

Azerbaijan Community Development Assessment

December 2004

Final Report

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I. Executive Summary

In December 2004, an assessment team was fielded to help USAID explore options for a community-based social and economic development program in Azerbaijan to follow the Azerbaijan Humanitarian Assistance Program (AHAP), which is scheduled to end on/about September 2005. Under the AHAP program, USAID helped to develop new models for community mobilization, business development, financial services and health services. These multi-sectoral interventions, including sub regional (cluster) group formation, helped to strengthen the capacity of communities to address their own needs through developing and facilitating access to financial, health, business, infrastructure and agricultural services.

In preparation of the end of AHAP and the start up of new activities, USAID is conducting a series of assessments on a range of issues including youth, health, workforce development, economic opportunity and civil society. The task of the community development assessment team, and the subject of this report, was to determine if and how USAID should continue community mobilization efforts to advance social and economic development and meet the needs of the poor and other vulnerable groups. The assessment team conducted more than 100 interviews with USAID staff and implementers, community groups, Local NGOs, International NGOs, government representatives at local and national levels and other donors.

Findings

Some of the key findings include:

Community Mobilization: Mobilization efforts have improved the standard of living by meeting immediate needs of daily living, providing subsistence livelihoods, often reinforcing the spirit of community, and imparting communities with new skills. At the same time, community mobilization around micro-projects has reinforced short-term survival strategies, rather than longer term social and economic development. Moreover, mobilization is not the answer to all community problems and this is especially true in urban areas and for vulnerable groups. To be sustainable in the long run, community mobilization must begin to engage government and municipalities in a more substantive way.

Lack of Social Services System: There is basically no system of social services for vulnerable individuals and families in Azerbaijan other than social assistance benefits. Although the recently passed social policy framework calls for the development of a system of services, there are a number of issues that will need to be addressed as part of any system reform efforts and are described in the body of this report.

Lack of Human Capacity: There is a general lack of knowledge of human development and human relations among those within the government that are basic to the implementation of a family-centered, community-based system of services.

Program Design Recommendations

In consultation with USAID/Baku staff, the assessment team developed three program design recommendations each emphasizing different results, but all incorporating principles of long-term development strategies, greater public sector involvement and continued importance of addressing the social and economic needs of communities and vulnerable groups. These include:

- A community economic development program that would bring what was started under AHAP community mobilization to a new level, which emphasizes long-term, locally driven development and improved the capacity of government and municipal officials to engage with communities on economic development and service delivery issues.
- A community-based, multi-sectoral youth development program to mitigate the negative socio-economic effects of transition and also serve as an entre for engaging public and private sectors into the broader social issues.
- The development of a system of community-based social services that targets benefits and services, provides a range of services from protection to prevention, and reduces reliance on institutional care for children and disabled.

Organization of the Report

This report consists of the following sections:

- I. Executive Summary – Summarizes the findings and key recommendations;
- II. Objectives – Provides a summary of the objectives of the assessment.
- III. Assessment Approach and Team Composition – Describes the purpose of the assessment and methodology;
- IV. Community Mobilization under USAID’s AHAP Program – Provides an overview of methods and outputs of the AHAP program.
- V. Findings – Describes key findings related to community mobilization, vulnerable groups, urban areas, social services delivery, human capacity and potential entry points.
- VI. Program Design Recommendations – Puts forth three program recommendations presented in a format that closely resembles a concept paper.
- VII. Other Recommendations -- Describes additional recommendations that could be incorporated into existing or planned economic growth or democracy programs.

Annexes

1. Persons interviewed
2. Definitions and Acronyms
3. AHAP map of Azerbaijan
4. Terrence Miller’s Economic Opportunities Report
5. List of reports/analyses reviewed by assessment team
6. Matrix of Entry Points
7. Scope of Work

II. Objectives of the Assessment

The assessment was designed to use community mobilization as a launching point for exploring other types of program interventions in the social and economic spheres, especially those that target vulnerable groups. Although the scope of work called this assessment a "community

development" assessment, its scope was, in fact, much broader and changed over the course of pre-assessment preparation and field work.

The objectives of the assessment are to:

1. Make recommendations about what USAID should do when the Azerbaijan Humanitarian Assistance Program (AHAP) community mobilization program ends. Keeping in mind that the Mission wants to consolidate the transition to more development-oriented interventions already begun under AHAP, the team was asked to recommend what a follow-on community mobilization program would look like, including linkages with government and municipalities, economic growth programs and civil society programs. (A separate economic opportunities assessment was conducted by Terence and is found in the annex of this report.)
2. Explore potential entry points and program design options to address the socio-economic needs of vulnerable members of Azerbaijan society. Vulnerable groups were defined broadly and included IDPs, disabled, children, women and the poor. Included in this, the team was asked to identify what can be done to address the social needs of communities and assess the broader framework for social services. They were also asked to explore options to address the problems associated with urbanization and urban poverty.
3. Within these objectives, explore opportunities to leverage Azerbaijan government resources and activities and promote greater coordination and coherence of effort with other donors.

III. Assessment Approach and Team Composition

Members of the community development assessment team included Faye Haselkorn, Rebecca Davis, Elmir Ismayilov and Gulnara Rahimova. Field work was carried out from December 1 – 14, 2004 and included interviews with more than one hundred key informants from national and regional government, community representatives, local NGOs, international NGOs, other donors, USAID staff and implementing partners in Baku, Barda, Ganja, Agjabadi, Shemkir, Samukh and Shamakhi. The community development assessment team overlapped with and drew upon the findings of an economic opportunities assessment carried out by Terrence Miller from November 22 to December 3, 2004. A full list of persons interviewed and the Terrence Miller report are found in Annex 1 and 2, respectively.

Each interview was different depending on the type of group or organization with which the team was meeting. In general, the interviews touched on the following questions:

- What are the primary socio-economic problems faced by communities, families and individuals in both urban and rural areas?
- What, if any, social services are available through government, municipalities, NGOs or other sources?
- What are possible next steps for community groups established by USAID's AHAP program?

- What role can communities, government, municipalities and NGOs play in meeting the social needs of families?
- How can USAID help Azerbaijan address its socio-economic development problems in both rural and urban areas?
- What are the possible points of entry and intervention within Azerbaijan society for a more systemic and sustainable approach to improving conditions for Azerbaijan's vulnerable individuals and families?

Additional question posed to public officials at all levels, including Executive Committees, Municipalities and Ministry Level Representatives to assess the current level of services and policy framework included:

- What are the responsibilities of your office in relation to vulnerable groups?
- Do you have a social policy framework, strategic plan or plan of action (which ever was the best fit) that guides your work? To what degree does it include social integration and community-based care?
- What are the human resources in your office and how do people access their services?
- How do you think we can partner?
- What technical skills would you like?
- What assistance do you need to improve socio-economic activities in your area?
- Would you consider a "resident advisor?"
- How can you re-channel funds from institutions to community care?

The team worked in close cooperation with USAID/Caucuses Mission in Baku. This included an initial briefing with USAID Country Representative Jim Goggin, SO 3.1 team leader, Valerie Ibaan and Program Officer, Catherine Trebes. Midway through the assessment, the team held an interim briefing and discussion with both Valerie Ibaan and Catherine Trebes. A final de-brief and discussion was held on December 14 that included USAID staff from Baku and Tbilisi. All of these discussions further shaped the program design recommendations made by this assessment team.

The assessment team also reviewed key documentation identified by USAID/Baku including a Civil Society Assessment conducted by an MSI assessment team in October 2004, a youth assessment conducted in August 2004, among others. A full list of documents reviewed can be found in Annex 5.

IV. Community Mobilization under USAID's AHAP Program

In 1998, USAID awarded an umbrella grant to Mercy Corps Azerbaijan to manage what would become the seven-year, \$56 million Azerbaijan Humanitarian Assistance Program (AHAP). At that time, AHAP was designed to support the USAID objective of Reduced Human Suffering in Conflict Affected Areas. The program supported community development efforts to integrate, resettle and provide economic opportunities and health care to internally displaced and conflict-affected populations within Azerbaijan. It supported a range of activities including shelter construction, health care, economic opportunities and community mobilization. AHAP utilized

several U.S. PVOs to implement its activities including ADRA, CHF International, IRC, IMC, Pathfinder International, Save the Children and World Vision International.

The aim of the AHAP Community Development program is to mobilize and empower communities with the skills, abilities and confidence to take charge of their own development process. Mobilization and consciousness-raising is being achieved through extensive training in participatory methodologies such as Participatory Rapid Appraisal (PRA) and Participatory Learning in Action (PLA). These trainings enable communities to assess their own problems and issues and to make plans for the solution of these problems. Grants for the implementation of different micro-projects are subsequently provided to the communities for social and economic infrastructure rehabilitation, sanitation and environmental infrastructure or social services. The average micro-grant program under the AHAP project was roughly \$5,000. The community mobilization/development program is active in Baku, Sumgayit and the Central and Southern areas of Azerbaijan.

In 2001, AHAP moved toward a more Integrated Community Development Program using a cluster approach. The cluster approach was intended to:

- Expand the range of basic community development intervention through the formation of clusters groups.
- Increase access to multi-sectoral services through community linkages
- Establish the foundations for a regional development process

Some of the AHAP community mobilization outputs to date (as of September 2004) include:

- 661 Community Action Groups organized
- 1, 016 community micro-project projects completed
- Participation by more than 1,000,000 direct recipients

In the end, the intention the AHAP integrated Community Development Program is to empower communities, both IDPs and conflict-affected, with the skills, abilities and confidence to make joint decisions and take actions to improve the quality of their community life. While the micro project implemented is valuable to the community in developing their quality of life, the most significant output is considered to be an active and mobilized population.

Section 907 of the Freedom Support Act (FSA)

AHAP was designed and implemented in the context of Section 907 of the "Freedom Support Act" which prohibited direct assistance to the government of Azerbaijan. As a result, all US Government assistance in Azerbaijan was directed at NGOs, community groups, enterprises in the private sector and other non-governmental entities. Lack of engagement with the Azerbaijan government, to some extent, has implications for the sustainability and effectiveness of community mobilization efforts as is further elaborated in the assessment findings.

Since 2002, FSA Section 907 restrictions on certain types of U.S. Government assistance to the Government of Azerbaijan have been waived yearly. This has opened up new opportunity for AHAP to begin to engage with government officials at the local level.

V. Findings

A. Community Mobilization

The assessment team met with several AHAP implementers, other donors supporting community mobilization type programs, NGOs engaged in community mobilization and community groups in both AHAP mobilized regions and other regions. Most of the key informants spoke of the importance of people coming together and taking charge of their own community needs. These generally centered on micro-projects such as wells, community centers, hospital and school buildings and other small scale infrastructure. Many cluster committees, especially in Baku, but also in the regions, have also been engaged in organizing training for community members.

General Community Mobilization Findings

Community Mobilization around micro-projects has improved the standard of living by meeting immediate needs of daily living, reinforced the spirit of community, and provided communities with skills that can be applied to longer-term development issues. On the other hand, although in recent years the community mobilization program shifted from a humanitarian to development-oriented program, there seemed to be little opportunity for communities to apply the model of community mobilization beyond micro projects to longer-term development issues. Communities learned useful skills for working together and prioritizing micro projects and have been able to address some immediate community needs.

Although the micro-projects were not the end goal of AHAP implementers, in practice, the micro-projects did become a centerpiece of the program. Mobilizing communities around micro projects takes emphasis away from longer-term more future oriented strategies. Micro-projects are the equivalent to a subsistence or survival strategy and tended not to address the long-term social and economic needs of communities, which often can't be solved through small projects. As emphasized by many people that we met with, community mobilization was about the process and the micro-projects are a means, not an end. It is the opinion of the assessment team, however, that mobilization for solving longer-term development challenges would yield more sustainable results.

On the other hand, the community mobilization methodology can be applied to other arenas including economic development and the delivery of social services to vulnerable groups. Indeed, there is evidence of these types of programs are happening. The team found that mobilization techniques were widely used by NGOs not directly involved with community mobilization programs such as the Azerbaijan Psychological Association who use this organizing principle to address psychosocial issues within organizations or communities. Development Resource Centers set up through World Vision or vocational training being offered by mobilized community groups in Baku are another example.

Community mobilization has taken root in IDP zone (see map), and indeed in other parts of the country. The team met with many people, including local NGOs, who understood the principles

of mobilization. There is no doubt that greater community self-reliance is an outcome of AHAP, and indeed mobilization efforts of the BTC pipeline community mobilization program. Local NGOs (i.e. Umid and Community Empowerment Network) understand the methodology and have been working with and training communities in many parts of the countries to apply the methodology. Azerbaijan does not need international assistance to teach the basic methods of mobilizing communities around micro-projects. If community mobilization continues, USAID could provide grants to LNGOs through a grant mechanism such as the Eurasia Foundation or World Learning in order to mobilize un-mobilized communities. However, if mobilization were to address more specialized, long-term development issues such as economic livelihoods or other specialized issues, communities would benefit from technical advice and international best practices that are currently not available in the LNGO community.

The Future of AHAP Supported Community Groups

Community structures created by AHAP can potentially be sustained as informal or formalized structures through a variety of ways. Depending on the AHAP region or donor approach, mobilization efforts have centered on different organization structures or entities. In the AHAP program, INGOs helped form community action groups. In recent years, many community groups have sought more formality by registering as a Mahalla, or block committee, with the local municipality. Mahallas are a formal part of the municipal structure and as such are able to have a bank account with the municipality and other benefits.

While Mahallas are a promising form of sustainability as a mechanism for community participation, it is only relevant where there are active municipalities. Out of 2,600 municipalities in Azerbaijan, the team was told that only about 100 -200 are active and most of the active municipalities are in the IDP zone or Sumgayit/Baku where AHAP operates. It is possible that USAID's support to these Mahallas have helped these municipalities become more "active".

A second tier of organizational structure initiated under AHAP called cluster groups are comprised of representatives of community groups in a particular region or sub-region. The cluster groups play a support role to the community groups by training new community groups, fund raising and, in many cases, advocating on behalf of communities with Ex-Coms or municipalities. Although there is still much to be done to improve their advocacy skills, cluster groups have begun the important work of reaching out to municipalities and Ex-Coms. The future sustainability of these cluster groups is in question since many of them have not been able to register as an NGO. We heard a great deal about the importance of formal registration in giving non-governmental groups credibility and stature with authorities. Inability to register is a concern for the long-term sustainability of those NGOS that would otherwise be viable.

That said, it is likely that many, but not all, of the AHAP communities will continue to participate, engage in advocacy or provide technical assistance to new communities provided that donor funding is available. But, most of these groups still need to develop advocacy skills, a role that USAID's civil society programs could play.

Mobilization in Baku-Sumgayit

In terms of impact, the mobilization efforts in Baku are generally considered less successful than in the regions. Part of the reason for this, according to the Baku-Sumgayit AHAP implementer, is that people in Baku are busy working and don't have time to participate in community groups. Moreover, more than half of the country's urban residents live in multi-story apartment buildings and rely on government entities to ensure provision of basic services such as heating, water, electricity and building maintenance. In the Zyk community (Baku), we learned that the community group was not able to address some of their top priorities because they were too big, expensive or required government intervention. Instead they were able to do the small things, such as paint the kindergarten or upgrade the plumbing.

Another factor that limits the success of Baku-based community mobilization efforts is the difficulty in working with Ex-Com. While this may be an overall problem, it was considered to be worse in Baku. In Baku, and even in smaller urban centers such as Ganja, Mingechevir and Barda, community development must also be targeted at local government officials since they hold the greatest responsibility for the delivery of basic services.

Role for Government and Municipalities in Community Development

The performance of government and municipal officials is key to sustainable community development in the future. If communities are to move from subsistence projects to long-term economic development, Ex-Coms are essential to the equation. Ex-Coms hold most of the power and cannot be overlooked if the objective is systemic change. This means more than simple engagement such as getting their permission or making them aware of what communities are doing. It means active participation, allocation of resources, and changes in how government services are planned and delivered. It was clear that both of the Ex-Coms that the assessment team met with didn't think highly of the AHAP mobilization program. And, from the perspective of communities, they don't count on their Ex-com for anything.

Section 907 prohibited AHAP from engaging directly with the Government of Azerbaijan and seems to have reinforced a disconnect between government and communities. While community self-reliance in general is very positive, it should not let government "off the hook" of providing for communities. There was a sense of hopelessness and submissiveness in many of the communities (mobilized or un-mobilized) that the team visited in that people had given up on government, and communities (defined by most Azerbaijanis as not including the government) would just have to meet their own basic needs.

Municipalities are also part of the community development, although at present municipalities have little to no power or resources. As mentioned earlier, very few of Azerbaijan's 2,600-plus municipalities are doing anything at all. Although, interestingly enough, many of the people that we met with were sympathetic to municipalities and attributed their inability to do anything to lack of resources or that they don't understand their job. These same people felt that the government has resources; they just don't do anything for them. The latter seems to be especially true for more outlying rural areas that are often off the radar screen of government. The assessment team spoke with several people who were optimistic about the potential for municipalities to be a greater force in community development, after the December 2005 municipal elections. According to the law, municipalities are non-governmental, but in practice, many of them report directly to the Ex-Com.

Because of the top down nature of Azerbaijani government, future community-based programs must also engage the central government at the national level. Most Ex-Coms will not be as open to participating in a community development program if they are not ordered from above. Few Ex-Coms are comfortable disclosing problems, but they are well aware of the need for jobs.

Despite prevailing lack of political will and what was described as pervasive corruption, USAID will need to work within the existing public hierarchy for systemic changes to be realized. Municipalities and Ex-Coms are part of the community and also need the skills and awareness to be able to interact with community groups. At present, aside from the donors, citizens have few places to apply the skills that they have learned through community mobilization. Future community development programs should also target Ex-Coms and municipalities for technical assistance and training.

