The Social Assessment Process in Post-Conflict Reconstruction in Azerbaijan: A User’s Perspective

Jonathan C. Brown
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A User’s Perspective

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Dedicated to the memory of Professor Ahmed Musayev,
Sorgu Sociological Research Center, Azerbaijan
1949–1997

and

Salem Ouahes, Senior Power Engineer,
Europe and Central Asia Energy Department, World Bank
1943–1997

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## Acronyms and Abbreviations

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<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tr>
<td>ARRA</td>
<td>Azerbaijan Reconstruction and Rehabilitation Agency</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>IAG</td>
<td>International Advisory Group</td>
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<td>IDPs</td>
<td>internally displaced people</td>
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<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
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<tr>
<td>PPF</td>
<td>Project Preparation Facility</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNHCR</td>
<td>United Nations High Commission for Refugees</td>
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Executive Summary

"The way we listen will affect how we conduct the music."

-- Susan Davenny Wyner
        orchestra conductor

In July 1998 a number of donors—The European Union (EU), UNDP, UNHCR, and the World Bank—approved $50 million in financing to assist Azerbaijan with the first phase of a resettlement and reconstruction program for the liberated areas around Nagorno-Karabakh. Instrumental in identifying the program’s investment components and institutional framework was a process of social assessment that had begun several years before, using a variety of techniques to assess stakeholder views. This paper illustrates the impact of the social assessment process on the resettlement and reconstruction program, including:

- The content of the program, the process by which it was established, and the social development and participation issues on which it focused
- The institutional issues, including mechanisms for consultation among key stakeholders
- The establishment of mechanisms for stakeholder participation during program preparation and those envisaged for the implementation phase
- The establishment of program monitoring and evaluation indicators, including social impact assessment
- The reaction of key stakeholders, including beneficiaries, the government of Azerbaijan, the major international donors, local and international nongovernmental organizations, and other representatives of civil society.

The social assessment process had a major influence in the following areas:

- Resettlement (the reintegration of internally displaced people into their home areas along with short-term aid) and reconstruction (assistance to permit medium- to long-term sustainability through rebuilding physical and social infrastructure and supporting income generation opportunities) have traditionally been handled separately, often by different donors. These were combined into one overall program to reflect the stated needs of the target population.
- The program was launched in areas
where the security situation permitted before there was a comprehensive agreement ending the conflict because of the desperate situation of internally displaced people in their temporary homes and the wishes of almost all of them to return to their homes as soon as possible.

- The program’s content was based on the hierarchy of needs as identified through beneficiary surveys, rather than on the initial views of government and of the donors, with priority in descending order of importance given to:
  1. physical security, including demining activities
  2. provision of housing, food, and income generation possibilities
  3. access to a minimum level of physical and social infrastructure across a broad range of subsectors.

- Within the program, the initial emphasis on reconstruction of buildings was changed to provide equal priority to the provision of equipment, supplies, and materials for operations, recurrent cost financing, and training and capacity building.

A number of areas that the social assessment process identified will continue to be important during program implementation:

- A continuous process of stakeholder consultation and participation
- The development of detailed social impact monitoring to assess program outcomes
- The degree of cost recovery that is reasonable to pay for public support of rebuilding private assets, especially for housing and agriculture, and for providing support services in areas where other segments of the population of Azerbaijan are beginning to pay part, or all, of the costs, as in education, health, and public utilities.

The social assessment process in Azerbaijan has a number of lessons that go beyond this case study. This process:

- Is an effective, rapid, and low-cost means of improving the quality of projects by ensuring that the views of stakeholders, including beneficiaries, are considered in project design, preparation, and implementation
- Needs to be done in a systematic, quantified manner by professionals to ensure that the results are faithful to stakeholders’ views, and at the same time respond to the requirements of donors who are considering providing money for investment projects
- Must have support in government and in the donor community, including NGOs, to ensure that it is used effectively
- Should be evaluated along with traditional economic, financial, technical, institutional, and environmental criteria to come up with judgments about what should be funded and how
- Represents a sharing of power between affected people, who are in need, and officials in government, the donor community (including international NGOs), and civil society, who have power. A good social assessment process provides the opportunity for all the stakeholders to move forward together, listening and learning, advocating and compromising, assessing and acting.
1. Introduction

The primary motivation for donors becoming involved in post-conflict reconstruction should be to assist people to reestablish their lives in a sustainable way within a framework of supportive institutions. Soliciting the views of the affected people on the nature of the post-conflict society and on what they need to create such a society would seem to be a natural and vital part of the process by which donors establish their assistance programs. In reality, however, donors do not always listen to the affected people in a quantified, systematic way using professional “interpreters.” And if there is “the act of listening,” peoples’ views are not always “heard.” And even if they are heard, the views are not always acted upon, since donors have a variety of motivations for defining their programs as they do, motivations that are laudable, but also motivations that are mixed with political, economic, commercial, bureaucratic, and, perhaps, even arbitrary considerations. But what happens when the people are listened to? What are the implications for the peoples’ leaders and for the donors? This paper looks at one case of post-conflict reconstruction—in Azerbaijan—and investigates what happens when there is a real attempt to listen to the affected people, to hear what they say, and to act on what is heard. And what lessons can be learned? If the people conduct the orchestra, what music emerges? And will the donors and government buy tickets to the concert?

The social assessment process—the analysis of social development issues and stakeholder views in an action research manner that promotes all actors’ participation—is one of the ways in which donors (and recipient governments) make decisions about what and how to fund investment projects. The results of the social assessment process are not considered in isolation but evaluated together with more traditional economic, financial, technical, institutional, and environmental criteria. The social assessment process is unique, however, in that it attempts to convey in a systematic, quantified way the relative importance of issues for different social groups. In the case of Azerbaijani reconstruction, the social assessment process played an important role for donors, and for the government, in decisionmaking. The author, who is not a social scientist, shared responsibility with other colleagues in the World Bank for shaping the Bank’s response to the post-conflict situation in Azerbaijan and looks at the social assessment process from his “user’s” perspective.

Background

The problem of population displacement in Azerbaijan stems primarily from civil strife.
over the area in and around Nagorno- Karabakh in the late 1980s and early 1990s. Under the former Soviet Union, Nagorno- Karabakh was a semi-autonomous republic near the Azeri-Armenian border. The dominant population group in this area was ethnic Armenian, although there was a substantial Azeri minority as well. In 1992, tensions resulted in ethnic riots in both countries, which led to an exodus of Azeris from Armenia and of Armenians from Azerbaijan. Military conflict caused large-scale population movement as ethnic Azeris left Nagorno-Karabakh and as territories surrounding the original conflict were mined and occupied. Since an ad hoc cease-fire in 1994, an estimated 30,000 internally displaced people (IDPs) returned home to areas around Nagorno-Karabakh that had been liberated by the Azeri military, but about 600,000 IDPs were not able to return to Nagorno-Karabakh or other occupied areas. These IDPs are currently living in temporary homes throughout Azerbaijan, a substantial number in urban areas in the vicinity of Baku, the country's capital and largest city. It is estimated that about 53 percent of the IDPs live in urban areas and the rest in rural areas. The living conditions of the IDPs are often deplorable, despite considerable efforts by the government of Azerbaijan and the international community to provide relief.

As a result of the conflict, large areas of Azerbaijan have been devastated, and the years of occupation and neglect have led to considerable damage to physical and social infrastructure, the environment, and the economy in general. The liberated areas, which run from Fizuli in the south in a crescent to Khanlar in the north and border the occupied areas, suffered various degrees of mining and of damage, from light bombardment to complete devastation, as they were fought over and occupied by opposing forces. By 1996, it was evident that the security situation would permit an additional 36,000 people to return to their original homes in the liberated areas.

The government of Azerbaijan decided at that time to request assistance from the World Bank in preparing a program of support for three target groups in the liberated areas: (a) those who had remained in their homes but whose lives had been disrupted by the conflict and would benefit from improved social and physical infrastructure and income generation activities, (b) the 30,000 IDPs who had already returned to their original homes but needed support in restoring their livelihoods, and (c) part of the 36,000 IDPs living in temporary homes around Azerbaijan who might choose voluntarily to return to their original homes and who required assistance in resettlement and reconstruction to do so.
2. The Social Assessment Process

The Origin

The social assessment process actually began before 1996. In 1994, the government of Azerbaijan and the World Bank were preparing an investment project to rehabilitate the urban water supply production and distribution system in Baku. Part of the project preparation was a social assessment to determine the behavior and views of Baku residents with regard to urban water supply. One element of the social assessment dealt with IDPs, since they constituted an important segment of the urban water supply market. The social assessment, based on qualitative consultations of World Bank social scientist Ayse Kudat and Azeri social scientist Ahmed Musayev, revealed that IDPs were not integrated into the local economy, were dependent on humanitarian assistance, were becoming isolated from the rest of the economy, and, despite the best efforts of government and the international community, were living in very difficult conditions. A focus group meeting with members of the National Women’s Organization (Kadinlar Cemiyeti) from all around Azerbaijan gave numerous examples of widespread destitution among IDPs in general and extremely low morale among those who were injured during the fighting.

In 1995-96, the World Bank carried out a poverty assessment of Azerbaijan that had a special section on the plight of IDPs. The poverty assessment was based in part on a special survey of 450 IDPs conducted by Kudat and Musayev and was complemented by work done by the United Nations High Commissioner for Refugees (UNHCR), the World Food Program (WFP), and nongovernmental organizations. The results confirmed the 1994 indications from the Baku water supply survey and explored in more detail the plight of the IDPs. In a country where poverty was widespread, IDPs represented a disproportionate segment of the “poorest of the poor.” In addition, “the breakdown of income on average among IDP households showed an almost equal weighting of income from employment, aid in cash and from government and NGOs, and from the sale of (personal) assets.”

Since it was not the government’s policy to assimilate IDPs into the rest of Azerbaijan, the only sustainable solution was for IDPs to return to their original homes, beginning with those who could return to the liberated areas. The poverty assessment noted “programs for reconstruction … need to take into account the varying economic bases of each (district).” The poverty assessment, which had input from World Bank staff with experience in post-conflict situations, urged the Bank to move quickly...
on reconstruction and made five recommendations that were important in shaping the Bank's approach:

- Reconstruction of the liberated areas of the Fizuli district as a pilot project
- Investment in income generation and community capacity building to prepare other IDPs still in camps to return home
- A reconstruction needs assessment for IDPs who could return to liberated areas
- Building a base for donor coordination and specifying roles for implementing agencies, donors, and local and national governments
- Establishing a capacity for reconstruction in the Azerbaijani government.

These early social analyses convinced the World Bank that part of its country assistance strategy for Azerbaijan with regard to poverty alleviation should be to investigate what could be done for IDPs. Since humanitarian organizations were supporting IDPs in their temporary camps and since the mandate of the World Bank in the framework of post-conflict situations is to focus on sustainable reconstruction, the World Bank suggested to the Azerbaijani government that a reconnaissance mission be sent to Baku for discussions with the government and donors and, if possible, go to the Fizuli district.

The terms of reference for the reconnaissance mission were: (a) to visit Fizuli, if possible, to determine if the security situation permitted implementation of World Bank-funded activities and, if so, to assess implementation capacity at the district level; (b) to design a needs assessment survey, to be carried out by Azeri social scientists, to obtain in a quantified and systematic way the views of IDPs who had returned to Fizuli, IDPs from Fizuli currently living in camps outside the district, and IDPs in general. This needs assessment would then be used to identify priority sectors to be included in a pilot reconstruction project for potential World Bank funding; (c) to explore possible partnerships with local and international organizations interested in reconstruction; and (d) to discuss with the government lessons learned by the Bank on reconstruction in other countries, in particular preparing reconstruction programs to attract donor financing and establishing reconstruction institutions. One of the members of the three-person Bank team was a social scientist, Steve Holtzman, who at the time was involved in writing a new World Bank policy paper on the social dimensions of post-conflict reconstruction.

The July 1996 Reconnaissance Mission

The July mission began its work in Baku with meetings with the government, which was extremely interested in moving forward with a reconstruction program in Fizuli and wanted very specific advice on establishing a reconstruction agency—the government indicated that it wanted the agency created through a presidential decree within two weeks. The Bank mission also explicitly set out to see as many stakeholders as possible involved in providing assistance to IDPs, especially in Fizuli. This task was facilitated by UNHCR, which organized a group meeting with U.N. specialized agencies and local and international NGOs. The group meeting revealed the difficulties these agencies were having in gaining regular and effective access to Fizuli, which was administered by an ad hoc combination of military and civilian authorities with a permit system for nonresidents, including...
The Bank mission, accompanied by a deputy prime minister, along with representatives of the donors and of international and local NGOs, visited Fizuli and two other districts and confirmed that access, even in seemingly secure areas, was a problem because of the way the permit system was implemented. The government recognized this problem, and access improved substantially over the next few months, albeit with ups and downs.

By the end of the July mission, the following had been accomplished:

- **Reconstruction agency.** The Azerbaijan Reconstruction and Rehabilitation Agency (ARRA) was established by presidential decree outside the normal governmental bureaucratic structure to ensure flexibility in recruitment and operations. ARRA was placed under the supervision of a deputy prime minister with direct access to the head of state. ARRA was designed with its clients in mind. Its supervisory board was composed of all key government stakeholders as well as representatives of local nongovernmental organizations, apparently the first time that local NGOs had a direct role in such an organization in Azerbaijan. The presidential decree also established an International Advisory Group (IAG) to be chaired by the European Union, UNDP, and the World Bank with open membership to donors and international NGOs. This was a formal forum for international NGOs to express their views to the government and the donor community. ARRA’s mandate was to prepare and coordinate the preparation and implementation of a resettlement and reconstruction program. The organizing decree did not solve the overlap of responsibility for the physical resettlement of IDPs between ARRA and a state committee for IDPs that coordinated humanitarian assistance. ARRA’s internal organization was headed by a director general with departments for program planning and for implementation. It was considered important for ARRA to gain experience rapidly in implementing projects financed by different donors, given the wide range of procedures and systems of accountability donors use.

- **Needs assessment.** Local social scientists, led by Musayev, were hired to undertake a needs assessment as an input into identifying priorities for a pilot project in Fizuli and as a key part of the social assessment process. The needs assessment began with a household survey of 500 respondents, later increased by 1,000, supplemented by focus group discussions to follow up on some of the main findings of the quantitative data collected in the household surveys. National NGOs were involved by Musayev in the needs assessment.

- **Coordination.** The task of coordinating the donor community was left to the resident representatives of the UNDP and the World Bank. Among the donors, effective coordination was hampered by the fact that the UNDP and the World Bank believed in supporting ARRA as
the appropriate institution for coordinating planning and implementation of resettlement and reconstruction, while some other donors and NGOs preferred to work directly with government ministries and local representatives. This was understandable, since ARRA had to prove itself as an effective and transparent agency. In addition, one major donor was proscribed by its nation’s legislation from dealing with any Azeri government agency for “non-humanitarian” projects.

- **Lessons learned in other countries.** The mission was able to compare the situation of IDPs in Azerbaijan with the situations of those in other countries. The Azeri IDPs shared some of the same characteristics of IDPs elsewhere: they had left their homes in a hurry and had lost most of their capital and possessions; many were living in dreadful conditions, dependent on humanitarian relief, which, over time, resulted for many in a “dependency syndrome”; and the longer the IDP population was displaced, the more difficult it was for returning IDPs to settle into the mode of life they had left behind when they departed, especially in the absence of substantial assistance from the government and international donors. On the other hand, the Azeri IDPs had some different characteristics, generally positive: unlike many populations in similar circumstances, the Azeri IDPs had remained within their own country during the entire period of displacement; they were better educated and possessed more economic skills; and even though they were dispersed throughout Azerbaijan, IDP family units had remained largely intact, mostly living in close proximity with other families from the same village.

