

results will be assessed by external evaluators, as well as by relevant state institutions (Ministry of Economic Development, Ministry of Ecology and Natural Resource, State Company on Alternative and Renewable Energy Sources) responsible for project coordination.

## Chapter 2: Commercial and residential sub-sector

### 2.1. Brief summary of project ideas

Current initiatives are being taken in the commercial and residential sub-sector, by different stakeholders, during the preparation of project proposals related to prioritized technologies. After the stakeholder consultation, one project idea under the commercial and residential sub-sector was proposed: Demonstrate effective practices of application of efficient stoves in remote rural communities of Azerbaijan.

### 2.2. Specific project ideas

#### 1) Demonstrate effective practices of application of efficient stoves in remote rural communities of Azerbaijan

##### Background

There are some remote rural communities in Azerbaijan that are still not supplied with gas resources. The only source for heating in these communities is wood and manure. Being mainly dependent on wood, local residents are forced to use forest resources. Currently used stoves are inefficient. Application of efficient stoves technology will lead to less harm to forest resources and reduce subsequent GHG emissions. Moreover, local farmers will use less electricity, thereby paying less.

The main barriers to deployment and dissemination of the technology are lack of awareness and adequate skills/capacity of local authorities, private sector and communities on advantages and use of the technology. Another barrier is weak access to acceptable financial means to start-up production of the technology.

The proposed pilot project envisages the measures to effectively address the information, technical knowledge, social and capacity building barriers, and create linkages with financial institutions providing loans at suitable terms acceptable for local users. By supporting local production market prices may decrease, enabling local residents to afford purchasing the technology.

The project has a great potential for being replicated in other regions of the country, as its effective practice will be demonstrated by organizing study tours to the project area.

**Project goal:** The main project goal is to promote application of efficient stoves in rural communities by increasing level of awareness, improving knowledge and skills of community residents, local authorities, private sectors, NGOs and other relevant stakeholders. Another goal of the project is to support local production of efficient stoves.

##### Project objectives:

- Increase awareness level of local communities, local authorities, private sector and other relevant stakeholders on advantages of the technology;
- Promote application of the technology at community level through practical demonstration of its advantages;
- Support private sector initiatives to launch local production of efficient stoves;
- Increase technical capacity of relevant stakeholders involved in technology application.

##### Project activities:

- Launch workshops for presentation of project goals and objectives;
- Organize round-table discussions with relevant stakeholders;

- Information campaigns to increase awareness level and overcome social barriers;
- Capacity building trainings for representatives of local authorities, private sector, NGOs, other relevant stakeholders and community residents;
- Specific trainings to increase technical capacity of local producers to improve quality of produced stoves;
- Implement pilot projects at community level;
- Organize study tours with participation of representatives of surrounding communities in order to demonstrate effective project results and enable replication of project activities;
- Improve market linkages of target communities with relevant market players, including financial institutions, in order to create enabling framework for further application of the technology by local communities;
- Intensive collaboration with private sector and supporting initiative to launch local production.

**Project outputs:**

- Installation of efficient stoves at 200 households in two rural communities;
- Reduction of approximately 37.8 thousand tons of GHG emission, and increase of CO<sub>2</sub> absorption by forests;
- Four round-table discussions with participation of representatives of relevant ministries, agencies, institutions;
- At least 1000 participants, including representatives of local authorities, private sector, local community residents, NGOs, with improved knowledge and capacity of economic and environmental advantages of technology deployment;
- Four study tours with at least 100 participants in order to share effective practices;
- At least 20 local residents to receive affordable loans from financial institutions to deploy technology;
- At least three financial institutions and one local producer/importer involved in project;
- Two national conferences organized to disseminate project achievements at national level.

**Project beneficiaries:** Project beneficiaries are local communities situated in remote rural areas of Azerbaijan, as well as local authorities, private sector, NGOs and other relevant stakeholders. The current project will cover three pilot communities (totaling 200 households), three private sector representatives, and will have 220 direct project beneficiaries. It is intended to enhance replication of applied best practices in territories of the country, mainly focusing on remote rural areas.

As a result of project activities, total reduction in GHG emission will be 37.8 thousand tons per year, taking into account that each household will use 1 kW less energy from general electric power per day. Additionally, local communities will apply less pressure to forest resources, which will lead to increase of CO<sub>2</sub> absorption.

**Relevant stakeholders:** Ministry of Ecology and Natural Resources, Ministry of Economic Development, local authorities, private sector, NGOs.

- Ministry of Economic Development will support implementation of the financial component by creating access to long-term and low-interest loans through different state funds;
- Ministry of Ecology and Natural Resources will support project implementation by raising awareness of ecological importance of technology deployment;
- Local authorities will play the role of facilitator during implementation of project activities in target local communities and support practical actions;

- Private sector (financial institutions, producers/importers of stoves) will be involved as market players actively participating in project implementation;
- NGOs will be involved in the project implementation cycle and will be responsible for capacity building/awareness-raising activities and dissemination of best practices to other surrounding communities.

**Project duration:** 2 years

**Project budget:** Total budget: 550,000 USD

Promote application of efficient stoves at community level – 400,000 USD

Support for private sector to promote local production of technology – 150,000 USD

**Project sustainability:** Information campaigns, capacity building activities and study tours for demonstration of effective practices are designed to achieve project sustainability. Practical demonstration of advantages of applied technology will lead to replication of technology use by other communities.

The project will contribute to the country's sustainable development priorities (economic, environmental and social), as it will result in improved living conditions, creation of new jobs and improved ecological conditions (decreased pressure on forest resources, reduction in GHG emissions).

**Project deliverables:** At the community level, the pilot project will lead to significant results and will enable the demonstration of best practices to other local communities. Launching local production of the technology will lead to project sustainability and replication of effective practices.

**Project scope and possible implementation:** The project will cover two rural communities (totaling 200 households) situated in remote regions with less developed infrastructure (roads, gas/energy supply). All relevant stakeholders (state institutions, agencies, private sector, local authorities, NGOs, local communities) are interested in project implementation. In the past there were similar project initiatives, however they were at the individual level and lacked capacity building or financial components, and were therefore unsustainable.

**Risks:** The main risk of project implementation is low interest of local communities in technology deployment. This risk will be mitigated through effective awareness-raising activities to be organized during the project implementation period.

**Project monitoring and evaluation:** The project will be monitored by a Project Steering Committee to be formed under the current project. Representatives of different state institutions, agencies, NGOs, private sector and local authorities will be included in the Project Steering Committee. Project results will be assessed by external evaluators, as well as by relevant state institutions (Ministry of Economic Development, Ministry of Ecology and Natural Resource) responsible for project coordination.