The Government of Azerbaijan's recent World Bank loan for the Azerbaijan Rural Investment Project and a November 2003 presidential decree that emphasizes the importance of social and economic development of the regions indicate that there could be central government support for community-based social and economic development programs. Given recent political trends in the region (i.e. Georgia and Azerbaijan), the government may be uncomfortable with, or perhaps threatened by, the notion of community mobilization. There were at least a couple of our key informants who suggested that need for USAID to engaging the national government at the highest levels by enlisting the assistance of the U.S. Ambassador. The U.S. Ambassador, it was suggested, could engage senior government officials, cabinet members and even the President in an in-country study tour of the regions to see first hand the accomplishments of community mobilization and how it can address socio-economic development needs.

Role of Community Mobilization in Social Protection and Social Services

The AHAP program has provided basic necessities (shelter, food, clothing, water, electricity, etc) to a population deprived due to the political, social and economic situation. This “harm reduction” approach minimizes the effects, and hopefully reduces the long-term effects of their situation. Community groups feel that they have been able to improve their standard of living through this project combined with community social support. The heavy dependence on grants has been cited as a risk for making long-term changes and perhaps it is this question that needs to be addressed. Shifts can be made around the issues about which people are organizing that can provide more sustainable change, leverage the government and help them find a longer-term niche for the community mobilization activities. The risk of not moving in this direction is that people can become more frustrated over a period of time as they begin to think that they can have more power and influence, but they don't. They can become even more disillusioned.

Strong liaisons and networks have been formed that are the very basis of a community-based system of care as will be described in section IV.D. Reframing the 907 issue is going to be important mental shift as partnerships with the government are designed and initiated, with certain barriers and risk along the way. This past mindset lingers and is quite evident in all of the discussions that there is an “us and them” syndrome between communities and government. Shifting the focus to special issues can provide a more inclusive approach to community development. The primary concern cited in partnership with government is corruption.

B. Community Mobilization around Economic Opportunities

AHAP economic opportunity activities have been broad in scope and geographic coverage. Economic opportunity interventions have provided a subsistence livelihood for many, primarily rural families. Economic opportunity activities generally supplemented household incomes. For example, a physical means of subsistence was provided through small group loans to trade and services sectors, donor investments community enterprises and micro projects. Economic opportunity activities under the AHAP umbrella program can be characterized as either financial services or business development services (BDS).

Interviews with Microfinance Institutions (MFIs) suggest that Azerbaijani borrowers now understand the importance of creditworthiness and thus sustain a high level of repayment. MFIs have organized into the Azerbaijan Microfinance Association (AMFA). Further, interviews with national government stakeholders indicate a growing awareness of the importance of MFIs in reducing poverty and enabling entrepreneurship.

Non-bank MFIs have made steady progress adapting to the Azerbaijani environment and increasing the number of borrowers. As mentioned, they have mostly focused activities along the IDP belt and along the BTC pipeline. However, outside these areas, access to microfinance services is scarce. Additionally, despite what appears to be an ample supply of donor-funded credit lines, MEs still do not have easy access to the range of financial services necessary to grow. Microfinance generally consists of relatively unsophisticated group and individual loans. New financial products, such as leasing, hold potential to unleash entrepreneurial energy.

Enterprise development assistance has been delivered both through SO 3.4 as well as under SO 1.3 activities, with former targeting more vulnerable populations. One of the primary constraints for economic development at the community level has been the establishment of a fee-based business development services market. Very few BDS¹ providers seek out micro-enterprises as a viable market. This is due to a perception among BDS providers that micro enterprises (MEs) are unable to pay for their services, as well as limited ME understanding of the value of these services. Yet, MEs lack the skills and access to markets to grow beyond the subsistence level.

The Azerbaijan Enterprise Development Program, implemented by Citizen's Democracy Corps, delivered free, firm-level technical assistance directly from project consultants and volunteers. AHAP also delivered firm level technical assistance to community level firms and communal enterprises. Although the impact on targeted firms was positive, there is little doubt the interventions harmed existing business service providers. New SO 1.3 projects RECP (Pragma) and RABD (IRC) are integrating existing BDS providers into assistance provision and plan to charge fees for services². Other BDS projects include ACDI/VOCA's Farmer-to-Farmer program, the EU Business Advisory Services program; also, BP is reportedly providing technical assistance to firms that are candidates for oil sector contracts.

¹ Business development services (BDS) include facilitating market access, developing products, and providing training in a broad range of business skills.

² When MEs enroll in a paid course, they are self-selected. They choose the course that fits their own understanding of their needs, at a time and place that suits their work schedule and family life. They expect to get what they paid for, so they put in the effort needed to succeed.

Findings from the IFES 2004 survey reveal that employment is among the top concerns for Azerbaijani citizens. The overarching challenge of future programming will be to bring more beneficiaries – of which IDPs are a significant part – into growth oriented activities. That is, increasing their productivity and linkages to markets so that income increases and employment is generated. Under AHAP sub-grantees did everything from providing potato seeds for subsistence to investing start-up capital for community enterprises. Community enterprises facilitated a subsistence livelihood, created a better understanding of the market, as well as built a level of cooperation and trust in communities; however, their ability to generate substantial and meaningful economic growth is questionable.

Constraints and opportunities that Azerbaijani MEs face that USAID programming could address includes:

Constraint 1: Lack of capacity and inability to achieve scale. Azerbaijani processors are skeptical that MEs have the capacity to deliver services and products that meet their quality and quantity requirements. Processors lack a single point of entry into the ME markets. Distributed according to the number of family dependents, land is also fragmented. Generally, most small-scale producers have 1 or 2 hectares of land. With the current level of productivity, this land is sufficient for food security purposes, but insufficient to create meaningful surplus for sale.

Opportunity 1: Horizontal cooperation. AHAP mobilized communities around the principle that power for the powerless can be achieved through greater numbers. However, most community groups were formulated around principles and micro projects, not market opportunities. A strategy that groups economically active around economic opportunities would help community bring about community-level economic development, household income stability and solidify community trust and cohesion.

Constraint 2: Lack of market orientation and skills. Enterprises, particularly farmers, have little understanding of market principals. For example, a cheese processing plant claimed that they never have excess inventory. Everything is sold. When asked, “Why don’t you increase your prices?” They replied that they sell to their friends and neighbors and thus they couldn’t increase prices.

Opportunity 2: Linkages with RABD. In part, the objective of RABD is to up grade and increase the sustainability of business development resource centers (BDRCs). BDRCs can be a vehicle to enhance skills, and facilitate market linkages for communities. A new project could help develop a market for the BDRCs at the community level. Provision of these services from the BDRC’s can be better facilitated if communities are organized around economic opportunities (i.e. producer groups), giving the BDRCs an entry point into the community and allowing for more flexible, pooled payment schemes.

Constraint 3: Access to markets. Azeri MSEs are generally not connected to value chains that reach beyond their local community. Facilitating the establishment of these linkages on a rational and commercial basis should be one of the initial steps needed to link MSEs into more promising market opportunities.

Opportunity 3: Linkages to growth sectors. Although not required by law to invest in local markets, larger enterprises seek out opportunities to contract with local businesses. BP for example, is working with medium sized enterprises to enhance their capacity to deliver quality goods. FINCA was recently approached by local BP food services contractor to help them identify MEs to meet their demand for vegetables.

Constraint 4: Perceived quality, reliability and quantity. Interviews with processors and RECP consultants indicated that any strategy that linked MEs with processors would have to convince processors and brokers that MEs can deliver quality products and in high volume.

Opportunity 4: Linking with lead firms and upgrading. MEs are typically ill equipped to identify and obtain the skills and knowledge needed to enter into new markets. By linking MSEs to lead firms that can transfer the appropriate information, knowledge and skills they can better deliver on quality and quantity requirements. Further, any future project may explore opportunities to share the risk with the processors. For example, creating a guarantee fund for processors to write forward contracts with producer groups. This would reduce the perceived risk from the processors and brokers, and linking MEs to markets.

Constraint 5: Access to financial services. The Asian Development Bank has pledged \$22 million toward the strengthening the Azerbaijani MF industry. It is likely that this activity will continue to provide capital to MFIs in the form of concession loans and grants. FINCA alone anticipates receiving \$6 million in loan capital. Hence USAID further subsidization of MFI equity would be duplicative and unnecessary. New SO 3.4 activities should not provide technical assistance to MFIs. USAID/Baku is planning a new activity under SO 1.3 that will give assistance to commercial banks as well as non-banking financial institutions.

Opportunity 5: Financing beyond the IDP belt and BTC pipeline. If the new SO 3.4 activity were to lend or give grant financing to MFI/s, this funding should be targeted toward new, underserved and vulnerable groups, such as those outside the IDP belt and the BTC pipeline (i.e. in Caucasus Mountains or along the Iranian border). These groups may be considered too risky by lenders and may not be reached through ADB loan capital.

Constraint 6: Weak regulatory environment for economic opportunities. The growth of Azerbaijani MEs is hampered by government interference, corruption, inadequate and inappropriately applied laws, onerous business registration procedures and ambiguous tax laws. Further, Azeri MEs suffer from an absence of a civil society to push for a more enabling entrepreneurial environment. Under the USAID financed IFDC project, an incredible amount of effort has been spent navigating the bureaucratic procedures to formalize an input dealers association.

Opportunity 6. Engage local governments. In addition to support aimed at entrepreneurs or groups of entrepreneurs, USAID could also support a broader understanding, among government, municipalities and the communities, of how to develop their economic potential and

reduce barriers. This might include efforts to cut down red tape and corruption that limit new business starts or expansion and more strategic economic development planning.

Many of the above mentioned opportunities for intervention are currently in practice in Azerbaijan. Separate from the AHAP umbrella, the USAID/W Microenterprise Development team awarded a \$750, 3-year grant to Mercy Corps to undertake a BDS activity that facilitated a market for vet services to livestock farmers in the south near the Iranian border. This project, called the Cluster Access to Business Services Project, focuses on livestock issues. The project's incentive schemes include demonstration subsidies to establish horizontal cooperation among holders and vets, the ability to pool resources to access better and more reliable inputs, up grading skills for holders, and new technologies that increase productivity. This model has been tested locally and could be rolled out in other areas.

This model has been tested locally and could be rolled out in other areas and can also be used in other sectors as well, such as in horticulture, or even into the services and trade. The project is discussed in more detail in the below text box. More information on this model can be found in Annex 4.

C. Strengths and Needs of Vulnerable Groups

Identification of the most vulnerable groups, especially related to children and families, was not so straightforward since the most often cited response to the question of “who are the most vulnerable in your community” were “those without jobs.” Vulnerability was most often described as a function of unemployment and lack of income generation activities. There was limited awareness of those individuals not in the labor market such as those with chronic mental and physical illnesses, mothers with large numbers of children; drug abusers, elderly living alone; disabled youth and adults, and children and adults institutionalized due to individual and family conditions. Despite this general lack of awareness and ability to identify those with various levels of need, information from various reports and interviews identified certain target groups that could benefit from social services delivered within their own community. With more than 50 percent of Azerbaijan's population living in poverty, it could be stated that at least fifty percent of the population is vulnerable. Statistics are limited and sometimes contradictory, so a combination of anecdotal and statistical information was used to describe the identified vulnerable groups:

Multi-sectoral problems of youth

Youth³ was most often cited as the most vulnerable group in Azerbaijan. This was the most common problem identified. Problems tended to be framed more as “our youth have nothing to do.” Issues were presented as lack of organized sports and cultural activities, lack of ability to access the Internet and information; and inability to structure their leisure time. Specifically, executive committees (ExComs), municipalities and community action groups shared these concerns for their youth, which is approximately 60% of their population, and with 2 million unemployed. The Ministry of Youth, Sport, and Culture, the entry point for youth initiatives, was often mentioned as engaged and interested in assistance and seems to be open to collaborative efforts. There are currently 75 active youth NGO's; 54 belong to the National Assembly of Youth organizations (NAYOA).

³ Azerbaijan defines the “youth” as between the ages of 15-30.

Drug abuse

Statistics cited in the Civil Society Assessment document refers to 18,000 registered drug abusers, but statistics from a document of the Drug Enforcement Agency that are more in the range of 200,000 – 300,000 drug addicts. Problems such as drug abuse and youth crime are on the increase although they do not seem to be in the range of Western countries. These trends are not really on the radar screen of Ex-Coms, municipalities and community action groups. There is potential to initiate preventative measures such as public education and public awareness campaigns on the increasing incidence of drug use and abuse for the youth population. More research needs to be done as drug abuse prevention and treatment options that can be integrated into community-based social services programs most particularly aimed at youth.

Marginalized children/children in institutional care

The numbers in institutional care has been growing with 17,000 currently residing in various forms of institutions and boarding schools.⁴ The statistic varies from 10,000, reported by one LNGO active in deinstitutionalization efforts to 30,000 in some government reports. Inflating the figure is a means for being able to access more state funds since the amount of funding is determined by the number of beds (similar to how hospitals are funded.) No matter what the funding mechanism is, institutional care is the primary alternative care for children whose parents are unable to manage alone. Conditions in institutions are reported as very poor, with poor nutrition, lack of age appropriate education opportunities and other age-appropriate activities.

The issue of institutionalized children is being addressed by a number of groups focused on deinstitutionalization: UNICEF, UAFA, and World Vision focuses on integration of disabled children in schools. Guardianship care is a form of “fostering” which is provided by extended family members or other community members. There is a new law on “foster care” that has been “on the books” for 2 years with no initiatives at this point to implement a system of foster care. Although there is a public policy statement on development of community-based services⁵ there is no system-focused reform effort being implemented at this point.

Single women (or female headed households)

Women and children are left alone as men are leaving to go to Baku, Russia, Turkey, Iran and other countries to find work. There is little information about the plight of these separated families. Some anecdotal information suggests that some of these families may be better off, at least in terms of education for their children. One school Director suggested that children from these families perform better in school suggesting that they may be better prepared to provide the financial resources for children to attend school regularly. Besides the anecdotal information, there is no systematic approach to understanding the outcomes for single, female-headed households. Community mobilization efforts could be focused on assisting these women in developing needed support systems in cases where female-headed households have increased risk factors such as lack of adequate child care options, lack of supervision and rehabilitation for disabled family members, elderly parents and grandparents, lack of transportation and access to employment options for women left alone with children and dependant family members.

⁴ State Programme on Poverty Reduction and Economic Development 2003-2005. Republic of Azerbaijan. UNDP, p. 59.

⁵ SPPRED, 2003.

SPPRED annual report indicates that female-headed households are more likely to be in poverty than two-parent families.

IDP/Refugees

Official data on IDPs/refugees puts the number at just over 1 million, which includes (1) Refugees from Armenia (250,000), IDPs from Occupied Territories (660,000) and IDPs from the regions along the border with Armenia (100,000). Indeed, many IDPs still live under difficult conditions, but in many ways this is no different than other Azerbaijanis living in vulnerable conditions such as poverty. Poverty among IDPs/Refugees is estimated to be about 63% using the absolute poverty. There is much concern among IDP women relative to child and family health, and women and children IDP's are considered the most vulnerable subgroup⁶ (similar to the general Azerbaijani population). On the other hand, by most accounts housing conditions for IDPs is deemed considerably worse than the rest of the population – especially those residing in tent camps or railroad cars. There is indication of some reverse discrimination that exists in terms of local Azerbaijani vulnerable/poor residents having fewer benefits than IDP's and refugees.

Services for IDP/Refugees have focused on housing and living conditions, permanent housing options, employment, education and improving food provisions. There has been little that related to the psychological issues such loss, trauma, and their tentative status. There are some INGO's and LNGO's that have addressed their material and social/psychological needs. The Government of Azerbaijan is investing a great deal in building new housing and infrastructure in some of the border territories under control of Azerbaijan for resettlement of IDPs. For some, especially those living in the tent camps, these new settlements are a major improvement in living standards. For others, especially those who have migrated to Baku or have otherwise integrated into the broader Azerbaijani society, these settlements are a less favorable alternative. Some have suggested that many IDPs will send part of their families to the new settlements in order to collect their benefits, while other family members remain in Baku or other urban centers where they can find work, even if it is only day labor.

Much of the needs identified for IDPs emphasize infrastructure and economic needs. Assessing the needs of IDPs was identified by the Head of the Cabinet of Ministers' Department for problems of refugees, IDPs, migration and Work with International Organizations as an area that they would benefit from USAID technical assistance.

Elderly and Disabled

There is a general consensus that “families take care of their own” when referring to elderly and disabled family members. This is contradicted by statistics indicating that elderly and disabled do live alone and they also are housed in institutional settings. Statistics from the Ministry of Labor and Social Protection show that in 74 regional/city departments there are 1621 social employees that provide 15,289 lone elderly and disabled persons with social services in their houses, at least twice a week. Other services include medical treatment, repair of apartments, and arrangement of mourning ceremonies, all to improve the social protection of disabled persons.⁷ Statistics on the number housed in institutions and other medical facilities was not readily available. During the visit there was a major event to highlight the “Day of the Disabled” to raise awareness of the

⁶ State Programme on Poverty Reduction and Economic Development 2003-2005. Republic of Azerbaijan. UNDP.

⁷ World Bank Poverty Assessment Report (June 2003). No. 24890-AZ, *Volume II: The Main Report*.

lack of accessibility to public buildings. The social integration of elderly and disabled through community mobilization efforts has not been addressed as the programs are currently designed. One study done to assess “who in the community was not participating” showed that the elderly and disabled were not active in the community groups.

Violence against women

There is documentation that violence against women and children exist but it is still a very private family matter. There is one Women’s Crisis Center that provides psychological and social work assistance. Most efforts to date have been done in awareness raising and legal assistance. According to a recent report by the International Rescue Committee,⁸ little programming has been done in service delivery with most efforts being focused on public awareness and public information on the issues related to women and violence.

