



ACTIVITY COMPLETION SUMMARY (ACS)

Azerbaijan: Mainstreaming EITI Implementation (ID: P162544)

Azerbaijan (EUROPE AND CENTRAL ASIA)



BASIC INFORMATION

Activity Information

Project ID P162544	Product Line Advisory Services & Analytics
Short Name Azerbaijan: Mainstreaming EITI	Full Name Azerbaijan: Mainstreaming EITI Implementation
Project Status Closed	Completion Fiscal Year 2018

Processing

Is this a Reimbursable Advisory Service (RAS)?

No

What kind of task description is needed?

Concept Note with a Review (Track 2, including Programmatic)

Is this a Programmatic activity?

No

Is this a joint Bank-IFC activity?

No

Accountability

Region EUROPE AND CENTRAL ASIA	Country, Regional or World Azerbaijan
Requesting Unit ECCSC(7000)	Team Leader Bakhtiyar Karimov
Responsible Unit GEEX1(9266)	
Practice Area (Lead)	Contributing Practice Areas

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BRIEF ACTIVITY DESCRIPTION

Sector Overview:

Azerbaijan, a resource-rich country, has been developing its natural gas sector rapidly over the past decades. Proven natural gas reserves are of the order of 1,000 bcm with the Shah Deniz field making up the largest share of these reserves. Azerbaijan produced about 18.8 bcm in 2014, primarily from Shah Deniz and Azeri-Chirag-Guneshli fields.

Azerbaijan joined EITI in 2004 at the outset of this initiative and was the first country to be validated as fully EITI-compliant in 2009. Subsequently, with enforcement of changes to legislation on registration and processing of grants/funds received by local NGOs from international donors, many local civil society organizations faced difficulties in regard to their operations.

Following deep concern for the ability of civil society to engage critically in the EITI process in Azerbaijan, at the EITI Board meeting (October 2014), the EITI Board decided to require Azerbaijan to undergo a compliance check earlier than planned, and the country was downgraded to 'candidate' status at the EITI Board meeting on April 14th, 2015 following an early Validation report. At the EITI Board meeting on 26th October, 2016, Azerbaijan was found to have made meaningful progress, but more was needed to be done, especially on civil society engagement. The Board had agreed that Azerbaijan was to be assessed in a third Validation commencing on 26 July 2017.

Therefore, the Government's objectives were to: (a) regain its EITI compliant status; (b) mainstream transparency reporting across the government institutions; and (c) embed data collection and transparent reporting for the oil and gas sector into existing government systems.

Moreover, the proposed mainstreaming of EITI in Azerbaijan occurred in the context of the construction of the Trans-Anatolian Gas Pipeline ("TANAP") project, which when constructed and operational, will carry natural gas from Azerbaijan to Turkey, and further to Europe. TANAP is to be supported for a period of 4 years through future IBRD-based lending, with USD 400 million each to be committed to the Governments of Azerbaijan and Turkey respectively. The large cash-flows that were to arise once TANAP commences operation made mainstreaming of EITI of great importance to the Government of Azerbaijan, which had assured the World Bank of its support to the process. The Government of Azerbaijan was thus expected to make funding available to follow-up on the next steps subsequent to the completion of this ASA.

Rationale for the activity:

The Ministry of Finance, Government of Azerbaijan, through letter dated 13th July, 2016, to the World Bank, had asked for support towards EITI implementation, thereby evidencing a demand for this activity. In response to the above-mentioned letter from the Government of Azerbaijan to the World Bank, the Regional Vice President, Europe and Central Asia, responded by specifically confirming the World Bank's support to a proposed activity at mainstreaming EITI in Azerbaijan.

This ASA was also aligned with the Country Partnership Strategy for Azerbaijan FY'16-'20("CPS"). In fact, the CPS in paragraph 27 specifically cited the following as a development challenge "...strengthen governance via participation in the Extractive Industries Transparency Initiative (EITI) and Open Government Partnerships (OGP)". This ASA, by mainstreaming EITI implementation in Azerbaijan and embedding transparency into the country's governance systems, also resonated with Pillar I of the objectives of the EGPS (Extractives Global Programmatic Support) trust fund, i.e. 'EITI and Transparency - supporting implementation of the EITI and broader reforms on sector transparency and good governance'.

