

**Document of
The World Bank**

Report No: ICR0000772

**IMPLEMENTATION COMPLETION AND RESULTS REPORT
(Credit No 3207 AZ)**

ON A

CREDIT

**IN THE AMOUNT OF SDR 5.6 MILLION
(US\$ 7.5 MILLION EQUIVALENT)**

TO

AZERBAIJAN REPUBLIC

FOR A

CULTURAL HERITAGE SUPPORT PROJECT

FEBRUARY 26, 2008

Sustainable Development Department
South Caucasus Unit
Europe and Central Asia Region

CURRENCY EQUIVALENTS
(Exchange Rate Effective January 31, 2007)
Currency Unit = Manat (AZM)
Manat 1.00 = US\$ 1.1853
US\$ 1.00 = Manat 0.8437

FISCAL YEAR
[January 1 – December 31]

ABBREVIATIONS AND ACRONYMS

AZM	Azerbaijan Manat
AZERBERPA	Scientific Research Institute for Restoration and Conservation of Architectural Monuments
B&B	Bed and Breakfast
CDD	Communities Driven Development
CHSP	Cultural Heritage Support Project
DO	Development Objectives
GOA	Government of Azerbaijan
ICR	Implementation Completion Report
IDA	International Development Association
IP	Implementation Performance
IS	Icheri Seher-The ancient fully walled old citadel in the center of modern Baku
ISR	Implementation Status Report
MCT	Ministry of Culture and Tourism
MIS	Management Information System
M&E	Monitoring and Evaluation
MTR	Mid Term Review
NGO	Non Governmental Organization
PAD	Project Appraisal Document
PDO	Project Development Objectives
PIU	Project Implementation Unit
POC	Project Oversight Committee
SDP	Site Development Plan
SDR	Standard Drawing Rights
SOE	Statement of Expenditures
TA	Technical Assistance
UNDP	United Nations Development Program
UNESCO	United Nations Educational Scientific and Cultural Organization

Vice President:	Shigeo Katsu
Country Director:	D-M. Dowsett-Coirolo
Sector Manager:	Maninder Gill
Project Team Leader:	Giuseppe Fantozzi

AZERBAIJAN REPUBLIC
CULTURAL HERITAGE SUPPORT PROJECT

CONTENTS

Data Sheet

- A. Basic Information
- B. Key Dates
- C. Ratings Summary
- D. Sector and Theme Codes
- E. Bank Staff
- F. Results Framework Analysis
- G. Ratings of Project Performance in ISRs
- H. Restructuring
- I. Disbursement Graph

1. Project Context, Development Objectives and Design
2. Key Factors Affecting Implementation and Outcomes
3. Assessment of Outcomes
4. Assessment of Risk to Development Outcome
5. Assessment of Bank and Borrower Performance
6. Lessons Learned
7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

Annex 1. Project Costs and Financing

Annex 2. Outputs by Component

Annex 3. Economic and Financial Analysis

Annex 4. Bank Lending and Implementation Support/Supervision Processes

Annex 5. Beneficiary Survey Result

Annex 6. Stakeholder Workshop Report and Results

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Annex 8. Comments of Co financiers and Other Partners/Stakeholders

Annex 9. List of Supporting Documents

A. Basic Information			
Country:	Azerbaijan	Project Name:	Cultural Heritage Preservation Project
Project ID:	P058969	L/C/TF Number(s):	IDA-32070
ICR Date:	04/04/2008	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	AZERBAIJAN REPUBLIC
Original Total Commitment:	XDR 5.6M	Disbursed Amount:	XDR 5.4M
Environmental Category: B			
Implementing Agencies: PIU-Ministry of Culture			
Cofinanciers and Other External Partners:			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/24/1999	Effectiveness:	01/28/2000	01/28/2000
Appraisal:	03/28/1999	Restructuring(s):		
Approval:	05/13/1999	Mid-term Review:	02/14/2005	02/24/2003
		Closing:	12/31/2004	06/30/2007