Trafficking

Azerbaijan is primarily a country of origin and transit for trafficked men, women, and children for the purposes of sexual exploitation and forced labor. Reliable statistics on this issue do not currently exist. Principle sources of information are law-enforcement agencies, International NGOs and Local NGOs. The Ministry of Internal Affairs reported that 32 cases of trafficking were identified and prosecuted in 2003. And the Johns Hopkins report obtained data from 96 trafficking victims. Most of Azerbaijan's trafficking victims come from Sumgayit, Baku, Ganja and Nakhchivan. Although they have lower levels of education than the population at large, adult trafficking victims in the former Soviet Union countries usually have some secondary education, often a high school degree, or sometimes even higher education. What they don’t have is the job security or relative stability that the Communist/Soviet system offered.

Based on research conducted for Johns Hopkins University, most Azerbaijani victims are taken to the United Arab Emirates and Pakistan. Most of the trafficking victims brought to Azerbaijan come from Uzbekistan and the Russian Federation for transit to Dubai or Paris. In the cases investigated, the traffickers were mainly Azerbaijan nationals, and in some cases they are from Turkey or Kyrgyzstan. Traffickers recruit their victims by promising jobs abroad, blackmail or offering them a chance to earn money abroad through prostitution. Men are generally trafficked to Turkey and Russia for forced labor and boys are trafficked internally for begging. Women and girls, some from orphanages, are trafficked internally from rural areas to the capital city for sexual exploitation. Trafficking victims don't look to the government for protection or assistance partly because most victims used expired or forged documents. The Government of Azerbaijan is on the Tier 2 Watch List because its efforts are in initial stages and progress is expected in the near future

C. Urban Poverty

Most of the people that we spoke with emphasized the absence of economic opportunity in rural areas that has led to migration of rural population (especially men and youth) to urban areas in Baku, Turkey or Russia. As mentioned previously, this has implications for women and families left behind. Remittances from Baku and abroad seem to play an important role in sustaining families left behind in rural areas, although there is no data available on this.

⁸International Rescue Committee. (June 2004). *Assessment on Violence and Women in Azerbaijan*.

In 2000, fifty seven percent of Azerbaijan's population lived in Urban Areas (4,429,000 people). By 2015, this percentage is expected to increase to 64 percent. The decisive factor in the growth of cities has been the migration of the rural population to urban areas. Official statistics indicate that 25 percent of Azerbaijan lives in Baku. Other, more informal estimates put that percentage at fifty percent. By most accounts, youth make up a significant portion of the urbanizing population.

Urban Poverty is a significant problem in Azerbaijan. 52 percent of the country's poor live in urban areas and 40 percent of the urban population is poor⁹. (It is not entirely clear how reliable this data is. The actual percentage might be higher.) While Baku's poor population ekes out a living as day laborers, taxi drivers, construction workers or in other low wage jobs, the prospects in secondary cities are even grimmer. Like other former Soviet republics, the factory closings are especially difficult for people living in secondary cities where there are few alternative sources of employment.

In Baku, and perhaps other secondary cities, there appears to be a mismatch between existing labor skills and the needs of employers or potential employers. Several of the Baku-based community mobilization activities have been engaged in vocational training. However, it is not clear if the type of training being provided corresponds with demands of employers.

Economic growth needs robust urban and rural economies. At the same time, government performance (including infrastructure investment and maintenance, planning, predictability and transparency of policies and procedures, to name a few) is important (although not the only) determinants of economic development in urban areas. A UN Habitat study found a correlation between investment in urban infrastructure and human development index. USAID could help Azerbaijan communities by supporting municipalities, government, citizens and private sector to address the barriers and enhance opportunities for long-term local economic development. By targeting secondary cities, the program would also address economic development of entire regions by improving linkages with rural areas. USAID could explore linking with the Asian Development Bank since they intend to invest in secondary city infrastructure. (See discussion of Cities Alliance in Recommendations.)

This assessment was not able to fully assess specific program opportunities in Baku. Given the number of poor living in Baku, USAID should consider exploring this further and such an assessment could be written into a follow-on community development program.

D. Lack of Social Service Delivery System

There is basically no system of services for vulnerable individuals and families in Azerbaijan other than social assistance benefits. Although the recently passed social policy framework calls for the development of a system of services, there are a number of issues that will need to be addressed as part of any system reform efforts.

- Government involvement in social services delivery is weak. There appears to be an unwillingness, lack of capacity for and/or lack of awareness of government's responsibility to provide services. Access to government assistance lacks transparency, and is described by many as corrupt. Payments may be required to access social assistance benefits and other

⁹ UN, World Urbanization Prospects, The 1999 Revision.

types of emergency assistance from the local government offices, including institutional care for a child.

- Management is top-down with a centralized system of governance. Changing structures for a decentralized system are new, with only one election so far. Municipalities have no resources to support community projects and Ex-Coms are not responsive to community needs for a variety of reasons. There is no clear indication that this will change in the near future, especially if there are no incentives for decentralization.
- The meaning of “social services” is financial benefits. Some NGO’s are providing some non-financial social services, in terms of mental health, case management, psychosocial counseling, etc, but there has primarily been an emphasis on humanitarian and emergency relief, rather than emphasis on psychosocial needs.
- Social assistance benefits for social protection of vulnerable groups are provided categorically, ie. children and disabled, without being targeted to those who are most in need. Programs target “risk groups” rather than the poor across different risk groups. In 2001, 56 percent of the poor were not covered by any is the child allowance program. Overall spending on social protection has declined as the transition has brought increased risks, and most spending goes to pensions. Many Azeri household manage by combining various sources of income. Child and family allowances accounted for 0.7 percent of GDP and a wide array of other schemes, such as disability, war, invalids and survivors, accounted for another .9 percent. Spending on unemployment benefits or active employment measures is not an important budget item. Overall coverage level of the various social protection schemes is high, both directly and indirectly, and reaches about 70% of the population. Most beneficiaries are pensioners. In comparison, social assistance covers a smaller number of beneficiaries (8 percent of individuals and 32 percent households). Within social assistance, child allowances are the program with the largest coverage (6.9 percent of individuals and 30 percent of households.) The benefits amounts to 9000 AZM per month per child under 16. The number of beneficiaries is high (60 percent of all children under 18). The low benefit and high take-up ratio indicate that resources are spread thinly with very modest impact on most households. The program doesn’t allow for variations with family income (needs-based, means-tested). Apart from these child allowances, the other programs have miniscule coverage.¹⁰
- The presence of any “services” that respond to individual and family need within the public arena appears to be the provision of economic and material assistance on a case by case basis for subsistence-level requests (medical/hospital costs, funeral expenses, school expenses, etc) presented directly to and approved by the Ex-Coms or municipalities. Responses to questions about the needs of vulnerable groups were basically employment opportunities. “If we can create jobs, then there will be no problems of vulnerable groups” was the usual response. This reflects, to some extent, this “subsistence-level thinking” that exists within Azerbaijani culture, and certainly perpetuated by continued lack of basic material necessities such as water, heat, electricity and access to medical care and education.
- Service needs related to elderly living alone, women alone with children, youth in conflict with the law, disabled, and institutionalized children were rarely identified. Awareness of

¹⁰ World Bank, 2004, State Programme on Poverty Reduction and Economic Development, Annual Report – 2003. Azerbaijan Progresses toward the Achievement of the MDG’s

institutions and the harm they do seems to be off of most people's radar screens except for those organizations directly involved, and at least one community group involved in volunteer activities.

- A discussion of “case work” and “case management” as a methodology for assessing and targeting need on a case by case basis was met with a general lack of understanding.
- Community mobilization has focused on “serving the many” rather than “addressing the needs of the most vulnerable and marginalized. Yet, the same principles of problem-identification and planning can be applied to address specific groups of marginalized individuals in their communities.
- There is some evidence that community action groups have begun to provide some services to vulnerable populations on their own initiative. One group in Baku identified children living in an institution near them that needed socialization and recreation activities and they have responded by providing regular visits and events for these children.
- The impact of community mobilization efforts being focused on people and people problems through community support programs could have a tremendous impact through providing public education and public awareness of the problems and needs, advocating the government to make reforms, developing partnerships for changes, and directly providing social integration programs and services for those marginalized citizens.
- Grassroots LNGO's are often the primary service provider for community-based social services. The restrictions on the development and registration of LNGO's have limited the access to social services in local communities. There have not been any organized institutional capacity-building initiatives for LNGO's or funding for service provision. LNGO's report that funding has been available primarily for advocacy and micro-projects related to infrastructure, and not to provide services.
- There is a need for a well-planned public awareness initiative that can support the changes so that the public has a more accurate picture. In Azerbaijan, the media reports actions of the Ministry of Labor and Social Protection that may not present the most accurate picture. This creates undue anxiety and stress for beneficiaries who are then concerned about losing their benefits without any recourse.

E. Lack of Human Capacity

There is a general lack of knowledge of human development and human relations among those within the labor and social protection offices that are basic to the implementation of a family-centered, community-based system of services that is outlined in the recently development social policy framework. The need for making changes in job functions and related changes in administrative and management structures, providing the necessary knowledge, skills and values for community social services, and monitoring programs and services are key elements for the system reform effort that has been outlined by the MLSPP.¹¹ Specific issues identified during this assessment include:

¹¹ SPPRED (2003), pp. 74-75.

- The plan for implementing the new social policy framework for community based services will require different job skills necessary for targeting benefits and services (engaging clients, interviewing, assessment, planning and follow-up) and mechanisms of accountability for outcomes linked directly to social indicators. There is a lack of knowledge of standards that guide practice that are necessary in designing and implementing capacity-building initiatives. There are some emerging pockets of “best practices” and an awareness of what they are among some of the LNGO’s and INGO’s. At one meeting of LNGO’s involved in work with disabled children, there was a reference to International Standards, which indicates there certainly are those that have some awareness at some level.
- There is a capacity for the provision of community-based services that has been developed around community mobilization that includes interpersonal communications, team work, problem-identification, identification and utilization of community resources and planning to name a few. The “value-base” that is critical for a community-based model of services, a human rights framework and focus on human need is emerging through community mobilization efforts. Some of those skills can be transferred to individual and family casework but there are other skills that need to be developed, such as individual and family assessment, case planning, interventions that usually require more than one at a time, ability to engage health, education, and community as is need.
- Confidentiality is basic to ethical practices in professional case work and certainly this will need to be addressed in a different way than community mobilization efforts would address it. Community interventions risk invasion of privacy around issues individuals and families choose to keep confidential and also some problems do not lend themselves to community-wide mobilization methodologies.
- Within the existing MLSP offices, there are staff whose work is described as primarily administrative and procedural¹². There are approximately 30-50 staff in each of the regional offices and 100 staff in Baku. With an existing workforce of approximately 2500 persons, this is an important human resource component that needs to be addressed. In conversations with the MLSP representative, there was an appeal to assist in changing the way these existing staffs are doing their jobs. In order to begin to provide targeted assistance which is part of the Poverty Reduction plan, MLSP requests assistance in providing the necessary training through technical assistance in curriculum design, developing a training institute, and providing assistance in training of trainers.
- Rehabilitation staff (neurologist, speech therapist) are trained in old schools that sometimes utilize methods of rehabilitation that are not consistent with more current best practices. They tend to be hospital rather than community-based. There is a lack of equipment necessary to meet current standards of rehabilitation. There are emerging models of family and community rehabilitation in which parents and/or family members serve as the “therapist” and are provided training and technical assistance, including supervision, from the professional. Within the LNGO’s and INGO’s involved in some community rehabilitation and deinstitutionalization, there are some training and education programs that are beginning to provide up-to-date information and practices.

¹² Information provided by MLSP interviews.

- Professional schools for human services professionals are basically non-existent. Psychology schools have just been opened and are providing some education in psychosocial counseling and inclusive education. Social Work education does not exist although a Masters in Social Work program at Baku State University will begin next year. They will graduate only 10-15 students per year in clinical social work and policy. A representative from MLSP stated that even with this program, it would be four years before they graduate their first students, and it is doubtful that they will want to work for the public social services programs. In addition to academic education, there are no professional training institutes or schools that are focused on training human services professionals already in the workforce. The training of community mobilizers, including the trainers and curriculum could be adapted to include community-based social services, case management approach to problem solving. There are a few INGO's and LNGO's that provide training in case work and psychosocial assistance to their own employees. UNICEF is providing training for educators for reintegration of disabled children into the regular classrooms.
- Professional associations are relatively non-existent and those that do exist (such as the Azerbaijan Association of Psychologists) are focused on advocacy to a greater extent and service-delivery to a lesser extent due to available funding streams. There is a role for advocacy initiatives among professional associations in advocating for the development of standards, certification and licensing, and lobbying for policy reform. Service delivery programs should be the focus of LNGO's but they have been slow to develop due to the difficulty surrounding registration and lack of funding options from both external donors as well as funding through government contracts.
- Community health nurses that are providing health care within the homes of patients have some of the basic skills in home visiting that could be utilized in a community-based system of services. With the overabundance of nurses in the health care system, this could be a possible resource for training community case workers/case managers in social/psychological approaches to social integration and community care.¹³

F. Culture, Religion and Gender Considerations

Azerbaijan's cultural tradition is family-based and organized around a tightly knit extended family. Azerbaijanis describe themselves as group-oriented ("the natural culture is to find strength in doing things together") especially around their families. They do not move out of their family clans easily and trust in neighbors is difficult. In general, it is a male dominated family structure, with women carrying the primary household responsibilities and men providing the income. This has presented an added strain on women who are left alone in the family to care for children and older extended family as the men are leaving to other countries and to the cities to find jobs. It is important to note the women are increasingly represented in municipalities, and community mobilizers have indicated that municipalities with women tend to be easier to engage in community decision-making activities.

Generalizations regarding problem-solving approaches in Azerbaijani culture reflected a more confrontational and conflicting approach rather than consensus building. Discussions of "conflict resolution and bargaining" as necessary skills for engaging government as partners brought responses from some, such as "negotiation and bargaining is counter to our culture. We

¹³ Discussions with Health Assessment Team.

argue and fight and just carry it on that way.” It’s difficult to discern the affects of the Communist ideology on the Azerbaijani culture, but one outcome, according to some, has resulted in a tendency to “blame the government” for many of their problems. Community mobilization efforts have successfully influenced a change in the “culture of victimization and blaming the government” to one of in which a “problem is something that can be solved through joint action. This culture of “proactive, self-advocacy” is an important step in being able to build alliances between partners with potentially conflicting agendas, such as government and community. This “dependence on oneself” is also manifested in the psychology of “asking for personal help” from an outsider. Asking for “help” for social and psychological problems has a stigma of being seen as “crazy,” especially seeking psychosocial assistance.

In some cases, there was a denial that vulnerable groups existed such as “we have no elderly living alone as our families take care of their own.” Beyond the limited information about human relationships, there is a pride in Azerbaijanis and their cultural heritage of family strength. This source of family pride can be utilized as a strength in designing family and community-based interventions. Azerbaijani’s value education and learning, and are particularly supportive when new ideas are presented as training. Psychosocial approaches to behavior change that utilize an educational approach to information sharing and skill-building integrates well within this culture that values family and new ideas and views of the world around them.

A discussion of religion brings different perspectives in terms of how “religious” Azerbaijani’s see themselves. There doesn’t seem to be a large number of Azerbaijani’s practicing their religion, but people describe themselves as having faith and being religious. Azerbaijani’s are primarily Muslim, some Christian Baptists, with communities of Jewish, primarily in the Northern areas. In the South near the Iranian border, traditional religious practices are increasing as there have been about 1300 mosques built by the Iranian government. Immediately after the conflict the International Islamic Organization was more involved than now. The mosque and Islamic groups do not appear to be very active in providing social services to those in need. The government has kept a “watchful eye,” as some described it, over both religious groups and civil society that may have reduced the potential for religious groups to serve the poor and vulnerable which is part of the Islamic tradition. At present there is no link between civil society and religion and the government.

G. USAID’s Comparative Advantage

Other donors involved in the community mobilization arena include the World Bank (who support the Community Empowerment Network, Social Fund for Development of IDPs and Azerbaijan Rural Investment Project), BTC Pipeline, Exxon and GTZ. . Of course, the amount of funds that donors can provide for community investment will not address all the needs, but it is a significant source of community finance for small-scale infrastructure.

In the social sphere, many of the other donor programs emphasize national policy, but do not devote resources for implementation or building capacity at the community level. An exception is GTZ who are working with municipalities and Ex-Coms to build their capacity to work together and address community priorities (with a little bit of seed funding). There may be some interesting opportunities for collaborating with other donors. For instance WB could provide the investment finance for economic development and infrastructure, while USAID provides the

capacity building. Where other donors are working on reform of social protection system and social policy, USAID could support its implementation.

Under the current USAID strategy, AHAP has already started implementing and integrated program that engages key players (including government and municipality) and supports community service providers (training, health education, lending, micro-projects). Momentum at the community level that is already underway would give USAID an advantage for future community-based programming.

H. Points of Entry

The assessment team explored various points of entry from municipalities and community groups at the local level to state institutions at the national level. Entry points will differ depending on the programs goal (the assessment team looked at many different scenarios) and there may be more than one entry point for a given problem. Despite governance problems, municipalities and Ex-Coms are important entry points – but not in all parts of the country. The Ministry of Labor, Social Protection of Populations, The Ministry of Youth, Sport and Culture, and the State Program on the Social-Economic Development of the Regions are three government entities that are promising entry points. Additional analyses of points of entry are found in Annex 6.

VI. Program Design Recommendations

The assessment team was asked to present recommendations in a format similar to the requirements for a concept paper. Because of the range of issues the assessment team was asked to explore, it was not possible to adequately capture them all in one concept paper. Although there are commonalities in each of the program approaches discussed, they each respond to a somewhat different development problem. While there are synergies to be achieved by combining these approaches into one program, for the purposes of clarity, they are being presented as different options that USAID might consider pursuing.

