

EU Tacis / Reform of the Social Protection System in Azerbaijan

**Discussion Paper: Assistance to Internally
Displaced Persons (IDP)**

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Notes:

1. All exchange rates used in this report are based upon the rates for November 2006 according to the web-site of the Central Bank of Azerbaijan, as follows:
US \$ 1 = 0.8729 New Manat and 1 New Manat = 5,000 Old Manat
2. Minimum salary in Azerbaijan is 30 Manats/month.

1 Background

1.1 Impacts of the War

Background to the War

The ongoing dispute between the Armenians and Azeris has a history that can be traced back centuries. In modern times the causes can be understood in the context of the lead up to the break up of the Soviet Union. The situation degenerated into full scale armed conflict in 1991 and by 1994 Armenia had occupied more than 20% of Azerbaijani territory forcing a 700,000 Azeris to be displaced from their homes. More than a quarter of a million Azeris and 50,000 Mesketian Turks were forced to leave Armenia between 1988-92 over (State Committee on Refugees and IDP, 2005a). The total number of Azeris forced to leave their homes equates to approximately 12.5% of the population and the numbers are detailed in Table 1 below (World Bank, 2003).

Table 1: IDP and refugee population in Azerbaijan (Source: State Committee on Refugees and IDP, 2005, p. 8-9)

IDP from 7 regions adjoining Nagorny-Karabakh	558,387
IDP from close to the border	128,199
IDP from Nagorny-Karabakh	60,000
Refugees from territory of Armenia	250,000
Mesketian Turk Refugees	50,000
TOTAL	1,046,586

Direct impacts

The impacts of the war go beyond the occupation of 20% of Azerbaijan territory and the forced movement of 12.5% of the population. It has been estimated that 736 towns or villages, 130,939 houses and almost 2,000 schools or health facilities have been destroyed (State Committee for Refugees and IDP, 2005). As a result of the armed aggression 20,000 Azerbaijanis have died, 100,000 have been wounded and 50,000 disabled (SPPRED, 2003). This has had a disproportionate impact on the IDP population. A WFP survey (2005) found that 8% of the IDPs surveyed reported the injury of at least one member of the family during the war and 7% reported the death of a family member during the war.

The financial damages caused by the war have been valued to total US\$60 billion (State Committee on Refugees and IDP, 2005). A separate estimate on the direct damages caused to the economy of Azerbaijan by the war was made in the range of US\$22 billion (SPPRED, 2003). Since the signing of the ceasefire in 1994 there has been no breakthrough on the political impasse. This lack of a political solution to the situation means that the costs of the war are continually felt to this day in Azerbaijan.

1.2 IDP and Refugee Population

International Definitions

One of the main impacts of the war has been the forced migration of one million Azeris. This included both refugees and internally displaced persons (IDPs) and it is important to clarify the differences between these two groups. The term refugee was initially defined under international law in 1951 under the auspices of the Convention on Refugees, which has been further refined by the Protocol of 1967. The original Convention provides a clear definition of a refugee, as follows:

“owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable, or owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it.” (Convention on Refugees, 1951)

Whereas the term internally displaced person (IDP) has been defined by the international community as follows:

“persons or groups of persons who have been forced or obliged to flee or leave their homes or places of habitual residence, in particular as a result of or in order to avoid the effects of armed conflict, situations of generalized violence, violations of human rights or natural or human-made disasters, and who have not crossed an internationally recognized state border”. (OCHA, 2002)

Therefore the distinction between an IDP and a refugee is that a refugee has crossed an international border. This distinction has important legal implications. A refugee is legally entitled to protection and in some cases assistance from the authorities of the host country and from international organisations. A displaced person is a citizen of the country and thereby continues to be considered primarily under the protection of their own country.

Status of Refugees and IDPs in Azerbaijani

The Republic of Azerbaijan accessioned to the Convention on Refugees and the subsequent Protocol on 12 February 1993. The Azerbaijan Law ‘On status of refugees and internally displaced person’ of 1999 has enshrined this international definition of refugees in Azerbaijani legislation. Therefore the above definition of refugee is applicable to all persons seeking refuge in Azerbaijan. This Law further adopts a similar definition to the internationally recognised definition for IDP and is as follows:

“The term Internally Displaced Person (IDP) (person displaced within the country) shall apply to any person who has moved to another place being forced to leave his/her permanent residence within the territory of Azerbaijan in connection with military aggression, natural or technological disaster” (Law on status of refugees and internally displaced persons, 1999).

The legislation of the Republic of Azerbaijan in fact grants more rights to refugees and IDPs than are required by international law, including the right to temporary employment, temporary residence and preferential education and health services. Furthermore in accordance with Article 5 of the Law on citizenship all refugees settled during the period 1 January 1988 to 1 January 1992 are granted citizenship of the Republic of Azerbaijan (State Committee for Refugees and IDP, 2005). This period corresponds with the same period of the influx of refugees from the territory of Armenia. These refugees were also provided land

and housing by the state soon after arrival and were able to take up citizenship with the option of maintaining their refugee status.

The IDP population unlike the refugee population has resided in temporary residences pending their return home, following the return of the occupied territories to the authority of Azerbaijan. The temporary nature of this status has presented a unique set of challenges to both the state and the IDP population. This report will focus on the present situation of IDPs and the possible policy options to meet their needs.

1.3 Socio-economic Situation

Oil-sector led growth

The collapse of the Soviet Union presented newly independent Azerbaijan with a variety of economic challenges. The period of the early 1990s was characterised by hyper-inflation, decreasing GDP and domestic consumption. Immediately after Heydar Aliyev came to power a degree of social and political stability reemerged allowing for economic reforms to take place (SPPRED, 2003). This has resulted in a significantly improved level of economic stability.

The latest oil boom in Azerbaijan commenced in 1994 and this has led to Azerbaijan experiencing some of the highest growth rates in the world over recent years. The period 1999-2003 saw an average annual real GDP growth rate estimated at 9%. This has further grown to be the highest in the world at present with GDP growth of 26% in 2005 (World Bank, 2006). In 2001 the petroleum sector accounted for a third of GDP, but only 1% of employment (WFP, 2005). The central economic challenge now is to build upon the oil boom by developing a more diversified economy, which can generate employment whilst maintaining economic stability.

Economic potential

A common economic problem experienced by other natural resource-rich countries has been the appreciation of the national currency as export earnings are converted into the national currency. This well documented problem has been termed the 'Dutch disease'. Azerbaijan has been one of the few such countries that have established a stabilisation fund to ameliorate these problems, which enables the Government to invest in time of recession. The State Oil Fund was established in 2001 and by 2003 more than \$800 million of oil revenues had been invested in the fund (Stiglitz, 2006). This is expected to rise to more than US\$ 3.6 billion by the end of 2006 (World Bank, 2006). This provides a direct return and has significantly contributed to reducing the appreciation of the currency and wider economic stability.

In theory it would be possible for the oil boom to lead to a doubling of per capita income every ten years, from a base of US\$940 in 2004 (Stiglitz, 2006). This is a very critical opportunity for Azerbaijan, which if achieved would mean avoiding the problems experienced by other natural resource rich countries such as Nigeria. The Government of Azerbaijan has already proven it intends to follow such a path of leapfrogging development and ensuring all Azerbaijanis share in the benefits of this process. This intent is clearly illustrated by the fact that the key Government strategic programmes of poverty reduction and economic development have been launched as an integrated strategy, in the form of the SPPRED (2003-05). The development and reform of the social protection system is one key component of both poverty reduction and economic development. Simultaneously the positive economic environment means that it is likely that sustainable funding will be available for the reform of social protection. This means there is an economic potential in Azerbaijan to successfully tackle poverty, including the poverty within the IDP population.

2 Profile of IDP Population

2.1 Poverty Profile

Poverty Data

In order to learn more about the living conditions of the IDP population the World Bank commissioned the Azerbaijan Household Budget Survey on IDPs, Refugees and Resident Population (AIDPS) in 2002. This survey found relatively higher income levels, higher consumption levels, and lower rates of poverty for the IDP population than would be expected, although it also found significant differences in income levels within the IDP population (World Bank, 2003). This contradicts a number of other surveys including the World Bank Poverty Assessment (1997) which found IDPs were 28% more likely to be poor and 90% more likely to be very poor. There are a number of factors which have been cited as possible explanations for the surprising results from the AIDPS survey. These include that the survey was conducted in the summer which is when income from seasonal work is highest and this is the first survey to include utility subsidies in the calculations on income.