The lessons from experience worldwide were to provide whatever was necessary and reasonable to allow those who could return to their homes to do so as quickly as possible, and to establish mechanisms for “listening to people,” since displaced populations are much more conscious of their own needs and problems than are planners or development officials.

In the fall of 1996 the European Union announced it would fund certain specific interventions in parts of the Fizuli district and would concentrate its assistance on infrastructure and agriculture. As it was unclear at the time what the extent of these projects would be and what the plans of the EU were, ARRA and the World Bank agreed to widen project preparation beyond Fizuli. ARRA initiated a second needs assessment for the liberated areas outside of Fizuli and a damage assessment of all the liberated areas. The most important findings of the needs assessment began to appear at the beginning of 1997, and they concerned both the characteristics of the IDPs and their views about resettlement and reconstruction. These results were first presented at the IAG’s first meeting, near the end of the first quarter of 1997. A summary of the findings of the social assessment process is in Annex 1.

**Results of the Needs Assessment of IDPs**

The main characteristics of IDPs in their temporary homes that are relevant to resettlement and reconstruction are:

- While unemployment is widespread among IDPs (50 percent unemployment on average), IDPs in Baku, who have higher education levels, also have higher employment rates. IDPs who have resettled in their original homes also
have higher rates of employment than IDPs in general.

- IDPs are among the poorest of the poor in Azerbaijan; their average incomes, regardless of whether they live in urban or rural areas, are less than the average rural income for the country. IDPs who have returned to Fizuli have higher incomes even though they no longer receive international assistance on a regular basis.

- Most IDPs spend a substantial portion of their income on food and have inadequate access to public services.

- While IDP families may be intact—85 percent have integrated households in their temporary homes versus 95 percent before displacement—community structures are deteriorating more than had been found in previous surveys.

- IDP households were unable to take away many assets at the time of displacement and had sold much of what they did take to sustain themselves. For example, whereas 75 percent owned cattle in their original homes, only 10 percent possessed cattle in their temporary homes. Few IDPs had access to agricultural land in their temporary homes and were dependent on food aid to sustain themselves.

- The most positive characteristic was that the families remained largely intact. The rest of the findings confirmed that these were people who were not restarting their lives, but were in a state of increasingly desperate "waiting," to return to their homes.

- The most important findings of the needs assessment with regard to resettlement and reconstruction concerned the relative importance of factors that would cause IDPs to leave their temporary homes throughout Azerbaijan, where they were receiving different levels of assistance, and resettle in their original homes. Figure 1 gives the views of Fizuli IDPs.

Figure 1. Factors Found Important for IDPs in Deciding to Return to Their Original Homes

![Figure 1. Factors Found Important for IDPs in Deciding to Return to Their Original Homes](image-url)

Source: Household survey with IDPs, 1996
The needs assessment showed three levels of inducements for Fizuli IDPs to return: first, security, including demining, and the provision of shelter; second, assistance for food and income generation, in particular in the agricultural sector; and third, assistance across a wide variety of physical and social infrastructure sectors. When relocated, returning IDPs continue to be concerned about land mines, but they begin to express greater interest than other IDPs in gaining access to food as well as education and health services.

The needs assessment indicated that the institution the IDPs trusted the most to solve their problems was the national government, followed by the district executive officer. IDPs expressed less trust in local administrators, managers of state-owned farms and companies, aksesals (the traditional village elders), and nongovernmental organizations.

Reliable information was a problem for returning IDPs. They relied as much on informal, oral channels for information as they did on formal sources such as radio, television, newsprint, or official communications.

While housing was an extremely important factor in the decision to resettle as well as after resettlement, the exact nature of the housing preferred was difficult to gauge. Housing destruction varied widely, and the needs assessment did not show any correlation between the degree of destruction of IDP housing and the willingness to return, perhaps because most IDPs had unclear ideas of the present condition of their original homes. It was also not easy to determine the type of assistance IDPs required—the provision of housing materials with the IDPs providing labor, reconstruction of housing by contractors, and so forth. During the phase of humanitarian assistance to IDPs, the donors used three very different construction standards, with different cost implications, for temporary housing, ranging from mud brick to limestone to prefabricated housing.

Early provision of housing by donors in Fizuli to returning IDPs also varied with regard to both the size of houses and construction standards.

The needs assessment had some major messages for government and for the donor community:

- The decision to focus institutional development initially on a national organization was supported. While the World Bank and UNDP continued to favor this approach and worked through ARRA, other donors were less convinced. Concerned about efficiency and ensuring that there was no leakage of funds, and based on the more limited surveys of their own staff, they often decided to work directly with beneficiaries or through international NGOs, especially when ARRA expressed a clear preference for hiring local consultants rather than foreign technical assistance, which ARRA considered too expensive.

- Further, the decision to assist the government with establishing a civilian demining capacity was supported. The experience of the donor community was that the range of demining activities—from surveys of the scope and nature of the mine problem and public awareness programs to the actual demarcation of mine-free areas and physical demining of high-priority locations—is best done through civilian institutions, not through the military. Military standards of acceptable conditions of demining for military operations are obviously not the same as civilian standards of what is acceptable for the civilian population.
The Social Assessment Process

- The needs assessment indicated the importance of a "comprehensive" approach to resettlement and reconstruction that required substantial project preparation, implementation capacity, and concern for such areas as cost recovery. An alternative approach—moving rapidly with a World Bank pilot project in one or two sectors—was rejected primarily because of the needs assessment findings on priorities. Moreover, the findings that IDPs required support for resettlement at the same time as they required assurance about the availability of longer-term reconstruction meant that donors would have to make sure that resettlement and reconstruction programs were prepared and implemented simultaneously. This finding did not correspond to the views of those donors who wanted to provide assistance to one or two specific sectors, leaving government and other unidentified donors to fund other needs. Even within the government, the reasoning of the IDPs may have been understood, but many officials were used to taking whatever assistance was given, if it was on a grant basis.

The priority given to housing was understandable, as was the desire of IDPs to return to the large houses (that is, those of more than 75 square meters) that many had before displacement. However, the choice for the donors was clear: either large houses for a small number of resettlers or more modest houses for a much larger number who wanted to resettle. Housing standards were discussed in the framework of the size and cost of housing provided in other countries with resettlement programs. It was agreed that initial housing for returning IDPs would be, for those whose previous shelter had been destroyed, the provision of 24 square meters for a family of four, with lesser assistance, perhaps in the form of material, for those whose needs were less. Housing assistance would be in the form of a grant, with the homes individually owned. The funding of housing became an issue, since those who had substantial funds for housing, such as the World Bank, had a policy that privately owned housing should be funded through a commercial institution that recovered full costs. No commercial housing funding institution existed in Azerbaijan, even if returning IDPs could afford to repay for their housing, which, under any reasonable family budget forecasts, they could not. And while the government was prepared to make a contribution to housing, it had insufficient resources to cover all the costs of resettlement, initial provision of food and other essentials, start-up income generation activities, and housing—all on a grant basis.

Results of the Damage Assessment

By the end of the summer of 1997, ARRA and its consultants had completed the physical assessment of damages in all the liberated areas. Damage to physical and social infrastructure and losses in productive activities during and after the period of conflict amounted to several billion dollars. ARRA estimated that about $500 million would be needed to restore basic infrastructure, social services, and employment to a "minimum" of the preconflict situation.

The physical assessment had been overwhelmingly oriented toward the rebuilding of physical and social infrastructure without assessing adequately the needs of associated equipment, material, supplies, and trained personnel or the recurrent cost implications of keeping everything running. The proposed $500 million program was largely a list of buildings to be replaced rather than a strategy, sector by sector, to provide a framework for delivering services with maximum efficiency in a context of
constrained resources. In addition, the $500 million did not correspond well with the results of the needs assessment except for the priority it gave to housing. A quick review of donors by UNDP and the World Bank in October 1997 indicated that raising even $100 million in total financing from all sources would be a challenge, especially in the absence of a comprehensive peace agreement being implemented for all affected parts of the region: Nagorno-Karabakh and the surrounding “occupied” and “liberated” areas. The donor assessment also showed:

- Only the government of Azerbaijan, the European Union, and the World Bank were prepared to make pledges for reconstruction of more than $5 million. There was hope, however, that a consultative group meeting for Azerbaijan scheduled for early 1998 in Tokyo might raise funds for resettlement and reconstruction.  

- A number of donors might be willing to make contributions of $1 million to $5 million, preferably channeling their funds through NGOs or agencies of the United Nations such as UNHCR and UNDP or through the World Bank. 

- Some humanitarian donors felt it was within their mandate only to assist IDPs in their temporary homes rather than to provide assistance for their resettlement.

- Donors in general did not give Azerbaijan a higher priority than they did to other countries in need around the world, partly because they expected Azerbaijan to have large streams of oil revenues after the turn of the century. And for those donors who were prepared to assist Azerbaijan, financing the transition to a more market-based economy for the country as a whole had higher priority than dealing with resettlement and reconstruction in the liberated areas, despite the financial burden that IDPs posed for the government and for the international community.

- There was a partial mismatch between what those donors who had funding for resettlement and reconstruction were prepared to finance, in the choice of sectors as well as between “hardware” and “software,” and what the needs assessment and stakeholder consultation process indicated were people’s highest priorities. Even within government, there was a strong tendency to finance “hardware”—rebuilding housing and infrastructure to generous standards—while leaving the accompanying “software” for later. Education and health were sectors where physical facilities were already being rebuilt to larger than necessary sizes in the liberated areas without appropriate attention to equipment, supplies and material, training, housing, and salaries for staff to make them function effectively.

In the face of this situation, the government, UNDP, and the World Bank in the Fall of 1997 were faced with a number of approaches for moving forward to assist Azerbaijan with resettlement and reconstruction.

**Traditional Donor Approaches to Resettlement and Reconstruction**

Donors have traditionally approached the preparation of programs to fund post-conflict resettlement and reconstruction around the world in at least four different ways:
Separating resettlement and reconstruction.

Resettlement—the transport of IDPs back to their original homes, the cost of initial housing, a subsistence allowance until IDPs can begin earning their own income—is often provided as grants by the national government, international humanitarian organizations, and bilateral donors. Reconstruction—investment and working capital for early income generation activities, the provision of medium- and long-term physical and social infrastructure and access to employment opportunities, reconstruction of viable communities—is usually beyond the grant-giving mandate of humanitarian organizations and is provided instead, often as loans, by governments and international financial organizations. Physical relocation and reconstruction is coordinated through ad hoc arrangements among donors and through government agencies. The advantage to the donors of this approach is that it allows each donor to remain within the framework of its specialized expertise and interest. The main disadvantage is that if coordination between resettlement and reconstruction fails, the results can be disastrous: either the people resettled physically may have no long-term reconstruction framework in which to sustain them, or a reconstruction program may be implemented in an area where fewer people than expected are inclined to be resettled.

Sector concentration. Sector concentration allows a donor to fund reconstruction for a sector, or sometimes several sectors, in which the donor has expertise and interest, thus facilitating implementation for the donor. In addition, it is easier to implement coherent policies on cost recovery, technical standards, and so forth with only one donor and the government involved. The potential pitfall is that some sectors will be funded, and others won’t, and sometimes the sectors not funded are essential to IDPs’ sustained recovery. Even within a sector, concentration can be dangerous, as happens when a donor funds electric power production but leaves power distribution to “government counterpart resources,” which may then not be forthcoming.

Geographic concentration. Some donors want to finance a wide spectrum of reconstruction activities in one geographic area, an approach sometimes referred to as “planting the flag.” The advantage for the donor is that concentration of resources in a limited area theoretically makes it more likely that project objectives will be achieved. And coordination with other donors appears unnecessary. The disadvantage is that no donor has the mandate to fund or the interest in funding the full spectrum of activities that IDPs require. What is left out remains for government to fund, and the funding may not be available when needed.

The comprehensive approach. The comprehensive approach combines resettlement with reconstruction. It addresses not just one or another separate dimension of displacement and reconstruction—such as housing or employment or health care—but deals with them in their interlinkages. It concentrates the risks to which IDPs are exposed and covers all the sectors that the needs assessments and stakeholder consultation process identify as important to returning IDPs.

It is almost impossible for any one donor to adopt a comprehensive approach with its own financing, but it is feasible to join with other donors. The comprehensive approach requires a strong decisionmaking mechanism in the government and effective coordination among donors. This approach works best when there are many donors interested in providing financing and there are donors—sometimes international financial institutions like the World Bank—
that are prepared to fund the gaps left over after other donors with strong interests have funded their preferences. The comprehensive approach can look like a Christmas tree; the many interrelationships require a degree of coordination and cooperation that is difficult in the best of times but often more than a reasonable challenge for governments coming out of a post-conflict situation. In addition, the comprehensive approach smacks of central planning, regional authorities, and other organizational models that have had an uneven record. On the other hand, the comprehensive approach, in principle, most often does respond to the expressed needs of IDPs. It also allows dealing with such difficult issues as technical standards, cost recovery, targeting of benefits, and so on. It works better than piecemeal approaches if the security situation is favorable. The Bank team working on Azerbaijan had as models the comprehensive approach Sri Lanka in the late 1980s, the emergency flood relief program in Sudan in 1988, and Bosnia more recently, where a series of more than a dozen sector concentration efforts resulted, in fact, in the implementation of a comprehensive approach.

The low level of donor interest in Azerbaijan compared to the needs even in the liberated areas; the lack of enthusiasm among donors for using a government institution like ARRA for planning and implementation in a country where implementation was not easy in any sector; the mismatch between the needs assessment, especially concerning security and housing, and the interests and preferences of donors; and the support in the donor community for simple projects (ones with limited inputs and clear outputs) — all these suggested the desirability of a small pilot project in one region, probably Fizuli, that would build on EU funds already committed and would focus on reconstruction needs of IDPs who had already returned to that area. The government, UNDP, and the World Bank decided not to pursue this line of reasoning but to adopt the comprehensive approach and combine resettlement and reconstruction, which was a high-risk approach, basically because of the findings of the needs assessment and stakeholder participation process:

- The longer IDPs remain away from their original homes, the harder resettlement becomes. Therefore, they should be resettled as soon as possible.
- Some 36,000 IDPs could be resettled, restoring their lives and building institutional capacity for resettlement and reconstruction for the future as the peace process evolves.
- Affected people clearly stated through the social assessment process that resettlement and reconstruction had to be funded together with access to a broad range of minimum levels of support in social and physical infrastructure and in income generation.
- No reconstruction assistance would be useful without providing minimum levels of housing on a grant basis to families who would own their individual homes.

The adoption of a comprehensive approach was a matter of some debate in the government. One faction felt that moving forward immediately with a hardware project would show the impact on the ground that IDPs had been waiting years for, as the European Union was doing. Even those sympathetic to the comprehensive approach had real doubts that funding beyond what the World Bank was prepared to put in would be forthcoming. And why build up ARRA if some donors were not
prepared to use it? And if the World Bank would not fund housing, who would?

Given the decision of the government, UNDP, and the World Bank to proceed with the comprehensive program combining resettlement and reconstruction, a number of actions were taken:

- The proposed resettlement and reconstruction program that came out of the physical damage survey needed to be reshaped to meet the results of the social assessment process. The government, assisted by the World Bank, created in November 1997 sector working groups for agriculture and irrigation, education, energy, infrastructure, housing and resettlement, income generation (including public works projects), and water supply and sewerage. The working groups were composed of ARRA staff and its consultants, representatives of the donors, NGOs, and local experts. The terms of reference for each sector working group were to put forward a sector strategy for reconstruction that (a) was based on the results of the social assessment process, in particular the needs assessments; (b) took account of the government's reform program; and (c) presented a program of priority investments and an estimation of operational support including recurrent cost implications. The total investment needs for all sectors was to be limited to $100 million.