Each of these program design recommendations incorporate key principles that emerged as critical to future programming. This includes:

- **Emphasize long-term socio-economic development activities.** USAID should put less emphasis on community mobilization around micro-projects and more emphasis around longer-term socio-economic development in order to promote more systemic change.
- **Stress training and capacity building, not grants or micro projects.** Although it may be useful to have flexibility to make sub-grants in support some of the capacity-building objectives.
- **Link community-based implementation with systemic or national reform.** Whenever possible USAID should link its community level programs with related policy or legal reform at the national level. This could be done as part of the same activity or in two complementary activities. Institutionalization of new community-based practices can only be assured if a national policy framework supports it.
- **Develop partnerships with government and municipalities that promote systemic change.** The following are some of the ways that USAID can nurture these partnerships. At the national level, focus on policy formulation and financing systems that promote the

development and utilization of community based services. Despite the governance issues that exist, USAID should try to leverage government services and resources by working with Ex Coms and municipalities in certain regions and certain Ministries. To succeed, USAID and implementing partners will need to develop relationships and trust with government officials at national and local levels.

Program Design Option #1: Community Economic Development Program

Background and Problem Statement: Past community mobilization activities have had little impact on the delivery of government services at the local level. This is made more difficult by the top-down nature of government in Azerbaijan where most decisions are made in Baku and with local Ex-Coms, appointed by the President, implementing these decisions. The establishment of municipalities also has had little impact on the delivery of services at the local level. To facilitate non-oil sector economic growth in both rural and urban areas, cities need functioning infrastructure and services. Secondary cities are especially important both because they are more vulnerable to the closure of state-owned factories and enterprises and also because of linkages with rural areas.

The Community Economic Development Program will bring what was started under AHAP community mobilization to a new level, which emphasizes long-term, locally driven development and improved the capacity of government and municipal officials to engage with communities on economic development and service delivery issues. The program will provide Azerbaijan's secondary cities with hands-on technical assistance, training, and focused exchanges with U.S or third-country cities as a means for introducing more participatory and locally-driven urban planning, management and service delivery in a way that supports economic development. Support will also be provided to key national level ministries who are responsible for implementing Azerbaijan's poverty reduction strategy in an effort to institutionalize new practices that are development through the program.

Results will be:

- Greater capacity and skills for communities and municipalities to take responsibility for their own development by defining their own needs and addressing them through partnership with government at all levels.
- Adoption and implementation of city or community-wide socio-economic development strategies that are participatory, incorporate improved practices, are supported by data collection and analysis, address key public services (including infrastructure) and address the needs of poor and vulnerable groups.
- Greater understanding of and skills for implementation of long-term economic development strategies by government, municipalities and communities.
- Improved skills and ability of key governmental institutions (i.e. SPPRED, RDP and Executive Committees), in cooperation with municipalities and community groups, to provide the necessary services and infrastructure that supports economic development.
- More sustainable community mobilization

Specific activities might include:

- Provide peer-to-peer technical assistance to 4-5 small to medium cities through technical twinning relationships with U.S. cities in order to introduce new and participatory ways of improve urban planning and management, service delivery, community participation, administrative procedures, youth development and/or economic development strategies. Explore partnership relations with oil rich cities that have had to address economic decline such as Fairbanks, Alaska or Houston, Texas. Partnerships could also be developed between cities in the Europe and Eurasia region that have faced similar problems, but are further along in their development than Azerbaijani cities. Initially this should be set up as an 18 to 24 month partnership and could be expanded after the results of the program are reviewed.
- In selected communities, support strategic planning exercises that where communities (including government, citizens and private sector) identify their economic and social development potential and develop credible plans that address both opportunities and barriers. Where this is done, it must include implementation of plans and helping cities link to investment.
- Provide hands-on technical assistance to municipalities, citizens and government to formulate self sustaining activities that will enhance local efforts to maintain infrastructure, provide services and support economic development (i.e. streets, sidewalks, drainage facilities, parks, trash collections, drainage services, etc.)
- Assist communities in identifying the specific needs of vulnerable groups and improving programs or practices to address those needs. Where possible, this could also include local offices of key ministries (i.e. labor and social protection).
- Although this is primarily a technical assistance program, provide strategic small grants to communities that contribute to long-term strategies and provide incentives for government to work with community groups.
- Provide grants to LNGOs to mobilize the un-mobilized communities. This should emphasize the TA and capacity building. Resources for community projects should be sought from government, SFDI or other funds.
- Work in collaboration with IFIs who provide the investment capital for infrastructure, while USAID supports capacity building and systems reform. This might include consideration of Asian Development Bank's interest in investing in secondary cities and their cooperation with the Ministry of Economic Development to initiate a Cities Alliance City Development Strategy (CDS) Program¹⁴.
- Conduct study tours for senior government officials, including cabinet ministers, to mobilized communities to demonstrate what they can be accomplished through community mobilization.
- Develop mechanisms for leveraging oil funds to investment in community economic development initiatives.

• ¹⁴ ADB is sponsoring a proposal to the Cities Alliance, a multi-donor collaborative that provides matching grants for scaling up urban poverty reduction activities. If approved, Cities Alliance will contribute \$500,000 for a poverty profile and city poverty alleviation action plan, city economic analysis, citizen participation methodology, public-private sector partnership framework, integrated urban upgrading operational plan, investment plan and a local economic development strategy in Sheki, Migechevir and Ganje. ADB is looking for other sponsors and have approached USAID, who is also a member of Cities Alliance, to be a co-sponsor and work in coordination with them.

- Provide technical assistance and training to the regional offices of *State Committee on the Socio-Economic Development of Regions (RDP)* and/or SPPRED to help them develop new techniques and skills for community based economic development planning and the provision of public works and infrastructure. This might also include looking for opportunities/interest for a national policy on community-based economic development. If there is some interest/commitment for this, USAID could provide technical assistance in developing the policy.

Geographic focus: Program should emphasize secondary cities and their linkage with surrounding rural areas. As much as possible, participation should be demand driven, perhaps through a competitive process whereby cities/region self-select. Some sub-activities should also include Baku-Sumgayit. Specific selection criteria should be developed as part of the activity, although at minimum it should include commitment of municipality and ex-com. In terms of unmobilized communities, USAID should explore initiating the program in the south (Lenkaran and surrounding regions) and in the north.

Time Frame: 3 years

Funding Requirements: \$ 5 million. (\$2.5 million for peer-to-peer technical assistance for cities and technical assistance to community groups, \$1 million for mobilizing un-mobilized communities, \$1 million for TA to SPPRED, RDP and other national level organizations, \$ 500,000 for strategic grants.)

Issues and Concerns: This program presupposes far more collaboration with the Azerbaijan Government than USAID has had in the past. Given some of the shortcomings of the Azerbaijan government – including weak governance and corruption -- this could be a risky option. Care should be taken in selecting government partners. The outcome of working with municipalities is also uncertain since there is no demonstrated government support or resources for municipal development. While the *Community Economic Development* Program may have positive impact in participating communities, sustainability and scale up can only be assured through more systemic changes that include decentralizing authority, responsibility and resources to locally elected municipalities.

Links to Azerbaijan Strategic Objectives:

- SO 1.3: Accelerated growth and development of competitive private enterprises
- SO 2.1: More representative, participatory and better functioning democracy
- SO 3.4: Increased use of social and health services and changed behavior

The Community Economic Development Program enhances SO 1.3 by creating an improved enabling environment for economic development to take place. It also is linked with the democracy programs, particularly IFES’ training of local governments and the civil society program. By building local partnerships between government and civil society that address the most pressing needs of communities, the program will contribute to laying a foundation for future democratic development.

Implementation Mechanisms: This program could be implemented under the ICMA CitiLinks Leader With Associate (LWA) Award. Through this mechanism, ICMA facilitates peer-level partnerships with developing country cities to identify and help to implement solutions to technical challenges at the local level. Typically, a mission-funded CityLinks partnership will be between a U.S. city or city/county association and a developing or transitional country city or association. In addition, CityLinks partnerships can be south-south, east-east, 3-way city, and clusters of cities partnerships. The host city can be a secondary, tertiary or capital city, as long as there is sufficient political will to undertake positive change.

The functional areas that CityLinks can work in are broad and include: (1) built environment management, including garbage collection, landfills, access to water, water/wastewater facilities, recycling programs, land use and community facilities planning, etc.; (2) local economic development, including municipal finance, business incubators, tourism development, micro-finance programs, job creation, etc.; (3) municipal health services, including community-based health clinics, drug-use prevention campaigns, AIDS-related prevention and treatment campaigns, child and youth development programs, etc; and (4) financial and administrative management of the city government, including municipal budgeting and accounting as well as full or partial cost recovery through user fees, governance transparency, and active participatory processes.

Through this mechanism, ICMA can also provide certain long-term, resident technical assistance that will address other parts of the program.

Programmatic Design Option 2: Youth Development Program

Background and Problem Statement

Community-based, multi-sectoral youth programs can serve to mitigate the negative socio-economic effects of the *transition* (including the war and resulting dislocation of people) and also serve as an entre into engaging public and private sectors into the broader social issues. There is general consensus among public and private sector representatives that the youth are “social capital” and thus a significant resource for Azerbaijan, both present and future. A multi-sectoral program that integrates socio-economic initiatives with national and local reform agenda can serve to mitigate the negative affects of the transition and serve as an entre into engaging public and private sectors into the broader social issues.

With a large percentage of the population between the ages of 15-30, and positive attitude among government and communities about their youth, designing and implementing programs that promote positive youth development and address the needs of vulnerable youth can serve to engage both communities and government in solving social sector problems. Problems of youth were presented as the lack of skills needed for the current labor market, lack of jobs and job creation programs that address needs of the youth, and a lack of leisure time activities. Community mobilization efforts have identified and engaged youth leaders through youth committees that could be organized as the foundation for advocacy initiatives focused specifically on accessing and integrating youth-friendly programming in public services.

Results will be:

- Mechanisms for identifying and addressing the needs specific to different youth populations that promotes youth development, such as disabled youth, IDP's/Refugees, youth living in poverty, unemployed/underemployed youth
- Mechanisms for youth participation in planning and implementing strategic activities for youth
- Human Capacity with knowledge and skills about youth development and human relationships specific to working with youth in peer counseling and peer mentoring programs.
- Effective partnerships for building human capacity through training and technical assistance for professionals working with youth/youth programs (includes a curriculum that can be replicated, and a cadre of trainers).
- Effective partnerships between public and private entities engaged in youth development programming
- Public funding earmarked to implement strategic plans for youth programs in selected regions
- Reduced apathy and increased resilience and motivation among the youth
- Improved policies and increased skills to meet demands of a changing labor market

Specific Activities might include:

- Design a system of services that potentially could serve as pilot programs that include a range of prevention and early intervention programs such as: youth centers that provide recreation and cultural events; youth peer counseling program; youth mentoring programs; crisis telephone hotlines; inclusive activities that integrate disabled and marginalized youth into general youth activities; small business development activities; vocational training provided and paid by selected businesses and government.
- Engage the National Assembly of Youth Organizations (NYOA) in identifying vulnerable youth and programming.
- Engage the Ministry of Youth, Sport and Culture at the National and regional levels in problem identification and program planning activities. Invitations from the Ministry of Youth to other Ministries, including the Ministry of Labor and Social Protection and Populations, Ministry of Health and Ministry of Education can serve to engage all Ministries in youth development activities.
- Provide training sessions for Ministry staff (national and regional levels) on youth development and youth programming and representatives from Youth organizations
- Potentially could provide small grants through civil society sector for capacity building for youth organizations around advocacy and coalition, and programming for youth.
- Develop a cadre of youth trainers to work with other trainers through training of trainers around program and services to youth. Areas for curriculum design include: Peer Intervention Models for youth, One to one counseling, Storytelling and drama, psychosocial support and group work; crisis intervention; Developmental psychology; Interviewing and communication skills; effects of stress and trauma; Models of youth participation; Using technology in youth-to-youth work
- Engage media in public awareness and public education of youth programs and services

- Link with community-based socio-economic development activities in Design Option 1, or through other economic development activities from other donors and advocate for inclusion of a focus on youth.
- An apprenticeship program that would partially subsidize salaries for youth in exchange for commitment from employers to train youth. Similar apprenticeship programs are currently operating under the leadership of local NGOs (UMID).
- Vocational education program could provide youth with useful skills needed in growth-oriented sectors.

Geographic Focus: Select 3-4 regions for piloting youth programs, including several rural areas and at least one or possibly two in urban areas such as Ganga and Baku. It might be helpful to implement within the “mobilized areas” but it would also have merit to initiate at least one program within the Southern area in conjunction with the economic development initiatives. Public policy changes will need to have a national level focus and could possibly be provided through a technical advisor at the national level. Integrating civil society development initiatives through existing NGO’s is critical.

Funding Requirements: Linking with LINGO’s could reduce the costs as there seems to be some existing capacity; \$2,000,000

Time Frame: 3 years

Issues/Concerns: Providing basic recreation and leisure activities are not going to address the needs of youth at-risk. It is important to target the most vulnerable youth, providing a range of programs that meet a range of needs, including those that are more preventative in nature and those that address the needs of marginalized youth, such as institutionalized youth, disabled youth, youth living in IDP/refugee camps, etc. Critical is the demonstration of successful partnerships that can be applied to broader social issues over time.

Continuum of Community Care for Youth At Risk

Range of Services/ Risk Groups	Universal and Preventative: <i>Preventing emergence of risk factors</i> (Support)	Ameliorative: <i>Removing and reducing the affects of risk factors</i> (Supplement)	Restorative: <i>Restoring family and community functions</i> (Supplant)
Youth (15-30) <ul style="list-style-type: none"> • Unemployed • Difficulty with Law • IDP’s • Poor/marginalized • Disabled • Substance Abusers 	<ul style="list-style-type: none"> ✓ Active labor market policies ✓ Access to education ✓ Substance Abuse Education ✓ Peer 	<ul style="list-style-type: none"> ✓ Voc. Training ✓ Job Coaching ✓ Spec. Education ✓ Crisis Hotlines ✓ Targeted 	<ul style="list-style-type: none"> ✓ Youth Shelters ✓ Emergency foster ✓ Group Care ✓ Community Probation ✓ Job re-training

	Mentoring ✓ Com. Recreation ✓ Self- Advocacy	Asst. ✓ Micro- credit/bus ed/training	✓ Short-term Residential ✓ Independent Living
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Links to Azerbaijan Strategic Objectives

SO 1.3: Accelerated growth and development of competitive private enterprises

SO 2.1: More representative, participatory and better functioning democracy

SO 3.4: Increased use of social and health services and changed behavior

Youth Development Programs link with economic growth SO through job creation and meeting demands of the changing labor market and Democracy and Government (SO 2.1) through civil society development and building capacity of local and national governments to respond to citizen needs. It directly addresses SO 3.4 through the development of a system of services for vulnerable youth and reducing risk behaviors.

Implementation Mechanisms: EGAT/PR/UP has cooperative agreements with Lions Club and the International Youth Foundation that the Mission may be able to buy in to for a youth development program. There may also be mechanisms available through EGAT/Education office.

Programmatic Design Option 3: Promote the development of a system of community-based social services that targets benefits and services, provides a range of services from protection to prevention, and reduces reliance on institutional care for children and disabled.

Background and Problem Statement: A system of community-based social services that incorporates a range of services from protection to prevention, provided by public and private entities, will leverage the implementation of the government’s social policy reform effort that aims to develop family support services for vulnerable families and alternative care models such as foster care and in-home services. Through technical assistance and training, USAID can link with existing system reform efforts already underway by UNICEF, EU, World Bank and others. There is a need to assist the development of the public social services system that utilizes best practices reflective of international standards. World Bank is engaged in system reform efforts that includes targeting of benefits and services and UNICEF, the EU, World Vision, and others are partnering with the Cabinet of Ministries on a Task Force on De-institutionalization of children and developing alternative services. There is no planned effort on developing the needed human capacity development to work in a changed system at this point although the MLSP has specified that this is an area of tremendous need.

Principles of a Community-Based System of Social Services: The design of a program of social services needs to incorporate existing best practices reflective of internationally recognized standards that incorporates a range of services from protection to prevention, based on the following principles:

- Values social inclusion and shared public, private and community responsibility
- Integrates economic, health, social and psychological risk factors
- Incorporates preventative and protective measures
- Targeting based on individual and family need
- Workforce Development
- Partnering between civil society and government
- Informed and engaged public through public awareness and education campaigns

State of Social Protection in Azerbaijan: World Bank¹⁵ defines *social protection* as the range of public interventions provided to households and communities to manage risk and provide support for the critically poor. In democracies, the public interventions are often provided through the private sector, both the non-profit and profit, but primarily through the non-profit sector via various contractual arrangements. Social protection in Azerbaijan has two components:

1. A social insurance system that provides mandatory insurance for old age, illness, and disability and unemployment (aims to mitigate social risks);
2. Social assistance that provides non-contributory, tax-financed cash benefits paid to certain categories *assumed* vulnerable or poor. The Ministry of Labor and Social Protection of Populations (MLSP) has responsibility for social policy formulation and implementation and administers institutionalized care for elderly, disabled and children. The Employment Offices are under MLSP. The State Social Protection Fund (SSPF) is an independent central body created through a degree in August, 2002, and has responsibility for pensions, social assistance allowances (children, disabled, war veterans), public works programs, and mediates between social and community problems for the disabled.

Since 2002, the Government has brought the management of the funds of the State Social Protection Fund under the Treasury, although the respective policy functions remained under the auspices of the various agencies as before (for example, the General Employment Department remains under the MLSP). The State Committee for Refugees and IDP's (SCR) pays the benefits for refugees and displaced persons.

Targeting of Benefits (or lack thereof): Because benefits are not targeted, they have little impact on poverty reduction. The Cabinet of Ministers decreed in May 2003, that they would work to implement The State Programme on Poverty Reduction and Economic Development's (SPPRED)¹⁶ strategy aimed to promote economic growth and poverty reduction. The SPPRED secretariat is under the Ministry of Economic Development (MED) and includes a Poverty Monitoring Unit (PMU). Activities supported through 2003: Asian Development Bank (ADB), NDP, USAID and GTZ. Implementation includes a targeted program of benefits so that larger benefits would go to the poorest households. Although the goals of SPPRED are aimed at reforming the existing system of social protection policy change, infrastructure and capacity

¹⁵ World Bank Poverty Assessment Report (June 2003). No. 24890-AZ, *Volume II: The Main Report*

¹⁶ World Bank, 2004, State Programme on Poverty Reduction and Economic Development, Annual Report – 2003. Azerbaijan Progresses toward the Achievement of the MDG's

building, the emphasis is on social integration of the most vulnerable groups focusing on improving centers, such as rest homes and boarding homes for the disabled, medical centers, rehabilitation centers rather than introducing community-based care and constructing more apartment buildings that will further segregate vulnerable groups and those most likely to be living in poverty. 15 blocks of flats for 140 disabled; 140 individual apartments for 720 disabled; single system of information for disabled...further segregation seems to be the way they are moving at least in terms of housing options).