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Moderately Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Unsatisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Moderately Satisfactory	Overall Borrower Performance:	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	Indicators	QAG Assessments (if any)	Rating
Potential Problem Project	No	Quality at Entry	None

at any time (Yes/No):		(QEA):	
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	Actual
Sector Code (as % of total Bank financing)		
Central government administration	17	15
Other social services	83	85
Theme Code (Primary/Secondary)		
Conflict prevention and post-conflict reconstruction	Primary	Primary
Participation and civic engagement	Secondary	Primary

E. Bank Staff		
Positions	At ICR	At Approval
Vice President:	Shigeo Katsu	Johannes F. Linn
Country Director:	D-M Dowsett-Coirolo	Ishrat Husain
Sector Manager:	Maninder S. Gill	Hosseini Razavi
Project Team Leader:	Giuseppe Fantozzi	Peter Pollack
ICR Team Leader:	Giuseppe Fantozzi	
ICR Primary Author:	Giuseppe Fantozzi	
	Emanuele Santi	
	Juan Bautista Morelli	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)

To enhance the awareness of, and support for, Azerbaijan's culture and through that, help strengthen national identity and social cohesion at a difficult time of national transition. This, in turn, should contribute to stability and a favorable investment climate. This objective would be achieved through:

- the conservation and partial reconstruction of four historical monuments of global significance: the Shirvanshah Palace in Baku, the Palace of Khans in Sheki and the Karabaglar and Momine Khatum Mausoleums in Nakhchivan; and
- the strengthening of Azerbaijan's capacity to conserve and restore historical monuments.

Revised Project Development Objectives (as approved by original approving authority)
 PDO was not revised.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Increase in the number of visitors to cultural sites in Azerbaijan			
Value quantitative or Qualitative)	1,121,000	N/A		1,398,000
Date achieved	12/31/2001	12/31/2001		12/31/2006
Comments (incl. % achievement)	The number of visitors to Museums and AR per year from the Azerbaijan Statistical Service can be considered as a good proxy of the above indicators, involving all cultural sites. During the observed period, it has experienced an increase of over 24%.			
Indicator 2 :	Increase in the number of volunteers and non-governmental groups involved in the conservation and restoration of historical and cultural sites			
Value quantitative or Qualitative)	N/A	N/A		32
Date achieved	12/31/2001	12/31/2001		12/31/2006
Comments (incl. % achievement)	At the time of project design there were no volunteers or NGOs and groups involved in conservation and restoration of historical and cultural sites. It should be also noted that in the past few years the NGO phenomenon is on the rise.			
Indicator 3 :	Increase in number of new site restorations			
Value quantitative or Qualitative)	25	N/A		48
Date achieved	12/31/1999	06/30/2007		12/31/2006
Comments (incl. % achievement)	This includes only the sites under the MoCT program. Other public and private institutions are increasingly restoring sites and historical buildings (i.e. Kish municipality with Norwegian bilateral cooperation) but structured data is not available.			
Indicator 4 :	Increase in funding from public and private sources for conservation and restoration of historical and cultural sites			
Value quantitative or Qualitative)	142,000	N/A		1,450,000
Date achieved	12/31/2001	12/31/2001		12/31/2006
Comments (incl. % achievement)	While there is no availability of aggregate information on private funding during the period, the Ministry's budget has shown an impressive 10 fold increase in nominal terms			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Conservation or partial reconstruction of four historical monuments of global cultural importance.			
Value (quantitative or Qualitative)	0	4 (Momine Khatum and Karabaglar in Nackhichevan, Shirvanshah complex in Baku, Kahn Palace in Sheki)		100%
Date achieved	12/31/1999	06/30/2007		06/30/2007
Comments (incl. % achievement)	The the four originally planned sites were restored/conserved. In Baku and Sheki much more was achieved: the Mosque and the Ovdan (public well) at the Shrivanshah complex in Baku were restored; the old caserme in Sheki was also reconstructed.			