- The linchpin to the comprehensive program was to find a mechanism for mobilizing financing for resettlement, especially for initial housing. UNHCR agreed to lead the sector working group on resettlement and housing and to establish a formal partnership with the World Bank to ensure that resettlement and reconstruction in Azerbaijan would be considered as one program. The World Bank said that while it could not disburse its own funds for private housing, it had no objection to the government's using its counterpart funds in the World Bank project for this purpose.

- UNDP agreed to take the lead in assisting the government with the technical preparation and resource mobilization for a demining agency, taking over the role played by the World Bank for the past year, because the World Bank felt it had neither the resources nor the internal technical expertise to give this the priority it deserved. The government indicated it would request that part of any investment funding from the World Bank would be earmarked to assist in the initial operations of the demining agency.

The sector working groups completed their draft sector programs in January 1998, with each group's report being discussed with key stakeholders, including local government officials and local and international NGOs, and representatives of a joint World Bank-UNHCR mission and of a EU mission that had come to Baku to review its future assistance for reconstruction. The sector reports were then integrated into an overall Azerbaijan resettlement and reconstruction program, which was discussed in draft in the government and with the main donors, then presented by the government to a meeting of the International Advisory Group in March 1998 called by the three co-chairs: the European Union, UNDP, and the World Bank. The executive summary of the program is in Annex 2. Based on the outcome of the IAG meeting, and the intention of EU to move forward with sector investments in the Agdam and Terter districts, UNHCR agreed to launch a special appeal to the international donor
community for resettlement and housing while UNDP and the World Bank moved forward on the demining and reconstruction fronts.

**UNHCR’s Special Appeal**

The partnership between UNHCR and the World Bank was based, as UNHCR stated, “on the joint recognition that for return to be sustainable, short-term resettlement activities should go hand-in-hand with longer-term efforts aimed at rebuilding the physical and social infrastructure and of income generation possibilities.” This recognition came, as UNHCR also stated in its appeal, from the results of the social assessment process. Portions of the UNHCR appeal are contained in Annex 3. In April 1998, following the IAG meeting, UNHCR launched a “special appeal” to the donor community for funds to cover resettlement on a grant basis, in particular for initial housing that would be privately owned. The 1998 objective would be to raise $5.5 million for the first phase of a multiyear program with an estimated total cost of $12 million. “The initial appeal will be followed by a further funding submission in 1999 for the second phase subject to a World Bank/UNHCR evaluation of the 1998 achievements. Furthermore, UNHCR and the World Bank agreed to combine their efforts to inform the international community about the progress made in resettling returning displaced persons and on the resettling financial requirements and when implementation proceeds.” By October 1998, more than half of the 1998 funding target had been mobilized from Canada, the United States, and the private sector.

**World Bank Pilot Reconstruction Project**

Following the IAG meeting, the World Bank proceeded to appraise a $54.2 million pilot project as the first phase of the $100 million resettlement and reconstruction program. The objectives of the pilot project were to:

- Support the return of IDPs to the Fizuli, Agdam, and Terter districts when it was safe for them to do so, as well as to assist IDPs who had already returned and those who had never left but had suffered from the conflict

- Provide a link between resettlement and reconstruction by funding the costs of resettlement, initial housing and income generation activities, and a comprehensive package of minimum services in physical and social infrastructure and in income generation activities.

- Enhance the capacity of governmental and nongovernmental institutions to implement the resettlement and reconstruction program as well as to create a national demining capacity.

The World Bank’s own funding would be used to complement and supplement the funding of the European Union already committed in the Fizuli district and promised for Agdam and Terter, cover the longer-term reconstruction for areas in which UNHCR was assembling financing for resettlement and housing, and permit the government to give initial funding for the demining agency to supplement the approximately $1 million already raised by UNDP. The pilot project components and its financing are in Tables 1 and 2. A description of ARRA is in Annex 4 and details on the Pilot Reconstruction project are in Annex 5.

In addition to its comprehensive coverage, the Pilot Reconstruction Project contained a number of other items that the social assessment process had highlighted. Among ARRA’s specific responsibilities would be to establish the capacity to (a) seek continuous
The Social Assessment Process

Table 1. Pilot Project Components and Financing

<table>
<thead>
<tr>
<th>Component</th>
<th>Category</th>
<th>Cost in millions of US$</th>
<th>% of total</th>
<th>Bank-financing in millions of US$</th>
<th>% of Bank-financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relocation</td>
<td>Inst. bldg.</td>
<td>1.8</td>
<td>3.3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shelter</td>
<td>Physical</td>
<td>14.0</td>
<td>25.8</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Income Generation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>Physical</td>
<td>9.4</td>
<td>17.3</td>
<td>6.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Microcredit and grants</td>
<td>Credit</td>
<td>1.1</td>
<td>2.0</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Public works, Env. mitigation</td>
<td>Physical</td>
<td>0.4</td>
<td>0.7</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Health and Education:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>Physical</td>
<td>0.9</td>
<td>1.7</td>
<td>0.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Education</td>
<td>Physical</td>
<td>4.2</td>
<td>7.7</td>
<td>1.9</td>
<td>9.5</td>
</tr>
<tr>
<td>Infrastructure and Energy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Physical</td>
<td>2.4</td>
<td>4.4</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Energy</td>
<td>Physical</td>
<td>12.1</td>
<td>22.3</td>
<td>7.2</td>
<td>36.0</td>
</tr>
<tr>
<td>Institutional Support</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARRA</td>
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<td>3.0</td>
<td>1.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Agricultural Support</td>
<td>Inst. bldg.</td>
<td>0.4</td>
<td>0.7</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Demining Agency</td>
<td>Inst. bldg.</td>
<td>2.9</td>
<td>5.4</td>
<td>0.6</td>
<td>3.0</td>
</tr>
<tr>
<td>Project Preparation Facility (PPF)</td>
<td>Inst. bldg.</td>
<td>0.4</td>
<td>0.7</td>
<td>0.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Recurrent Costs</td>
<td></td>
<td>2.6</td>
<td>4.8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>54.2</td>
<td>100.0</td>
<td>20.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


feedback from IDPs and other stakeholders on the adequacy of the project's response to their needs, (b) establish close liaison with national and local agencies on implementation of the various project components, (c) inform the population about the resettlement and reconstruction program and the potential benefits for IDPs, and (d) assist the IAG in coordinating the assistance of the international donors.

The social analysis process also attempted to broaden the process of stakeholder consultation, and the donors themselves were a key stakeholder group. The pilot project was shaped by their concerns about institutional capacity. ARRA was provided with funds to build special capacity in project implementation, particularly with regard to procurement, accounting and auditing, financial management, and sector technical expertise. It was agreed that NGOs, both national and international, would be used as implementation channels, especially at the community level, where government agencies and the private sector had not developed an effective presence.

The social assessment process also had a major impact on how the World Bank saw its own role. Instead of giving primary concern to the implementation of its own funding as measured by the rate of disbursements, the Bank would adopt a different approach:

Table 2. Financing Plan (in Millions of $)

<table>
<thead>
<tr>
<th>Source</th>
<th>Local</th>
<th>Foreign</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>9.4</td>
<td></td>
<td>9.4</td>
</tr>
<tr>
<td>Parallel Financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNDP</td>
<td></td>
<td>3.2</td>
<td>3.2</td>
</tr>
<tr>
<td>UNHCR</td>
<td>6.1</td>
<td>6.0</td>
<td>12.1</td>
</tr>
<tr>
<td>EU</td>
<td>4.1</td>
<td>5.4</td>
<td>9.5</td>
</tr>
<tr>
<td>IDA</td>
<td>4.9</td>
<td>15.1</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24.5</strong></td>
<td><strong>29.7</strong></td>
<td><strong>54.2</strong></td>
</tr>
</tbody>
</table>

"As it has through project preparation, the Bank would play an important role in donor coordination for reconstruction activities (UNHCR plays this role in voluntary resettlement and housing and UNDP for the Demining Agency) in ensuring that all stakeholders, especially representatives of the IDPs and the local and international NGO community, are involved in the monitoring, evaluation and inevitable reengineering during implementation. As one of the three chairs of the IAG, the Bank will assist ARRA and the Government in ensuring that the program is implemented effectively and transparently in partnership with UNDP and UNHCR. As the 'lender of last resort', the financing of the World Bank is being used to supplement and complement other donors to ensure that affected people receive a comprehensive package of essential services. The Bank's worldwide experience in post-conflict reconstruction operations will continue to be a source of knowledge, especially with regard to technical standards, financial sustainability, and institutional development, on which Azerbaijan can call through frequent supervision which a program this complex requires."
3. Conclusions

The Pilot Reconstruction Project represents the completion of one phase, admittedly a partial one, in the attempt by the government of Azerbaijan and the donor community to deal with the post-conflict situation in the area insofar as the security situation permits. The social assessment process had a major impact in at least three areas:

- Resettlement and reconstruction were combined into the comprehensive approach because of the findings of the needs assessment. But peoples' needs evolve, and the program will remain relevant to affected peoples in direct relationship to how well the social assessment process continues in the future.

- The government and donors focused on developing the country's institutional capacity to deal with resettlement and livelihood reconstruction as much as on the program itself, in part to increase donor coordination. This was due to the inclination by some donors to "go it alone." ARRA now has to tackle its double mandate of implementing the parts of the program for which it is directly responsible and developing an outward-looking, inclusive, people-oriented approach to donor coordination.

- The development of the program made new demands on the donors and the government to work together in partnership for the good of the people, listening to the people, hearing their voices, and letting the people lead. The donors, and the various parts of the government, have internalized this new approach to different depths, and even those who have worked together best have to renew constantly the process of social assessment, stakeholder consultation, and partnership.

The social assessment process also has some lessons that are applicable beyond the case of Azerbaijan:

- First, it is extremely difficult for the social analysis carried out as action research to operate effectively if it is not supported by a broad range of groups within the government and the donor community. Mobilizing and maintaining this support group is as important as the quality of the social assessment process itself. Having some donors prepared to go ahead without an in-depth social analysis puts the government and the donors who favor social analysis in a very difficult situation.

- Second, the social assessment process needs to have sufficient support and
Post-Conflict Reconstruction in Azerbaijan

funding so that it can do what is required, when it is required. The failure of the process in Azerbaijan to come up quickly with answers concerning people’s views on housing standards and techniques or on the real possibilities of returning IDPs in regard to cost recovery should have been avoided.

- Third, the social assessment process needs to be done in a systematic, quantifiable manner by professionals and not through more qualitative techniques that are open to conclusions which lack substantiation. In addition, the social assessment process may need, in some cases, assistance from abroad, but it can, and should, be done in great part by local experts. The social scientists need to ensure that the social assessment process passes the so-called ASR test—Art, Science, and Relevance. The art refers to the need for the process to remain faithful to what the people really say without too much external interpretation that can cloud the basic truths. The science is the ability of the process to understand differences within “the people” and to find useful patterns to which donors can respond with assistance. In addition, the process needs to be relevant to the requirements of the donors. The process may well reveal many interesting things of importance to the communities and to the government, but it should not neglect the objective of securing money from donors to help people.

- Fourth, many decisionmakers, in government and in the donor community, simply don’t find the social assessment process very useful. They assume that the needs in a post-conflict situation are so clear to experienced practitioners, the resources available are usually so inadequate, and the challenge so immediate and overwhelming that rapid project preparation and implementation is the best approach. Their reaction to what became the final program in Azerbaijan would be that the comprehensive approach took too long to develop and its implementation is too risky, as compared with an approach more limited in sectors and in geographic coverage. There is no evidence that the social analysis takes more time than engineering or other parts of project preparation. And if started before technical studies, social assessment can reduce project preparation costs by ensuring that the reconstruction program fits better with peoples’ real needs and possibilities.

- Fifth, there are points in the social assessment process when one needs to make sure that everyone is on board. In particular, all the key actors have to be involved in the needs assessment and in the stakeholder review of its results, and all the major donors need to be involved in the discussion of the results of the social assessment process. If these conditions are not met, the social assessment process may be relevant as to its substance but irrelevant with regard to its impact. In the case of Azerbaijan, if the government and local NGOs were sufficiently involved in the process, more attention should have been paid to establishing a permanent mechanism that would take the initiative to involve all the donors, including international NGOs, on a regular basis in the social assessment process instead of just reporting on the results during IAG meetings. This process of inclusion was attempted with only limited success during the sector working group process, to which donors and international NGOs responded unevenly.
Conclusions

• Sixth, there are instances in which the people's views as expressed through the social assessment process are not accepted by the donors, perhaps for good reasons. The people's views may conflict with donors' policies—the housing sector in Azerbaijan being a case in point—or with donors' strong inclinations—the use of multiple implementation channels in Azerbaijan instead of solely through the national government, in which the people had expressed the strongest trust.

• Finally, the social assessment process represents also a way of democratically "sharing power" between the displaced people, largely powerless otherwise, and officials in the government, the donor community (including international NGOs), and civil society. If empowering the people is uncomfortable to some, let them remember that it also means that the people are not there just to share the risks but, in a very real sense, must conduct the orchestra. A good social assessment process allows the opportunity for all the stakeholders to move forward together, listening and learning, advocating and compromising, assessing and acting.

The way in which donors "listen" and learn about the people does have a major impact on the form and content of the assistance provided. Professional sociological analysis makes "listening" more accurate in relation to people's real needs and more relevant to their futures.
1 All dollar amounts are current U.S. dollars unless otherwise noted.

2 The results of a social assessment can also have an impact on understanding these criteria; for example, the views of different stakeholder groups on financial issues can shape approaches to cost recovery, bill collection, willingness to make private investments, and so forth.

3 State Committee for Refugees, October 1998.


5 The policy of wanting IDPs to return to their original homes was not only a matter of territorial integrity for the government but of practicality, given that IDPs (and other refugees) represented 15 percent of the country’s total population and the territory they had left represented about 20 percent of the country.

6 By this time nongovernmental organizations and specialized U.N. agencies were making reconnaissance trips and initiating small pilot projects in Fizuli, which appeared to have the largest area of liberated land where IDPs had begun to return on their own.

7 This reconnaissance mission was not tasked to come up with a preliminary list of sector priorities for reconstruction, as is often the case in post-conflict situations where speedy decisionmaking by international civil servants is seen as a virtue, and which can result in project identification mirroring the technical expertise of the mission members. The Azerbaijan reconnaissance mission focused on establishing a process of stakeholder consultation to identify needs “from the bottom up.”

8 The recruitment of ARRA’s staff and its initial operations were funded by UNDP, the World Bank, and the government of Azerbaijan; ARRA was up and running by the fourth quarter of 1996 because of the demonstrated commitment of the government—suitable offices, usually a problem, were given to ARRA very quickly—and the leadership among the donors in Baku of the UNDP resident representative, Paolo Lembo. World Bank funding for ARRA’s establishment and operations; some small-scale pilot projects to gain implementation experience; preparation of a demining capacity; social, needs, and damage assessments; and overall resettlement and reconstruction program preparation were provided through both a PHRD grant and an advance from the Project Preparation Facility (PPF). Similar support from UNDP, and the flexibility in the use of funding between UNDP and the World Bank, allowed ARRA to begin functioning quickly.

9 Musayev’s team was assisted from Washington by Kudat, who had created the Central Asia and Azerbaijan network of social scientists with funding from the Swiss government, by Holtzman, and by Bulent Ozbilgin and Paolo Caputo from the Bank’s social development unit.