Child Protection: The government recognizes that institutional care has detrimental effects on children and aims to prevent institutionalization and provide alternatives for families in need. There are plans to develop new family support services for families in need, families with disabled children, etc; develop foster care as an alternative and shift funding from institutional care towards supporting families and re-integrating children. Integration of disabled with local rehabilitations services and vocational training that matches skill training with labor market needs are also included as part of this shift to community management of risks.¹⁷ There are efforts in deinstitutionalization, including through the USAID's Displaced Persons and Orphans Fund, focused primarily on reintegrating disabled into public education settings. Although, in theory, child protection services are to be provided at the community level, institutions continue to be the primary service for families who cannot care for their children. Advocacy efforts of LINGOs, public awareness campaigns about the needs of children, and strengthening of LGNOs in service delivery will need to be undertaken. USAID has successful models for the development of community-based systems of care, such as foster care (Bulgaria, Romania, Albania, Russia, and Armenia)

Decentralization: At least, on the books, there is a discussion of decentralizing public services that is to follow the creation of the municipalities. If this were the case, and if they are given access to resources and responsibility, municipalities would be the ideal entry point for technical assistance in the implementation of social policy reform aimed to create community based support services.

Results will be:

- Demonstration of a range of community-based services for a specific targeted vulnerable group such as female-headed households, institutionalized children and youth (this could be linked to the Youth Services Program)
- Implementation of government's system reform that promotes community care for individuals and families in vulnerable situations
- Partnerships between government and donors for sustained social policy reform efforts
- Improved targeting for social assistance benefits and social services
- Increased human capacity within selected Labor and Social Protection offices in the regions to effectively target those most in need and provide case management services
- Reduced reliance on institutional care
- Social integration of vulnerable groups such as women with young children, unemployed, children/youth in institutional care.
- Mechanisms for accountability and monitoring to ensure transparency in service delivery

¹⁷State Programme on poverty Reduction and Economic Development 2003-2005. Republic of Azerbaijan. UNDP.

- Increased capacity at the Ministry level for social policy formulation, strategic planning and implementation
- Human Capacity with necessary knowledge, values and skills critical to community care models
- Mechanisms to sustain human capacity development through the development of training institutes, curriculum design, and training of trainers.

Specific Activities might include:

- Initiate the development of a planning committee that includes National and local ministry level representatives, LNGO's, and donor groups. This could be initiated through the existing Task Force on De-institutionalization and Alternative Care Solutions. This committee can begin to explore areas for linking work with the public social services initiative and other donor initiatives.
- Placement of a resident advisor at the national ministry level, preferably Ministry of Labor and Social Protection of Populations to advise on social policy implementation and human capacity development.
- A targeted-assistance program for a select group (women in female headed households with dependant children and/or adults (elderly, disabled); unemployed young women, etc). Could be the focus.
- Participate as a member of the Task Force on De-intititutionalization and Alternative Care Solutions initiated by the Cabinet of Ministers as a full, participating member.
- Design a system of services that includes the range of programs and services to be introduced within a geographic area in strong collaboration with the public sector.
- Introduce the practice of case management as part of community development/community mobilization efforts.
- There needs to be some education/awareness raising about best practices; could be done through third country visits; study tours through World Learning Participant Training to Bosnia, Armenia, Hungary, Croatia, or Romania to name a few.
- Explore the status of media in Azerbaijan and how media can be utilized to address systemic change in social services delivery model.
- Donor support (financial and technical assistance) for LNGO's to demonstrate innovative community care models. This could be achieved through a civil society development component that includes grants and technical assistance in NGO capacity building plus TA in best practices in social services delivery/case management specifically focused on meeting programmatic needs of specific vulnerable groups.
- Link with the University of Baku's Psychology and Social Work Departments, LNGO's, community mobilization programs to design a human capacity development program for training social work case managers, both placed within a professional unit, as well those that might be paraprofessionals working within the local, rural and urban communities as a community worker (focus would be on identifying and targeting those in need). There are practice standards that could be highlighted such as the Inclusive Education Project of UNICEF, psychosocial counseling of the Azerbaijan Psychological Association, and community rehabilitation with UAFA and World Vision. The Community Development Manual, a resource manual developed by the Azerbaijan Community Development Initiative (2003) provides basic practices reflective of international standards for community practice.

Geographic Focus: There should be a combination of national focus on support of policy development and implementation including standards, monitoring, financing and accountability. The local focus will need to be in selected regions that have the political will to partner and support proposed outcomes with a share of local resources. USAID could choose regions based on their previous experiences in community mobilization projects or decided through other donor groups it chooses to partner with. Another consideration of which geographic location to focus on would be a joint decision with the Ministry of Labor and Social Protection of Populations (MLSP) based on indicators of a select vulnerable groups (ex. Female headed households with dependant children and adults (elderly and disabled) or areas with a high rate of institutionalization.

Funding Requirements: \$4 million: 5-year demonstration for a targeted population, including human capacity development, over 5 years. \$2 million: small grants program for LINGOs. \$2 million: Deinstitutionalization initiative; UNICEF has \$1.5 million for 5 years and needs an additional \$3.5 to implement deinstitutionalization reform; Provide assistance for a priority population such as female-headed households. Total Suggested would be in the range of \$7-\$8 Million over 5 years.

Issues and Concerns: Building on community mobilization efforts and moving them to a more community development approach that focuses on specific vulnerable groups should become the basis for building a system of community based social services. It also should not be assumed that building a system of care in the community will also lead to deinstitutionalization. Institutions are “self-sustaining” because, in some respects, the funding mechanisms sustain them. There needs to be some attention given to how to dismantle the old systems of services while integrating new programs and services reflective of a very different philosophy. An integrated “national and local” level approach is important for sustainable systems change

Links to Azerbaijan Strategic Objectives:

SO 1.3: Accelerated growth and development of competitive private enterprises

SO 2.1: More representative, participatory and better functioning democracy

SO 3.4: Increased use of social and health services and changed behavior

Community based social services that addresses vulnerable groups including female-headed households, disabled and institutionalized youth includes job creation initiatives, employment training and retraining, (SO 1.3) that promote economic self-reliance; access to social services and public awareness and advocacy initiatives to effect behavior change, (SO 3.4) and civil society involvement and citizen participation and more responsive local government (SO 2.1).

Implementation Mechanisms: USAID may wish to consider a grant to UNICEF combined with a cooperative agreement with a U.S. PVO. This will need to be explored further.

VII. Other Recommendations

In addition, the assessment team identified some areas that USAID should consider for future programming. This also includes activities that could fall under SO 1.3 (Accelerated growth and development of competitive private enterprises) or SO 2.1 (More representative, participatory and better functioning democracy) or stay in SO 3.4.

Improve targeting of advocacy initiatives to address more focused socio-economic issues in communities and families as part of democracy and governance programming. A number of the AHAP cluster groups have begun to engage in advocacy with municipalities and their Ex-Com., but they need help them with building their skills with advocacy which might include negotiation and bargaining skills, promoting service delivery systems, public education and awareness raising, improved data collection and analysis, framing issues more effectively and development of standards. USAID could explore existing coalitions to see what their capacity is in advocacy. This would further enhance the role of cluster groups as key civil society players.

Organize around economic opportunities as part of economic growth programs.

For opportunities created by economic growth to benefit the poor, a new activity could be developed that emphasizes grouping the economically active poor, upgrading the quality and reliability of their services and goods, and linking them to growth-oriented markets. USAID could implement a BDS Facilitation Approach for micro-entrepreneurs that emphasizes producer group and cluster formation, upgrading of skills, demonstration grants, sub-sector assessments, strategic guarantees and linking groups with processors and other lead firms in growth sectors.

Assess prospects for linking urban poor and other marginalized groups to economic opportunities through workforce development that includes labor market analysis. This is an area that USAID could explore further. Workforce development may be especially important in urban areas where poor not connected to, or don't have the skills for, potential economic opportunities. A disconnect between labor skills and market demands was identified in the USAID youth assessment for Azerbaijan.

Support Community Mobilization in Unmobilized Communities -- USAID could give grant to local NGO to mobilize unmobilized communities. This should be time limited. Intention should be that the community could graduate into an economic opportunity/BDS program or community economic development.

List of Annexes

1. Persons interviewed
2. Definitions
3. AHAP map of Azerbaijan
4. Terry Miller's report
5. List of reports/analyses reviewed by assessment team
6. Matrix of Entry Points
7. Scope of Work

Annex 1: Key Informants (People Interviewed)

Baku

USAID

1. Yusif Veliyev, Democracy and Governance Program Specialist
2. Valerie Ibaan, Social Sector Adviser
3. Livia Mimica, Democracy and Governance Advisor
4. John Brannaman, Agricultural Development Officer
5. Catherine Trebes, Program Officer

Save the Children

6. Tryggve Nelke, Field Office Director
7. Mehman Kerimov, Deputy Program
8. Abigail Wilson, Documentation, Information and Reporting Manager

Mercy Corps

9. William Holbrook, Chief of Party
10. Sue Leonard, Program Director
11. Melinda Leonard, Program Manager
12. Ziba Guliyeva, Senior Program Officer
13. Sabuhi Hasanov, Program Officer

World Vision

14. Benjamin Reed, Program Officer
15. Ulfat Mekhtiyev, Community Development Program Manager
16. Jeyran Ibrahimova, Community Worker
17. Farida Eminova, Community Worker
18. Lesli Harnish, Children program

CRS

19. Jack Byrne, Head of Office/Chief of Party
20. Samir Tagiyev, Azerbaijan Civil Society Development Program Coordinator
21. Barat Azizov, Azerbaijan Civil Society Development Program Manager

IRC

22. Barat Devkota, Country Director
23. Amir Omanovich, Deputy Director
24. Jerard Khan, Grant Manager

United Aid for Azerbaijan (UAFA)

25. Gwendolyn Burchell, Country Director

GTZ

26. Anja Heuft, Integrated Food Security Program Coordinator

UNICEF

27. Dilara Babayeva, Child Protection Officer

28. Gillian Wilcox, Program Coordinator

UNDP

29. Irada Ahmedova, Community Development Program

30. Gulshan Rzayeva, Senior Development Advisor

World Bank

31. Saida Bagirova, Operations Officer/External Affairs

32. Ellen Hamilton, Urban Specialist

ADB

33. Faraj Huseynbekov, Project Implementation Officer

UMID, Local NGO

34. Israil Iskenderov, Executive Director

35. Mammadtagi Mammadov, Community Mobiliser

36. Yulana Guliyeva, Community Mobiliser

37. Azer Ramazanov, Program Specialist

38. Elshan Agayev, Business Development Specialist

39. Ulviyya Sattarova, Assistant Information Manager

40. Rasim Jafarguliyev, technical Coordinator

41. Mehriban Ahmadova, Community information Center Manager

42. Farid Yusifov, Volunteer

Azerbaijan Psychological Association, APA

43. Alexander Cheryomukhin, President

44. Elturan Ismayilov, Board Member

45. Irada Mamedova, Board Member

Buta, Local NGO

- 46. Nazim Ibadov, President
- 47. Maira Alkhazova, Head of the Community Development Department

SFDI

- 48. Elchin Bagirov, Income Generation Program Manager
- 49. Devlatkhan Devlatkhanov, Infrastructure Micro-projects Manager
- 50. Mejid Asadov, Income Generation and Training Programs Coordinator

Community Empowerment Network, CEN **Community Development Training and Resource Center**

- 51. Yasin Dadashev, Executive Director

Government of Azerbaijan

- 52. Vafa Mutallimova, Ministry of Labour and Social Protection, Deputy Head of Targeted Social Assistance Policy Department, Head of Living Standard Unit
- 53. Agajan Ahmedov, Head of Secretariat, State Program on Socio-Economic Development of the Regions (SPSEDR)
- 54. Elshan Iskenderov, Senior Advisor, SPSEDR
- 55. Gurban Sadikhov, Head of Department for problems of refugees, IDPs, migration and work with International Organizations, Cabinet of Ministers
- 56. Elsavar Aghayev, Head of Sector in Department

Community and Cluster Group representatives:

- 57. Gurbanova Elyana, Agroprom Cluster 4, Urban CD program
- 58. Community Action Group in Zykh (Baku)

Others

- 59. Bob Leonard, Consultant
- 60. Zaur Zamanov, Senior Adviser, Office of Ombudsman

Barda

61. Sahib Mamedov, Save the Children, Integrated Community Development Program Manager
62. Kamala Agayeva, Save the Children, Community Mobiliser
63. Yusif Rustamov, Chairman of Barda Municipal Council
64. Rafiq Aliyev, Head of Cluster group
65. Aliyev Nazir, Community Action Group Leader of Kalantarli
66. Asaf Shukurov, Community Action Group Leader of Dargalar
67. Akif Zeynalov, representative of Riyadalar
68. Vagar Babayev, Community Action Group Leader of Dargalar
69. Fazail piriye, Community Action Group Leader of Yeni Dashvend

Ganja

70. Seymur Yusifli, Save the Children, Senior Community Mobilization Coordinator, BTC funded Community Investment Program
71. Aynur Ismayilova, Save the Children, Community Mobiliser
72. Leyla Aliyeva, Save the Children, Community Mobiliser
73. Akram Askarov, Director of School # 4
74. Ilham Aliyev, Deputy ExCom of Ganja

Agjebedi

75. Fakhraddin Hassanov, Head of Agjebedi ExCom

Shemkir

Talish community:

76. Gandaf Guliyeva, Deputy Chairman of Municipal Council
77. Yahyayev Galandar, Municipal Council member
78. Atashov Rafin, Municipal Council member
79. Elshan Guliyev, Community Group Leader
80. Chingiz Mammadov, Deputy of CG leader
81. Mubadil Hassanov, CG member
82. Atash Bakirov, CG member
83. Ali Garayev, CG member
84. Khatira Aslanova, CG member
85. Aytekin Yusibova, Youth member of CG
86. Chaman Jafarova, community member
87. Javahir Hasanova, community member
88. Latifa Sadigova, community member

Samukh

Seyidlar Community:

89. Arifa Abbasova, Municipal Council member, Samukh, Seyidlar
90. Firudin Imanov, CG Leader
91. Zakir Ashurov, Deputy CG Leader
92. Afgan Ismayilov, CG member
93. Sahiba Huseynova, CG member
94. Nariman Hasanov, CG member
95. Ziyafat Bayramova, CG member
96. Eshgin Shefiyev, Youth memeber of CG
97. Gulnaz Hasanova, community member
98. Turana Khasiyeva, community member

Shamakhi

3 market vendors

Annex 2: Definitions and Acronyms

- **Community Action Groups (CAGs)/ Community Based Organizations (CBOs)** – a group of elected individuals who have collectively been the recipient of a training intervention and/or have implemented micro-project. These groups have defined responsibilities for the members and received the specific training on how to facilitate tam building, write proposal, carry out strategic planning, etc. The groups are not generally registered, but have the potential to become formalized and expand their activities
- **Mahalla Committees (Block Committees)** – voluntary unions (in a lot of cases CAGs/CBOs) that were created by their own initiatives based on citizens' residence place to help them in solution of issues within the municipality authority. Usually registered under the Municipal Council as a sub-committee.
- **Cluster Committees (Ijmalar Mejlisi for Central area and Cluster Development Committees for the Southern area of AHAP)** – cluster/regional structures with the skills and abilities to provide services to the communities in the certain cluster/region to address larger problems of the area, coordinate activities between cluster communities, because some needs are best addressed at the regional level.
- **Cluster** – is a defined area of the region involving about 30-35 communities or about 50,000 to 60,000 people. Cluster committees consist of the representatives of the CAGs of the relevant cluster.
- **Executive Committees (ExComs)** – appointed local government authorities serves as a branch of Central Government to address problems on the regional level. According to constitution of Azerbaijan republic, the President determines the duties and responsibilities of ExCom. Practically, ExComs are highly driven by Central Government and do not hold full power.
- **Municipality/ Municipal Council** – newly (1999) elected local self-governance bodies/institutions in each region and village of Azerbaijan that have the rights and responsibilities to identify and address community problems, establish local taxes and revenues, adopt local budget, approve local programs, etc. Municipalities are elected for 5 years and serve as an adequate service provider to the population. Because the Municipalities are not incorporated fully into the State system, the powers of Municipalities are unclear. Azerbaijan's "mixed" local government system ensures a division of powers between the State Executive Authorities (ExComs) and Municipal Councils. Both governing systems are assigned similar responsibilities by the Central Government. Therefore, there is a lot of confusion.
- **International NGOs (INGOs)** – the organizations that find their primary registration in another country and are currently functioning in Azerbaijan to implement bilateral or multilateral humanitarian relief and development programs

- **Local NGOs (LNGOs)** – organizations (may or may not be registered) with clear and articulated mission statement, have mechanisms for managing funds, have the ability to prepare plans for micro-project or other funded interventions/services in target communities in variety of regions in Azerbaijan. Basically, these organizations have received contracts/funding from international donors/organizations to provide services.
- **Internally Displaced Persons (IDPs)** – those persons that fled the area of Nagorno-Karabakh and other occupied regions since war. Approximately 1 million people.
- **MLSPP** -- Ministry of Labor and Social Protection of Population
- **Refugees** - approximately 180, 000 Azeri persons that were living in Armenia and fled as a result of the conflict.
- **Conflict Affected Population** – IDPs, refugees and local population living in proximity to, and sharing resources with, significant influxes of IDPs and refugees.
- **SPPRED** – State Program on Poverty Reduction and Economic Development. Issued in 2001
- **SPSEDR** – State Program on Socio-Economic Development of the Regions. (Also called "Regional Development Program".) Established in February, 2004
- **Social fund for Development of IDPs (SFDI)** – Joint government/World Bank program that funds the rehabilitation of basic social and economic infrastructure and provides support for micro-enterprises. SFDI supports: a) small public works to rehabilitate basic small scale infrastructure, such as water supply and sewerage facilities, that can result in immediate improvements of the living conditions of IDPs; b) Community development, such as the rehabilitation of social infrastructure, training and organizing of communities to improve basic education and primary health care; c) employment generation through financing of labor-intensive public works and support for micro enterprises in the form of grants, training and technical assistance to micro-entrepreneurs.

