

SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY

Country:	Azerbaijan	Project Title:	Shah Deniz Gas Field Expansion Project
Lending/Financing Modality:	Partial Credit Guarantee	Department/Division:	Central and West Asia Department/ Energy Division

I. POVERTY AND SOCIAL ANALYSIS AND STRATEGY

Targeting classification: General intervention

A. Links to the National Poverty Reduction and Inclusive Growth Strategy and Country Partnership Strategy

The project is aligned with the Asian Development Bank (ADB) country partnership strategy, 2014–2018 for Azerbaijan, which includes energy and increased and more efficient use of energy resources as a major focus.^a It supports two core areas of operations under ADB’s Strategy 2020 (infrastructure, and regional cooperation and integration), and one strategic driver of change (private sector participation), and is aligned with ADB’s commitment to provide catalytic solutions and to be a financing partner for upper middle-income countries under the midterm review of Strategy 2020.^b The project is further aligned with ADB’s Energy Policy, which supports continued ADB assistance for gas field development.^c The project is aligned with the State Program on Poverty Reduction and Sustainable Development, 2008–2015,^d and will contribute to the following objectives of the state program: inclusive growth opportunities in the project area, infrastructure development, job creation, social protection, and private sector development.

B. Results from the Poverty and Social Analysis during PPTA or Due Diligence

1. Key poverty and social issues. Communities near the Shah Deniz terminal are typical of rural Azerbaijan—occasional clusters of internally displaced persons, substandard local roads, and limited public infrastructure and social services. Most of the land is not used for agriculture. The main restrictions to expanding agricultural activities relate to the poor quality soil and difficulties associated with installing and maintaining irrigation networks. Problems identified through socioeconomic surveys and consultations include a lack of adequate skills to be employed in recent development in the area, and a resulting lack of employment opportunities. The community engagement plan and workforce management plan developed for the project recognize the following key social issues in engagement efforts with the communities: (i) potential for influx of people looking for jobs, (ii) the need to significantly enlarge the workforces of the existing contractors, (iii) the project’s proximity to vulnerable communities, and (iv) jobs and livelihoods expectations of communities. In line with these issues, targets for recruitment from named communities were included in the construction contracts.

2. Beneficiaries. The project is expected to directly benefit community members in the command areas who can obtain jobs through the project. Individuals surveyed by the sample socioeconomic survey who had previously worked on contracts with the operator, BP (through its subsidiary, BP Exploration [Azerbaijan]), consistently reported positive experiences—particularly in terms of increasing their household income, developing their skills, and improving future career prospects. To maximize benefits to the local population and address the key poverty issues associated with the lack of employment opportunities, the project will encourage contractors to prioritize the recruitment of qualified local community members. Training on construction-related jobs will be conducted before and during employment.

3. Impact channels. Contractors are required to develop a comprehensive nationalization plan that addresses (among other issues) the following: (i) a training program to support nationalization, (ii) an annual and a rolling 3-year nationalization staffing profile, (iii) a comprehensive training schedule, (iv) development opportunities and individual development plans for national staff, and (v) confirmation that BP’s local recruitment targets have been achieved.

4. Other social and poverty issues. None

5. Design features. The design and monitoring framework includes indicators to report benefits to the local communities in terms of increased employment opportunities.

C. Poverty Impact Analysis for Policy-Based Lending- Not Applicable

II. PARTICIPATION AND EMPOWERING THE POOR

1. Participatory approaches and proposed project activities that strengthen inclusiveness and empowerment of the poor and vulnerable in project implementation.

A stakeholder engagement plan (SEP) has been prepared to support the Shah Deniz Stage II (Shah Deniz-II) project in terms of stakeholder engagement, consultation, and communications. The SEP aims to (i) open a communication channel with stakeholders and allow them to understand significant project impacts, and (ii) help the project manager address local expectations and incorporate feedback into project design and implementation. The project will endeavor to go beyond mitigation of social and environmental impacts and ensure there is a positive net benefit realized in the area of project operations. The SEP will include all local communities—including minorities and other vulnerable groups (e.g., women, youth, elderly, and internally displaced persons)—as well as specific types of households such as herders and fishers.

3. Plan or other actions. Not required.
V. ADDRESSING OTHER SOCIAL RISKS
A. Risks in the Labor Market
1. Relevance of the project for the country's or region's or sector's labor market. <input type="checkbox"/> unemployment <input type="checkbox"/> underemployment <input checked="" type="checkbox"/> retrenchment <input checked="" type="checkbox"/> core labor standards
2. Labor market impact. Shah Deniz operations, beginning with Shah Deniz-I, have positively contributed to the labor market through the creation of new job opportunities during construction and operations, opportunities for contracting and businesses from BP operations, apart from other induced development opportunities. The project will require its contractors and suppliers to comply with the national labor laws of Azerbaijan and adopt measures to adhere to the core labor standards. Shah Deniz-II construction contract clauses are aligned with the Shah Deniz-II Environmental and Social Impact Assessment commitments relating to employee relationship management plans, workforce welfare and training, and compliance with national labor laws and international labor standards. As of May 2016 the Shah Deniz-II project and its contractors employ about 19,000 workers, including 16,100 workers from Azerbaijan. The Labor Management Committee reviews worker grievances and provides oversight for BP of grievances managed by individual contractors.
B. Affordability Not applicable
C. Communicable Diseases and Other Social Risks
1. Indicate the respective risks, if any, and rate the impact as high (H), medium (M), low (L), or not applicable (NA): <input type="checkbox"/> Communicable diseases (NA) <input type="checkbox"/> Human trafficking (NA)
2. Describe the related risks of the project on people in project area. NA
VI. MONITORING AND EVALUATION
1. Targets and indicators. The project is expected to provide direct job opportunities and additional direct employment generated by the project to local residents. The targets have been included in the design and monitoring framework.
2. Required human resources. The operator has an environment and social team as well as a community engagement and liaison team with qualified environmental and social staff to implement, manage, and monitor the environmental and social aspects of its operations and its engagement with the communities.
3. Information in PAM. Not applicable
4. Monitoring tools. The annual environment and social monitoring report to be submitted by the borrower will monitor the employment impacts, compliance with national labor laws, and the measures to comply with core labor standards.
^a ADB. 2014. <i>Country Partnership Strategy: Azerbaijan, 2014–2018</i> . Manila.
^b ADB. 2008. <i>Strategy 2020: The Long-Term Strategic Framework of the Asian Development Bank, 2008–2020</i> . Manila; ADB. 2014. <i>Midterm Review of Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific</i> . Manila.
^c ADB. 2009. <i>Energy Policy</i> . Manila.
^d Government of Azerbaijan. 2008. <i>State Program on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan for 2008–2015</i> . Baku.
Source: Asian Development Bank.