Despite the anomalies presented by the AIDPS survey it is generally accepted that there is a higher rate of poverty amongst the IDP population. According to the 2003 Household Budget Survey, the incidence of poverty amongst the IDP population is 63%, whereas it is 49% amongst the wider population (SPPRED, 2003). It is widely accepted that displacement is a strong correlate with poverty. The Household Budget Survey was unable to differentiate within the IDP population and the heterogeneous nature of the IDP population means that the extreme poverty within the IDP population is masked. This is widely supported by other indicators of poverty amongst the IDP population. This is the basis upon which the Government has identified improving the living standards and employment opportunities for the displaced as a key priority within the State Programme on Poverty Reduction and Economic Development (2003-05). It has also been identified that there is a need for closer monitoring of the IDP population to identify the most vulnerable elements of the IDP population and thereby better inform policy making on how to meet this strategic goal. A more detailed examination of the other aspects of poverty, beyond simply the rate of poverty, will further illuminate the poverty profile of IDPs as compared to the rest of the population.

Livelihoods

The loss of the main breadwinners in the family during the war due to death or invalidity has transformed the familial structure of a significant proportion of the IDP population. This together with the dislocation from the traditional livelihood of the family has dramatically increased the economic vulnerability of the displaced population.

The first phase of displacement saw most of the IDPs settle in a spontaneous manner and largely in urban areas. The settlement patterns changed in the later half of 1993 with the establishment of tented camps and then pre-fabricated houses in the southern and central regions. The majority of IDPs who were agricultural workers settled in urban areas and the IDPs from mountainous areas settled in the non-mountainous rural areas. Therefore the majority of IDPs settled in areas where either the environmental conditions were very different from what they were accustomed to or the possibility of continuing the previous livelihood did not exist (IDP Global Database, 2005).

The IDP population initially did not have access to land and was therefore unable to resume agricultural activities. Furthermore the land reform process in Azerbaijan has not been implemented in the occupied regions. Therefore the IDP population was not able to benefit from the improvements to the agriculture sector which followed from this reform process (World Bank, 2003). Since then some IDPs have been given limited access to land but this has been a temporary granting of access and the land has often been reported to be of low quality. Furthermore the IDP population has minimal assets to invest and maximise return from the land. The lack of agricultural tools and low levels of livestock amongst the IDP population has also been cited as impediments to the full resumption of agricultural activities (WFP, 2005).

The lack of assets to invest has been an impediment to IDPs developing a sustainable livelihood in the areas they have settled, whether or not the livelihood is linked to agriculture. As is typical of the nature of the process of displacement, the IDP population in Azerbaijan left behind the majority of their assets. The only assets that displaced persons were able to take with them were a number of mobile assets such as gold, jewellery, household goods and vehicles. In the early years of displacement most of these assets were sold further undermining their coping mechanisms and entitlements (WFP, 2005). Thus the IDPs ability to acquire capital to invest in economic activities was adversely affected by displacement.

Food Security

The disruption to the livelihoods of persons following displacement has led to the majority of IDPs continuing to experience greater food insecurity in comparison to the wider population. The WFP survey in 2001 showed that the percentage of IDPs unable to meet their food and non-food requirements increased from 74% in 1998 to 90% in 2001 (WFP, 2005). Despite the provision of food aid by WFP and the Government the levels of malnutrition amongst the IDP population remain much higher than the wider population. It is estimated that 26% of IDP households suffer from malnutrition, compared to 10% nationwide and 30% of children (aged 6-59 months) suffer from chronic malnutrition, compared to 21% nationwide (SPPRED, 2003). This is a strong indicator that IDPs are more prone to poverty and that many IDPs are presently dependant on food aid.

Housing

The nature of displacement meant that IDPs became immediately dependant upon the state for the provision of alternative housing and shelter. The temporary nature of IDP housing and the associated poor standards of shelter within the IDP population are both a cause and a consequence of poverty. The majority of IDPs were settled in areas close to their region of origin forming the so-called 'IDP-belt', whilst a third of the IDPs have moved to the capital (World Bank, 2003). The location of many of these settlements and the concentration of IDPs has hindered the capacity of IDP communities to generate a livelihood after displacement.

After ten years many IDPs still live in makeshift temporary locations such as tent camps, makeshift huts, uncompleted buildings, dug-outs, public buildings such as schools and vocational colleges and railway wagons (IDP Global Database, 2005). The over-crowding of IDPs is widespread and the housing of more than one family in one room was reported to be widespread during focus group meetings held with IDPs in Baku. The poor sanitation and overcrowding is a significant health hazard for many IDP families.

Health

The IDP population displays poorer standards of health compared to the national averages, which has been directly linked to a variety of social problems related to displacement. As has been clearly articulated by the Global IDP Database (2005), as follows:

“Poverty undoubtedly affects the state of health of the refugees and IDPs. The experience of psychological stress, incomplete and insufficient nutrition and limited access to health services has led to an increase in disease. A number of surveys conducted by WHO and UNICEF reveal that the state of health among refugees and IDPs is considerably worse than that of the rest of the population.” (Global IDP Database, 2005)

A higher rate of tuberculosis, ontological diseases and measles has been found amongst the displaced population compared to the wider population (Global IDP Database, 2005). The infant mortality rate is a commonly used indicator of poverty as it is often causally linked to other aspects of poverty beyond standards of health. The infant mortality for the IDP population is 3-4 times higher than the national average of Azerbaijan (SPPRED, 2003).

Education

The level of literacy and a number of other indicators of standards of education do not show any discrepancy between the displaced populations compared to the national averages. There are some indications that attendance is slightly poorer amongst the displaced population, with one survey indicating that 29.1% of displaced children do not attend school (IDP Global Database, 2005). IDPs are exempt from paying any official costs associated with education but this has not resolved all cost barriers associated with education. There is ample evidence that poverty prevents displaced families from meeting the additional costs of education, including uniforms, books and other costs.

The accommodation of displaced families in the dormitories of universities or technical schools and in school buildings has placed a significant burden on the educational infrastructure. Simultaneous to this there has been an added burden of increased numbers of students due to the influx of IDPs. Many of the educational institutions absorbing the displaced students have had to operate a two or three tier shift system. This has also been ameliorated to some extent by the establishment of 703 schools, often in pre-fabricated buildings (SPPRED, 2003). The relatively equal levels of educational attainment between the IDP and wider population have not been reflected in the levels of employment of the two groups.

Employment

The rate of unemployment within the IDP population is a major problem, with over 70% of IDPs of working age being out of work (WFP, 2005). The influx of displaced persons placed a burden on the local labour markets, which were already struggling with the economic challenges of transition to a market economy. The fact that displaced persons of working age often found themselves in environments where livelihood opportunities were different than at home, placed displaced persons at a further disadvantage in competing in the new labour markets. This has resulted in the much higher unemployment rates amongst the IDP population, and IDPs are generally twice as likely to be unemployed compared to their neighbours. The rate of IDP unemployment is even higher outside of Baku and significantly higher for women than men (World Bank, 2003).

The Government continues to contract the public servants from the occupied territories. Therefore the figures on unemployment are in fact distorted by this anomaly. The majority of the 13,900 IDPs that continue to receive their public salary are not in full-time employment (State Committee for Refugees and IDPs, 2006). Therefore in some respects this salary payment could be considered a social transfer rather than a salary.

The IDP working population is engaged in seasonal, informal and low paid work. The national population receives 76% of income from employment, whilst the IDP population in Baku receives 48% and the IDP population outside Baku receives 39% of their income from employment. The extremely high unemployment rates amongst the IDP population and the lack of employment opportunities can be cited as the single most significant impediment for IDPs to break free from the poverty trap.