Annex 4. Terrence Miller Report

To: Valerie Ibaan, Faye Haselkorn, Becky Davis

CC: James Goggin, John Brannaman, Catherine Trebes

From: Terence Miller

Date: December 3, 2004

Re: Economic Opportunity Inputs to Activity Approval Document

This memo, in addition to an oral out-brief to be held on Friday, Dec. 3, comprise the core deliverables for the economic opportunities contribution to the on-going community development assessment. As requested, its organization follows the requirements of the Activity Design Outline so that it can be easily integrated into the larger community development Activity Approval Document.

The nature of the activity approval document only allows for a single program to be reviewed. As such, the document discusses economic opportunity constraints and opportunities, and then flushes out a single programmatic economic opportunity alternative. However, as was requested during the oral in brief with Mission staff, other programmatic alternatives should also be evaluated. An additional alternative is outlined in Annex A. Those interviewed for this assessment are also listed in Annex B. The case study “BDS Market Facilitation of Mercy Corps in Azerbaijan” is also attached.

I. PROJECT SUMMARY

The goal of this project will be to build on the capital achieved through successful community mobilization activities and enhance productivity and earnings of vulnerable groups. It will emphasize grouping the economically active poor, upgrading the quality and reliability of their services and goods, and linking them to growth-oriented markets. This project is unique from SO 1.3 activities in that it will enhance economic opportunities for the economically active poor at the household and microenterprise level through community organization.

II. PROBLEM STATEMENT: CONTEXT OF THE ACTIVITY

USAID/Azerbaijan’s SO 3.4 team is undertaking a series of highly coordinated development initiatives that place greater emphasis on mainstreaming vulnerable populations. This next phase of social transition assistance presents a unique opportunity to create real improvement in the lives of Azeri citizens by consolidating gains in community mobilization, social service delivery and economic enhancement.

The primary vehicle for supporting USAID/Azerbaijan SO 3.4 has been the Azerbaijan Humanitarian Assistance Program (AHAP), an umbrella program managed by Mercy Corps. Awarded in 1998, AHAP has received several extensions and is still on going. However, interviews with Mission staff indicate that development priorities under this SO have changed and are inconsistent with the program’s design.

During the course of AHAP, assistance has evolved from meeting immediate needs of vulnerable groups along the IDP belt, to providing community-driven income generating opportunities and

social services. Although, AHAP has either met or exceeded its intended project objectives, a new project with a fresh mandate will bring competitive advantages that help to mainstream vulnerable groups more effectively and efficiently.

IIA. WHAT IS THE PROBLEM THAT THIS ACTIVITY WILL ADDRESS?

AHAP economic opportunity activities have been broad in scope and geographic coverage. EO interventions have provided a subsistence livelihood for many, primarily rural families. EO activities generally supplemented household incomes. For example, a physical means of subsistence was provided through small group loans to trade and services sector, donor investments community enterprises and micro projects.

Findings from the IFES 2004 survey reveal that employment is among the top concerns for Azeri citizens. The overarching challenge of this new activity will be to bring move AHAP beneficiaries – of which IDPs are a significant part – into growth oriented activities. That is, increasing their productivity and linkages to markets so that income increases and employment is generated.

IIB. WHAT ARE THE MAJOR CONSTRAINTS AND HOW HAVE THEY BEEN ADDRESSED?

Economic opportunity activities under the AHAP umbrella program can be characterized as either financial services or business development services (BDS). We address the challenges/opportunities for interventions associated for each of these areas below.

Financial services. USAID/SO 3.4 has provided significant capital to microfinance institutions through AHAP sub grants to INGOs. This lending has been concentrated along the IDP belt (Southern and Central regions, and in Nakhchivan). SO 1.3 also houses microfinance programs lead by ACDI/VOCA, Shorebank and FINCA. These activities can point to significant achievements. Interviews with MFIs suggest that Azeri borrowers now understand the importance of creditworthiness and thus sustain a high level of repayment. MFIs have organized into the Azerbaijan Microfinance Association (AMFA). Further, interviews with national government stakeholders indicate a growing awareness of the importance of MFIs in reducing poverty and enabling entrepreneurship.

Non-bank MFIs have made steady progress adapting to the Azerbaijani environment and increasing the number of borrowers. As mentioned, they have mostly focused activities along the IDP belt and along the BTC pipeline. However, outside these areas, access to microfinance services is scarce. Additionally, despite what appears to be an ample supply of donor-funded credit lines, MEs still do not have easy access to the range of financial services necessary to grow. Microfinance generally consists of relatively unsophisticated group and individual loans. New financial products, such as leasing, hold potential to unleash entrepreneurial energy.

Business development services. Enterprise development assistance is delivered both through SO 3.4 as well as under SO 1.3 activities. Economic opportunity, BDS-type interventions under SO 3.4 have targeted more vulnerable populations and those living along the poverty line. One of the primary constraints for economic development at the community level has been the

establishment of a fee-based business development services market. Very few BDS¹⁸ providers seek out MEs as a viable market. This is due to a perception among BDS providers that MEs are unable to pay for their services, as well as limited ME understanding of the value of these services. Yet, MEs lack the skills and access to markets to grow beyond the subsistence level.

The Azerbaijan Enterprise Development Program, implemented by Citizen's Democracy Corps, delivered free, firm-level technical assistance directly from project consultants. AHAP also delivered firm level technical assistance to community level firms and communal enterprises. Although the impact on targeted firms was positive, there is little doubt the interventions harmed existing business service providers. New SO 1.3 projects RECP (Pragma) and RABD (IRC) are integrating existing BDS providers into assistance provision and plan to charge fees for services¹⁹. Other BDS projects include ACIDI/VOCA's Farmer-to-Farmer program, the EU Business Advisory Services program; also, BP is reportedly providing technical assistance to firms that are candidates for oil sector contracts.

IIC. WHAT CONSTRAINTS AND OPPORTUNITIES REMAIN TO BE ADDRESSED?

Greater ME access to financial services

Agricultural finance. In some regions, MFIs have made progress in moving the supply of microfinance closer to ME demand in trade and services sectors; however, lack of agricultural credit remains significant²⁰. This constraint is addressed by USAID SO 1.3 support – in the form of technical assistance and grants to ACIDI/VOCA's Cred-Agro. FINCA is interested in providing agricultural credit, and is mandated by their grantor GTZ to develop an agricultural finance product, but project staff lack the know-how to design this product.

Weak legal and regulatory environment. ME access to credit is threatened by an inadequate legal and regulatory framework for MFIs. Non-bank MFIs are entitled to issue loans, but are prohibited from accepting deposits. Deposits are crucial for lowering the cost of capital for MFIs, translating to lower interest rates and greater ME access to credit. Non-bank MFIs are licensed as limited liability companies, despite the fact that their mission is social in nature. Further, their ambiguous status adds to confusion surrounding their tax treatment.

Number of market players and financial sustainability. According to a USAID commissioned private sector development assessment, the 12 major MFIs have just over 30,000 clients with a

¹⁸ Business development services (BDS) include facilitating market access, developing products, and providing training in a broad range of business skills.

¹⁹ When MEs enroll in a paid course, they are self-selected. They choose the course that fits their own understanding of their needs, at a time and place that suits their work schedule and family life. They expect to get what they paid for, so they put in the effort needed to succeed.

²⁰ The market for agricultural loans is typically less dense, has higher transaction costs and holds greater lender-borrower information asymmetries. Trade and services loans offer higher interest rates and are shorter term. For example, the Cred-Agro (ACIDI/VOCA) loans have an approximate average interest rate of 21.6% and have a period of up to 18 months; meanwhile, FINCA trade and services loans are approximately 45% annually and are over a shorter term.

total market capitalization of \$18.5 million. With the exception of FINCA, all of the MFIs have less than 5000 active clients. However, FINCA claims to have increased their number of clients by 100%, and increased their total capitalization by 300% this year.

BDS-Access to market opportunities and skills

AHAP grants for non-financial economic opportunity projects were predominately led by CHF and IRC. ACDI/VOCA was also engaged EO activities but was subsequently moved to SO 1.3. AHAP sub-grantees did everything from providing potato seeds for subsistence to co-financing community enterprises. These enterprises facilitated a subsistence livelihood, created a better understanding of the market, as well as built a level of cooperation and trust in communities; however, their ability to generate substantial and meaningful economic growth is questionable. Specific constraints that Azerbaijani MEs face include:

- *Lack of capacity and inability to achieve scale.* Azerbaijani processors are skeptical that MEs have the capacity to deliver services and products that meet their quality and quantity requirements. Processors lack a single point of entry into the ME markets; so processors and distributors would need to liaise with large numbers of microenterprises. Distributed according to the number of family dependents, land is also fragmented. Generally, most small-scale producers have 1 or 2 hectares of land. Given the current level of productivity, this land is sufficient for food security purposes, but it is insufficient to create a meaningful surplus for sale.
- *Lack of market orientation and skills.* Enterprises, particularly farmers, have little understanding of market principals. For example, a cheese processing plant claimed that they never have excess inventory. Everything is sold. When asked, “why don’t you increase your prices?” They replied that they sell to their friends and neighbors and thus they couldn’t increase prices.
- *Horizontal cooperation.* The AHAP program mobilized communities around the principle that power for the powerless can be achieved through greater numbers. However, most community groups were formulated around principles and micro projects, and not market opportunities. A strategy that groups economically active and relevant members around EOs would improve sales and solidify community trust and cohesion.
- *Linkages to growth sectors.* Although not required by law to invest in local markets, SMEs seek out opportunities to contract with local businesses. BP for example, is working with SMEs to enhance their capacity to deliver quality goods. FINCA was recently approached by local BP food services contractor to help them identify MEs to meet their demand for vegetables.

II.D. When did the Mission Director approve the activity concept? What led to the decision to design this activity.

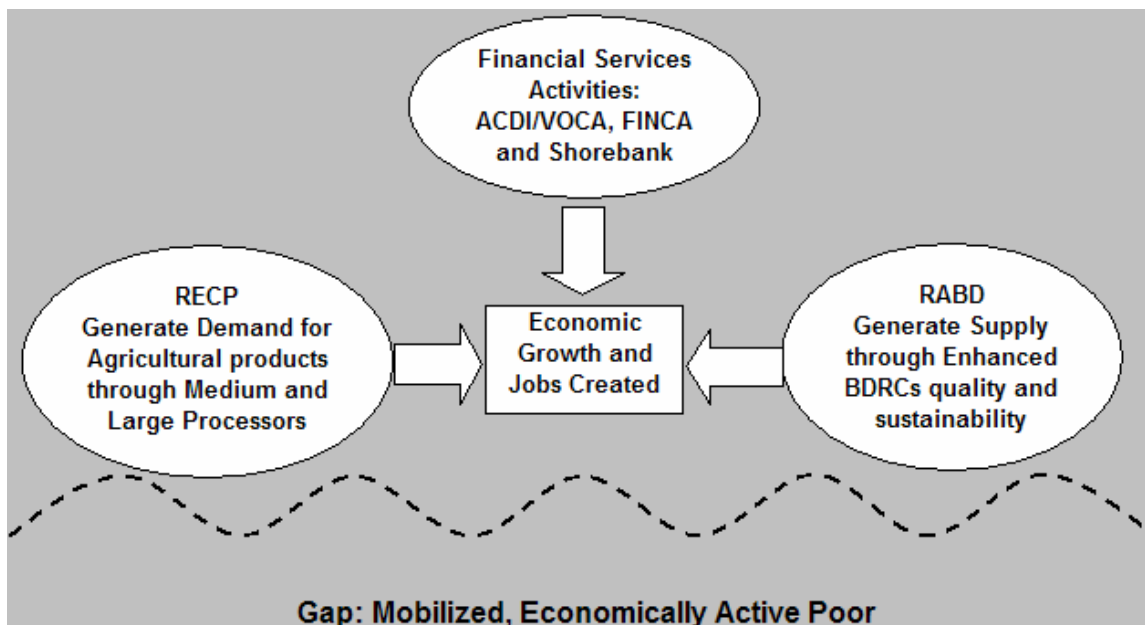
Not known by author.

III. RELATIONSHIP TO THE COUNTRY STRATEGY AND EXPECTED RESULTS

The most recent country strategy has not yet been approved. However, a draft strategy has been developed. Working from this draft strategy, the most pressing design question is how will this project coordinate with SO 1.3 programs and how is it different from RABD? RECP aims to generate demand through firm level assistance to large processors, linking these processors to export markets. RABD will work on the supply side by improving the competitiveness of products through business development services. These services will be provided by subsidized BDS resources centers (BDRCs), but will slowly transition from donor subsidies to reliance on training and consulting revenues.

Access to quality business services will greatly enhance the revenue earning potential of the economically active poor. However, the provision of these services does not address some fundamental constraints. Plots of land are too small to generate produce significant to processors. However, if assets are pooled, and the farmers are organized around economic objectives, then economies of scale can be created and transaction costs lowered.

Contributing to the sustainability of the BDRCs is beyond the scope of this project. Rather, this program could simply leverage BDRCs to enhance skills, and facilitate market linkages when appropriate and feasible. Nonetheless, this project could help develop a market for the BDRCs at the community level. RECP could assist by encouraging processors to make deals with producer groups organized by this project.



IV. ILLUSTRATIVE INTERVENTIONS

Financial services.

Loan capital provided under the new SO 3.4 activity should be reduced to zero or be marginal. The Asian Development Bank has pledged \$22 million toward the strengthening the Azerbaijani MF industry. It is likely that this activity will continue to provide capital to MFIs in the form of concession loans and grants. FINCA alone anticipates receiving \$6 million in loan capital. Hence USAID further subsidization of MFI equity would be duplicative and unnecessary.

The new activity should not provide technical assistance to MFIs. USAID/Baku is planning a new activity under SO 1.3 that will give assistance to commercial banks as well as MFIs. This activity may likely address many of the constraints mentioned in the first section.

If the new SO 3.1 activity were to lend or give grant financing to MFI/s, this funding should be targeted toward new, underserved and vulnerable groups, such as those outside the IDP belt and the BTC pipeline (i.e. in Caucasus Mountains or along the Iranian border). These groups may be considered too risky by lenders and may not be reached through ADB loan capital.

Business development services.

Separate from the Mercy Corps AHAP umbrella, USAID Washington's Microenterprise Development team awarded a \$750, 3-year grant to Mercy Corps to undertake a BDS activity that facilitated a market for vet services to livestock farmers in the South near the Iranian border. The project was led by Kamran Abdullayev, an Azeri BDS expert. The project has been very successful and could be considered a model for future interventions.

On the demand side of the equation, the project recognized production constraints for livestock owners. Cattle suffered from disease and improper feeding. The project estimated that disease and improper feeding accounted for 60% of the production costs. In the targeted area there is a market of 10,000 small, commercial livestock holders. On the supply side, there were 120 private individual veterinarians, providing fee-based services to the holders for animal breeding and embedded services for feeding.

The conclusion of a market study estimated that less than a third of the holders used the vets; however, there was over a 90% retention rate among those holders who tried the vet services. The project linked demand and supply, by organizing the holders and increasing the capacity of the vets and the usefulness of their services. Now, over 80% of livestock holders are using vet services, markedly increasing the productivity of the holders and community competitiveness and assets. These are the interventions used to facilitate the development of this market.

- *Organizing holders around livestock issues.* Generating demand for the services started with mobilizing the farmers in underserved villages around their livestock problems. The project grouped these villages into larger clusters, and the clusters selected a leader to be the point of contact with the project. The cluster serves as the platform to encourage farmers to address problems to animal health collectively. The cluster serves as the entry point for the vets. The project facilitates a pilot project within the cluster to establish a sense of trust and enthusiasm for grouping. After the demonstration has taken place, the clusters enter into a commercial agreement with the vet, which includes a schedule of visits and the payment scheme. The clusters evolve into sound operating structures and undertake further collaborative

approaches to address their production constraints. Because there is a single point of entry, clusters have established linkages with processors and can purchase inputs in bulk and buy technical assistance.

- *Strengthening the service provider capacity as a network.* The purpose of developing a vet network is to help them come together to address common issues and increase their capacity to identify their own needs, as well as to access increased resources. It is unrealistic to expect that all of the 120 service providers would be interested to participate in the program. So, the project developed criteria for participation. The program funded the first series of technical assistance interventions (through local sub contractors) to improve their communication, marketing and management skills. By networking the vets, they are now able to pool their resources to get technical assistance for new technologies and disease prevention methodologies; they also make bulk purchases of medicines; share knowledge and local best practices; as well as, implement more effective awareness raising programs.
- *Using a new technology as an entry point.* The success of establishing the network and the clusters focused on a new technology as an entry point – Artificial Insemination (AI). AI gives farmers the choice of using the best possible bulls to sire calves, increasing productivity and improving the well being of the heard. AI costs about \$10 dollars to buy. The facilitation role of the project was to persuade the supplier of AI – Intervet – to reach out to underserved, far reaching areas. The program recommended Intervet to work with two vet networks. With the promise of increasing sales to holders, Intervet trained the vets in AI techniques and co-financed the purchase of the necessary equipment. In three months demand grew from 7 calls from farmers a month to 13 calls, adding \$60 a month in revenue for vets. For Intervet, this new market now accounts for 8% of total revenue (up from 0%).
- *Encourage flexible payment schemes.* Traditionally vets encouraged farmers to pay in cash. However, the project market assessment revealed that vets also took in-kind payments or credit. Consumers were not aware of these payment options and as a result did not use the services. Organization of the herders allowed for pooling of resources. Some of the clusters made special commercial arrangements with the vets. For example, in some cases, each holder contributed a set amount for vet services. The payment acts as a type of group insurance so that if and when their animal becomes diseased, the vet provides his services without payment – as he was paid through the insurance scheme.