Previous World Bank Group Support to EITI Implementation in Azerbaijan:

No previous grant had been made to Azerbaijan from the World Bank Group for the direct implementation of EITI, as the initiative was self-funded by the government of Azerbaijan. However, there had in the past been a single grant for assistance towards CSOs engaged in EITI in Azerbaijan titled "Azerbaijan EITI Civil Society Support (P150813)". The



development objective of the grant was to “enhance the capacity of local civil society organizations and increase public awareness for effective implementation of EITI new standards in Azerbaijan”. The project concluded in June, 2015.

DEVELOPMENT OBJECTIVE

The objective of this activity is to support the government of Azerbaijan’s efforts to mainstream EITI into governmental and company reporting systems.

DELIVERABLES

Group By: Pillar

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Name	Lead	Type	Completion Date	Processing Type	Modification Since last Milestone	Status
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<p>Terms of Reference for conducting the feasibility study for mainstreaming EITI in Azerbaijan</p> <p>Assisting in the preparation of a work program for mainstreaming EITI</p> <p>Assisting in the conducting of the feasibility study in an advisory capacity to the National EITI Secretariat</p> <p>Assistance in the development of an application by Azerbaijan to the EITI Board for mainstreamed disclosures in accordance with requirement 4.9.c. of the EITI Standard</p>	<p>Bakhtiyar Karimov</p>	<p>Advisory</p>	<p>15-Mar-2016(A)</p>	<p>DR Required</p>		<p>Delivered</p>
	<p>Bakhtiyar Karimov</p>		<p>30-Nov-2017(P)</p>	<p>DR Not Required</p>	<p>Planned, then Cancelled</p>	<p>Cancelled</p>
	<p>Bakhtiyar Karimov</p>		<p>30-Nov-2017(P)</p>	<p>DR Not Required</p>	<p>Planned, then Cancelled</p>	<p>Cancelled</p>
	<p>Bakhtiyar Karimov</p>		<p>30-Nov-2017(P)</p>	<p>DR Not Required</p>	<p>Planned, then Cancelled</p>	<p>Cancelled</p>

Comments

The objective of this ASA was to support the government of Azerbaijan’s (GoAZ) efforts to mainstream EITI into



governmental and company reporting systems. On March 9, 2017, the EITI Board decided on suspension of Azerbaijan’s membership in EITI. The GoAZ disagreed with the Board’s decision and on March 10, 2017 announced the withdrawal of the country’s membership from EITI. Consequently, the project team had to discontinue further implementation of this ASA.

The planned deliverables under this ASA were as follows: (i) Terms of Reference for conducting the feasibility study for mainstreaming EITI in Azerbaijan; (ii) assistance with the development of an application by Azerbaijan to the EITI Board for mainstreamed disclosures in accordance with requirement 4.9.c. of the EITI Standard; (iii) assistance with conducting the feasibility study in an advisory capacity to the National EITI Secretariat; and (iv) assistance with the preparation of work program for mainstreaming EITI.

Due to Azerbaijan’s exit from EITI, the project team completed only deliverable (i), which was developed following a consultation workshop. Along with this, an additional deliverable in the form of a power point presentation on the possible structure of a mainstreamed EITI process in Azerbaijan was also presented in a roundtable on 'Mainstreaming EITI in Azerbaijan'.

In addition to these outputs delivered to the client, the project team also prepared for internal use and dissemination a document on the lessons learnt from the ASA and next steps for Azerbaijan, as well as a presentation on the activities and results of the ASA.