Overall Poverty Profile

The data on the poverty rates and other indicators of poverty detailed above clearly depict that the displaced population is more prone to poverty. The impact of displacement affected households in divergent ways and some displaced households have recovered from these impacts. The heterogeneous nature of the displaced population means that the data on poverty for the entire IDP population hides a number of sub-groups which are extremely poor and vulnerable (World Bank, 2003). This is the reason that closer monitoring of the displaced population is considered to be an imperative and the reason it is included as a priority activity within the SPPRED (2003-05). The loss of assets, livelihoods and adequate shelter experienced by IDP populations elsewhere in the world can be analysed from the perspective of the loss of entitlement as elaborated by Sen (1981). This loss of entitlement translates as the inability to sustain ones family and in many other IDP populations in the world this has resulted in the destitution of IDP populations. In the context of Azerbaijan the social protection provided by the state has prevented the majority of IDPs from slipping into absolute destitution. The theory of loss of entitlement provides an important insight into the process that ensues following displacement. The focus of the Government on self reliance of IDPs and the policies aimed at stimulating IDP livelihoods attempts to reverse the process of loss of entitlement.

2.2 Social Exclusion Profile

Nature of social exclusion

An analysis solely of the poverty profile of the IDP population does not elucidate the wider socio-economic profile of this population associated with being displaced in Azerbaijan. The concept of social exclusion has become a popular means within Europe to look at the wider spectrum of socio-economic determinants and indicators of the wider nature of long-term poverty. The analysis of social exclusion has increasingly become the basis for social policy in Britain. The term social exclusion has been defined by the Centre for Analysis of Social Exclusion (1997), based within the London School of Economics as follows:

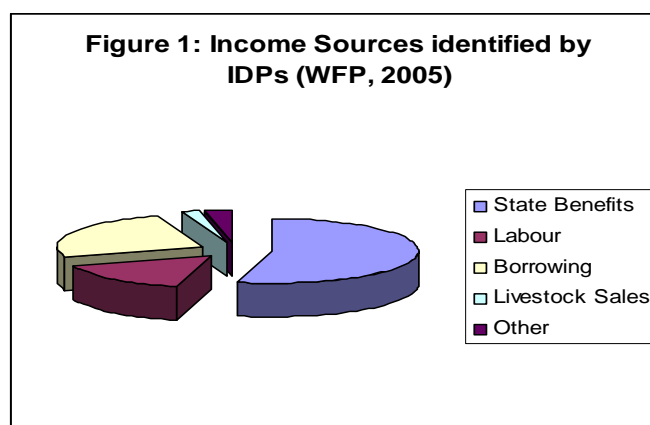
“An individual is socially excluded if (a) he or she is geographically resident in a society, (b) he or she cannot participate in the normal activities of citizens in that society, and (c) he or she would like to so participate, but is prevented from doing so by factors beyond his or her control” (1997).

A number of the issues analysed above in the context of the poverty profile, such as limited participation in the formal labour market, indicate that such barriers do exist for the displaced

population in Azerbaijan. The main demand of the IDP population is to be able to exercise their right to return home. In each of the focus group meetings held with IDPs this was also cited as the main goal for individual IDPs, especially the elderly IDPs. The political pre-conditions for this return do not exist at present. Therefore the IDP population remains within a perpetual temporary status, with their IDP status being renewed on an annual basis. This is an important cause of the social exclusion of the IDP population as the majority of IDPs have no intention of integrating into the local communities and this is mirrored to some extent by public policy.

Dependence on Subsidies

In the absence of integration into local communities and with limited subsistence or income generating opportunities the IDPs have become increasingly dependant upon state subsidies and assistance. Figure 1 below clearly illustrates that IDPs are highly dependant upon income from the state, according to this WFP survey this amounts to 54% of income for IDP families. This dependence is often coupled with perceptions of income from other sources negatively impacting eligibility to continue receiving assistance. It is possible therefore that a dependence upon state assistance can act as a disincentive to work. This dependence upon assistance is a key component in the continued social exclusion of IDPs. The portfolio of assistance provided indirectly to IDPs and targeted assistance to IDPs is examined in more detail in section 3.



Official Documentation

The official status of IDPs is another factor which can inadvertently contribute to the social exclusion of IDPs. The Soviet system of internal residence registration (known as '*Propiska*') has officially been abolished in Azerbaijan, further to reforms in legislation allowing all persons the freedom of movement within the country. The fact that other legislation still refers to this system means that the majority of public services still utilise this former system as a means of administering services. The IDP population is particularly dependant on this system as it is also used as the basis for administering all assistance targeted to IDPs. Therefore services which the IDP population is highly dependant upon are provided in the area of residence as detailed on the ID cards which replaced the former Soviet passports as the administrative mechanism of the '*propiska*' (Global IDP Database, 2005). Many displaced families are thus restricted to the geographical area of their initial settlement following displacement. This significantly limits the abilities of IDPs to move in search of improved economic opportunities.

The official status of IDP is granted each year from 1 January and all assistance and privileges awarded to IDPs is dependant upon this status. The basis for the annual renewal of IDP status is that the primary aim of the Government is the return of IDPs to their homeland. Therefore IDP status has not been granted on a permanent basis. The temporary nature of this status means that it is not possible for the post-displacement dependants of IDPs to continue to receive assistance following the death of the head of the household (reported in meetings with Centres for Social Protection staff).

The overriding nature of the goal for return of the displaced population, both within public policy and the expressed interests of the IDP population, has the impact of isolating the IDP population in a perpetual state of transience. The temporary nature of the IDP status and being restricted to the initial settlement location, in terms of receiving public services and assistance, has been the major cause of the social exclusion of the IDP population. This is what underpins the state policies and the behaviour of the IDP population whereby integration into the wider community is not favoured. This further reinforces the dependence on state subsidies as an interim coping mechanism until the IDPs are returned home.

Social Capital

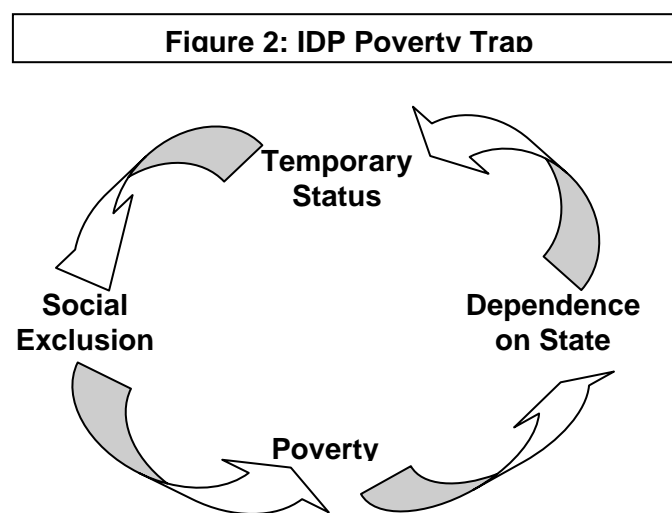
The lack of integration of the IDP population within the wider community has further concentrated the IDP population into a cohesive and separate social group in many areas. The IDP population has to a large extent maintained their previous community networks, as displacement followed the patterns of the hostilities and IDPs were settled in new areas largely based upon their region of origin (Global IDP Database, 2005). The maintenance of previous social networks has been the main coping mechanism for the IDP population. Conversely, the lack of integration has perpetuated the problems caused by a lack of social capital with the local communities. The exclusion of IDPs from local social networks has put them at a disadvantage in many areas including accessing public and private sector employment (WFP, 2005). The impact of the cohesive social relations of IDP groups and the lack of social capital with the local communities has a pervasive yet unquantifiable impact on the level of poverty within the IDP population.

Social Problems

The psychological stress related to the war and the initial displacement has been further exacerbated by living in poor and cramped conditions. The feelings of isolation and uncertainty about their future have placed even further stress on this population. The regular dashing of their hopes of imminent return due to the present political impasse has compounded this stress and has been reported to lead to deterioration in the mental health of the IDP population (Global IDP Database, 2005). There are a number of other social problems that can be seen to have a higher incidence amongst the displaced population. The social stigmas associated with gender-based violence (GBV) means that it is very difficult to accurately assess the extent of this problem. But it has been identified that it is highly likely GBV is more prevalent amongst the IDP population (UNIFEM, 2006). The statistics available on other social problems such as child abuse, alcohol and substance abuse are not widely available. What evidence is available indicates that a wide variety of social problems linked with the exclusion and poverty of the displaced population are prevalent and that the mechanisms to address these problems are not as yet fully developed.