The driving force behind this model is community organization around economic opportunities. Incentive schemes include demonstration subsidies to establish horizontal cooperation among holders and vets, the ability to pool resources to access better and more reliable inputs, up grading skills for holders, and new technologies that increase productivity.

This model has been tested locally and could be rolled out in other areas. This would no doubt increase the production from self-sufficiency to increasing sales. This model can also be used in other sectors as well, such as in horticulture, or even into the services and trade. Other secondary illustrative interventions may include linking farmer clusters to processors in growth sectors, or creating a guarantee fund for processors to write forward contracts with clusters groups. This would reduce the perceived risk from the processors, linking the clusters to markets. However,

there are risks and cons associated with this approach. For example, the approach targets those who are economically active, not the poorest of the poor. For those, social transfers are probably more appropriate. This type of activity will likely raise awareness among local government officials regarding informal economic activity. Therefore, there may be attempts to regulate it, exposing the groups to administrative barriers and corruption. This situation can be minimized by building on good relations with ExComms and integrating them into the process.

EO community objective: To move vulnerable populations from a subsistence livelihood to a more productive one that offers increased assets and more meaningful employment.		
Approach & Interventions	Opportunities/Pros	Risks/Cons
BDS Facilitation Approach <ul style="list-style-type: none"> • Producer Group, cluster formulation • Upgrading Skills of providers • Demonstration grants • Sub-sector assessments • Guarantee to lower perceived risk of processors • Link groups with processors • Link groups with other lead firms in growth sectors 	<ul style="list-style-type: none"> • Reduces transaction costs, achieves EOS, increases market knowledge, and enables access to BDS • Locally driven economic development • Consistency with SO 3.4 • Builds on AHAP mobilization social capital • Address RABD and RECP gap in SOW • Moves communities from subsistence to producer status • Based on BDS best practices • Expand market for RABD BDRC • Low cost and low risk, potential high returns. 	<ul style="list-style-type: none"> • May not reach the poorest of the poor; rather the economically active poor • Assumes market opportunities exist at the regional and local level • Reveals informal activities to formal institutions, i.e. tax collectors • Lead firms may refuse to work with producer groups • Local gov. may attempt to extract fees and force these groups to register • Rural approach, doesn't address urban poverty • For farmers, smacks of the collective approach to agriculture

Please note that other illustrative approaches are described in matrix format in annex A.

V. ANALYSIS AND CONSULTATIONS

The Mission secured assistance from an enterprise development specialist from USAID/EGAT/PR/Microenterprise Development Team to conduct this assessment. The assessor met with over two-dozen potential project stakeholders, including current AHAP implementers, relevant government officials and free-lance consultants over a two-week period. These Baku-based interviews were complemented by site visits to the regions, specifically Imishly, Ganja and Sabrinabad. The assessor also consulted with other colleagues at USAID's Microenterprise Development team. Recommendations were presented to the Mission on December 3rd and fully discussed with SO 3.4 team leader as well as with other community development assessors. Lastly, illustrative interventions are based on global best practices.

VI. IMPLEMENTATION AND MANAGEMENT PLAN

After absorbing information from this assessment, the Mission faces two important questions: first, if the Mission wishes to move forward with this economic opportunities activity, should it be issued as a stand alone activity or as part of a larger community development project; and secondly, what would be the most appropriate mechanism – contract or cooperative agreement?

Why should it be issued as a stand-alone activity?

- Firms that have comparative advantages in ME development, may not be the same ones who have comparative advantages in the other community development/mobilization activities
- The option of housing this program under the management of SO 1.3. This option was put forth by the SO 3.4 team leader.

Why should it be issued as part of a larger community development project?

- Community mobilization/organization skills will be useful in facilitating the development of producer groups
- A larger program, with greater resources and offering more services, may have greater leverage with targeted communities
- USAID management efficiencies may result from a larger program.

What are the arguments for using a contract?

- Greater control over the day-to-day project decision-making as well as the project direction.

What are the arguments for using a cooperative agreement

- Lower management burden on the part of the Mission
- Decision-making is streamlined as most programmatic decisions are made the implementers

VII. PERFORMANCE MANAGEMENT PLAN

TBD

VIII. FINANCIAL PLAN

The SO 3.4 team leader indicated that the budget for this activity would be in the neighborhood of \$1.2-1.5 million annually. So, what can be purchased for this amount? It depends on if the Mission intends to issue the activity as a stand-alone procurement or as part of a larger community development program.

There are cost advantages to issue this program as part of a larger community development activity. For example, local capacity exists to manage this program. Kamran Abdullayev has

directed the activity for nearly three years and by all accounts has done a marvelous job. Hence, under a larger program, the project could be driven by an Azeri professional with expatriate financial oversight from an NGO or contractor.

A stand-alone activity may require the presence of an expatriate COP to ensure financial accountability. As indicated below in the illustrative financial breakdown of a stand-alone procurement, costs associated with an expatriate COP would be significant. Removing the expatriate would substantially lower the cost of the activity and allow for other EO type activities to occur under the project. Again, this budget is a back-of-the-envelope attempt to see what can be purchased within the proposed budget.

Illustrative, Cost Estimate for New Activity					
	YR 1	YR 2	YR 3	YR 4	YR 5
Expatriate Labor					
Expatriate COP/Project director	300	300	300	300	300
ST TA	250	250	250	250	250
Azeri Staff					
1 project director (deputy dir)	30	30	30	30	30
1 finance manager	20	20	20	20	20
3 program officers	60	60	60	60	60
2 support staff	15	15	15	15	15
sub total	675	675	675	675	675
Overhead estimate (40%)	270	270	270	270	270
Rent, car, travel exp., etc	100	100	75	50	50
Demonstration grants	100	100	75	50	0
Sub contracts to BSP	75	75	75	75	75
Total	1220	1220	1170	1120	1070
Sum total for 5 years					5800

Illustrative Project Names

LEAP: Linkages for the Economically Active Poor??? (Just a thought)

ANNEX A. COMMUNITY BASED ECONOMIC DEVELOPMENT APPROACH

Below you will find a brief profile for community based economic development. This is largely the methodology that has been employed through AHAP, and through other USAID community mobilization programs in Serbia, Lebanon and Central Asia.

EO community objective: To move vulnerable populations from a subsistence livelihood to a more productive one that offers increased assets and more meaningful employment.		
Approach & Interventions	Opportunities/Pros	Risks/Cons

<p><i>Community economic development methodology</i> Community leaders identify weakness and strengths leading to a clear set of public good priorities; cost sharing grants are distributed to communities groups.</p> <ul style="list-style-type: none"> • Grants to build roads, schools, etc <p>Some CED interventions have attempted to reach into the private sector. Interventions include:</p> <ul style="list-style-type: none"> • Community-Based Enterprises. Grants to fill market gaps; i.e. ACDI feed mill • Association development (CHF) 	<ul style="list-style-type: none"> • Provides immediate employment opportunities • Increases understanding of the market • Increases community cohesion, and provides incentive for mobilization activities • May be most appropriate for new communities not yet mobilized • Engaging local government officials in EO can demonstrate the importance of public-private partnerships, and highlight local problems re corruption and administrative barriers. 	<ul style="list-style-type: none"> • Groups organize around opportunities for donor transfers and not market opportunities • For community-based firms, heavy technical assistance • Investing in start-ups are very risky • Free rider problem • Community champions may not understand proj. objectives • Emphasis on local government involvement • Reliance on donor funds for community priorities
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ANNEX B. ASSESSMENT INTERVIEWS

David Sulaberidze Azeri Rural Project Director ACDI/VOCA	Nazim Aliyev Independent Consultant, and Enterprise Development Expert	Tracey Gerstle Microenterprise and Economic Development Advisor Mercy Corps
Fizura Hasanova BP Shah-Deniz Project Coordinator World Vision	Namig Heydarov Civil Society State Program on Poverty Reduction and Economic Development Secretariat	Katherine Dunkle Director of Client Services Azerbaijan Agribusiness Center/Pragma
Manfred Smotzok, COP IFDC	Dan Bliss Social and Community Relations Manager The BTC Pipeline Company	James Goggin USAID Country Coordinator
Ylli Bicoku Association and Business Development Advisor IFDC	Jeff Flowers Country Director FINCA	John Brannaman USAID Agricultural Development Officer
William Holbrook AHAP Chief of Party Mercy Corps	Vugar Akhmedov Agribusiness Specialist Azerbaijan Agribusiness Center/Pragma	Valerie Ibaan USAID Social Sector Advisor
Sue Leonard Mercy Corps Program Director	Elchin Bagirov Income Generation and Training Programs Manager Social Fund for the Development of IDPs	Peter Duffy USAID/Pakistan
Poverty Reduction Economic Management Sector Europe and Central Asia Region The World Bank	Mejid Asadov Deputy Chairman of the Board Azerbaijan Credit Unions Association	Ben Reed, Program Officer World Vision
Bob Leonard Institutional/Community Development Consultant	Prahlad Man Mali Economic Opportunities Technical Advisor Save the Children	Luba Fajfer Education Specialist USAID/W
Tom Lenley RABD Chief of Party IRC	Melinda Leonard Program Officer Mercy Corps	Mike Field USAID/W BDS Expert
Bharat M. Devkota IRC Country Director	Cheese Processing Community Enterprise Sabrinabad IRC AHAP program Beneficiary and Community Enterprise	Catherine Trebes USAID Program Officer
Bharat M. Devkota IRC, Grants Manager	Ganja Feedmill ACDI/VOCA Market Chain Program Beneficiary	Emin Zamin Huseynov Economist
Arif Jahangirov, Director Ganja Business Center		Rasim Guliyev, Project Director UMID
Karvan Regional Handicrafts Association, Imishly CHF/AHAP supported Association		Elchin Alimardanov Economic Opportunities Officer Mercy Corps
		Muhammed Amer Mir Director of Finance Mercy Corps

Annex 5: Reports reviewed by assessment team

“Evaluation of Strategic Objective 3.1: USAID Humanitarian Assistance in Conflict Affected Areas in Azerbaijan, Final Report”, MSI/MetaMetrics, December 1, 2002.

“Final Report from the External Evaluation of the ICDP Programs under the Azerbaijan Humanitarian Assistance Program”, Terry D. Bergdall, PhD, MAP Millennia, October 2003.

“Azerbaijan Republic Poverty Assessment, Volume 1: Summary and Conclusions, World Bank, June 4, 2003.

“A Strategic Analysis of Community Driven Development in Azerbaijan”, prepared for the Community Empowerment Network by Bob Leonard, summer 2003.

“Integrated Community Development Program: Experience Sharing and Lessons Learned Workshop”, Save the Children, February 2004.

“Azerbaijan Civil Society Sector Assessment”, draft report by MSI, November 21, 2004.

“Multi-Apartment Housing in Azerbaijan: An Issues Note”, World Bank, November 3, 2004.

“Azerbaijan Youth Assessment: Draft Report”, Luba Faifer, August 2004.

“Assessment on Violence and Women in Azerbaijan”, International Rescue Committee, June 2004.

“State Program on Poverty Reduction and Economic Development”, Annual Report 2004.

“Community Development Manual”, Y. Dadashov and G. Ganbarova, Azerbaijan Community Development Initiative Group, Baku 2003.

“World Bank Poverty Assessment Report No. 24890-AZ, Volume II: The Main Report”, June 2003.

“Azerbaijan Trafficking in Persons Report”, US Embassy Baku, Released by the Office to Monitor and Combat Trafficking in Persons, June 14, 2004.

Annex 6: Opportunities and Risks of Entry Points

Entry Point	Opportunities	Risks
Ex. Committee	<ul style="list-style-type: none"> • Some may be willing to engage on youth issues • People say that they go to ex-com when they have a problem. • Recognize economic problems at the local level • Has some authority over the local Labor and Social Protection and State Social Development Fund staff and established programs. • Potential entry through training programs • Some awareness of individual family need. 	<ul style="list-style-type: none"> • Public has few expectations and little trust in Ex Coms. • Get their directions from central government. Most don't act independently. • Lack of accountability and corruption, such as bribes for services • More would need to be done to develop relationships. • Lack of knowledge of influence of social policy on daily lives of people. • See investment in production/plants/factories as only solution to economic problems.
Cluster Groups	<ul style="list-style-type: none"> • Have developed skills that could be applied to address longer-term needs of communities and families. • Are already advocating on behalf of community and these skills could be enhanced. • Have been involved in developing community centers and developing education/training programs. • Have an identity as advocates for vulnerable groups and communities with municipalities and ExComs 	<ul style="list-style-type: none"> • Inability to register as NGOs has implications for future activities. • Only active in USAID AHAP Program regions. • Outcomes focused on short-term solutions • Strong negative reaction to collaboration with "government" • Need further training in negotiation and bargaining, conflict resolution, programs and services that can address individual need.
Municipalities	<ul style="list-style-type: none"> • In some communities, citizens look to them for assistance. (i.e. spend budget on emergency needs) • People have sympathy for them. • Most genuinely care and want to serve their community. • Most of the active ones are in IDP belt. 	<ul style="list-style-type: none"> • Central Government not serious about empowering municipalities. • Have few resources or authority. • Don't understand their roles and responsibilities. • In practice, few collect any revenue.

Entry Point	Opportunities	Risks
	<ul style="list-style-type: none"> • Getting more experienced. • Second round of elections expected to open more opportunities for municipalities to address community needs. • On paper, have right to collect revenue. • Some have developed a professional identity as public administrators through IFES training and respect that status • ExComs may become municipalities if not appointed and vice versa; has the potential for some bridge-building 	<ul style="list-style-type: none"> • Still consider themselves subservient to the Ex-Com.
Community Action Groups/ Mahallas Committees	<ul style="list-style-type: none"> • Community workers and members of community action groups have basic skills that could be applied to case management with additional training. • Have developed skills through community mobilization around micro-projects that could be applied to advocacy for vulnerable groups. • Some implementers have informally engaged the elderly and disabled who are not participating through individual visits. • Potential to organize “community groups” of professionals, consumer groups of disenfranchised and vulnerable, etc. • Some have informally served as volunteers in social reintegration activities in child care institutions. 	<ul style="list-style-type: none"> • Elderly, disabled don’t participate • Focus on helping the many and excluding projects that might help a few that are the most vulnerable • Lack of awareness of the trust the interpersonal support networks have established and how they could use that to engage the “opposition” political entities. • Narrow focus on “micro-projects” has limited to tremendous potential that exists to form the basis of community-based programs and services.
LNGOs/Coalitions of NGOs	<ul style="list-style-type: none"> • Could play a role in service delivery and public awareness/advocacy surrounding social issues. • NGOs such as UMID and Community Empowerment 	<ul style="list-style-type: none"> • Service provision is not well developed; focus has been on advocating their organization for funding.

Entry Point	Opportunities	Risks
	<p>Network have technical capacity to train community mobilizers.</p> <ul style="list-style-type: none"> • Some such as BUTA, UAFA have the capacity for community rehabilitation interventions and can train others • Coalitions share values and concerns about similar issues (i.e. children) • Potential through training/technical assistance to help them articulate points and identify solutions. • Embassies/External Funders more willing to fund registered NGOs. • Potential for professional associations to become advocates for change with training and TA in institutional capacity 	<ul style="list-style-type: none"> • Few NGO’s focused on special issues of family violence, women’s issues, rights of disabled, etc. • Not all NGOs are able to register. • Little public awareness of LNGO’s and the strengths they have. • Can articulate their problems but have difficulty articulating solutions in an organized and effective manner. • Lack skills in case advocacy as they are more focused on issues of the many; do not know how to use individual case advocacy for “class action” advocacy. • NGO’s in general lack credibility • NGO’s seen as promoting religious and political ideology by ExComs • No strong professional associations or trade unions and no institutional capacity building efforts for NGO’s
Ministry of Social Protection	<ul style="list-style-type: none"> • Local offices that deliver benefits could be retrained to provide case management services that reflect professional standards of best practices. • Established network of offices with existing staff of 30-50 people in each region with 100 in Baku. • Social policy framework (on paper) established that promotes reintegration of disabled and development of community based services for vulnerable groups • Law on the development of foster care exists • Potential for consumer advocacy groups to form 	<ul style="list-style-type: none"> • Haven’t worked with them before. May take time to build trust. • Established work ethic and methods that are more administrative and procedural • Medical model for care of disabled and children in institutional settings • Limited awareness of human development and human relationships • Lack of professional schools for training social work, psychologists and other human services

Entry Point	Opportunities	Risks
	through community action groups/cluster groups.	<p>workers</p> <ul style="list-style-type: none"> • Lack of accountability for implementation of existing policies and laws on community care • Poor targeting of benefits • Management is top down.
SPPRED	<ul style="list-style-type: none"> • Responsible for poverty reduction strategies. • Cuts across different sectors/ministries. • Seem to have coherent set of policy recommendations. • Leverages resources of government and donors. • Policy framework promotes the development of community based services • Emphasis is on developing an approach of improved targeting of benefits and services through case assessment and planning. • Pressure through Council of Europe to deinstitutionalize and development community care models included in SPPRED strategy. 	<ul style="list-style-type: none"> • May be seen as marginal by the government. • Seem to have a lot of donor money. • Some talk of SPPRED ending next year – future is uncertain. • Lack of human capacity in case assessment and planning and participatory management. • Management is top down.
SPSEDR	<ul style="list-style-type: none"> • Seem to have dynamic leadership and interest/openness to USAID technical assistance. • Identified need for more innovation at local level. • Leverages resources of government. • New govt. government program that will end in 2008. • Not just Baku based – has offices in regions. • Established by Presidential Decree. 	<ul style="list-style-type: none"> • Not as well known as SPPRED. • Still uses a Soviet-style top down approach to planning • Population doesn't see difference between SPPRED and SPSEDR.
World Bank/ADB	<ul style="list-style-type: none"> • Linking with IFIs leverages investment for larger infrastructure projects will address some larger community infrastructure needs. 	<ul style="list-style-type: none"> • Interest in collaborating with USAID is personality driven with the organization.