10 As international NGOs and other donors began to be interested in the Fizuli area, they did not always establish regular contact with ARRA or with the Musayev group, preferring instead to rely on foreign experts for assessing the local situation based on a range of questions limited by the
donors' interest. Local NGOs were rarely consulted. The Musayev group produced results based on quantitative surveys across a broad range of issues, while other donors produced results with more limited foci. The results could not be compared, and thus a number of social assessment processes were established, almost competing with one another. Neither ARRA nor the World Bank was sufficiently aware of this situation.

A detailed report of the needs assessment is available for interested researchers by writing to the author of this paper.

Focus groups subsequently provided information that IDPs prefer a minimum level of services across most sectors rather than having to make choices among sectors.

The second needs assessment, carried out in Fall 1997, concentrated on IDPs who could return to liberated areas other than the Fizuli district and showed that IDPs who had returned to their homes began to give more priority to housing and to monetary allowances from the government.

In contrast, IDPs still living in camps rely more on the mass media, especially on television, for the nearly 50 percent of IDPs living in and around Baku.

Within the comprehensive approach, however, the needs assessment process showed variability as to sector priorities and within sectors depending on community-specific circumstances and concerns. This meant that any resettlement and reconstruction program would have to respond to very specific community preferences, making the continuation of the social assessment process essential during program implementation.

The World Bank's rationale was that funds provided to the government by the World Bank should be used for public goods that would benefit the country as a whole. Publicly owned housing would thus qualify. In the event that governments wanted to use World Bank funds for private housing, there should be cost recovery through a commercial financial institution on real terms to ensure that the case did not arise that some people benefited while others did not. The government's initial reaction was, with a deliberate sense of irony, to offer to nationalize the private housing of returning IDPs, a suggestion neither in line with its own policy nor with the World Bank's support for private sector development.

In the event, the Consultative Group raised substantial funds for Azerbaijan, but with nothing earmarked for resettlement and reconstruction.

The World Bank suggested to donors that funds for demining and housing be channeled through UNDP and UNHCR, respectively, while funds for reconstruction be channeled through ARRA or NGOs.

The most difficult examples of coordination, by no means atypical, occur when coordination becomes interdependence—for instance, in the education sector, when one donor funds hardware, such as repair of school buildings, another funds operational expenditures such as equipment, textbooks, and material; an NGO provides teacher training; and an international financial institution assists the government with financing teacher salaries on a declining basis. This kind of coordination requires a commitment to building strong local institutions that will supplement, and eventually replace, donor coordination by the donors.

The Consultative Group meeting in Tokyo in January, co-chaired by the government of Azerbaijan and the World Bank, had a special session on reconstruction in which the government gave an overview of its approach to resettlement and reconstruction and presented a video prepared by ARRA on the situation on the ground. Since the specific resettlement and reconstruction program was still under preparation, this was meant as a means to sensitize the donors to the impending request for support rather than as a specific "pledging" session.

The emphasis on community-based project definition and implementation and the use of NGOs as one means of assisting local initiatives came more from the experience of donors in other countries than with the Azerbaijan situation, since the needs assessment had clearly shown the
people's overwhelming trust in the national government to meet their needs. This is one example of the people's views not being accepted by the donor community.

22 The Azerbaijan social assessment process probably made the subject of housing techniques and standards too murky to be useful, for example.

23 A sound social assessment process requires the involvement of Bank social scientists and of local social scientists.

24 Particularly helpful among the international NGOs were the SOROS Foundation in the education sector and Medecins sans Frontiers in the health sector.
Annex 1. Summary of Social Assessment

Currently, more than 20 percent of the territory of Azerbaijan is occupied by Nagorno-Karabakh forces. In addition, 10 districts of the country, five of which are part of the Autonomous Nakhichevan Republic, were directly affected by military action. About 20,000 Azeris were killed during the hostilities, which also caused extensive damage to the environment. Most forests in areas affected by the conflict have been cut down; fertile soils and agricultural lands also became unusable. Housing and basic infrastructure facilities in these regions were also largely destroyed during the hostilities.

The effects of the conflict were disastrous for a large number of people. About 285,000 people (53,200 families) became refugees because of the war. In addition, 610,000 people (144,700 families) have been internally displaced and scattered over a wide range of territory. They have remained in these areas for the past four years under varying circumstances, living with the uncertainty and degradation associated with displacement. Most of their home areas are still under occupation by the Nagorno-Karabakh forces, and it is unclear when they will be able to go home.

The objective of the social assessments, carried out during 1996 and 1997 were to (a) examine the situation of the internally displaced people (IDPs) living in and around the liberated zones, and (b) initiate a process of consultation with the intended beneficiaries of the voluntary resettlement and reconstruction effort to help identify the most appropriate types of assistance. The social assessment involved quantitative and qualitative methodologies and built on earlier surveys conducted in the past two years with the larger IDP population.

Main Findings

The following are the most important findings of the social assessment process that have implications for voluntary resettlement and reconstruction. IDPs are among the poorest of poor, with widespread unemployment. IDPs in urban areas such as Baku have higher levels of employment than the displaced living in camps. The average monthly household income among IDPs is about the equivalent of US$105, compared with the national average of about US$200 (based on the 1997 World Development Report estimate). Many IDPs receive assistance from international organizations, but aid covers only a small portion of needs.

Community integrity varies among displaced people. Most IDP communities that were close to each other before displacement are currently scattered. The family structure is still somewhat intact among the IDPs, but a gradual decrease in family integrity is occurring as people spend
time in displacement. Before displacement, 96 percent of the families surveyed had large households in which many relatives lived together. This portion is now 85 percent.

Overall access to information is inadequate in IDP communities. In most cases, people rely on rumors rather than official news regarding relocation and reconstruction activities.

IDPs trust the government to solve their problems. More than 70 percent have faith in the government to cope with relocation and rehabilitation problems. IDPs do not make a clear distinction between the various international organizations involved in the reconstruction effort. They often regard these only as distributors of humanitarian aid and not as participants in the reconstruction activities.

Priorities

Security and safety are the most important issues for returning IDPs. However, priorities change after repatriation. Mine clearance is an important component of the voluntary resettlement process for many IDP families. Ninety-six percent of the IDPs nonetheless wish to return to their home areas once it becomes possible to do so.

Once they return, housing becomes the most important priority (96 percent). Extended periods of displacement, coupled with more favorable economic conditions, especially in large urban areas, discourage about 4 percent of the IDPs from repatriating.

There are significant regional variations in the demand for reconstruction because there are various levels of damage in different regions. Ninety-seven percent of the potential returnees indicate that they can be involved in reconstruction of their homes.

Most IDP households do not have the necessary start-up capital for private business or for sustaining themselves immediately after repatriation. Main factors that prevent IDPs from engaging in entrepreneurial activities are the lack of initial capital and their inexperience and lack of confidence.

Food supply is likely to become an important problem for repatriated households; therefore, in connection with income-generating activities, support to agriculture, including kitchen gardens, is important.

IDPs have inadequate access to infrastructure services such as water and power. Heating conditions also need urgent improvement. The majority of the IDPs (60.7 percent) use wood for heating.

Educational activities need to start soon after repatriation. Most IDPs (60.4 percent) have a varying number of school and preschool age children in their families. For these families, creation of an adequate education system will become a priority as they return to the liberated areas. There are professional teachers among IDPs who can be employed in these schools.

Implications

Support job creation and income generation. The findings of the social assessment suggest that the following types of interventions should be considered in providing assistance in the reconstruction process: microcredit schemes, training, agriculture and related activities, and small-scale textile production.

Support housing improvements and repair physical infrastructure. The IDPs who have returned to their homes expressed a need for a range of home improvements. It is
important to involve IDPs in reconstruction of their homes and in public works programs. Rehabilitating basic productive infrastructure also will facilitate income generation and benefit the reconstruction process as a whole. This infrastructure includes water supply and irrigation systems, which are particularly appropriate for a participatory community-based approach because they benefit and affect all members, require a great amount of local knowledge, and can be labor intensive.

Provide assistance to IDPs in self-help solutions. There currently is a need to assist the IDPs in moving away from aid dependency and toward more comprehensive self-help options to promote sustainability on both personal and community levels.

Initiate mine removal programs. To help ensure safety for repatriated IDPs, a high priority should be placed on identifying areas for housing, social, and physical infrastructure and economic activities that are secure from mines.

Improve access to information. Outside Baku, reliance on the mass media is low. Consequently, it is important to incorporate an information and communications component into the reconstruction effort, taking into account the need to mobilize personal channels of communications. Representative local leaders identified by the communities themselves should play important functions such as ensuring greater access to reliable information and contributing to the targeting and management of assistance programs in both the short and long term.

Identify and support mechanisms for temporary land allocation. A major obstacle for IDPs in terms of being able to engage in productive activities is their lack of access to land for agricultural activities. Appropriate mechanisms for the temporary allocation of land to IDPs should be identified and supported in order to break the cycle of dependency before it can jeopardize the successful return of IDPs to economic activities once their home territories become liberated.

Protect the environment. During the reconstruction phase, current pressure on the environment is likely to increase in the areas where people rely heavily on firewood for energy. To avoid excessive depletion of forest resources, there is a need to identify and put in place alternative sources of energy such as electrical space heaters.

Strengthen government institutions and civil society, including the capacity for resource mobilization. The establishment of ARRA as the central coordination unit appears to be very much in line with expectations of the people for strong government leadership in the reconstruction effort.

Migrations caused by the 1988-94 conflict over the Nagorno-Karabakh region of Azerbaijan and other ethnic migrations resulted in about 900,000 internally displaced people (IDPs) and refugees, equal to 15 percent of Azerbaijan’s population. Most of these people live in temporary residences spread throughout the country, often in deplorable conditions. About 20 percent of Azerbaijan’s territory was separated from the country’s national control. Large areas of Azerbaijan have been devastated, with substantial damage to physical and social infrastructure, to the environment, and to the economy in general.

The liberation of parts of the occupied territories and the establishment of a self-imposed cease-fire in Nagorno-Karabakh and the surrounding areas in May 1994 has led to a period of relative stability, creating the possibility for IDPs to return safely to the liberated areas and to restore their lives. However, the substantial damage to infrastructure and to the economy and the serious impoverishment of the IDPs are obstacles preventing a large number of IDPs from leaving their temporary residences and returning to their homes when this is safe.

Damage and Social Assessments

The government, through the Azerbaijan Rehabilitation and Reconstruction Agency (ARRA) has carried out an extensive damage assessment in the 15 administrative districts (Gazakh, Agstafa, Tovuz, Gedabek, Khanlar, Geranboy, Terteg, Agdam, Agdjbedi, Beylagan, Fizuli, and the Sadarak, Shanur, Babel, and Djalfa areas of the Nakhchivan Autonomous Republic), where about 365,000 people live in liberated areas. Extensive damage (more than 50 percent) is evident in the Gazakh, Agdam, and Fizuli districts, with lesser devastation in the other districts. More than 37 percent of the total damage was in the housing sector and 25 percent was in agriculture. Any average figure, however, masks the much higher percentage of devastation at the village and community levels, where in many cases complete resettlement of the population and reconstruction is needed.

ARRA and donor agencies have carried out a series of social assessments to determine how affected people; those who have returned, especially to parts of the Fizuli district; and IDPs living elsewhere in Azerbaijan view the prospects for resettlement and priorities for reconstruction. The highest priorities are safety and assistance with resettlement, especially the provision of minimum housing. The next priorities reflect peoples’ needs for income-generating activities once they return, especially in the agricultural sector—access to land, farm inputs, and livestock. The third set of priorities
emphasizes a minimum level of physical and social infrastructure, with highest priority accorded to water supply, electricity, and education. The social assessments also reveal that 95 percent of IDPs wish to return to their homes, that they have a high degree of trust in the central government to organize the resettlement and reconstruction process, and that they also appreciate the efforts of nongovernmental organizations, both local and foreign, in providing humanitarian assistance. The IDPs in Azerbaijan are unusual, in comparison with IDPs elsewhere in the world, in that they have remained within their national boundaries and there has been no significant transborder migration; the IDPs have also retained a high degree of community cohesion—most IDP families remain together and with other families from the same area of origin. However, the economic situation of the IDPs remains precarious; per capita monthly income is the equivalent of about $15, half of the average for rural people in the country.1

Resettlement and Reconstruction
Strategy and Program

While the return of the majority of the IDPs depends on a comprehensive peace settlement, about 36,000 people currently could return to their homes in secure areas if there were appropriate assistance for resettlement and reconstruction. It is the intention of the government to use its own resources and to ask for assistance from the international community to resettle this group to get them out of the difficult temporary residences in which they now live and to return them to productive life. In addition, the program will assist those IDPs who have already returned to liberated areas using their own resources and those who have stayed in these districts but have suffered from the conflict. This first-phase program will provide important experience and lessons so that Azerbaijan establishes the framework and capacity for larger resettlement and reconstruction once there is a change in the status of the occupied areas.

The program has been based on the following principles:

- Resettlement of IDPs should be done in a voluntary, safe, and sustainable manner under equal conditions.
- The resettlement package for returning IDPs should meet their immediate needs, giving priority to shelter, food assistance, and short-term income.
- The resettlement effort should be implemented within a framework of reconstructing the key physical and social infrastructure to minimum standards, taking into account least-cost solutions, affordability, and regional and local differences. Unit costs should be minimized so that the maximum number of IDPs can benefit from the program.
- The resettlement and reconstruction program should make use of a variety of implementation channels, including the public, private, and NGO sectors and involving various levels of organization, emphasizing the participation of individuals, families, communities, and local authorities.

On the basis of the damage and social assessments and with the experience of some resettlement that has already taken place after the 1994 cease-fire, the government has developed a $100 million resettlement and reconstruction program for IDPs, those who have returned to liberated areas and those who live in nearby areas that have received damage to:
- Facilitate the return of about 36,000 IDPs to liberated areas in a voluntary, safe, and sustainable manner.

- Provide a comprehensive minimum package of cost-effective physical and social infrastructure and income-generating activities for returning IDPs, those who have already returned, and those residents who have not been displaced but have been affected by the conflict.

The program, which will cost $123 million, including $18 million in operating costs and contingencies and $16 million already being executed, will be implemented between mid-1998 and mid-2001 through the public, private, and nongovernmental sectors using various implementation channels at the national, district, and village-community levels. ARRA will provide coordination and facilitation for the overall program. It—along with nongovernmental and, when appropriate, specialized international organizations—will also implement those aspects of the program where government or private capacity is lacking. ARRA, which reports directly to the president of Azerbaijan through a deputy prime minister, will also support the International Advisory Group, composed of multilateral and bilateral donors and NGOs, which has been created to improve donor coordination. The government has requested the United Nations High Commission for Refugees to coordinate for the donors the resettlement efforts and to launch a special appeal for funding. The government has also requested the United Nations Development Programme to assemble financing for a demining agency and for the World Bank and the European Commission to assist with donor coordination in other areas.

The program has been designed with the participation of key stakeholders in Azerbaijan as well as through an extensive process of social assessment of affected peoples. It was prepared by Azeri consultants contracted by ARRA who established in December 1997 working groups for all the key sectors made up of Azeri and international experts; representatives of the government, the private sector, the community, and local NGOs; as well as representatives of the donors and of international NGOs. The overall resettlement and reconstruction program was discussed with the working groups at a series of meetings in the second half of February 1998 and presented at a seminar for stakeholders, on March 3, 1998, which was also attended by representatives of the donor community.