Poverty Trap

The range of factors which have resulted in the social exclusion and higher rates of poverty amongst significant proportions of the IDP population are very closely inter-linked. The state of perpetual transience, dependence upon the state and social exclusion of IDPs result in the perpetuation of poverty. This can be considered a form of poverty trap unique to the IDP population in Azerbaijan (See Figure 2 below). This process has been recognised by the Government and underpins the recent emphasis on promoting employment and self-reliance amongst the IDP population. This is the foundation of the Government policy on IDP related matters with the ultimate aim of assisting IDPs to break free from the poverty trap prior to their return to their homelands.



3 Government IDP Strategy

3.1 Goals of Government

Great Return

The overarching strategic goal for the Government is the return of all displaced persons to their homeland following the return of the occupied territories. The solution of the Nagorny-Karabakh conflict between Armenia and Azerbaijan and the liberation of the occupied territories are pre-requisites to the return of refugees and IDPs (State Committee for refugees and IDPs, 2005). The analysis of a programme of return is beyond the scope of this report and suffice is to say that preparations for such a return are underway within the Government, with the full support of the relevant international organisations. The Government has simultaneously developed a strategy to address the present needs of IDPs prior to this return. This strategy encompasses policies on housing, income-generation, access to land and social protection

Public Policies on IDPs

The state began to give greater priority to addressing the needs of IDPs in 1999. The previously mentioned Law on the 'Status of refugees and IDPs' and the Law 'On social protection of internally displaced person and persons equated to them' were both passed in the same year 1999. The law on social protection of IDPs provides a legal framework for the provision of temporary housing, employment and other privileges and subsidies for IDPs. This is the basis for the range of subsidies and benefits provided to IDPs, which are examined in detail in the next section of this report.

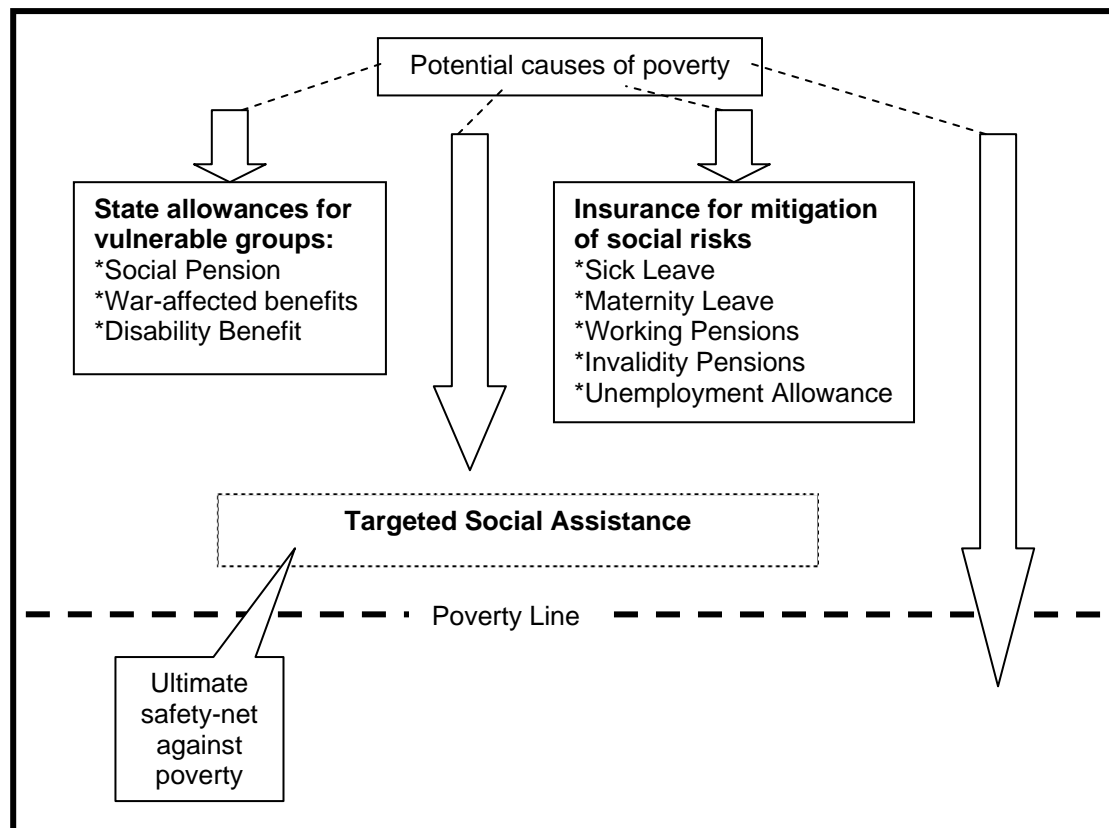
The 'State Programme on Poverty Reduction and Economic Development' (SPPRED) 2003-05 identified assistance to IDPs as a key priority for the Government within this programme. The need to reduce poverty and address the determinants of social exclusion within the IDP population is firmly embedded within this state programme. The Government has attempted to address the housing problems of IDPs and this has been undertaken in two main phases, the first from 2001 and the second from 2004. The shift in Government policy towards the promotion of self reliance can also be seen in the second phase of IDP housing programmes. Since 2004 has been integrated within a wider programme of employment generation, provision of micro-credit and improved access to land. The priority given to promoting self reliance amongst IDPs is the main thrust of this shift in policy. This new policy was officially launched by Presidential Decree 298 of July 2004 which established the 'State Programme for improving living conditions of refugees and IDPs and the promotion of employment'. This has been accompanied by international organisations supporting the Government also prioritising interventions that promote self reliance amongst the IDP population. The change in policy emphasis is also a clear recognition of the existence of the poverty trap and the need to address the obstacles to full participation of IDPs within Azerbaijan society and economy, associated with social exclusion. The level of support provided by the Government to the Azerbaijan IDPs is one of the highest in the world, representing perhaps as much as 3% of GDP per annum in recent years (World Bank, 2003). The assistance provided to IDPs in the form of social protection is one key aspect of this support.

3.2 Social Protection and IDPs

Social Protection System

The two main models for European social protection can be grouped into the Anglo-Saxon and Bismarkian models, with the main distinction being the degree of reliance on contributory insurance versus tax-based assistance (See Project report from Mr. Andrei Tretyak). A number of key decisions will need to be made on which aspects of each model are adopted in the further development and reform of the social protection system in Azerbaijan. The present social protection system in Azerbaijan has two main components. The first component is a social insurance system that provides mandatory insurance for old age, disability, unemployment and illness. The second component is assistance provided direct from the tax base for specific vulnerable groups assumed to be poor. At the present stage of reform the introduction of the new Targeted Social Assistance (TSA) scheme can be considered as a key reform of the second component with TSA becoming the main social safety net. The social protection system will become increasingly reliant on TSA. The present reform path for social protection can thus be further classified as having three main components which can be classified as; social insurance, benefits for specific vulnerable groups and the TSA as the overarching safety net which based upon means-testing aims to benefit all poor families in Azerbaijan. The policy aims of this approach have been graphically represented in Figure 4 below. For the purposes of graphical representation the poverty line is used as a theoretical concept with no fixed income being detailed for the poverty line. In reality many of the beneficiaries of social protection are in fact living below the poverty line.

Figure 3: Theoretical Overview of Social Protection in Azerbaijan



Social Protection Spending

The level of spending on social protection is clearly a political decision that each country makes, but certain patterns can be identified amongst countries, which are linked to the level of development as well as to the political ideology prevalent in each country. The original European Union countries typically spend approximately 28% of GDP on social protection and the recent or soon to be members of the European Union spend approximately 20% on social protection (Eurostat, 2006). The levels of spending supported by the original European countries are not sustained in the USA where an equivalent of 23% of GDP is spent on social protection and this is largely due to reasons of political ideology (Barriedos, 2004).