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DELIVERABLE DOCUMENTS

Document Title	Document Type	Document Date	Classification
Deliverable: Terms of Reference for conducting the feasibility study for mainstreaming EITI in Azerbaijan			
ToR for feasibility study for mainstreaming EITI in Azerbaijan	Report	06/29/2017	Official use only
Presentation on Mainstreaming EITI in Azerbaijan	Presentation	03/21/2017	Official use only
Lessons Learnt and Next Steps for Azerbaijan	Report	06/29/2017	Official use only
Unofficial Translation of Presidential Decree	Report	06/29/2017	Official use only
Matrix of Comments and Team Responses	Report	06/29/2017	Official use only
Presentation on Mainstreaming EITI in Azerbaijan-Activities and Results	Presentation	07/25/2017	Official use only

AGE AND BUDGET

Activity Age in Months (See Annex A for details)



At Concept Package Sign-off (Track 2)	At Last Approved Progress Review	Actual
8.4		0.0

Budget (See Annex B for details)

Source of Fund	At Concept Package Sign-off (Track 2)	At Last Approved Progress Review	Actual Expenditure
Bank Trust Fund	100,000	0	80,539
Bank Budget	0	0	869
Grand Total Direct Cost	100,000	0	81,408

Comments

No comments have been entered

RESULTS

Do you want to track result indicators for this activity?

Yes

Outcome Indicators

The scope of the feasibility study for mainstreaming EITI is clearly defined, and a work program to conduct mainstreaming activities is developed

Unit of Measure: Yes/No

	Baseline	Actual (Previous)	Actual (Current)	End Target	Action
Value	No		No	Yes	No Change
Date	21-Nov-2016			30-Nov-2017	

Intermediate Outcome Indicators

No indicators have been added

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Output Indicators

Outputs are as follows: (i) Terms of Reference for conducting the feasibility study; (ii) assisting in the conducting of the feasibility study in an advisory capacity to the National EITI Secretariat

Unit of Measure: Yes/No

Outputs are as follows: (i) Terms of Reference for conducting the feasibility study; (ii) assisting in the conducting of the feasibility study in an advisory capacity to the National EITI Secretariat; (iii)

Assistance in the development of an application by Azerbaijan to the EITI Board for mainstreamed disclosures in accordance with requirement 4.9.c. of the EITI Standard; and (iv) assistance in the development of a Work program based on the outcome of the feasibility study

	Actual (Previous)	Actual (Current)	End Target	Action
Value			Yes	No Change
Date			30-Nov-2017	

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Overall Comments

No comments have been entered

ASSESSMENT

Development Effectiveness Rating

● Satisfactory(5)

Outcomes

Work under this ASA had begun in late 2016 to support the Government of Azerbaijan in its plans to “mainstream” the Azerbaijan EITI (AZEITI) process by embedding transparency and disclosures required under the EITI standard into existing and new government and company reporting and statistical systems.

The work completed to date includes (i) detailed discussions with Azerbaijan EITI leadership on strategies and desired outcomes for EITI mainstreaming; (ii) holding a consultative workshop of wider EITI stakeholders and representatives of key Azerbaijan government ministries and agencies to raise awareness of this ASA and understand priorities for EITI mainstreaming; and (iii) as a key deliverable, preparing a draft feasibility study Terms of Reference (ToR) to the former Azerbaijan EITI Multi Stakeholder Group for it to adopt and subsequently procure a specialist vendor to design the EITI mainstreaming blueprint.

Additionally, to further build stakeholder consensus and discuss EITI mainstreaming proposals and



implementation questions, this draft ToR was discussed in a second workshop in Baku attended by Azerbaijan EITI stakeholders and representatives of International EITI Secretariat, Oslo.

In March 2017, Azerbaijan formally withdrew from the global EITI process. One consequence was that the remainder of this ASA, being an EITI-related activity, became redundant.

The remaining steps, had this ASA continued in the context of Azerbaijan still being a member of EITI, were (i) to support Azerbaijan EITI authorities on knowledge-exchange with other EITI countries and (ii) to serve as an advisory resource to Azerbaijan EITI in advancing the proposed EITI mainstreaming goals.

Lessons Learned

Notwithstanding its withdrawal from global EITI, Azerbaijan has reiterated its commitment to transparency and reporting on extractives revenues and other disclosure requirements. The necessary legal decrees have been issued, setting out institutional responsibilities and key tasks directed towards ensuring transparency is maintained as it was under the former EITI process.