Resettlement

The resettlement program will address the needs of about 36,000 people (approximately 6,300 families) who have been identified as being able to return to their homes in liberated, safe areas; who have the prospect through this program of achieving a satisfactory and sustainable life; and who voluntarily choose to resettle in their original homes. Resettlement would emphasize a community approach so that IDPs would return in homogenous groups. The program would provide about $510 per family in grant assistance for transport, the purchase of household necessities, food assistance for six months, and initial support for income-generating activities, mainly in agriculture. Each family would also be provided with minimum housing: initially the construction of one room (24 square meters) and the partial reconstruction of a larger roof area, at a cost of about $3,600 per family, including both direct and indirect expenses. The housing component of the program would cost $30.4 million and would include some repair of houses for those who have already returned.
Demining

Land mine contamination is a potential major problem for all aspects of resettlement and reconstruction and economic and social revival. Investigations undertaken show that the land mine situation in Azerbaijan’s currently liberated areas is apparently not as severe as the conditions in many other post-conflict countries. However, even a small number pose a serious problem, especially for the people who will resettle. In 1996-97, the government undertook limited mine clearing using Azeri military engineers in some areas and requested UNDP and the World Bank to fund preparations for the establishment of a demining agency. Based on experience with other mine action programs, the UNDP is coordinating the search for financing for the first two years of the demining agency’s operations, which are estimated to cost about $5 million.

Reconstruction

The reconstruction program would complement and supplement the resettlement effort. It would also assist IDPs who have already returned and deal with damage in the districts containing Azeri citizens who managed to remain in their homes. The emphasis of the program, which would require $89 million in new investment, plus $18 million in contingencies and operating costs, would be as follows:

Agriculture and irrigation. A total of $19.5 million in new investment for the provision of seasonal inputs (seeds, fertilizer, and equipment), livestock, and the repair and rehabilitation of critical infrastructure (canals, pumping stations, and wells), and the establishment of water user associations, and $3.3 million for operating costs. In addition, close to $3 million is under implementation. Returning IDPs would be given title to land as part of the government’s overall land privatization program. About 21,000 hectares would be provided with irrigated water under the program.

Nonagricultural income generation activities. An investment of $3.4 million, with $0.7 million under implementation. While the majority of income-generating activities are included within the agricultural sector, pilot programs building on the experience of NGOs in other areas of Azerbaijan will be established in public works employment, small grants, and microcredit. The program also includes assistance to local NGOs to increase capacity in this area.

Energy. The allocation of $19.2 million to rehabilitate substations and transmission and distribution lines to provide electricity for the liberated areas and to reduce the incentive for IDPs to destroy forest reserves. The amount includes $4.6 million under implementation and $0.5 million for operating costs.

Education. A total of $11.5 million would be used to restore and improve basic education (primary and secondary) through investments for a comprehensive range of inputs including textbooks and material, equipment, structural rehabilitation, and teacher training and housing. This amount includes $0.8 million currently under implementation. In order to cater to the priority given to this sector and to ensure that education services will be provided early in resettlement, the program includes the recurrent costs of schools in the area for the first two years in the amount of $4 million. The involvement of communities in education will be promoted through support for multifunctional schools and parent-teacher associations.

Health. This sector would receive $2.8 million. In view of the priority the affected people expressed for this sector, the
program will focus on primary care provision, particularly at the feldsher/midwife level in villages, and the provision of essential drugs and medical equipment (and monitoring of their distribution), structural rehabilitation, and health professional training. As in the education sector, the program includes funding for recurrent costs of $0.3 million.

**Water supply.** This would amount to $4.3 million, with $1.8 million under implementation. The program would restore or improve water supply and distribution in 58 villages containing some 120,000 people and would include cleaning, repair, and rehabilitation of boreholes, distribution pipes, pumping facilities; installing new boreholes and equipment where appropriate; and the provision of an initial stock of spare parts.

**Transport and communications.** The program would allocate $5 million to fund repairs for the railway connection to Horadiz and important roads sections. About $650,000 in telecommunications repair and replacement would also be included.

**Program Costs and Financing**

The total cost of the program is $123 million, of which some $16 million is under implementation and $18 million represents operating costs and contingencies. The two-year program objective would be implemented over a three-year period. The implementation period depends to a large extent on the availability of donor financing for the specific sectors. Tables summarizing the program by sector and by district are attached to this summary. The government has indicated that it intends to finance about $19 million of the program. The utilization of the government’s funds will complement donor activities and facilitate the resettlement process. In addition to the $16 million currently under execution, the government is in discussion with the European Union, the Islamic Development Bank, and the World Bank for financing that could total $40 million in 1998. The government has requested the United Nations High Commissioner for Refugees to launch a special appeal for the resettlement and housing component of the program.

The government has asked the United Nations Development Programme to lead the effort to secure the $5 million in financing for the establishment of the demining agency. The International Advisory Group, co-chaired by European Union, the United Nations Development Programme, and the World Bank, will be the primary mechanism through which government seeks the coordination of international donors and NGOs and monitors the implementation of the program.

**Program Implementation**

Implementation arrangements for the program will depend on the program components that are finally approved by the government and accepted for financing by the government and the members of the International Advisory Group. Issues concerning refugees in the present camps will be handled within the framework of the State Commission for Refugees. Once refugees leave their camps and become part of the resettlement and reconstruction process, they will fall within the framework of this program, whose implementation is being facilitated and coordinated by ARRA. Emergency operations need to be implemented quickly, effectively, and efficiently, but experience in post-conflict situations around the world has shown that implementation is often beyond the capacity of existing government channels. For this reason, the program envisages increasing the capacity of ARRA to implement program components in coordination with respective government agencies. In addition,
the program envisages using international and local NGOs for implementation where appropriate and contracting out implementation to the private sector or to autonomous sector institutions. A detailed implementation program will be provided once the overall program is agreed on.

**Program Benefits**

The program aims at benefiting three target groups: about 36,000 people who can move out of their temporary homes around Azerbaijan and be resettled voluntarily in a safe and sustainable manner in liberated areas, IDPs who have already returned to these areas, and those who have remained in the damaged parts of liberated areas who would benefit from the program. Major benefits would include:

- The resettlement of about 36,000 people and the provision of initial housing, food assistance, and income-generating opportunities.

- Housing repair for about 1,000 families who have already returned.

- Income-generating activities through the provision of agricultural inputs and livestock and the restoration of about 21,000 hectares of irrigated land. Also, pilot programs will be established for public works employment, including forestry, and for small grants and microcredit.

- The reestablishment of basic services in social and physical infrastructure, in particular in education, health, power, transport and communications, and water supply. The demining agency would assist in expanding the areas of economic and social importance to normal utilization by the population.

In view of the fact that this program is based largely on repair and reconstruction, rather than new construction, the environmental benefits are expected to be positive. Where new construction is envisaged, specific environmental impact assessments will be conducted. Of particular concern from the environmental point of view is the deforestation caused by military activities and the need of residents for wood. The program will include a special reforestation-conservation component as part of the public works component.

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1 All dollar amounts are current U.S. dollars unless otherwise noted.
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<td>3.36</td>
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Executive Summary

Azerbaijan is afflicted with one of the largest population displacement problems in the world, with close to 1 million people, or about one out of every eight persons in the country, being either an internally displaced person (IDP) or a refugee. In the absence of a political settlement of the conflict over Nagorno-Karabakh, which has left the majority of these uprooted people displaced on the territory of their own state, UNHCR has been adapting its policies and programs to reflect the change from the emergency phase to the post-conflict phase.

In preparation for peace and the potential return of massive numbers of displaced people to the areas presently occupied, UNHCR, in close partnership with the World Bank and UNDP, has been promoting contingency planning and the design of an international strategic framework for assisting the government of Azerbaijan to address the challenges of post-conflict resettlement, reconstruction, and rehabilitation of war-torn areas. These efforts, which have focused on war-damaged areas to which the displaced can return in safety, have resulted in the creation in June 1996 of the official Azerbaijan Rehabilitation and Reconstruction Agency (ARRA) and of an International Advisory Group (IAG) to assist the government in implementing a comprehensive, multiyear $123 million Program for the Resettlement and Reconstruction of the Liberated Areas.

The government's multisector program has been carefully appraised by UNHCR and the World Bank, and by UNHCR and NGOs. It aims to facilitate the return of some 36,000 displaced persons to their areas of origin in a safe, voluntary, and sustainable manner. It is also intended to provide an integrated package of cost-effective physical and social infrastructure and income-generating activities for those returning, as well as for several thousand people who have already returned, and about 250,000 persons who remained in the war-damaged areas.

The keystone of the program is the shelter sector. The government has requested UNHCR to assume a leading role in shelter rehabilitation in close partnership with ARRA, to coordinate the resettlement efforts and to launch a special appeal for funding. This role has been worked out within the synergetic partnership formed by the World Bank, UNDP, and UNHCR, and is reflected in their agreed-upon division of labor, including the mobilization of funding, in a joint pilot resettlement and reconstruction project in support of the government's broader program.
At the request of the government and as part of an integrated solution-oriented strategy developed jointly with the World Bank and UNDP, UNHCR is therefore launching a special appeal to raise $5.5 million to finance the first phase, which will last until the end of 1998, of a $12 million, 24-month program for Shelter Rehabilitation for Displaced Populations Returning to War-Damaged Areas (see table below).

This initial appeal will be followed by a submission in 1999 for the second tranche, subject to a World Bank-UNHCR evaluation of the 1998 achievements and the ongoing needs assessment.

This first phase will provide some 2,000 households in Terter, Agdam, and Fizuli districts with minimum locally acceptable housing. In order to benefit the greatest number in the shortest time, the program will focus on the construction of basic replacement housing and the distribution of construction materials; it will include technical advice for self-help repair of damaged homes and measures to mitigate environmental hazards.

UNHCR’s shelter activities will complement simultaneous activities in other sectors by ARRA, international organizations, and NGOs to provide a seamless, comprehensive resettlement package addressing the immediate and medium-term needs of the population to enable a sustainable return.

The government of Azerbaijan has agreed to contribute $4 million to the shelter component of the overall multiyear program, which will cost a total of $30 million. In other words, the Azerbaijani government will provide 13 percent of the total funding for activities in the shelter sector.

This special appeal is for funds additional to those already sought for UNHCR’s activities in Azerbaijan covered in the 1998 appeal for the Commonwealth of Independent States (CIS) countries. Because the proposed solutions-oriented additional activities merge the short-term humanitarian assistance aspects with longer-term reconstruction, the organization is seeking funding from sources that are not necessarily designated for humanitarian or emergency purposes, and it will establish a separate trust fund for its new program.

### Budgetary Requirements (May to December 1998)

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<tr>
<th>Component</th>
<th>Number of Beneficiaries</th>
<th>Unit Cost</th>
<th>Component Cost</th>
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<td>Housing</td>
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<td>Limestones for major repair</td>
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<td>$3,040,000</td>
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<td>Materials for minor repair</td>
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<td>$1,000</td>
<td>$1,050,000</td>
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<tr>
<td>Asbestos removal</td>
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<td>$100</td>
<td>$300,000</td>
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<td>Stoves/heaters</td>
<td>2,000 households</td>
<td>$100</td>
<td>$200,000</td>
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<td>Pre-fab multi-use schools/ community buildings</td>
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<td><strong>$5,566,000</strong></td>
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Annex 3. Shelter Rehabilitation for Displaced Persons

Introduction

As part of its close partnership with the World Bank and UNDP in Azerbaijan, UNHCR is launching a special appeal for return and shelter assistance in support of the government of Azerbaijan’s newly completed Program for the Resettlement and Reconstruction of the Liberated Areas. The appeal’s purpose is to raise $5.5 million to finance the implementation, during 1998, of the first phase of a two-year program to facilitate the resettlement of displaced families so that they can return safely to their villages of origin in areas that were affected by the war before the May 1994 cease-fire.

The special appeal results from a request by the government of Azerbaijan to UNHCR to extend its activities—together with the World Bank—in order to ensure a successful launch of, and subsequent momentum for, its major program for resettlement and rehabilitation in the war-damaged territories. It is also the product of an integrated strategy agreed on by UNHCR, the World Bank, UNDP, and their partners and, more specifically, a pioneering joint effort by UNHCR and the World Bank to prepare an appropriate pilot resettlement and reconstruction project on the basis of joint needs appraisals, and to raise the required funds.

The UNHCR special appeal covers only the first phase of a multiyear plan that will cost an estimated total of $12 million. This initial appeal for $5.5 million will be followed by a further funding submission in 1999 for the second phase, subject to a World Bank–UNHCR evaluation of the 1998 achievements. Furthermore, UNHCR and the World Bank have agreed to combine their efforts to inform the international community about the progress made in resettling returning displaced persons and on the resulting financial requirements as and when implementation proceeds.

Background

UNHCR became involved in Azerbaijan and Armenia in late 1992 at the height of the humanitarian emergency created by the Armenian-Azerbaijani conflict over the territory of Nagorno-Karabakh. By the time a cease-fire was arranged in May 1994, an estimated 650,000 Azerbaijaniis had been forcibly displaced from large areas of Armenia occupied by Karabakh Armenian forces. Since then, the cease-fire has managed to hold, but a political settlement has proved elusive and the uprooted, whose numbers are augmented by 185,000 Azerbaijani refugees from Armenia (as well as over 40,000 Meskhetian Turk refugees from another conflict), have remained hostages of a fragile state of neither war nor peace.

UNHCR’s programs in Azerbaijan were initiated as emergency operations, but with voluntary repatriation remaining contingent on a political solution, the temporary emergency operation mode was transformed into an indefinitely extended one. In the postemergency phase, humanitarian assistance shifted progressively from emergency relief to temporary integration, community-oriented activities, and the promotion of self-reliance.

UNHCR recognizes the close complementarity of political conflict resolution and mediation efforts and humanitarian and protective activities aimed at achieving solutions for displaced populations. In contributing, from a humanitarian angle, to the search for a political settlement of the Nagorno-Karabakh conflict, UNHCR has emphasized that humanitarian issues not only need to be addressed in a timely manner but also that
they need to be made an integral part of the peace agreement. Thus, UNHCR has stressed the importance of contingency planning to address humanitarian and rehabilitation needs (including demining) in the war-affected territories in the event that an organized return takes place, and to sensitize relevant international and Azerbaijani institutions to the post-conflict reconstruction phase.

During 1997, the Minsk Group stepped up its efforts to promote a peaceful settlement of the Nagorno-Karabakh conflict and submitted a draft peace plan based on a phased settlement to the parties. Although the status of Nagorno-Karabakh remained a stumbling block, this proposal gave new impetus to the conflict resolution process.

Preparing for Peace within a Strategic Framework

If and when the political deadlock over the Nagorno-Karabakh conflict is finally broken, a massive return of IDPs to the occupied territories can be expected. In a context of close interagency consultations, UNHCR has been doing its best to be adequately prepared to deal with this immense challenge. The organization has been proactively promoting the design of an integrated international reconstruction and rehabilitation strategic framework, focusing initially on the territories to which uprooted populations can already return in safety. UNHCR has established a close working partnership with the World Bank, UNDP, and NGOs to develop more effectively an integrated approach to the rehabilitation of war-torn areas that would highlight the benefits of early preparation for the return and reintegration of the displaced.

Stepping up its own preparations and contingency planning, UNHCR has carried out an evaluation of the adequacy of existing institutional and interagency arrangements on the ground to cope effectively with a large-scale return of displaced persons to the occupied territories, from the existing registration procedures and the management of the flow of information to demining capacity and identifying possible shortcomings in the present institutional landscape.

The enhanced cooperation established among the major international organizations, NGOs, and donor countries—and especially the intense UNHCR/World Bank/UNDP consultations and preparations within the framework of the contingency planning process—has resulted in the formal establishment of an International Advisory Group (IAG), co-chaired by UNDP, the World Bank, and the European Commission. Its purpose is to assist the Azerbaijani government in formulating policy in relation to the resettlement and reconstruction program for displaced people.