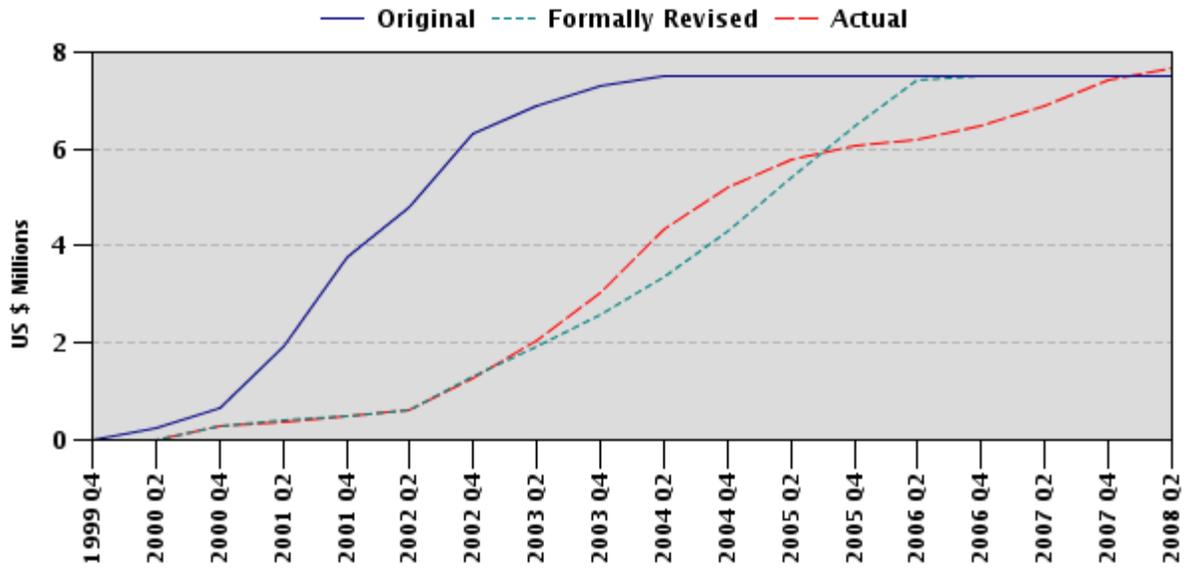
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	06/15/1999	Satisfactory	Satisfactory	0.00
2	12/09/1999	Satisfactory	Satisfactory	0.00
3	05/19/2000	Satisfactory	Satisfactory	0.25
4	11/16/2000	Satisfactory	Satisfactory	0.38
5	02/01/2001	Satisfactory	Satisfactory	0.38
6	06/11/2001	Satisfactory	Satisfactory	0.48
7	12/05/2001	Satisfactory	Satisfactory	0.61
8	02/20/2002	Satisfactory	Satisfactory	0.81
9	08/05/2002	Satisfactory	Satisfactory	1.33
10	02/07/2003	Satisfactory	Satisfactory	2.20
11	05/22/2003	Satisfactory	Satisfactory	2.62
12	12/24/2003	Satisfactory	Satisfactory	4.37
13	06/30/2004	Satisfactory	Satisfactory	5.21
14	12/29/2004	Satisfactory	Satisfactory	5.80
15	06/06/2005	Satisfactory	Moderately Satisfactory	6.05
16	10/28/2005	Satisfactory	Moderately Satisfactory	6.10
17	09/12/2006	Satisfactory	Moderately Satisfactory	6.58
18	06/29/2007	Satisfactory	Satisfactory	7.41

H. Restructuring (if any)

Not Applicable

I. Disbursement Profile



1. Project Context, Development Objectives [or Global Environment Objectives] and Design (this section is descriptive, taken from other documents, e.g., PAD/ISR, not evaluative):

1.1 Context at Appraisal (summary of country/sector background, rationale for Bank assistance):

Azerbaijan is a land rich in tangible and intangible culture, with many unique monuments covering a wide time range dating from the Stone Age to the contemporary era. The country's location at the intersection of major trading routes, some of which date back to pre-historic times, accounts for its unique culture, which has assimilated influences stretching from China to Western Europe and from the Arab world to Russia. Its numerous monuments bear witness not only to these influences, but also to Azerbaijan's contributions to the cultures of its neighboring countries.

At the time of project appraisal, such wealth of cultural assets was at serious risk. Government agencies involved in the preservation of cultural monuments lacked the financial resources to prevent a further deterioration of even the most important monuments. Nevertheless, government agencies were keen to show material results and often proceeded with restorations and reconstruction of monuments, without having a clear concept of the ultimate objective of the restoration efforts, nor taking into account the original design of such monuments. The situation was also exacerbated by the limited number of skilled craftsmen in the country, who were often working with the most primitive tools. The agencies had no computers and outdated diagnostic equipment. The result was often irreparable damage to historical materials.