The present level of spending on social protection of 5% in Azerbaijan can be considered to be both fiscally sustainable and consistent with the overall present level of economic development of Azerbaijan (See Table 5 for a breakdown of this spending). The level of spending on social protection will rise following the implementation of the Targeted Social Assistance (TSA) scheme. It is too early to estimate at this stage the extent of the extra resources required to fully fund TSA. A more comprehensive assessment of the reform and development of social protection are provided in the project document on the strategy for reform (Pirainen, 2006). Any increases in social protection spending needs to be carefully assessed in terms of the overall impact on economic development. Therefore the economic and social impacts of any additional social protection spending need to be considered including the costs of some of the policy options presented in this report. In addition this can

only be considered once the full costs of a fully implemented TSA scheme can be accurately estimated.

Table 5: Social Protection Spending as % of GDP (2001)

Social Protection Schemes	% of GDP
Pensions	2.9
Supplementary Allowances and non-workers pension	0.8
Child and Family Allowance	0.7
War Invalids, Disability and other schemes	0.9
TOTAL	5.3

Source: *World Bank 2003*

Cash Assistance

There are a number of programmes for the provision of cash assistance to IDPs, which are administered by different arms of the Government. The most significant transfer of cash assistance to the IDP population is what is termed 'Bread Money'. This allowance is a universal allowance for the IDP population and amounts to 7 Manats/person/month. This is administered by the State Committee for Refugees and IDPs, through the Executive Power at the Rayon level and is paid on the basis of the IDP registration card. The State Committee is also the lead agency for the Government resettlement programme and for each family a lump sum payment is made to assist with the start up costs immediately following resettlement.

The Ministry of Labour and Social Protection (MLSP) also pays assistance to IDPs families. The Ministry pays a child allowance targeted at both orphans and IDP children, which is administered and paid through the local Centres for Social Protection. Since the repeal of the universal child allowance the IDP child allowance remains the most significant benefit paid to families on the basis of having children. The insurance-based schemes administered by the Social Protection Fund and all other social assistance benefits administered by the Centres for Social Protection on behalf of the Ministry pay additional assistance to IDPs. Although this is not targeted specifically at IDPs the take up rate amongst the IDP population is particularly high. As has been analysed earlier in the report, the IDP population is highly dependant upon this income.

Table 3: Cash Assistance to IDPs

	Rate (Manat)	Beneficiaries	Annual Cost (Manat)	Agency
IDP Bread Money	6	525,800	37,857,600	SCRIDP
Resettlement Lump Sum	200	?		SCRIDP
IDP Child Allowance	5	?		MLSP

Notes: SCRIDP - State Committee for Refugees and IDPs
MLSP - Ministry of Labour and Social Protection

The Targeted Social Assistance (TSA) scheme was introduced in 2006 following the promulgation of the law. The introduction of this scheme has been accompanied by the withdrawal of the universal child allowance. This is administered by the Ministry of Labour and Social Protection through the Centres for Social Protection. The scheme has only

recently been extended beyond the pilot areas to include national coverage. Based upon the data presently available on TSA (October 2006) and assuming the average rate for a family of 44.79 Manats is applicable to IDP families, the data indicates a total additional transfer of 1.6 million Manats per annum. This represents a significant and increasingly important transfer to the IDP population.

According to the data for October 2006, 3,031 IDP families are in receipt of TSA, which represents 9% of the total number of families receiving the TSA. Although this is a relatively high take up of TSA it is still lower than would seem likely, based upon the fact that 12.5% of the population are IDPs and there is a higher rate of poverty within the IDP population. If TSA is effective at targeting poverty the higher rate of poverty amongst the IDP population would mean that you would expect to see the proportion of IDP families receiving TSA to be well in excess of 12.5%. As the TSA has only recently been introduced there is not sufficient data to make definitive claims as to the reasons for this discrepancy. But the following reasons are highly likely to have to varying degrees a causal link in the lower take up of TSA amongst the IDP population:

*The income sources for the IDP population are highly dependant upon official state subsidies. This source of income is likely to be accurately measured by the means-test which is more effective at identifying official as opposed to informal income sources. This is therefore likely to result in many IDP families receiving low rates of TSA or being assessed as ineligible by the means-test.

*The bureaucratic nature of the TSA scheme means numerous documents are required to be submitted by an applicant in support of their application. The status of IDPs means that it is highly likely that IDPs will experience problems in securing all documents required to complete an application.

*IDPs own land, houses and other assets in their homeland. It is not clear whether this land and other assets in their homeland are taken into account in the means test despite the fact that IDPs cannot access this land or assets.

The TSA scheme is still in its infancy so it is highly likely that because there are not clear rules and regulations on the above factors that this is applied differently by each Centres for Social Protection. As TSA is further developed and the realities of implementation become clearer these obstacles to IDP participation in the scheme can be rectified.

Food

In addition to cash assistance the IDP population receives substantial assistance in the form of food aid. The Government of Azerbaijan provides food aid to 146,500 beneficiaries and WFP provides food aid to 140,000 beneficiaries. The food aid programme is coordinated at various levels and these figures are mutually exclusive, in that there is no overlap between the Government and WFP programme beneficiaries. The rations for the WFP and Government monthly food basket are presented below in Table 2. The monetised value of this food ration equates to 3.49 and 3.95 Manats per month per person, for the Government and WFP food baskets respectively. This amounts to a total transfer to the IDP population of US\$ 7 per annum from WFP and US \$ 8 million per annum from the Government (See Appendix 1 for calculations). These figures are based upon the value of the food basket and thereby the transfer value to the IDP population and does not include the associated logistical and administrative costs of these operations.

Table 4: Monthly IDP Food Rations (WFP, 2005)

	WFP	Government
Wheat Flour	6 kg	5 kg
Rice	-	1 kg
Vegetable Oil	0.6 litre	1 litre
Peas	0.9 kg	-
Sugar	0.45 kg	1 kg
Salt	0.15 kg	-

This represents a significant transfer of resources from the Government and the international community to the IDP population. There are plans to phase out the international food aid programme in Azerbaijan and handover complete responsibility for food aid to the Government. The exit strategy for the international food aid programme has not been elaborated at this point in time. But it is clear that the international community will look to the Government to assume responsibility for the beneficiaries presently assisted by all of the agencies working under the WFP umbrella. The WFP (2005) assessment concluded that it is likely that approximately 300,000 beneficiaries would continue to be reliant on food aid in the immediate future. The most simplistic approach to the phase out of the international food aid programme would then seem to be that the Government assumes responsibility for the 140,000 beneficiaries and extends their own food aid programme to include them.

In-kind Assistance

The Government also provides a number of indirect subsidies to the IDP population. Since 2002 the Government has provided subsidies to the IDPs for utilities, most notably electricity. An amount of \$3 per person per month is directly credited to the utility company for electricity for IDPs (WFP, 2005). The IDP population without direct access to gas pipelines are provided each year with paraffin for heating in the winter months (October – February). IDPs were initially supplied with heaters and the Government provides 40 litres of paraffin to each IDP family per month (WFP, 2005). This was increased from the previous allowance of 30 litres in January 2005. As can be seen from Table 5 below this represents a substantial social transfer to the IDP population, totalling 26.5 million Manats per annum.

Table 5: In-kind IDP Benefits (WFP, 2005)

		Amount spent 2004 (US\$ million)	Amount spent 2004 (Manats million)
	Beneficiaries		
Paraffin	88,600 families	2	2.3
Electricity	521,600	18	20.6
Natural Gas	208,200	1	1.1
Drinking Water	500,000	2	2.3
Telephone subscription fee	22,200	0.1	0.1
TOTAL		23	26.5

Housing

Attempts to address the poor standards of IDP housing is another area the Government has made a substantial financial commitment. The Government has made the resettlement of IDPs from the tented camps a top priority. This grand programme has occurred in two main phases. Initially on the basis of Presidential Decrees in 2001 (No. 562 and 577) and 2002 (No. 700), a total of 6,410 houses were constructed together with relevant infrastructure, including schools and health facilities. This enabled the relocation of 1,329 refugee and 5,081 IDP families, approximately 32,000 persons (State Committee for Refugees and IDPs, 2006). The result was the closure of the five tented camps in the Bilasuvar region.