Entry Point	Opportunities	Risks
	<ul style="list-style-type: none"> • IFIs have investment resources, but not as good at engaging communities. 	<ul style="list-style-type: none"> • May have to wait long time for IFIs to come through with investment.
UNICEF Working Group with Government	<ul style="list-style-type: none"> • Government/donor/NGO involvement • Have national plan of action • Has funding commitment from UNICEF • Focus is on deinstitutionalization and community rehabilitation; • Has qualified staff • Promotes international best practice standards 	<ul style="list-style-type: none"> • Not addressing systemic changes in government ministries. • Needs partners that can leverage existing funds and resources • USAID, and other important donor groups are not involved to date • Lack of general public awareness of activities
Department of Refugees, IDPs, migration and work with International Organization, Cabinet of Ministers	<ul style="list-style-type: none"> • Recently created office to coordinate activities of relief and development agencies. • Starting to hire youthful, open-minded staff. 	<ul style="list-style-type: none"> • Currently all knowledge/experience rests with the head of department.
Social Fund for Development of IDPs	<ul style="list-style-type: none"> • Have funds for infrastructure and financing of micro-enterprises. • Funded by WB and Government of Azerbaijan. 	

Scope of Work (SOW)

Community Development Assessment USAID/Caucasus, Azerbaijan

I. PURPOSE

This SOW sets forth guidelines to conduct a community mobilization/development assessment for expanding and strengthening community development in Azerbaijan. The assessment will: (1) provide a broad overview of community mobilization activities and non-agricultural services and needs in Azerbaijan; (2) provide recommendations on new mechanisms and approaches to achieve Mission objectives; (3) review the community development component of the new 2005-2009 strategy, and (4) write a Activity Approval Document that will be developed into a new socio-economic and workforce development initiative of approximately \$22.0 million per year over the next five years

II. BACKGROUND

Since declaring independence in 1991, Azerbaijan has experienced a number of upheavals that have impeded progress toward a more open and democratic society. Azerbaijan's economic growth over the last seven years has been marked by only a modest impact on poverty reduction. Over 50 percent of the population is under the poverty line. Non-income indicators of poverty including, education, health care, and basic services appear to have deteriorated particularly in the rural areas. Basic needs at the community level are not being met and it is unknown the amount of central government funding will support these activities during the nearest five years.

In 2002, the government initiated a State Program on Poverty Reduction and Economic Development (SPPRED). Its planning involved the active participation of civil society organizations and the donor community. A Secretariat has been established and wide consultations held with citizens, supported by USAID among others, to set an agenda for action. SPPRED's strategic aims are to (1) facilitate an enabling environment for income-generating growth, (2) maintain macroeconomic stability, (3) improve quality and equity in access to health and education services, (4) improve infrastructure, (5) reform the social protection system to more effectively protect the vulnerable, and (6) improve living conditions and opportunities for refugees, internally displaced persons and other vulnerable groups affected by the Nagorno-Karabakh conflict. Given the current socio-economic context and likely waivers of Section 907 of the Freedom Support Act for the foreseeable future, creates an opportunity for USAID to engage the GOAZ in substantive strategic planning in the socio-economic development.

The major social problem for communities is the lack of employment and economic development. Strong family and traditions play an important role in reducing the impact of this decline. However, a host of other social issues are created by people migrating to urban areas or seeking employment abroad. The rural to urban migrants tend to suffer

much stress from their extremely low socio-economic status along with higher costs associated with urban living while typically maintaining dual households. The presence of IDPs and refugees (800,000 people) has placed additional strain on an already weak public infrastructure including education, health care and economic institutions. Both urban and rural areas have access to water, however the quality of the water is often questionable. The high (in comparison to average cash incomes) cost of transportation services presents a major problem for rural residents. Rural households experience unreliable, and in many cases unobtainable, gas and heating supplies and electricity service is a severe problem. Land-line telecommunications coverage remains almost non-existent in rural households.

Employment

People need jobs. A recent UNDP/ILO research put the national figure at more than 400,000 (10.7 percent of the working-age population), with unemployment in urban areas twice that of rural areas. The 2003 State Department Human Rights Report put the figure at 15–20 percent. The proportion of the population between the ages of 15-29 is about 28%. An estimated two million Azerbaijanis seek work each year in Russia or Turkey and President Ilham Aliyev's recent promise to add 600,000 jobs over the next five years probably are indicative of the true employment situation. One factor in stimulating private sector growth is public works programs to rehabilitate infrastructure. It is important to foster economic opportunities where they are not accessible, where human assets can add value to the growth of their communities and serve to better mainstream vulnerable populations into existing Azerbaijani society.

Corruption

Corruption has been identified as a key issue to address in all of Mission's activities. As in other transition and developing societies, corruption slows the reform process. Azerbaijan ranks 125 (8th from the bottom) out of 133 countries in Transparency International's 2003 Corruption Perception Index. Corruption is pervasive at all levels of government, including judicial bodies, ministries, cities and provincial administrations. Extortion and bribery by government officials affect individuals directly, as well as private businesses. Unofficial fees for services are demanded, depending on the area of specialization and the nature of the services needed.

Gender

Despite constitutional and legal safeguards for gender equality, the reality is that standards are not equitably applied. Azerbaijan is a distinctly patriarchal society. Men dominate senior positions in all branches of government. This carries over to lower levels of local governments and even to management of NGOs. There are indications that employment of women is being discriminated against in the new job market being created by the oil high-paying industry. In general, females have a higher risk of unemployment and tend to concentrate in the social sectors where wages are below the national average (30 percent below in health professions and 70 percent below in

education). Girls have a much higher dropout rate in secondary education and lower access to higher education, but there is no evidence of gender inequality at the primary level.

Women in Azerbaijan are disproportionately poor, lack empowerment and, especially in the rural areas, are burdened with production and reproduction related responsibilities as well as facing other social issues. Utilizing women's economic potential to a much greater extent and providing them with increased economic independence will not only assist in bringing them across the poverty threshold, but also will contribute substantially to economic growth.

Azerbaijan's poverty reduction strategy is targeting the poor in a number of ways that should help facilitate the status of women, but by itself, is likely to be insufficient. Mainstreaming of women into the country's political and economic systems needs to receive higher priority attention.

Progress to Date

Continued progress was made in developing the skills, knowledge and productivity of the workforce while creating jobs and employment for populations affected by the conflict. Affordable and accessible systems were established that provided preventative and protective social and health services. USAID has continued to implement more advanced models for community mobilization, and business development and financial service delivery for entrepreneurs. Multi-sectoral interventions, including sub regional (cluster) group formation, strengthened the capacity of communities to address their own needs through developing and facilitating access to financial, health, business and agricultural services. Currently community groups are being formed with support from previously mobilized communities or cluster groups rather than through direct intervention of USAID's partner agencies. Experienced community leaders mobilized nascent communities through training, mentoring, cluster/community level events, and technical assistance for the micro-project development, implementation and monitoring process.

The two micro-finance institutions (MFIs) focused on strengthening institutional and operational sustainability. These MFIs refined systems and procedures and are aggressively expanding their client base in order to achieve financial sustainability. Business development support services concentrated on strengthening the capacity of local providers and agricultural networks to meet market demands for services, the further development of a regional association and support to seven community owned businesses.

The current methodology has integrated multi-sector development, assisting in conflict-affected areas where residents and IDPs are at highest risk, to assist in IDP integration and to build synergism for rapid and sustainable social, health and micro economic status improvements.

Project Concept

We envision one to two projects under the community mobilization heading. The first concept is a project that will place emphasis on assisting communities take charge of providing social services to mainstream their vulnerable groups and more systematically engage government officials at the local and regional levels, and on the national level, to achieve consensus on broad goals to be pursued in policy and standard setting. An informed public will be the most important way to increase access and improve the quality of social services. This will, in part, will be realized through assisting in the development of effective advocacy and pressure groups. Increased citizen participation will be achieved through volunteer involvement and parents' and consumer groups in the delivery of social services. The non-profit network will be strengthened as a provider of social services and linked to policy initiatives through building their capacity to be advocates and educators. Initiatives to develop an informed media that reflects the values of system reform and community-based alternatives will increase public awareness.

The second concept is a project that will provide needed attention to the labor market in areas where the majority of workers, particularly youth, women and the long-term unemployed, lack the skills, flexibility and information to mobilize toward jobs created in underdeveloped and undeveloped sectors. The project will develop vocational/technical school networks to link school-to-work programs through public and private partnerships. The content vocational/technical school curricula will be revised to provide practical skills that are immediately marketable and transferable to other sectors and develop problem solving and evaluative skills. Small seed grants will be provided to start businesses with a percentage of the profits put towards community projects. A service outlet supported by the Ministry of Labor, Ministry of Education and/or Ministry of Youth and Sports will serve as the link between the public and private sector. As a result the project, there will be an increase in the number and types of cottage industries, not-for-profit organizations, small businesses, hospitality services and other market-driven services in and around the larger, urban/town population centers in the non-agricultural sector.

The assessment team will validate or confirm that this is the right direction as envisioned above. It may be that these two proposed concepts may emerge as one integrated project or as two projects. The assessment team will recommend which is most appropriate.

III. ACTIVITY DESCRIPTION

A. USAID/Washington Consultants' Preparation

1. Before arrival in-country and through the assessment period, the USAID/Washington consultants (Consultants) shall review relevant documents, which will be forwarded at least two weeks prior to departure. These documents include:

- A Strategic Analysis of Community Development in Azerbaijan, WB report, summer 2003.

- Sustainability Assessment. Integrated Community Development Program Evaluation. Azerbaijan Humanitarian Assistance Program, October 2003.
- Reports on the Results of the Community Development Strategy Workshop, WB/Community Empowerment Network, August 2003.
- Integrated Community Development Program. Experience Sharing and Lessons Learned Workshop, February 2004.
- The Azerbaijan Community Empowerment Network. Annual Report, September 2003.
- A Community Participatory Appraisal (CPA) Report, 01-04 July, 2002.
- Evaluation of Strategic Objective 3.1. Final report, December 2002.

The World Bank Poverty Assessment Report No. 24890-AZ, Volume I: Summary and Conclusions and Volume II: The Main Report, June 2003, are good general information resources. Both are accessible via internet.

B. Schedule of Activities

Week one:	Review relevant documents; commence interviews with USAID staff, partners, donor organizations, Azerbaijan government officials, NGOs. Prepare survey for use by interviewing teams. Field visits.
Week two:	Interim brief with Mission staff on preliminary findings. Begin writing Activity Approval Document. Continue interviews and field visits.
Week three:	Oral out-brief with Mission staff addressing summary findings and recommendations on directions for a new community development initiative. Submit “final” Activity Approval Document.

C. Data Collection

1. Prepare survey for use by interviewing teams. The questions in Section III. D., Assessment Documentation serves as the basis for writing the Activity Approval Document. Consultants should prepare a more detailed set of questions to address community, civil society and business development issues.
2. Meet with stakeholders. The team will collect information through interviews, discussions or focus groups with key stakeholders, e.g., participating agencies (MCI, SCF, IRC, IFES, and Eurasia Foundation), international organizations (WB, GTZ OSCE), USAID staff, community development members and municipal members at district levels, the oil company community (Exxon Mobil, BP, BTC, Stat oil, UNOCAL).

Data collection will be conducted in Baku and in regions outside Baku. During the assessment, USAID staff will accompany the team on field visits. The Team will split into two groups for field visits in the regions. The selection of sites and scheduling will be finalized one week prior to the Consultants’ arrival.

D. Assessment Documentation

1. Paper and Diskette of Assessment

The team will present a “final” Activity Approval Document to USAID prior to departure from Baku. A format will be provided by the Mission. The final draft will be provided in hard copy and on a diskette in WP 6.0. Detailed analysis and data should be presented as annexes to the assessment. The document should be written in a non-technical style, which can be referred to and used by policy/senior managers and decisions makers. The annexes are meant to provide details for technical reviewers.

2. Assessment Report Guidelines

The documentation will provide a broad, qualitative overview to help identify critical issues and further opportunities for community mobilization and development in the country. Recommended activities should be in line with the Strategy Paper on Poverty Reduction and Economic Development (SPPRED) and Poverty Reduction Strategy Paper (PRSP), be consistent with Agency and Bureau’s guidelines on gender issues and consider socio-economic factors that will create positive, sustainable change in behavior.

The following guidelines will serve as the basis for writing the Activity Approval Document.

- Describe the major socio-economic trends, constraints and opportunities related to secondary cities economic development and rural economic development;
- Describe the policies and regulations that affect sustainability of community based organizations;
- Comment on the effectiveness of linkages established between various communities and between communities and their municipalities has been in facilitating the community development process;
- Comment on the sustainability of interventions under other donor assisted programs and confirm progress to date;
- Address how the underlying values and assumptions of Azerbaijani society and culture would promote and hinder behavioral change in the implementation of program activities;
- Evaluate what have been the most effective approaches for increasing the community’s self-reliance and funding projects (vs. donor funding of projects);
- Describe how the regional work plans developed at the SPPRED meetings organized by the Secretariat and town hall meetings organized by Catholic Relief Services, both funded through USAID, can be leveraged;
- Identify linkages with USAID’s Rural Azerbaijan Business Development (RABD) project;
- Identify the most effective approaches for drawing women and youth into the mix;
- Identify the most effective approaches for increasing transparency and democratic processes within the partnerships;

- Make recommendations to advance and strengthen community group and municipality linkages;
- Identify the linkages that can be developed between the public and oil community;
- Make recommendations as to what innovative and flexible community partnership models involving local communities, government officials at all levels, the private sector and non-government organizations will complement and stimulate sustainable economic activity and support/fund social and infrastructure projects;
- Make recommendations as to how the new socio-economic, community development initiative would complement and coordinate with other USAID activities, and;
- Identify what skills, knowledge and resources of the local community are needed to empower citizens.

Include a summary of follow up activities implemented under the Mercy Corps AHAP umbrella as recommended in the Sustainability Assessment, October 2003.

IV. PERSONNEL

A. USAID/Washington Consultants

One Team Leader/Urban Planner with an advanced degree in an appropriate field with a minimum 10 years experience implementing such projects. The urban planner consultant would serve as a knowledgeable link on improving communities, municipalities, ex coms as well as is knowledgeable on city services from sewage to tax collection to electricity to creating business opportunities. The Advisor will have extensive experience in project implementation and/or assessment work for USAID, preferably in USAID's E&E and other regions. This individual has primary responsibility for coordinating the administrative and technical aspects of the assessment and will serve as the lead for the team serving in both a technical expert role as well as a leadership role. Experience in successfully managing similar programs in the CIS but in the Caucasus or Central Asia is preferred. This person shall be available for a minimum of three weeks.

One Small Business Development Consultant with an advanced degree in political science, anthropology, economics or other relevant background, with substantial experience in designing and implementing innovative and flexible public-private community models involving local communities, government officials at all levels, the private sector and non-government organizations. This person shall be available for a minimum of two weeks.

One Social Services Consultant with an advanced degree in social work or other relevant background, with substantial experience in designing and implementing innovative and flexible family-focused community care models involving local communities, government officials at all levels, the private sector and non-government organizations. This person shall be available for a minimum of two weeks.

B. Azerbaijani Team Members

Two Azerbaijani Assistants/Interpreters will provide technical and country insights to community activities and serve as an interpreter. S/he must be fluent level of English and Azeri. S/he possesses at least a Bachelor's degree and at least two years community mobilization, civil society and/or economic development work experience in Azerbaijan. This person shall be available for a minimum of three weeks.

C. USAID/Caucasus-Baku SO 3.4 and Programming staff

- Valerie Ibaan, Social Sector Advisor
- Gulnara Rahimova, Project Management Specialist
- Catherine Trebes, Program Officer

D. Relationships

The Team Leader will work under the general direction and supervision of the Social Sector Advisor, USAID/Caucasus/Baku.

V. TIMELINES AND LEVEL OF EFFORT

Proposed Timeline: **November 30 – December 17, 2004**, for two - three weeks, based upon mutual agreement by the Mission and the Consultants. Duration of the assessment is estimated to be approximately three weeks or 16 working days in Azerbaijan for USPSC consultants.

Workweek: A six-day workweek is authorized for the team. The workweek is Monday through Saturday.

The Level of Effort for this assessment will be roughly:

Staff	Days
Small Business Development Consultant – 1x	18
Social Services Consultant – 1x	16
Team Leader/Urban Planner - 1x	18
Azerbaijani Economic Development Expert - 1x	20
Azerbaijani Community Development/NGO Expert - 1x	20
Azerbaijani Driver and vehicle - 2x	30

VI. SPECIAL PROVISIONS PROVIDED BY USAID/BAKU

A. Duty Post: Baku, Azerbaijan (travel to activity sites outside of Baku will be required).

B. Logistical Support:

- The Mission will provide background and reading materials and support in scheduling meetings and arranging site visits, travel and accommodations and hiring local support staff.
- The Mission will make every effort to provide the assessment team members with office space and equipment in the USAID office but both are limited. The Team is requested to bring one laptop computer per team member with them for use during non office hours or for work in their hotel.

VII. DELIVERABLES

- Oral in-brief with Mission staff;
- Oral interim brief with Mission staff on preliminary findings;
- Draft Activity Approval Document and summary report (formats will be provided by the Mission); and
- Oral out-brief with Mission staff addressing summary findings and recommendations on directions for a new community mobilization