental and Social standards applicable to the program activities; Stakeholder Engagement Plan and Laboure Management Procedures, project Communication strategy. Participants were interested in conditions for participation in ESP, conditions for participation at vocational trainings, taxes to be paid for startup business, proposed list of assets and its specifications.
2	Shirvan DOST Centre	19.10,. 2023	 		World Bank Environmental and Social standards applicable to the program activities; Stakeholder Engagement Plan and Laboure Management Procedures, project Communication strategy. Participants were interested in conditions for participation in ESP, APEA scoring system for registration of applicants to ESP project, expressed concerns related with delay of delivery of assets, taxes necessary paid for start up business, proposed list of assets and its specifications.
9	Barda, Karabakh Vocational Training Centre	13.04. 2023			Project Communication Strategy was World Bank Environmental and Social standards applicable to the program activities; Stakeholder Engagement Plan and Laboure Management Procedures, project Communication strategy. Participants were interested in conditions for participation in ESP, APEA scoring system for

						registration of applicants to ESP project, expressed concerns related with delay of monitoring visits which should be conducted by APEA prior to selection of participants of ESP.

Annex 13. Monitoring visit form of the PIU

Region:_____ **Date**_____

1. Name, surname, and taxpayer identification number (TIN) of the beneficiary:		
2. Contact information of the beneficiary:		
3. Beneficiary adress:		
4. Name of the asset:	**5. When did start to work ? [day/month/year]:** __ / __ / _____	
6. Has the asset been delivered?	□ **Yes**	□ **No**
7. Has the asset been set up?	□ **Yes**	□ **No**
8. Has the final monitoring been conducted?	□ **Yes**	□ **No**
9. Estimated monthly income of the beneficiary (if employed)?		
10. Is there any note regarding the beneficiary's current business?"		
□ **No**	□ **Yes**	**If your answer is "Yes," please kindly list the relevant topics below:**
11. Is there any problem(s) related to the management of the asset? (Please describe accurately)?		
12. Tasks to be undertaken for the resolution of the problems:		
13. What is the current condition of the given asset?		
□ **Good**	□ **Moderate**	□ **Poor**
14. Are the rules of occupational safety observed during the project implementation? □ **Yes**	□ **No**	
15. Are personal protective equipment (such as safety glasses, respirator masks, gloves, etc.) used during the work process? □ **Yes**	□ **No**	
16. Is proper waste management adhered to during operations? □ **Yes**	□ **No**	
17. Are the cases of individuals under the age of 15 being employed observed during business activities? □ **Yes**	□ **No**	
18. Are the cases of causing inconvenience to the surrounding community during business activities observed? □ **Yes**	□ **No**	
19. Final notes (if any):		
20 Prepared by:	**Signature**:	