The Government’s Resettlement and Reconstruction Program

It was at the April 3, 1998 meeting of the IAG that the government of Azerbaijan presented its Program for the Resettlement and Reconstruction of the Liberated Areas and requested UNHCR to coordinate for the donors the resettlement efforts and to launch a special appeal for funding. The government has also asked UNDP to assemble financing for a demining agency and for the World Bank and the European Commission to assist with donor coordination in other areas.

The government’s program was in fact prepared with the assistance of UNHCR, UNDP, and the World Bank. It is a comprehensive, multisectoral resettlement and reconstruction program based on
extensive damage and social assessments in the war-damaged and formerly occupied areas that were carried out by ARRA. UNHCR has carried out in-depth assessments of the government's program in partnership with both the World Bank and international NGOs, and these have confirmed that the program is appropriate and deserving of support from the international community.

The government's program includes 16 sectors ranging from resettlement to environmental mitigation. Apart from assisting displaced persons, often living in deplorable conditions throughout Azerbaijan, to return voluntarily to their homes, it aims to provide acceptable but low-cost social and physical infrastructure and income generation activities to war-affected Azerbaijanis, including 36,000 people who have already returned and some 250,000 people who have remained in the districts but whose lives have been severely disrupted by the conflict. The program is also designed to build institutional capacity and to promote learning from experience in preparation for the time when larger resettlement and reconstruction efforts may be needed.

Resettlement and housing are presented as two interrelated sectors, the successful implementation of which will be crucial for the entire resettlement and reconstruction program. UNHCR will focus on housing needs and will operate through experienced NGOs in the framework of a close partnership with ARRA concerning the selection of beneficiaries. The UNHCR implementation strategy is based on a systematic search for synergies with other international organizations, donors, and NGOs involved in the concerned regions, in order to promote an assistance package formula that simultaneously addresses the priority needs of the beneficiaries. This strategy aims at facilitating a voluntary, safe, and sustainable return of the displaced persons.

The UNHCR-World Bank Synergy

The integrated approach developed by UNHCR and the World Bank in Azerbaijan provides an excellent example of the importance and usefulness of partnership and cooperation between the two organizations in areas of mutual concern. It is based on the joint recognition that for return to be sustainable, short-term resettlement activities should go hand in hand with longer-term efforts aimed at rebuilding the physical and social infrastructure and creating income generation possibilities.

The effectiveness of the partnership between UNHCR and the World Bank was exemplified in the joint appraisal mission initiated by the latter to review the Azerbaijani government's completed Program for the Resettlement and Reconstruction of the Liberated Areas. It took place from February 15 to March 6, 1998, and produced catalytic results, helping to move forward the government's proposed program by:

- Consolidating an enlarged institutional framework for coordination between donors and the Azerbaijani government
- Identifying areas of assistance in which the World Bank, UNHCR, and UNDP should undertake complementary activities
- Obtaining a commitment from the government to make funds available for selected sectors of the program, in particular shelter
- Securing the agreement of the government to the involvement of local
Post-Conflict Reconstruction in Azerbaijan

and international NGOs in the program and to UNHCR’s coordination role as requested by the IAG.

- Ensuring a consensus among all concerned that it is important for returns to be voluntary, safe, and sustainable.

As for the actual agreed-upon division of labor in the UNHCR-World Bank joint pilot resettlement and reconstruction project in support of the Azerbaijani government’s broader multiyear program, UNHCR is playing a major role in donor coordination for resettlement and housing activities, with the World Bank playing this role in donor coordination for reconstruction and UNDP for the demining agency. While UNHCR seeks funds for the housing and shelter rehabilitation activities, the World Bank has undertaken to provide the government of Azerbaijan with a soft loan for $20 million to finance health, education, and other activities that will be implemented in conjunction with UNHCR’s shelter program.

UNHCR’s Shelter Strategy

The proposed UNHCR Shelter Rehabilitation Program for returning displaced persons is based on lessons learned from similar activities UNHCR, UNDP, and the European Commission have been conducting in Fizuli and Adjabedi districts since 1996; on the ARRA social assessment commissioned by the World Bank in 1996; and a joint NGO-UNHCR profile survey carried out in March and April of 1998. This survey aims to integrate most of the parameters influencing the life of the population in war-affected districts along the cease-fire line, to provide a diagnosis of the current situation, and to identify limits and potentials for improvement of the living conditions of the returnees. It constitutes an ongoing attempt to complete and update the district profiles and the resulting needs assessment in preparation for the continuation of the UNHCR housing program in 1999.

UNHCR has been asked by the government of Azerbaijan to lead the resettlement component of its reconstruction program, particularly the shelter sector. In response to this request, UNHCR will greatly enlarge its shelter assistance program and expand its current activities in environmental mitigation to complement inputs from the government, other international organizations, donors, and NGOs. This multilateral coordination according to the various sectors of the government’s resettlement and reconstruction program will insure a seamless, sustainable resettlement project.

The proposed formula of shelter assistance is designed to provide minimum locally acceptable housing for the largest number of beneficiaries in the shortest time. This strategy is formulated in such a way as to complement ARRA shelter activities and to capitalize on the advantages of each of the respective shelter assistance formulas. In a spirit of partnership, ARRA and UNHCR will link their activities—in particular to address the needs of the most vulnerable of the population, or coordinate their activities geographically or at the community level as dictated by the degree of damage and assessed needs of the community.

The first results of the UNHCR-NGO district profile survey show that approximately 2,000 out of 3,663 accessible households in the target area require immediate shelter assistance. Experience and examination of the distribution of damage indicate an average cost of $1,800 to $2,100 per house. This joint survey also indicates that a significant part of the population originating from war-damaged areas has returned to
Annex 3. Shelter Rehabilitation for Displaced Persons

their home villages and is in need of humanitarian assistance.

Initially, UNHCR expected to do no work within the 3-kilometer safety zone along the front line. However, the survey shows that, particularly in Agdam and Terter districts, the majority of the population has returned to villages in this zone, and needs humanitarian assistance. While UNHCR does not encourage return to areas close to the frontline area for security reasons, the spontaneous and voluntary return of the population justifies consideration of a limited humanitarian assistance program to meet the most immediate needs of these families.

Modalities of Housing Assistance

In allocating housing assistance, beneficiaries will be divided into three groups according to the degree of damage to their houses (see table below):

Destroyed houses. Those families whose houses are destroyed will be assisted with a new small house based on the Azerbaijani government’s standard of five square meters per person in the family. The cost (materials and labor) for the typical Azerbaijani family of five person will be $2,600. The beneficiary family will be required to take part in the construction to the maximum degree possible in order to increase their stake and include their contribution, direction, and supervision in the work. The great number of extended families in Azerbaijan sharing one household will result in a per house average of approximately $3,200.

Heavily damaged houses. Families whose houses are heavily damaged will be encouraged to repair them themselves. UNHCR will supply materials needed to construct roofs and repair adequate living space for each family (five square meters per person). Local engineers from UNHCR implementing partners will deliver materials and provide technical guidance. The materials will be delivered in stages to ensure beneficiary commitment to the project. The cost of the materials provided will not exceed the cost of the replacement house ($2,600 for the typical family of five). Those families unable physically or financially to repair their houses will be provided with new small houses as described above. The development of community-based work teams, or complementary inputs from the government or other donor sources, would be encouraged to assist the most vulnerable families in the completion of the physical reconstruction work.

Lightly damaged houses. Many houses sustained minor damage, primarily to windows and roofing sheets. A family living in such a house will be provided with the materials necessary to weatherproof the roof and provide an adequate living area at the least cost, and in accordance with the government’s standards. Again, the cost of materials will be capped at the cost of

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<td>86</td>
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<tr>
<td>Terter</td>
<td>1265</td>
<td>316</td>
<td>949</td>
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<tr>
<td>Totals</td>
<td>3663</td>
<td>1693</td>
<td>1970</td>
</tr>
</tbody>
</table>

a/ Total number of damaged houses in the ARRA damage assessment, excluding uninhabited villages within three kilometers of the front line.

b/ Includes 1,036 houses and apartments funded by international donors plus an estimated 25 percent of the balance (based on surveyed villages) repaired by the owners themselves.
replacement shelter. Experience has shown these repairs to average $900 to $1,000 in direct material cost.

Environmental Mitigation

The government has identified two primary areas of environmental concern in its reconstruction program: deforestation and asbestos in building materials.

Deforestation. To alleviate demand for fuelwood, UNHCR will undertake a project-wide distribution of electric heaters and stoves. These new appliances will replace wood-burning heaters and the makeshift, hugely inefficient electric heaters currently used.

Asbestos. There are two interrelated asbestos problems in the project area: the prevalent use in construction of roofing material containing asbestos, and the cleanup and disposal of existing asbestos in burned houses. To solve the first of these problems, UNHCR and ARRA will utilize materials that do not contain asbestos in all new construction work to be carried out in the project. The second problem, the cleanup and disposal of existing asbestos, is complicated by the lack of a proper disposal facility in Azerbaijan. Therefore, for short-term storage, all waste containing asbestos will be sealed and securely stored, in agreement with the government, until such time as final disposal can be initiated.

Multipurpose Prefabricated Buildings

As many school and other community buildings are occupied by IDPs or military units, there is a need for buildings to be utilized in the short term as classrooms, clinics, or community meeting places. UNHCR will install prefabricated buildings in places where the original structures are otherwise temporarily occupied. The buildings will be similar to the 513 schools installed by UNHCR in central Azerbaijan in 1994-95 to alleviate classroom crowding caused by IDPs occupying schoolrooms. The exact locations and uses of these buildings will be decided according to the ongoing needs assessment and in consultation with the village residents.

Implementing Arrangements

UNHCR will be implementing the major part of its program through several international nongovernmental agencies having the required experience and local support structures in shelter rehabilitation. Each agency will be working in a specific area. All will be working closely with one another, under the overall supervision of UNHCR, to ensure uniformity of policies and standards. An amount equal to 15 percent of operational costs has been included in the budget for agency support costs.

No separate or additional program delivery and administrative support costs are included in the budget: UNHCR intends to implement the program with the UNHCR support staff already in place in Azerbaijan.

The program submitted in this special appeal is additional to the existing and ongoing UNHCR program in Azerbaijan, which is part of the 1998 CIS appeal launched by UNHCR in December 1997. Although UNHCR previously had supported the construction and rehabilitation of shelter, it did so on a limited scale, and the support benefited only refugees and internally displaced persons in areas of temporary settlement. The existing and ongoing program in Azerbaijan, besides covering protection, training, capacity building, and other statutory functions of the UNHCR, will continue to cater to refugees and to internally displaced persons.
in areas of temporary settlement in sectors such as income generation, agriculture and animal husbandry, community development, health, and education. The program submitted in this special appeal is exclusively focused on IDPs returning to their area of origin.
Annex 4. Implementation Support Component

Azerbaijan Resettlement and Rehabilitation Agency: ARRA’s Role

The Azerbaijan Resettlement and Rehabilitation Agency (ARRA) will have the overall responsibility for the implementation of the proposed Pilot Reconstruction Project. ARRA was established on July 12, 1996 through a presidential decree (No. 471) as the executive body of the State Commission of (the) Azerbaijan Republic on Rehabilitation and Reconstruction. The commission has the overall responsibility for the reconstruction and rehabilitation of the areas affected by the conflict over Nagorno-Karabakh. ARRA’s main responsibilities and functions include:

- The preparation of damage assessments for the areas affected by the conflict over Nagorno-Karabakh
- The preparation of annual reconstruction and rehabilitation programs
- Proposals of appropriate implementation arrangements for the reconstruction and rehabilitation programs
- Coordination of the support provided by international donors and the mobilization of additional funds for the implementation of reconstruction and rehabilitation programs
- Coordination of its activities with those of governmental and nongovernmental organizations and financial institutions
- Preparation of technical assistance programs to ensure that the agencies involved in the implementation of the reconstruction and rehabilitation programs have the necessary skills
- Direct responsibility for the reconstruction of industrial and social buildings through competitively selected organizations
- Selection of investment projects as well as the administration and monitoring of programs and projects and activities approved by the commission and financed by international donors
- Appointment of consultants from nongovernmental organizations to carry out engineering and construction supervision in areas that fall outside the purview of existing ministries or at the demand from the public.
More specifically, with regard to the implementation of the Pilot Reconstruction Project, ARRA will have the following functions:

- Overall project coordination, monitoring, and progress reporting. In implementing the project components, ARRA will work closely with the respective line ministries.

- Direct implementation responsibility for the housing component and the microcredit, grant, as well as public works subcomponents.

- Procurement of all goods, works, and services.

- Management of funds, verification of payment requests, and proper maintenance of bank accounts and project records.

- Audit of project accounts and preparation of the project completion report.

**Organization and Staffing**

Up to now ARRA has successfully implemented reconstruction and rehabilitation projects worth about $20 million. In view of the proposed Pilot Reconstruction Project, ARRA has decided to expand its staff and restructure its organization. In the new organization, there will be a greater delegation of power from the executive director to the operations manager and the manager for investment planning and projections. In addition, ARRA will open and/or expand its regional offices in the *rayons* (districts) where the project will be implemented: Fizuli, Agdam, Terter, and Nakhchivan. This, together with the considerable increase in staff, should enable ARRA to implement the proposed project in line with the schedule shown in the Project Implementation Plan.

In addition to the Administration Unit, the Operations Finance Unit, the Operations Procurement Unit, and a Project Planning Unit, ARRA will have three sectoral units: Industrial and Civil Engineering, Infrastructure, and Income Generation. Oversight over and intensive support to the procurement and contracting activities will be carried out by the three sectoral units. The Operations Finance Unit will be responsible for the management of all financial transactions relating to the project, including operating the special account, preparing withdrawal applications for the World Bank, opening letters of credit, management of the local bank account, authorizing and making project-related payments, maintenance of comprehensive financial project records, compliance with financial reporting requirements by the Bank and other cofinancing donors, and arranging for annual audits of project accounts. The Project Planning Unit will be responsible for progress reporting to the Bank, donors, and the government, including preparation of the progress completion report.
Organizational Chart of ARRA

- Consultant for Operations, Financial Management, and Procurement
- Director
- Consultant to Coordinate International Donors

- Chief Accountant
- Investments Planning Manager
- Operations Manager
- Foreign Investment Manager
- Information Manager

- Administrator
- Project Planning Specialist
- Energy & Irrigation Specialist
- Infrastructure Specialist
- Income Generation Specialist
- Operations and Procurement Specialist

- Operations Finance Accountant
- Fizuli Office
- Tarter Office
- Nakhchivan Office
- Agdam Office

Monitoring Offices
Annex 5. Description and Design of the Pilot Reconstruction Project

The project has been designed to support the government’s program to achieve the following three objectives: (a) the development of an effective approach to the voluntary resettlement and rehabilitation of IDPs; (b) the establishment and strengthening of institutions in Azerbaijan involved in the voluntary resettlement of IDPs, demining, and the reconstruction of areas affected by the conflict over Nagorno-Karabakh; and (c) assistance in raising and coordinating support from international donors and NGOs. It will do this through a program that would provide returning IDPs with comprehensive support, including assistance in relocation, basic shelter, and food aid, immediately after their return; support for income-generating activities; and access to basic health care, schools, power, and other infrastructure facilities. In addition, the project would provide assistance to enhance the capacity of agencies in Azerbaijan to deal more effectively with the voluntary resettlement of IDPs, demining activities, and the coordination and implementation of assistance from international donors. The project consists of the following six components:

- Support for the voluntary resettlement of IDPs
- Reconstruction and repair of housing
- Support for creating employment and raising incomes
- Rehabilitation of health care facilities and schools
- Reconstruction and repair of infrastructure and power transmission and distribution
- Support to enhance the capacity of agencies involved in the rehabilitation of IDPs, demining, and the reconstruction of areas affected by the conflict over Nagorno-Karabakh.