The second phase of resettlement led by the Government was following the Further to the Presidential Decree 298 of 2004. This marked the launch of the State Programme for the improvement of the living conditions and employment generation for the IDPs. Since July 2004 the Government has re-housed an additional 30,000 IDPs from 6,400 families from the tented camps and railway carriages. It was reported in discussions held with the State Committee for Refugees and IDPs that this phase will be completed by the end of 2008, by which time all IDPs in railway carriages and tented camps will all have been re-housed.

Social Services

The Ministry of Labour and Social Protection (MLSP) is also ultimately responsible for non-cash related social services. The focus for the provision of social services by the Centres for Social Protection is the provision of domestic carers to the elderly and disabled. This care will include a range of domestic assistance such as cleaning, shopping and cooking. More than 15,487 people benefit from these services and a carer will be responsible for 12 or 8 clients in urban and rural areas respectively (data provided in meeting with MLSP staff). In addition, the Ministry is responsible for a number of child protection services including adoption.

A number of other social services are managed at the central level, including in-kind assistance to disabled persons and the management of institutions. The distribution of specially adapted vehicles and housing for a number of war-affected persons or families and the disabled has been ongoing for some time. The MLSP plays a key role in this programme as well as the oversight of the management of number of institutions for children and elderly person. IDPs receive preferential treatment when it comes to the entry requirements for residence in these institutions.

4 Policy Reform

4.1 Overall Strategy

The various policy options outlined below are interim measures for IDPs prior to the return of the IDPs to their homeland. Despite the temporary nature of these measures the basic premise of each option is that it should be in line with the overall Government strategy of increasing the self-reliance of IDPs. In this vein the policy options presented are limited to assistance but it is critical that any of the options are considered as one component in this wider strategy. The wider strategy would include measures aimed at reducing IDP dependence on assistance, such as improved access to land, employment opportunities, training and access to credit.

The costs of the return process and issues related to compensation for losses incurred by IDPs and refugees during the war are beyond the scope of this report. This is the only truly sustainable and equitable solution to the problems experienced by IDPs and refugees. The Government with the support of a number of international organisations such as UNHCR has in the past made efforts to prepare for this return, once a political solution to the present conflict is attained. The following policy options are limited to the assistance provided to IDPs by the Government on an interim basis prior to return. Once the return takes place the present measures in place and any future policies developed for IDPs would need to be reviewed and subsumed into the wider strategy for the return of IDPs and refugees.

4.2 Status of IDPs

The temporary nature of the status of IDPs until the return process is instigated presents a number of administrative challenges for the Government and the IDP recipients of assistance and services. This has inadvertently led to a number of administrative mechanisms which in fact contribute to the social exclusion and higher rate of poverty amongst the IDP population, which as follows:

- The annual renewal of the status of IDPs contributes to the state of perpetual transience pervasive amongst the IDP population.
- IDPs can only access services and assistance in the location where they were originally settled following displacement.
- No mechanism for the inheritance of IDP status following the death of the head of the household.

The reform of these administrative mechanisms would greatly contribute to the goal of reducing poverty and promoting social inclusion amongst the IDP population. In legal terms it would be possible to extend the status of IDP to all family members until the date when the preconditions for return are established. The extension of IDP status for the finite period until the return is possible would encourage IDPs to adopt a longer-term perspective to their situation as IDPs. This would thereby promote self-reliance for the unknown period of their continued displacement. This policy would also not jeopardise the political imperative of prioritising the return of all IDPs and refugees. The administrative cost of such a system has not been estimated here, but it is unlikely to be significantly higher than the present cost of renewing the status on an annual basis. This would resolve the present problems whereby an annual renewal of the status contributes to social exclusion.

The freedom for the IDPs to choose where they register as IDPs would also promote self-reliance and encourage IDPs to seek out beneficial economic opportunities and not limit IDPs to settling only with other IDPs. This would also have far-reaching implications for the re-settlement policies and therefore this would need to be examined more closely in the wider context of the situation of IDPs.

4.3 Social Services

It has been identified here that there a number of social problems specific and of higher incidence amongst the IDP population. There is significant scope to improve and modernise the delivery of social services and this would include the IDP population. The cost of such improvements is beyond the scope of this report which is focused on assistance. But there clearly is a need to identify specific social problems amongst the IDP population and to ensure that these needs are met within that reform process.

4.4 Housing

The focus of the Government's programme for resolving the housing and shelter needs of IDPs has been on relocating IDPs from the shelter with the harshest living conditions, namely the tented camps and railway carriages. This laudable programme will ensure that by the end of 2008 that all IDPs in these categories of shelter will be relocated in houses with more than adequate living conditions. The basis for prioritising this category of IDPs is fully justified but there are other housing needs which remain unmet. This includes the IDPs located in temporary shelters in public buildings, educational institutions and dormitories, which total over 200,000 persons or 52,000 families (State Committee for Refugees and IDPs, 2005). This is largely in the urban areas where issues of relocation are more complex and linked with wider reform and regulation of the fledgling housing market.

In a number of countries in the region including Georgia, solving the IDP housing problem has been integrated with the wider reform of property and housing particularly in urban areas. A number of programmes have been developed to offer IDPs a stake in the urban property market in exchange for relinquishing their residence in a public building. The latest pilot scheme funded by USAID, through the Urban Institute, provides IDPs with a voucher to purchase a house or flat. The average cost per family excluding administrative costs is \$3,675 (Urban Institute, 2006). This programme is based upon lessons learnt from similar programmes in Georgia and the initial results of this programme are promising, both in terms of sustainable solutions to IDP housing problems and relinquishing public infrastructure for alternative uses. The full elaboration of such a programme for Azerbaijan is beyond the scope of this report. It would be useful to look more closely at the experience in Georgia in order to assess if similar interventions would be appropriate in Azerbaijan. This could include an examination of the possibility of building upon the present programme of public construction for rural IDPs to simultaneously develop a method of intervention in the housing market to address the housing needs of urban IDPs.

5 Policy Options for Assistance to IDPs

5.1 Overview of Assistance to IDPs

The needs of the displaced population and the dependence on state subsidies means that despite the promotion of self-reliance there will continue to be the need for on-going provision of assistance directly targeted cash assistance to IDPs for some time to come. At present there are four main benefits targeted directly at IDPs which as previously detailed are the Bread Money, the Resettlement Allowance, the Child Allowance and food aid. The value of the food provided is equal to approximately 4 Manats/IDP/month.

In a survey undertaken by WFP (2005) IDPs identified IDP targeted assistance as responsible for 33% of their income and all state subsidies and assistance amounting to 54% of their income. Therefore this direct assistance to IDPs particularly food aid and the Bread Money, can be considered to be critical components of IDP income. The remaining 21% of IDP income from the state is made up of various subsidies, pensions and other state benefits not solely targeted at IDPs. The dependence on food aid has implications beyond the cash value of this transfer and this needs to be looked at carefully for the approximately 50% of IDPs that do receive food aid.

5.2 Phase Out of Food Aid

The humanitarian needs following the initial displacement after the war was responded to by the Government and the international community through the provision of emergency relief, including food aid. The present day remaining needs of the displaced population are more closely associated with long-term poverty and social exclusion rather than the humanitarian needs immediately following the conflict. Although IDPs are heavily reliant upon food aid with this food making up a significant proportion of the food consumed by IDP families, this is not a long-term solution. In the near future the international community will cease to provide food aid. The main food pipeline for the international community is provided by WFP and the present programme envisages a gradual reduction in the number of beneficiaries and a complete handover to the Government prior to the completion of the programme by mid 2008 (WFP, 2006). Therefore it is important for the Government to reassess the merits of continuing a food aid programme at this scale. The decision as to whether the Government will assume responsibility for the beneficiaries of the international food aid programme and continue to feed the total caseload of approximately 300,000 persons will need to be made in the near future.