In 1999, recognizing the significant national and global value of its cultural heritage, the Government of Azerbaijan (GOA) passed a law to regulate the conservation of national monuments, initiated efforts to reorganize its governmental agencies involved in the restoration of cultural monuments; and asked for the Bank's assistance for the ongoing efforts in conserving and restoring key monuments and support for strengthening the capacities of the agencies involved to bring them in line with leading organizations in the rest of the world.

Although the Bank did not anticipate any involvement in the area of cultural heritage in its country assistance strategy, it joined the GOA in recognizing the strategic importance of the sector, as a means to strengthen the efforts of building identity and social cohesion in the relatively young nation of Azerbaijan³, as well as setting the basis for future growth of tourism. The Bank also acted in a context of emergency, considering the high number of sites of global significance which were facing the risk of irreparable damage⁴.

1.2 Original Project Development Objectives (PDO) and Key Indicators [as approved]:

The project development objective was to enhance the awareness of, and support for, Azerbaijan's culture and through that, help strengthen national identity and social cohesion at a difficult time of national transition. This objective was planned to be achieved through: (i) the conservation and

³ Azerbaijan gained its independence in 1991

⁴ Shortly after project approval, UNESCO declared Baku's old city Icheri Seher (IS) as a World Heritage Site and shortly after added it to its endangered site list due to its poor conditions and lack of Management Plan. Originally a port city on the Caspian Sea, *Icheri Seher* was a bustling maze of streets that was protected on three sides by crenellated walls (the fourth side faced the sea). It represents an outstanding and rare example of an historic urban ensemble and architecture with influence from Zoroastrian, Sassanian, Arabic, Persian, Shirvani, Ottoman, and Russian cultures.

partial reconstruction of four historical monuments of global significance: the Shirvanshah Palace in Baku, the Palace of Khans in Sheki and the Karabaglar and Momine Khatum Mausoleums in Nakhchivan which were in imminent danger⁵; and (ii) the strengthening of Azerbaijan's capacity to conserve and restore historical monuments.

Key performance indicators were the following: (i) increase in the number of visitors to cultural sites in Azerbaijan; (ii) increase in the number of volunteers and non-governmental groups involved in the conservation and restoration of historical and cultural sites; (iii) increase in the number of new site restorations; and (iv) increase in the funding from public and private sources for the conservation and restoration of historical and cultural sites. No specific PDO indicator has been included for measuring the strengthening of Azerbaijan's capacity to conserve and restore historical monuments since this was realized through activities that did not lead to numeric results such as the informatization of the Scientific Research Institute for Restoration and Conservation of Architectural Monuments (Azerberpa) archive, realization of the management Plan of Icheri Seher, realization of a study about the institutional set-up of Cultural Property management, implementation of key training activities such as in on-site management planning and exposure to state-of-art practices of restoration and conservation.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification:

The original PDO was not revised, nor the key indicators.

1.4 Main Beneficiaries (original and revised; briefly describe the "the primary target group" identified in the PAD and as captured in the PDO, as well as any other individuals and organizations expected to benefit from the project):

The project primary target beneficiaries were the local communities at the four sites in Baku, Sheki and two in Nakhchivan through additional employment arising from renovation work and the increase in tourism as the restored monuments help convey to visitors the important historical role of Azerbaijan in the region and, because of its location on the Silk Road, beyond the region. The project also was planned to upgrade the Azeri capacity to conserve and restore, therefore the GOA's agencies in charge of guarding and restoration of monuments of historical and/or cultural value⁶ were also seen as primary beneficiaries through their exposure not only to state-of-the-art practices of restoration and conservation but also to better accounting, procurement and project management practices. The Bank's involvement in the restoration of these important monuments was also intended to help the Ministry of Culture's efforts to raise additional funds for other restoration activities.