In view of the limited implementation capacity that is currently available, the scope of the project is limited to the repatriation of IDPs to three rayons (districts): Agdam, Fizuli, and Terter. Some emergency support has also been provided for the repatriation of 47 families to Nakhchivan out of the Project Preparation Facility for this project.

Relocation ($1.8 million)

As a result of the conflict over Nagorno-Karabakh, about 900,000 people have lost their homes. Most of them continue to live in camps and makeshift shelters in dismal conditions. Approximately 400,000 lived in areas that have become accessible to
Azerbaijan since the cease-fire. While a few never left their homes, a growing number are in the process of returning to their former homes. Experience has shown that quite a few IDPs return to their former homes spontaneously, when they feel that it is safe to do so. Without shelter, access to health care, schools, and other basic infrastructure services, many families are reluctant to give up their existence in camps where the government and international aid agencies provide them with basic humanitarian aid. Members of these families frequently commute to their former homes to carry out basic repairs or assist in reconstruction. As soon as shelter is available and the area is safe, the family returns, often together with other families of the village or community. Lack of employment opportunities force many returning IDPs to commute to other areas in Azerbaijan.

The objective of this component is to facilitate the return of about 20,000 IDPs (3,600 families) to their former homes in Agdam, Fizuli, and Terter. The resettlement of IDPs is voluntary. Most communities retained their cohesiveness even in camps. In light of this fact, the government tends to relocate whole communities after it has been established that it is safe to do so and usually after basic shelter is available.

Implementation. The government has requested assistance from UNHCR for the voluntary resettlement of approximately 20,000 IDPs. UNHCR has launched a special appeal to secure funding for this activity and the reconstruction or repair of houses and other related activities.

Before the actual repatriation takes place, IDPs are informed about the conditions in the areas they are returning to and the support they can expect to receive. The government provides each family with approximately $450 to $475. This includes a transportation allowance ($50–$75); a grant for agricultural implements, seeds, and food ($100); household necessities ($30 per capita); and social security payments ($5 per capita per month). In addition, a law is currently before Parliament that would provide returning IDPs with free medical care, household items on preferential terms, free registration for children in schools, receipt of state allowances and other forms of aid, and compensation relating to material loss and other losses. The law would also encourage small business activities and provide favorable tax conditions for the returnees and their employers.

To facilitate the repatriation of larger numbers of IDPs, in particular to provide them with support during the first year after their return, the government has decided, after consultation with the Commission for Rehabilitation and Reconstruction and the International Advisory Group (IAG), to establish a relocation agency. Support for the establishment of this agency will be provided under this project ($1.0 million). Since this agency will be essential for the implementation of this component, agreement has been reached with the government to establish this agency as a condition of effectiveness.

Reconstruction and Repair of Houses ($14.0 million)

The results of the social assessments show that housing and employment are the two main concerns of IDPs in deciding whether to return to their former homes or to remain in camps. The timing of the actual relocation of IDPs and the completion of the work under this component are closely linked. People will return to their former homes only if the area is safe and they have basic shelter and a reasonable chance of finding employment. International donors and NGOs have concentrated their efforts in
helping with the reconstruction and repair of houses. In spite of their efforts, a large number of families are waiting for help in getting their houses rebuilt. The objective of this component is to complement the work that has been done by government agencies, international donors, and NGOs, and to reconstruct or repair (depending on the extent of the damage of the buildings) an estimated 3,470 houses and seven apartment buildings in Agdam, Terter, and Fizuli.

Implementation. Financing for this component will come from funds raised through a special appeal by UNHCR and, to the extent that additional funding is required, through contributions from government budgetary resources. In implementing this component, UNHCR is discouraging relocation to areas closer than three kilometers from the current front line. As a condition of its assistance, UNHCR expects that the beneficiaries will participate in the repair and reconstruction of their houses. UNHCR divides damaged houses into three categories:

- **Destroyed houses.** Families whose houses have been destroyed will be provided with new small houses based on the government's standard of five square meters per family member. UNHCR estimates the cost of a house (building materials and labor) for a family of five at about $2,600. Family members are expected to participate in the construction of their house if they are in a position to do so. This not only reduces the cost of construction, it also ensures that the preferences of the future owners are fully taken into account.

- **Heavily damaged houses.** Families whose houses are heavily damaged will be encouraged to repair their own houses with materials supplied by UNHCR. These materials would be sufficient to construct the roof and repair adequate living space based on the government's standard of five square meters per family member. UNHCR uses local implementing partners, mostly NGOs, to deliver the required quantity of building materials to the beneficiaries and to provide them with technical advice and guidance. The materials will be delivered in stages to ensure the commitment of beneficiaries to the project. The cost of the building materials should not exceed the cost of a replacement house (that is, $2,600 for a family of five). Families that are not in a position to contribute to the repair of their houses will be provided with a new small house as described above.

- **Lightly damaged houses.** Many houses sustained only minor damage, mostly to windows and roofing sheets. In these cases UNHCR will provide materials to weatherproof the roof and provide adequate living space in line with the government standards described above. Again, the cost of the building materials will be capped at the cost of a replacement house. Experience with the repair of such houses has shown that the costs of building materials average about $500 to $700.

In the unlikely event that there is a significant shortfall in the funding of UNHCR's special appeal, ARRA will implement the portion of the repair and reconstruction of houses and apartment buildings that is not covered by the funds raised under the special appeal. ARRA would implement this work through competitive tenders. ARRA would hire technical consultants to assess the damage and prepare detailed plans for the reconstruction and repair of houses. Based on these plans, ARRA would invite bids from local construction companies and NGOs, which would either hire small local
construction companies or construction brigades; that is, teams of construction workers to carry out housing repair and small construction jobs, usually under the guidance of a foreman.

In the context of this project, ARRA and UNHCR are exploring the possibility of cooperating more closely in the repair and reconstruction of houses. Instead of carrying out the repairs in parallel, UNHCR would contribute building materials up to an amount of $2,600 for severely damaged houses. ARRA would hire an architect to draw up plans for the repair, purchase additional building materials (should this be necessary), and hire the contractor. Before starting the work, ARRA and its architect would discuss the plans for repair with the beneficiary and UNHCR. Both ARRA and UNHCR would monitor the repair work and sign off on the quality of the work performed. This arrangement would have several advantages. It would ensure that returning IDPs will have access to an acceptable shelter, even if the repair of their house would exceed the cap of $2,600 imposed by UNHCR, and closer cooperation between UNHCR and ARRA would strengthen ARRA’s capacity to implement housing repair in a manner that is acceptable to international donors and would demonstrate to the international donor community the government’s willingness to contribute financially to the reconstruction effort.

In view of the fact that many schools and other community buildings are still used to shelter IDPs and military units, there is an urgent need for temporary buildings that can be used as classrooms, clinics, and community meeting rooms. To meet this need, UNHCR will install about 50 prefabricated buildings. The locations and exact uses will be determined in consultation with the village residents. In conjunction with the repair and construction of houses, UNHCR and ARRA will not use any materials that contain asbestos, and will clean up asbestos in damaged houses and properly dispose of this debris. Until a proper disposal facility becomes available in Azerbaijan, all asbestos-containing waste will be sealed and stored in a temporary landfill.

To maintain adequate control over quality and to ensure timely delivery of works, goods, and services, as well as transparency in the use of funds, 24 person months of expatriate consultant support and 30 person months of local consultant support have been included under the support for project implementation. The consultant would review a sample of bid documents and tenders and the quality and cost of the associated repair and construction work.

In addition to providing about 20,000 returning IDPs with basic housing, this component is estimated to create additional employment in the construction and building materials industries and stimulate the development of local enterprises. As such, it will be a major element in the government’s strategy for jump-starting the local economy.

Income Generation ($10.9 million)

As indicated above, employment is the main concern—after safety and the availability of shelter—of IDPs contemplating return to their former homes. To achieve one of the main objectives of this project—that is, to assist the government in the implementation of measures that would jump-start economic activity in the three selected districts and to give returning IDPs a reasonable chance to catch up with the improvements in the standards of living that have taken place in the recent past—the project provides substantial financial support to activities that hold the greatest promise for creating employment and
raising incomes. While many IDPs will find employment in agriculture or activities related to agriculture, quite a few have no agricultural experience. Since it is unlikely that the industrial enterprises that used to provide employment in these districts will be rebuilt in the near future, funds will be provided for retraining and the development of business plans (small grants) and microcredits for starting up small businesses. This will be complemented through a small public works program that will involve mostly the removal of materials containing asbestos and PCBs.

**Agriculture ($9.4 million)**

The objective of the agricultural component is to assist the individuals being settled in the liberated areas of Fizuli, Terter, and Agdam to start, develop, and sustain agriculture-based activities. This would be achieved through:

- The provision of a package of essential seasonal inputs; livestock, equipment, and machinery; on-farm demonstration of improved agricultural technology practices and marketing support
- Legitimizing the new owners, in areas where this is possible, by providing them with land titles
- Rehabilitating critical irrigation infrastructure and organizing water users’ associations to ensure a timely and reliable supply of water
- Improving public awareness through mass media dissemination of information on a variety of subjects essential to making informed decisions and increase people’s participation in the development process.

It will consist of the following subcomponents:

**Provision of agricultural inputs.** Seasonal inputs would provide a package consisting of quality seeds, (wheat, barley, sugar beet, cotton, potato, fodder crops, and vegetables), fertilizer (nitrogenous, phosphatic, and potash), and fuel. Medium- to long-term inputs would provide small tractors, power tillers, tractor implements for small- and medium-scale farmers, and spare parts for farm machinery and equipment; it would also include free one-time distribution of one cow or two goats or sheep per family.

**Rehabilitation of critical irrigation infrastructure.** This subcomponent consists of restoration of subartesian wells, pumping station, water dividers, aqueducts, and water outlets and cleaning of canals. Some of the restoration works being undertaken would also provide drinking water, in addition to water for irrigation.

**Provision of agricultural support services.** This would establish land registration services in three rayons (districts) to issue land ownership titles and would provide agricultural information services in three districts to increase awareness and educate people in various types of entitlements, programs, and agricultural practices. It would develop and disseminate information using mass media; carry out on-farm adaptive field trials of improved practices with the involvement of the International Agricultural Research Center, the Ganja Agricultural Academy, and other research institutes; and provide marketing support for low-cost interventions to eliminate critical marketing bottlenecks and enable producers to receive fair market prices for their products.
Technical assistance in the implementation of this subcomponent would include support to ARRA; technical assistance and training for the establishment and implementation of water users' associations; quality control of irrigation; and monitoring and evaluation.

The implementation of these subcomponents would contribute to the creation and development of privatized agriculture in the areas affected by the conflict over Nagorno-Karabakh. This would result from the following project activities:

**Land registration system.** Establishment of a modern and secure land registration system with appropriate procedures would provide clarity of land titles, instill confidence in individuals over legal rights to land ownership, and form the basis for land mortgaging and creation of land markets in the future.

**Agricultural support services.** The project's emphasis on providing timely and wide dissemination of various types of information would increase awareness of the opportunities presented by a market economy; it would also help in enabling people to evaluate the relative profitability of alternative crop and livestock activities and enter new markets. The use of mass media and participatory workshops would help build consensus. Community-based programs are expected to promote project ownership by the beneficiaries and the various agencies involved.

**Increase in individual farm family incomes.** The provision of packages of essential agricultural inputs and cows and goats, timely availability of water, machinery services, and facilitation of marketing agricultural products are expected to have a positive effect on crop productivity and farm family incomes. Cropping intensity is expected to increase from about 80 percent at present to 120 percent as a result of introducing the cultivation of early-maturing vegetables in addition to wheat or cotton. Average per capita incomes in the project areas are expected to improve as a result of increased production.

The government has established a special unit within the Ministry of Agriculture to implement the agricultural component of the project. It will work in close coordination with ARRA, the State Land Committee, the State Irrigation Committee, rayon (district) administrations, and departments of agriculture in each of the project districts. The project would draw upon the experience gained under the IDA/IFAD-financed Farm Privatization Project and use its facilities and the skills of the staff in the areas of land registration, agricultural information and advisory services, and creation of water users' associations.

Following are the specific implementation arrangements for the proposed activities:

**Provision of critical agricultural inputs and assets.** The IDPs would receive a onetime package as a grant for agricultural inputs consisting of seeds, fertilizer, and livestock (a cow or sheep). The project unit in the Ministry of Agriculture would be responsible for the preparation and finalization of the detailed technical specifications for seeds, fertilizer, livestock, and farm machinery and for providing these to ARRA for the preparation of bidding documents; it would also carry out the tendering process. The ministry unit would manage the contract with foreign and domestic suppliers and consultants, supervise the selection of eligible farmers, set up and maintain a project monitoring and evaluation system with a detailed database to monitor progress, and organize the distribution of inputs and livestock. As for seeds, the research institute's pedigree seed farms would be contracted to provide winter wheat, spring cotton, and Lucerne
seeds for distribution to the IDPs. The actual distribution of agricultural inputs would be carried out by the district-level staff of the Department of Agriculture, who could also use NGOs to carry out distribution of inputs. In the case of the provision of farm machinery and spare parts, the Ministry of Agriculture, with the assistance of ARRA, would identify the requirement for farm machinery in each of the areas where the returning IDPs are being settled and prepare the tender specifications and the bidding documents. ARRA would be responsible for procuring farm machinery and spare parts and delivering them to the project areas; it would remain the owner of the farm machinery. The returning IDPs would be required to form associations and legally registered groups in order to be eligible for obtaining farm machinery and spare parts. The machinery would be provided to these private groups on a five- to seven-year rental basis (depending on the type of machinery and its expected life), with an option for purchase at the end of the rental period. In the case of spare parts, these would be provided at their actual cost to the farm groups. The machinery services required for various farm operations by the association members of individual IDPs would be provided on a fee basis.

Land registration. The rayon (district)-level offices of the State Land Committee in the project districts, being strengthened under the project, would be responsible for land registration activities. The central unit of the State Land Committee/Land Institute (Azgiprozem), located at Baku, would provide the needed assistance to the district-level offices of the committee in the project areas to develop standardized procedures and methodologies, as well as carry out land surveys and so forth in order to issue land titles to the relocated IDPs.

Rehabilitation of critical irrigation infrastructure. This would be implemented by local contractors under the supervision of the State Irrigation Committee. The State Irrigation Committee would be assisted by an internationally recruited quality control irrigation engineer. The project would assist the private farms to organize water users' associations, which would mobilize and train farmers to form groups and take responsibility for the operation, maintenance, cost recovery, and management of water resources. The water users' associations would be formed through a participatory process.

Agricultural information services and on-farm demonstrations. The Ministry of Agriculture's unit of farm information and advisory services, which has been established under the Farm Privatization Project, would be responsible for providing the necessary support to the Department of Agriculture in the project districts in the provision of farm information and advisory services. The unit, in coordination with the Department of Sciences in the Ministry of Agriculture, will contract with the local crop development and research institute and the Ganja Agricultural Academy to carry out on-farm demonstrations and introduce appropriate agricultural technologies in collaboration with international agricultural research centers, such as ICARDA, CIMMYT, and CIP.

Microcredits and Small Grants ($1.1 million)

The objective of this component is to assist returning IDPs in the starting up of small businesses. This facility is for the time being open only to returning IDPs, after submission of a business plan that defines how the loan would be used. Starting July 1, 2000, all IDPs will be eligible to apply for these loans. The loans will have a ceiling of $1,000. The repayment period depends on the business plan. At present, these loans
are provided free of interest, since service providers currently bear the cost of administration of these loans. ARRA bears the credit risk. In the future, ARRA will levy a small administrative fee to cover the costs of the service providers.