Azerbaijan was an early member of global EITI process and has implemented EITI under the global EITI Standard for several years. Hence, the transition to a successor mechanism for sector and revenue transparency in oil gas and mining will need careful management and attention, *inter alia* in the following aspects:

- **Sustained commitment by Government:** Throughout the transition from EITI to a domestic system, Government's commitment to transparency and inclusion will need to be sustained and deepened: legal backing; clear institutional responsibility; resources and outreach; and participation by wider civic society will be essential.
- **Ensuring credibility:** For the accuracy, quality and completeness of sector and revenues information reported, and for the overarching governance mechanisms of these disclosures, reliability of the reported data and credibility of its underlying governance will be important. Building the requisite credibility and data reliability will take time and a sustained effort to make the transition, building consensus and engaging with citizens and civic society.
- **Drawing on global knowledge:** Drawing on global best practice and knowledge will also help boost transparency goals. In this respect, ongoing dialogue with WBG and other IFIs will open avenues for partnership.
- **Momentum on mainstreaming plans:** At the appropriate time, attention will have to re-focus on mainstreaming of transparency, such that sector and revenue transparency are embedded in institutional systems as an integral part of Azerbaijan's public finance systems. Key steps in this regards will be to reach agreement on (i) identifying the host agency for mainstreamed extractives transparency; and (ii) overarching systems design to integrate the various strands of reported



extractives data (from different Ministries and agencies) into an online reporting Portal.

- **Further innovations:** The mainstreaming ideas under discussion also offer, over time, the potential for creating other mainstreamed extractive data linkages such as (i) with E-government initiatives; (ii) more efficient inter-ministerial data linkages, by feeding quality-assured extractive data into central data portals for use across line ministries; and (iii) links to national budget systems such as mechanisms for budget consultation and outreach.
- **Actively enabling civic debate:** Promoting participation by citizens by boosting knowledge of the extractives sectors; how the extractives sector and revenues are managed and its contribution to Azerbaijan's economic position.

ANNEX A. DETAILED SCHEDULE

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Name	Original	Revised at the last milestone	Latest Planned	Actual
AIN Sign-off				21-Nov-2016
Management Approval of Concept	01-Dec-2016	01-Dec-2016		07-Dec-2016
Completion Summary	30-Nov-2017	30-Nov-2017	01-Aug-2017	01-Aug-2017

ANNEX B. DETAILED BUDGET

Budget Plan vs Actual (USD)

Source of Fund	Cumulative Budget			Current FY (2018)			
	Activity Plan	Actual Expenditure to Date	Actual vs Plan (%)	Activity Plan	WPA Plan	Expenditure (YTD)	WPA Burn Rate (%)
Bank Trust Fund	100,000	80,539	81	40,000	0	0	0
Bank Budget	0	869	0	0	0	0	0

Budget Plan (USD)

Costing

Do you want to plan the budget by FY?



Yes

Do you want to plan your budget by Subtasks?

Source of Fund	2018 (Current FY)	Cumulative Budget
Grand Total		
Grand Total Direct Cost	40,000	100,000
Bank Trust Fund	40,000	100,000

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ANNEX C. DELIVERABLES DETAILS

Not Categorized

Deliverable Name Terms of Reference for conducting the feasibility study for mainstreaming EITI in Azerbaijan	Decision Review Required? Yes
Status Delivered	Deliverable Creation Date 07-Dec-2016
Planned Delivery Date 15-Mar-2016	Actual Delivery Date 29-Jun-2017
Lead Bakhtiyar Karimov	Type of deliverable Advisory

Provide a brief description of the deliverable

The Terms of Reference (ToR) produced as an output of this activity is for conducting a feasibility study for mainstreaming EITI, together with an indicative EITI mainstreaming work plan to achieve the following:

1. an electronic EITI reporting Portal in line with EITI Standard, 2016, embedded within Government of Azerbaijan systems and overseen by EITI MSG, with automated data gathering, and revenue/payments data matching;



- 2. moving beyond required EITI disclosures and seeking possible linkages with wider national systems and initiatives; and
- 3. exploring a stronger role for EITI in identifying issues for sector reform, and on engagement with citizens on extractives issues and promoting public debate through mainstreamed EITI.”