1.5 Original Components (as approved):

The five main components were the following:

⁵ The 4 mentioned sites had been ranked as being of international value under a project founded by UNESCO and were significant landmarks, within a national sense, but also within the context of their surroundings, either as part of ancient cityscapes or rural villages where people identify with the sites, culturally and personally.

⁶ The Committee for the Restoration and Preservation of Historical and Cultural Monuments was liquidated by Presidential Decree on February 3, 2000 and its structure, functions and supervision of CHSP Project Implementation Unit were passed to the Ministry of Culture and Tourism.

- **Shirvanshah Palace** (US\$3.09 million) included (i) concept paper for ensemble detailed plan for the palace residence (2nd floor); (ii) reconstruction of the palace residence; (iii) conservation of Divanhane; and (iv) purchase of a low pressure cleansing device.
- **Sheki Palace of Khans** (US\$3.11 million) included (i) concept paper for restoration (includes static, humidity and paintings); (ii) static, restoration and climate control; (iii) restoration of woodwork and glass; (iv) woodworking tools; and (v) restoration of wall paintings.
- **Karabaglar** (US\$0.86 million) included (i) study of twin minarets stability and preparation of project concept; (ii) bracing and rain proofing minarets; and (iii) conserve/restore mausoleum and site.
- **Momine-Khatum Mausoleum** (US\$0.28 million) included (i) study of movement of mausoleum; and (ii) conservation work (cleaning, restoration of cupola, waterproofing)
- **Institution Building** (US\$1.56 million) included a study tour to Europe, training of young restoration specialists, equipment for the Azerberpa archives, inventory and computerization of archives, equipment for Institute, auditor expenses, a local procurement consultant, technical consultancy support and operating costs for the Project Implementing Unit (PIU).

1.6 Revised Components:

During implementation the project undertook an expansion in scope within its defined PDOs, aggregating several additional activities under the existing components to improve its impact, without a formal restructuring. Following recommendations of the IDA Board of Directors when the project was approved, the project incorporated during implementation, the preparation of a Site Development Plan (SDP) for each site⁷ to identify complementary development interventions.

At the Mid-Term Review (MTR) the Bank recommended the need to incorporate some activities identified by the SDPs to promote economic and social development in the project areas, using the community-driven development (CDD) approach, as well as further civil works in sites, taking advantage of availability of project savings⁸. The following activities were introduced in the existing project components: (i) development of Bed and Breakfast (B&B), as well as handicraft activities in Sheki, (ii) training for tour operators in Nakhchivan; (iii) organization of a Festival in Baku's historical Icheri Seher (IS); (iv) conservation of the Mosque and the Ovdan of the Shirvanshah complex in IS; (v) landscape improvements in IS, Nakhchivan and Sheki; (vi) the refurbishment of an Information Centre in IS (later dropped) and (vii) the rehabilitation of Caserne (Sheki) for the creation of a business incubator and showroom for the above mentioned handicraft producers

Towards the end of the project, new additions included the development of a management plan for IS and the preparation of a study/analysis of the current institutional setup of the Cultural Heritage sector in Azerbaijan, including the development of proposals aimed at increasing the financial sustainability of the sector and of the related institutions. A summarized table of the component costs including the revised activities can be found in Annex 1.

⁷ The Government of Azerbaijan agreed in principle to the whole approach, but made clear that no reduction of the activities originally agreed on for financing under the project would be accepted. IDA then suggested that should there be any unused funds under the project, or additional funds from further donors, these would be used to implement activities identified in the Site Development Plans.

⁸ See 2.2 for further details on such savings

It should be remarked that these activities were fully consistent with the project objectives, actually were probably more consistent with the PDOs than many original project activities. The CDD activities aimed at producing a shift from a restoration/conservation-centered project into a broader project leveraging local socioeconomic development at project sites through participatory community development activities based on cultural heritage capital. The effort of introducing this approach was worthwhile as a means to improve the capacity of decision-makers and communities to identify, design and implement small community-based projects focused on cultural heritage, cultural tourism and handicraft production.