Unfortunately the provision of food aid further contributes to the dependency culture within the IDP population. Whereas if the monetary value of the food aid is provided to IDPs as cash, they would then be free to make their own decisions on the specific needs of their family. The provision of cash assistance at the same value of the food aid would ensure no net loss of income to the family following the phase out of food aid. The phase out of food aid both from the international community and the Government would be in line with the Government strategy to promote self-reliance amongst the IDP population. The gradual phasing out of food aid could be done in partnership with WFP between now and the closure of the WFP programme in 2008.

At present food aid is provided to approximately 300,000 persons, whereas the Bread Money is provided to 525,800 persons. The Bread Money is provided on a universal basis to all IDPs that apply for this benefit, whereas the food aid is targeted to specific groups of families within the IDP population. Food aid is targeted at the poorer and more vulnerable IDPs and is provided as a supplement to the Bread Money. The errors of inclusion and exclusion in the application of this poverty targeting policy needs to be accurately assessed before any decisions are made about the phase out of food aid and the follow up policies.

The underlying assumption of the policy options presented below is that there would be a complete phase out of food aid, including both the WFP and Government programmes. This assumption is made on the basis of the Government strategy to promote self reliance amongst the IDPs. The viability of future policy options for assistance to IDPs needs to take into account this strategy and the practical consideration that WFP will be phasing out food aid over the next eighteen months. Therefore the options take into account the implications of such a phase out and how other assistance programmes would mitigate against the negative impacts of a cessation of food aid.

5.3 Policy Options

Parameters for the Policy Options

The five policy options set out below are based upon presently available data. This has been greatly limited by the fact that there is minimal data on the specific nature of poverty within the IDP population. As has been detailed in Section 2 the main focus of surveys and studies has been on the poverty profile of the IDP population vis-à-vis the national population. If more information was available specific to the IDP population this would allow an accurate assessment to be made on various options for targeting of assistance within the IDP population. For example, if the absence of vehicle ownership was found to be a very strong correlate to poverty amongst the IDP population, this could then be used as a proxy means test to target financial assistance to the poorest IDPs. As this information is not available at present the policy options presented here are limited to looking at assistance to IDPs only within the context of the recent introduction of TSA and the imminent changes to the food aid programme.

Assistance Option One

This option would involve the introduction of a cash benefit targeted only at IDPs presently in receipt of food aid. This option is set out below but to summarise this is a costly option with the added disadvantage of abolishing Bread Money for 240,000 beneficiaries. The main advantage is that it would provide a high rate of assistance of 20 Manats/eligible IDP and would therefore directly contribute to a significant reduction of poverty amongst the IDP population.

IDP Assistance Option One	
<i>Policy Measures:</i> *Abolish IDP Bread Money *Abolish food aid *Introduce a cash benefit of 20 Manats/person/month for all IDPs who previously benefited from food aid in 2006	
<i>Extra cost:</i> 18 million Manat/annum	
<i>Strengths</i>	<i>Weaknesses</i>
Targets cash assistance to poorest IDPs	Effective targeting of poorest by food aid programme not established.
Removes universal benefit to all IDPs which presently includes IDPs that do not necessarily require assistance	Implications of cutting benefit to approximately 240,000 IDPs
Provides a significant rate of benefit	The rate does not meet minimum needs – 66% of minimum wage
Dual targeting by this IDP assistance and the TSA will ensure majority of poor IDPs receive assistance	Dual targeting of TSA and IDP Assistance costly
	Seemingly arbitrary criteria for awarding benefit

Assistance Option Two

This option is similar to Option One above, except that the rate of benefit provided is 30 Manats/eligible IDP instead of 20 Manats. The advantage of this policy option is that it would have a more substantial impact on poverty reduction amongst the IDP population as this would guarantee an income to IDP families equal to the minimum salary for each member of the family. This rate of benefit is also the same as the rate set for TSA and therefore all recipients would be excluded from TSA on the basis of the means test. The main disadvantage is obviously the cost which is 53 million Manats per annum. In addition, the high rate of this benefit would mean that the policy would be open to claims of being inequitable with many poor non-IDP families not being eligible.

Assistance Option Two	
<i>Policy Measures:</i> *Abolish IDP Bread Money *Abolish food aid *Introduce a cash benefit of 30 Manats/person/month for all IDPs who previously benefited from food aid in 2006	
<i>Extra cost:</i> 52.5 million Manat/annum	
<i>Strengths</i>	<i>Weaknesses</i>
Same as Option One above, plus:	Same as Option One above, plus:
	The most costly Option
Provides benefit at a rate that equal to TSA and therefore all beneficiaries automatically disqualified from TSA	Seemingly inequitable compared to TSA as in theory the error of inclusion in terms of targeting poorest will be higher within food aid programme compared to TSA
Provides an effective poverty reduction measure for the poorest IDPs	Opportunity cost of spending significant resources

Assistance Option Three

This policy option entails simply continuing present levels of assistance to all groups of IDPs, but the food aid is simply monetised. The cash equivalent is provided as an alternative to food aid to the same group of IDPs. The monetised value of food aid used for the purposes of this policy option is 4 Manats/IDP/month and this has been adopted for the purposes of practical administration. The actual monetised value of the food aid is 3.49 and 3.95 Manata/IDP/month for the WFP and Government respectively.

This will ensure a continuation of the present levels of assistance to all IDPs and the Government would actually make savings in terms of the costs associated with procurement, storage and distribution of food. The main disadvantage is that a number of the poorest IDP families would suffer during the transition from being dependant on food aid to the time when the cash is fully utilised to supplement the nutritional needs of the family. This is the only option that would result in savings for the Government but it does run a substantial risk of heightening vulnerability for the poorest IDPs during the transition period.

Assistance Option Three	
<p><i>Policy Measures:</i> *Maintain IDP Bread Money at 6 Manats per IDP/month *Provide monetary value of food aid to all food aid beneficiaries as replacement to food aid 4 Manats per IDP/month if in receipt of food aid in 2006</p>	
<p><i>Extra cost:</i> None but with some administrative savings</p> <p>The exact costs of the administration and logistical support to the food aid programme are unknown but this is likely to represent a significant saving to the Government.</p>	
<i>Strengths</i>	<i>Weaknesses</i>
The present level of income to IDP families is maintained, with cash being provided instead of food.	Impact on nutritional status of most vulnerable IDPs previously heavily reliant on food aid, which cannot be fully substituted by cash.
Represents a net saving to the Government.	Continued provision of universal Bread Money to non-vulnerable IDPs.
This option is in line with TSA becoming the main social safety net	

Assistance Option Four

This option provides additional cash benefit to IDPs presently receiving food aid, namely 10 Manats/eligible IDP instead of the actual value of food aid of 4 Manats/IDP/month. This is less costly than Option One and Two as the rate is lower with the consequent lower impact on reducing poverty. But it also maintains the present universal Bread Money allowance and therefore will have positive impacts for the poorest IDPs, who would receive 16 Manats/IDP/month, without abolishing present benefits and still be more affordable.

Assistance Option Four	
<p><i>Policy Measures:</i> *Maintain rate of IDP Bread Money at 6 Manats/person/month *Abolish food aid *Introduce a benefit of 10 Manats/person/month for IDPs previously in receipt of food aid</p>	
<p><i>Extra cost:</i> 12.8 million Manat/annum</p>	
<i>Strengths</i>	<i>Weaknesses</i>
A higher rate is provided to the most vulnerable IDPs	No differentiation made within IDP population for awarding of benefit
An improved TSA will act as true safety net for poorest and most vulnerable IDPs	
Present income of all IDPs maintained following phase out of food aid	Most vulnerable IDPs will be exposed to a new threat to nutritional deficiencies during the transition from dependence on food aid.

Assistance Option Five

This option does not rely on the food aid beneficiary list as a means of targeting assistance. Instead the present Bread Money allowance is simply increased from 6 Manat to 10 Manat/IDP/month and would continue to be universally applied to all IDPs. The food aid beneficiaries would receive a benefit equalling their present income made up of 6 Manat from the Bread Money and 4 Manat as the value of the food aid. Whereas the IDPs not in receipt of food aid would have their rate of benefit increased. The main advantage of this approach is that it would mean no loss of income for any IDP family and would not depend upon the food aid programme as a targeting mechanism.