Provide a brief summary of outputs before recommending decision review of the deliverable (if needed) or changing its status to Delivered. If applicable, include links to external documents and websites.

Not Categorized

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Deliverable Name	Decision Review Required?
Assisting in the preparation of a work program for mainstreaming EITI	No
Status	Deliverable Creation Date
Cancelled	07-Dec-2016
Planned Delivery Date	
30-Nov-2017	
Lead	Type of deliverable
Bakhtiyar Karimov	

Provide a brief description of the deliverable

Based on the feasibility study conducted per terms of the ToRs produced as the first deliverable under this ASA, assistance was to be provided in the development of a work program for implementing mainstreaming of EITI in Azerbaijan. The work program was supposed to contain detailed steps and timelines required to mainstream EITI in Azerbaijan.

Provide a brief summary of outputs before recommending decision review of the deliverable (if needed) or changing its status to Delivered. If applicable, include links to external documents and websites.

As a result of the withdrawal of Azerbaijan from EITI, the country did not proceed to undertake a feasibility study for mainstreaming EITI as was initially expected. The preparation of a work program for mainstreaming EITI also did not occur. Therefore, the task of 'assisting in the preparation of a work program for mainstreaming EITI' under this ASA stands cancelled.

Not Categorized



Deliverable Name Assisting in the conducting of the feasibility study in an advisory capacity to the National EITI Secretariat	Decision Review Required? No
Status Cancelled	Deliverable Creation Date 07-Dec-2016
Planned Delivery Date 30-Nov-2017	
Lead Bakhtiyar Karimov	Type of deliverable

Provide a brief description of the deliverable

The consultant hired under this ASA was initially supposed to be available as a resource to the Azerbaijan EITI Secretariat in an advisory capacity during the implementation of the feasibility study. The feasibility study itself was to be performed by a consultancy firm to be financed and hired by the Government of Azerbaijan, and the World Bank Group was not expected to be financing it.

Provide a brief summary of outputs before recommending decision review of the deliverable (if needed) or changing its status to Delivered. If applicable, include links to external documents and websites.

As a result of the withdrawal of Azerbaijan from EITI, the country did not proceed to undertake the feasibility study for mainstreaming EITI as was initially expected. Therefore, this deliverable of 'assisting in the conducting of the feasibility study in an advisory capacity to the National EITI Secretariat' stands cancelled.

Not Categorized

Deliverable Name Assistance in the development of an application by Azerbaijan to the EITI Board for mainstreamed disclosures in accordance with requirement 4.9.c. of the EITI Standard	Decision Review Required? No
Status Cancelled	Deliverable Creation Date 07-Dec-2016

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Planned Delivery Date

30-Nov-2017

Lead

Bakhtiyar Karimov

Type of deliverable

Provide a brief description of the deliverable

Requirement 4.9.c of the EITI Standard requires countries to seek pre-approval from the EITI Board if they wish to mainstream financial data, i.e. deviate from the current requirement for reconciliation of financial data. Support was to be provided to the government and the Azerbaijan MSG for developing an application to the EITI Board for mainstreamed disclosures in accordance with requirement 4.9.c.

Provide a brief summary of outputs before recommending decision review of the deliverable (if needed) or changing its status to Delivered. If applicable, include links to external documents and websites.

As a result of the withdrawal of Azerbaijan from EITI, the country did not proceed to make an application for mainstreaming EITI for submission to the EITI Board in accordance with requirement 4.9.c. of the EITI Standard . Therefore, the deliverable of providing assistance in the development of an application by Azerbaijan to the EITI Board for mainstreamed disclosures stands cancelled.

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ANNEX D. CLIENTS

Clients or Audience

Does this activity have a client?

Yes

Organizations & Contacts

Azerbaijan National EITI Secretariat
Parastatal/Independent Government Institute, Activity Leadership/Oversight
Azerbaijan

Contacts



Farid Farzaliyev

National Coordinator

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Survey Participation: Yes

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