**Implementation.** ARRA, which will implement this subcomponent, will invite bids for the administration of microcredits from qualified entities, most likely NGOs. In view of the ongoing reform efforts in the financial sector, the option of microfinance institutions' involvement at some later stage is not excluded. Experience with this type of operation and the administrative cost the bidder proposes to charge will be key criteria in the selection of the implementing entity.

While many of the returning IDPs have the technical skills to operate businesses, they lack the necessary commercial, financial, and managerial skills. One of the key skills is the proper preparation of business plans in order to obtain microcredits. Under this subcomponent, returning IDPs would be able to obtain small grants in the range of $150 to $200 to obtain business training, participate in apprenticeship programs offered by NGOs, and receive help in the preparation of business plans. This component would be implemented by ARRA's following the same approach as for the implementation of microcredits.

**Public Works and Environmental Mitigation ($0.4 million)**

Under this subcomponent, funding will be provided for labor-intensive public works projects in small towns and villages. This component will be implemented by ARRA, and will follow an approach similar to the one for the implementation of microcredits and small grants. ARRA, with the help of local authorities and other assistance, will select proposals for high-priority public works projects. The implementation of these projects needs to deal with a problem that, if resolved, would benefit the community as a whole and not just specific individuals, and utilize local labor. The cost of each project should not exceed $50,000. A competitive tendering process will be followed by ARRA to identify a suitable NGO or other entity that would manage the physical implementation of these projects.

To eliminate the incentive for collecting fuelwood, each of the returning refugee families will be provided with a cooking plate and a space heater. This program is estimated to cost about $0.9 million and will be funded by UNHCR. In addition, agreement has been reached with the government that IDPs will receive electricity free of charge for the first year after their return; after that, tariffs will gradually increase to the level charged to all consumers.

The second program is the removal and safe disposal of materials containing asbestos. This activity will be implemented under the housing component.

The implementation of this component will make heavy use of NGOs. A recent survey conducted by the Gender in Development Unit of Azerbaijan showed that potential resources are being lost by not matching the expertise of foreign NGOs with the knowledge of local NGOs. Local NGOs have indicated that they would like to work more closely with foreign NGOs in the implementation of income-generating activities. Assistance will be provided under this component to arrange twinning arrangements between local and international NGOs for the implementation of income-generating activities. The funds would finance the additional staff of international NGOs or other entities willing to train local NGOs in the implementation of income-generating activities.
Health and Education ($5.1 million)

The amount of $0.9 million would be allotted to the health component; the primary objective would be to strengthen the delivery of primary and preventive care services in Fizuli, Terter, and Agdam, particularly in feldsher and midwife stations. However, there will also be support for core inpatient facilities in these districts. The component will finance a range of investments, including essential drugs, medical supplies, equipment, and furniture, structural rehabilitation, and training, monitoring, and evaluation. There would also be financing of the incremental recurrent costs of heating for core facilities. The proposed breakdown of cost by subcomponent would be:

Structural repair and rehabilitation. This would include investments to reduce recurrent costs, such as metering or insulation. In addition to facilities identified in the resettlement and reconstruction program, modest rehabilitation of the district hospitals in Terter and Fizuli would be included.

Essential drugs, medical supplies, and equipment. The project would provide financing for drugs consistent with the World Health Organization’s essential drugs list, possibly further refined based on the experience of several NGOs and donors who have developed more specific lists under their own programs. The medical equipment lists are also subject to further review by members of the health advisory group from donors and NGOs, in order to ensure that only core equipment needs are met (with close coordination with the Ministry of Health) and that there is an acceptable balance between the financing of new equipment and of spare parts for existing but nonoperating equipment.

Training, capacity building, and monitoring and evaluation. Training would be provided in two core areas: rational prescription practices, and primary care-family medicine, with particular focus on feldshers and midwives. A second initiative would be to support the establishment of local health councils in project areas, based on the experience of UNICEF and others. These councils would help to represent community views on local health services, mobilize community contributions to feldsher stations, and act as focus points for training of community health promoters who would work informally in communities to disseminate basic public health information. The third element of this package would be monitoring and evaluation of the investments under the component in terms of the effective execution of works.

Implementation. With regard to structural repair and the rehabilitation of health care facilities, ARRA would be responsible for the tendering and procurement of civil works, working closely with local health authorities and the Ministry of Health. The latter would be consulted in the preparation of the technical specifications of bids, the selection of bidders, and the quality control of the physical implementation. The preparation of tender specifications would be done on the basis of Azerpetsprominvest2 documentation, adapted by ARRA engineers and local health authorities. A local health coordinator in ARRA would be hired full-time to coordinate the roles of various parties and monitor tender and works execution. Evaluation of bids would be done by a panel consisting of the ARRA health specialist, a representative of the local health authority designated by the chief doctor, the facility manager, and at least two people from the local health council of the areas concerned.
The procurement of essential drugs, medical supplies and equipment would be carried out by ARRA in close cooperation with the Ministry of Health and the NGO contracted to carry out the training subcomponent. The bids would be evaluated by a panel consisting of representatives from ARRA and the Ministry of Health. The actual distribution of drugs would be handled by an NGO. The implementation of the subcomponent for training and capacity building as well as monitoring and evaluation would be procured on the basis of competitive bidding. International NGOs are the most likely to bid. However, the invitation for bids will contain provisions for the use of local staff, so that national capacity will be built.

The funding for education ($4.2 million) complements the extensive support provided by international donors and NGOs for the reconstruction of schools. The main objective is to increase school attendance. Many returning IDPs are too poor to purchase school supplies and books for their children. Many of them also rely on the help of their school-age children in agriculture and other-income generating activities.

In addition to the educational investments financed under this component, there is a close link to the housing component. Teachers are one of the priority groups to be provided with project-financed housing in cases where they do not have their own accommodation. Experience from other areas that are now being relocated (for example, Horadiz) suggests that this is an important investment in ensuring that qualified local teachers remain in project areas when they have been displaced as a result of the conflict. Financing of housing for teachers, doctors, and personnel critical for the functioning of the district administration will be provided on a priority basis under the housing component.

Funding would be provided for the following subcomponents:

*Structural rehabilitation.* The aim of this subcomponent is to finance investments that would permit the use of schools as community centers. Such a multifunctional school model has not been tried in Azerbaijan, but the Ministry of Education has given its approval.

*Supply of learning materials.* This would include basic texts, supplementary readers, writing materials, and pedagogical materials.

*Training, capacity building, and monitoring and evaluation.* This would cover basic training and retraining for teachers, training for local education authorities and school principals, teachers and parent-teacher associations (PTAs) on the objectives and operational implications of multifunctional schools, and capacity building with PTAs (including provision for regional associations of PTAs to share best practices in community involvement in school operations). This subcomponent would also finance monitoring of project investments (including execution of works, distribution of materials and equipment, and counterpart funding contributions from the government) and evaluation of changes in educational quality indicators such as student attendance, educational attainment, and teacher, student, and parental satisfaction with services.

*Implementation arrangements.* Overall the implementation arrangements would be similar to those for the health component. ARRA, the line ministry, and local authorities would work closely together in the preparation of the technical specifications in bid documents, the selection of bidders, and the ongoing
monitoring and evaluation of the actual physical implementation.

More specifically, ARRA would be responsible for tendering and procurement of civil works, working closely with local education authorities. The preparation of tender specifications would be done on the basis of Azerpetsprominvest documentation, adapted by ARRA engineers and local education authorities and cleared with the Bank. An education coordinator in ARRA would be hired full-time to coordinate the roles of various parties and monitor tender and works execution. Evaluation of bids would be done by a panel consisting of the ARRA education specialist, a representative of the local education authority, the school principal, and, if available, at least one parent and one teacher from the PTA of the school concerned.

Procurement of furniture and equipment would also be managed by ARRA. Local education authorities would be involved in identifying suitably qualified local suppliers. Bid evaluation will be done by a panel with similar composition as that for civil works. Identification of needs would be done with reference to basic furniture and equipment lists already prepared by Azerpetsprominvest in collaboration with the Ministry of Education, adapted further prior to appraisal in consultations between Bank staff, officials from the Ministry of Education and ARRA, Azerpetsprominvest consultants, and donors and NGOs active in the education sector.

**Infrastructure and Energy ($14.5 million)**

The sum of $2.4 million will be allocated for infrastructure. While the conflict over Nagorno-Karabakh has caused some damage to infrastructure, mostly the water supply, roads, railways, and the telecommunication facilities, the poor condition of these facilities is largely due to the lack of maintenance after the hostilities ceased. The repair of infrastructure facilities is essential to restart economic activity, and as in the other components, funding under this project complements the support provided by other international donors. Support under this component will focus on three areas:

**Drinking water supply.** Under this subcomponent, funding would be provided for the rehabilitation of wells, pumping stations, water mains, pipes, and provision of spare parts in the regions of Fizuli, Terter, and Agdam.

**Transport and telecommunications.** This would include support for the repairs of the railway connection to Horadiz, roads, and telephone exchanges and cables in the regions of Fizuli, Terter, and Agdam.

**Capacity building and monitoring and evaluation.** Support would also be provided for the preparation of detailed designs and work programs for the repair of infrastructure facilities, for the preparation of bid documents, as well as for the monitoring and evaluation of the implementation of civil works, in particular their quality.

**Implementation arrangements.** Overall, the implementation arrangements would be similar to those for the health and education components. ARRA, the respective line ministries, and local authorities would work closely together in the preparation of the technical specifications for the bid documents, the selection of bidders, and the ongoing monitoring and evaluation of the actual physical implementation, in particular the quality of civil works and repairs.
A total of $12.1 million will be allocated for the energy subcomponent. Based on the results of the social assessment and observations made during field visits, the rehabilitation of the power distribution system needs to receive the highest priority. Without electricity it is not possible to operate the electric pumps that supply drinking water from borehole wells. Electricity is also needed for cooking and heating. The gas supply system has broken down, and as has been described above, a large number of the people living in the project area rely on fuelwood for both heating and cooking.

Azerbaijan has an installed power-generating capacity of nearly 5,000 megawatts. A large part of its productive assets are obsolete and require refurbishment. The disruption of the power trade within the former Soviet Union and the conflict over Nagorno-Karabakh are posing significant constraints to the efficient operation of the power sector. In addition, most of the thermal power-generating capacity was designed to use gas. After the decision by the government to halt gas imports from Turkmenistan in 1996, most thermal plants shifted to heavy fuel oil. This has reduced the efficiency of these plants, reduced the reliability of the power supply, and led to increased emissions of sulphur dioxide, nitrogen oxide, and fly ash.

Azerbaijan’s state-owned power company, Azenerji, has serious difficulties with the procurement of spare parts and maintenance, because of lack of financing.

The distribution network is generally in poor condition. Overall, transmission and distribution losses are estimated at about 20 percent, and in the project area, power supplies are highly unreliable. To deal with these issues, the transmission and distribution system needs to be upgraded, power generation facilities need to be repaired where necessary, and proper maintenance must be carried out regularly. All of this will be possible, in a sustainable manner, only if Azenerji can improve its collections. While the Bank encourages reforms in the power sector, the focus of this project is to fund investments that would provide the people living in the project area with reliable power supplies.

As a result of the conflict over Nagorno-Karabakh, major power transmission lines remain in areas outside of the government’s control. The main objective of this component is to rebuild the transmission system for the areas that are under the control of Azerbaijan and to rehabilitate the distribution system. The investments that will be made under this component will improve power supply beyond the project area. It would be impractical to limit it to the three selected districts. As such this component will benefit the largest numbers—an estimated 365,000 people. To achieve these objectives the following investments will be made:

For high-voltage transmission:
- 19 km 110 kV double line
- 35 km 110 kV single line
- 3 transformers 75 MV/Ampere for 110/35/6-10 kV substations

Subtransmission and distribution:
- 30.3km of 35kV single line
- 7 transformers 20.4 MV/Ampere 35/6-10 kV
- 159.89 km lines of 10kV of aerial lines
- For 6-10 substations: 91 transformers 18.811 MV/Ampere
- 178.4 km 0.4kV
- 2 mobile diesel power station (1x 1.6, 1x2.5) 4.1 MW (price per unit cost: $300,000).
Annex 5. Description and Design of Pilot Reconstruction Project

Implementation arrangements. The implementation arrangements would be similar to those for infrastructure. ARRA and Azenerji would work closely together in the preparation of the technical specifications for the bid documents, the selection of bidders, and the ongoing monitoring and evaluation of the actual physical implementation, in particular the quality of civil works and repairs. Most tenders will be issued under competitive bidding and, based on the experience with similar contracts financed by other donors, ARRA expects to receive bids from a large number of foreign bidders. Agreement will be sought at negotiations with ARRA that new transformers procured under the proposed project will not contain PCBs, and that old transformers containing PCBs would be properly disposed of.

Institutional Support ($5.3 million)

The above project components are designed to facilitate the voluntary resettlement of about 20,000 IDPs to three districts: Agdam, Fizuli, and Terter. Most components also contained financing to assist in their implementation, in part through direct assistance, in part through close monitoring and evaluation of the results that are achieved. In addition to resettling people, the main objective of this project is to set the stage for the voluntary resettlement of the remaining refugees. The learning experience from the implementation of this project will be invaluable. It will teach all of us—the government, the Bank, and the other donors and NGOs—how to work most efficiently in this environment. Valuable insights will be gained on such issues as cost recovery, community participation, alternative approaches to the implementation of projects (for example, the comparative advantages of using commercial companies, international and local NGOs, and government agencies), how to ensure transparency and good governance, and technical questions (such as determining the best ways to repair houses with varying degrees of damage and so forth). The concurrent use of more than one approach, technique, or strategy for rebuilding houses, and involving the participation of owners and the community, as well as local and perhaps international contractors, will allow us to use this project as a laboratory to find the most efficient and sustainable ways for the repatriation of the remaining refugees.

However, we can also learn valuable lessons from similar projects in other countries. One of these lessons is that the key to the successful repatriation of refugees is the existence of effective indigenous capacity to deal with (a) the demining of the areas affected by a conflict, (b) the reconstruction of these areas, and (c) the relocation of refugees and their support during the initial period after their return home. The objective of this component is to contribute to the creation of this capacity in Azerbaijan. It will be done through support to ARRA, with the aim of making it an efficient implementing agency of local as well as international reconstruction efforts.

Since its establishment in 1996, ARRA has implemented reconstruction projects worth about $20 million. Overall, ARRA has shown that it is quite an effective agency when it comes to the reconstruction of houses and infrastructure. The objective of the assistance provided under this project is to strengthen ARRA’s capacity in implementing construction projects and to build up capacity in areas, such as health and education, the coordination of assistance from international donors, the monitoring of project implementation, and the interaction with line ministries. Most of this will be accomplished with the help of a small number of expatriate and local consultants.
A relocation agency will be set up, and it will be responsible for taking refugees from camps to their homes and providing them with support for an initial period, most likely one year. A demining agency will also be set up, and it will be responsible for the identification of mined areas, the implementation of demining contracts, and a mine awareness program.

1 A typical package would consist of: winter wheat seed – 220 kg/ha; fertilizer – urea 270 kg; amophos 300 kg; muriate of potash 100 kg; one cow or two sheep; and 130 liters of diesel fuel. This package would have to be provided sometime in August or early September of 1998 for the September-October sowing for winter wheat. A typical package for spring season would consist of cotton seed 80 kg/ha; Lucerne 4 kg for 0.25 ha; fertilizer – urea 250 kg; amophos 350 kg; muriate of potash 100 kg; one cow or two sheep; and 140 liters of diesel fuel. Choice of potato and vegetable seed packages would also be made available for IDPs wishing to cultivate these crops. These packages would have to be made available sometime in February 1999 for the March-April 1999 sowing season.

2 The Azeri consulting firm that prepared ARRA’s overall reconstruction and resettlement program.