Assistance Option Five	
<i>Policy Measures:</i> *Increase benefit rate of IDP Bread Money from 6 to 10 Manats/person/month *Abolish food aid	
<i>Extra cost:</i> 7 million Manat/annum	
<i>Strengths</i>	<i>Weaknesses</i>
Does not rely on food aid targeting as means for identifying most vulnerable	No differentiation made within IDP population for awarding of benefit
An improved TSA will act as true safety net for poorest and most vulnerable IDPs	
Present income of all IDPs maintained following phase out of food aid	Most vulnerable IDPs will be exposed to a new threat to nutritional deficiencies

Summary of Policy Options

If it is found after closer examination that being in receipt of food aid is a close correlate with poverty then and it is decided that this is an effective means of targeting the poorest IDPs Options One, Two and Four will have merit to warrant further investigation. If this is not found to be the case or for other reasons this approach is not favoured then Options Three and Five will be more appropriate. Options Three and Five would maintain, and in the case of Option Five, slightly increase benefits to IDPs, whilst remaining dependant upon TSA as the main mechanism to target benefits to poor families. As TSA would simply deduct these benefits from the overall cash assistance awarded to the family. Therefore the effectiveness of TSA on poverty reduction is key to addressing the needs of the both the IDP and wider populations. This underlies the importance of assessing the capacity of TSA to target the poorest IDPs.

Institutional Implications

The policy options presented above would entail a reconsideration of the institutional arrangements for the provision of assistance to IDPs. At present the provision of assistance to IDPs is split along the following lines:

- The State Committee for Refugees and IDPs administers the delivery of food aid, Bread Money and the resettlement programme for the IDPs through the regional executive authorities.

- The Ministry of Labour and Social Protection administers the IDP child allowance to IDPs through the Centres for Social Protection.

The changes that will inevitably follow the phase out of food aid would be an appropriate time to reconsider the most suitable institutional arrangements for the provision of public assistance to IDPs. These institutional issues could usefully be considered during the further development of future policies for assistance to IDPs. It may be prove effective to concentrate on the various institutional strengths in the context of assistance to IDPs and to divide responsibilities as follows:

Table 6: Possible institutional responsibilities for IDPs

	Ministry of Labour and Social Protection / Centres for Social Protection	State Committee for Refugees and IDPs / Regional Executive Authorities
Strengths	<ul style="list-style-type: none"> • Delivery of cash assistance • Delivery of social services 	<ul style="list-style-type: none"> • Coordination of programmes across Government. • Management of once-off programmes such as construction of settlements. •
Proposed future responsibilities	Developing policies and delivering all cash assistance to IDPs	Coordinate the State Programme for IDPs across all arms of Government and management of specific aspects such as micro-credit, housing and land allocation.

6 Proposed Plan of Action

This report will be presented to the Ministry of Labour and Social Protection Steering Committee for this project. Once this has taken place if there is appetite for further investigation of the policy options that have been presented, the following course of action is proposed in order to further elaborate proposals for assistance to IDPs:

- Data to be collected from a sample number of Centres for Social Protection on the barriers, including official documentation, to IDPs being accepted on to the Targeted Social Assistance scheme. Once the barriers are identified, administrative measures can to be developed within the present system to ameliorate this problem, such as exempting IDPs from a number of documentation requirements.
- The specific needs of the poor and vulnerable IDPs are considered in the wider arena of social assistance reform. The merits of proxy-means testing are assessed in terms of the impact on IDP take up on the TSA as part of review of TSA within this project.
- The planned annual monitoring of the IDP situation, as envisaged in the SPPRED is initiated. This could usefully include a mechanism to identify the poorest and most vulnerable IDPs.
- Initial discussions are held with WFP and the State Committee for Refugees and IDPs regarding the plans for the phase out of international support to the food aid programme.
- WFP be requested to support the Government to undertake surveys of the IDP population to ascertain the impacts of the various assistance policy options presented here. This will assist in ascertaining the impacts of the withdrawal all food aid and the

benefits of each policy option for the most vulnerable and poorest IDPs presently dependant upon food aid.

List of Meetings External to the Ministry of Labour and Social Protection

A number of focal group meetings with IDPs

Mr. Ali Aliyev - Head of Social Protection Centre Nizami (Baku)

Mr. Telman T. Mamedov Chief of Executive Office - The Cabinet of Ministers of Azerbaijan Republic State Committee for Refugees and IDPs

Mr. Stephen Morin (Team Leader, Economic Growth Office), Mr. Ulvi Ismayil (Project Management Specialist, Democracy and Governance Team) - +2 United States Aid Office USAID

Mr. Miragha Babayev (Urban and Regional Development Adviser) and Mr. Faraj Huseynbeyov (Project Implementation Officer) –Asian Development Bank

Mr. Rza Zulfugarzada (Deputy Coordinator / Project Adviser) – European Union Implementation and Management Support Office

Ms. Lynne Miller (Country Director) – World Food Programme

Mr. Nijat Valiyev (Operations Officer) – World Bank

Mr. Elnur Nasibov (Deputy Resident Representative) Norwegian Refugee Council

Mr. William Tall (Resident Representative) United Nations High Commission for Refugees

Ms. Gillian Wilcox (Programme Coordinator) and Radoslaw Rzehak (Project Officer – Child Protection) United Nations Children's Fund

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Project Reports

Piirainen Timo (September 2005), *Development of social assistance in Azerbaijan: outline of a comprehensive strategy* (First draft)

Tretyak Andrei (July 2006), *Targeting of social assistance in Azerbaijan: a discussion paper*

Appendix 1: Terms of Reference

In accordance with the Project Inception Report (May 2006) for the Reform of the Social Protection System in Azerbaijan, the Terms of Reference for this activity are as follows:

“Activity 1.4: Discussion paper on assistance to internally displaced persons

Objective: The objective is to analyse the options available to provide targeted assistance for IDPs in Azerbaijan.

Description of activities. A detailed paper will be produced by the project experts, containing an estimate of the number of IDPs in Azerbaijan, an assessment of their present social situation, presentation of the range of options available to support the IDPs who are in need, assessment of the viability of the options, and indicative cost estimates for the alternatives that are regarded as the most viable ones. The paper will be submitted for discussion at the PDWG and also distributed widely in the MOLPSS.

Outputs. An analytical paper”

Appendix 2: Monetised value of WFP and Government Food Baskets

WFP			
Commodities	WFP ration	Price per kg/litre in manats	Value of WFP basket in manats
W. Flour	6 kg	0,27	1,62
Vegetable Oil	0,6 liter	1,2	0,72
Peas	0,9 kg	0,9	0,81
Sugar	0,45 kg	0,7	0,31
Salt	0,15 kg	0,2	0,03
Total			3,49
Beneficiaries (2004)			140 000
Total value of food aid per annum (Menat)			5 863 200
Total value of food aid per annum (US \$)			6 716 921

Government			
Commodities	Government ration	Price per kg/litre in manats	Value of Government basket in manats
W. Flour	5 kg	0,27	1,35
Rice	1kg	0,7	0,7
Vegetable Oil	1 liter	1,2	1,2
Sugar	1 kg	0,7	0,7
Total			3,95
Beneficiaries (2004)			146 500
Total value of food aid per annum (Menat)			6 944 100
Total value of food aid per annum (US \$)			7 955 207

Source: Data supplied directly by WFP

Note: Prices calculated on basis of prevailing price in October 2006

Appendix 3: Calculation of Costs of Assistance Policy Options

	Benefits to IDPs			Savings		Total extra resources per annum (Manat)
	No. Beneficiaries	Rate (Manat)	Cost (Manat)	Food Aid (Manat)	IDP Bread Money (Manat)	
Option 1	286 500	20	68 760 000	12 807 300	37 857 600	18 095 100
Option 2	286 500	30	103 140 000	12 807 300	37 857 600	52 475 100
Option 3	286 500	4	13 752 000	Unknown admin. Costs		0
	525 800	6	37 857 600			0
Option 4	286 500	10	34 380 000	12 807 300		21 572 700
	525 800	6	37 857 600	Unknown admin. Costs		0
Option 5	525 800	10	63 096 000	12 807 300	43 369 916	6 918 784