1.7 Other significant changes (in design, scope and scale, implementation arrangements and schedule, and funding allocations):

The project had two extensions of the closing date. After the MTR, at GOA request, the Development Credit Agreement was amended on December 10, 2004 to: (i) extend it for two years to December 31, 2006, in order to allow the expanded activities to be completed; and (ii) reallocate some of the available loan proceeds accordingly, as described in the above paragraph. The request was adequately justified because the project was performing in a satisfactory manner both in terms of meeting its PDO and in implementation progress. The second six months extension to June 30, 2007 did not require a new amendment. It was approved and communicated by IDA on December 28, 2006. It was also well justified because respecting the closing date of December 31, 2006 would have not allowed a proper finalization of the Management Plan aimed at implementing a proper management of Baku's IS, due to the long and delayed process in attaining collaboration and dialogue between the GOA's MCT and Baku's City Administration. Additionally the institutional study of the Cultural Property sector could also have not been implemented.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design, and Quality at Entry (including whether lessons of earlier operations were taken into account, risks and their mitigation identified, and adequacy of participatory processes, as applicable):

The project originated further in a strong demand by the government of Azerbaijan for assistance to take immediate measures to preserve and conserve several significant sites under serious threat. Although the project was not foreseen in the World Bank Country Assistance Strategy, the World Bank responded positively to such demands and prepared a support project in a relatively short time frame⁹.

The Bank's Quality Assurance Group did not assess the project's quality at entry. At the time, World Bank had limited experience in cultural heritage and the project could draw on few preliminary lessons learned from the few existing Bank-financed cultural heritage activities in other countries in the region, such as the Georgia Cultural Heritage Project. Yet the project preparation failed to incorporate some of the emerging lessons from Bank experience in the sector, such as the need to fully engage local communities in conservation efforts, as well as taking a comprehensive and wider developmental approach to cultural heritage projects. The PDO was definitely too broad and ambitious for such an operation and it reflected the prevailing practice at that time, when the Bank was not fully stringent in the application of measurable indicators for this type of projects.

⁹ Project preparation lasted 13 months, namely from March 1998 to April 1999.

In terms of design, the project limited its activities to mainly restoration and conservation work, and received several criticisms, including those of IDA's Board of Directors, many of whom claimed that the project did not adhere to the principles for cultural heritage projects adopted by the Board itself, and further lamented the limited linkages between such project and IDA's overarching objective of poverty reduction. Besides the already mentioned little attention to the need and opportunity to incorporate local communities and local development initiatives (some of the latter being integrated as additional activities after MTR), the project had a very poor logical framework¹⁰, and fell short in allocating resources for several important complementary activities such as sites' orientation and interpretation, and communication and awareness.

The Project Appraisal Document (PAD) adequately identified some key risks, such as the implementation of the new law for conservation and restoration of historical monuments, the maintenance of public funding to the sector and the location of the monuments in well-known earthquake areas, although it only identified measures for the latter risk. The risk related to public awareness of cultural sites was also identified, but a communication and awareness-raising program was omitted from the project. The PAD also omitted other significant risks which were faced by the project, such as the pressures from real estate development in the IS, the limited exposure of local architects to state-of-the art conservation techniques, as well as the financial sustainability of the whole sector. Despite all the above shortcomings, the project was however successful and forward looking in suggesting a very rigorous application of World Bank procurement rules¹¹ recognizing the poor governance and concerns about corruption at the time of project approval. This proved to be very helpful in allowing the government to acquire very competitive expertise and was a key ingredient in the project's success in saving project resources, as described in para 2.2, which would be later allocated to activities aimed at addressing some of the shortcomings that emerged soon after effectiveness.

2.2 *Implementation (including any project changes/restructuring, mid-term review, Project at Risk status, and actions taken, as applicable):*

Project implementation started very slowly. Although the Credit Agreement was signed on May 31, 1999, the project only became effective on January 28, 2000, mostly because of the inexperience of the Project Implementation Unit (PIU), which had great difficulty fulfilling conditions of effectiveness, complaining of lack of assistance from the Bank team during this period. Delay in the project's initial phase was also due to the abolishment of the project's executing agency (the Committee for the Restoration and Preservation of Historical and Cultural Monuments) five days after effectiveness and the subsequent transfer of project responsibility to the Minister of Culture and Tourism (MCT), which was only completed on July 20, 2000. There was also delay in arranging suitable local staff for the PIU. Two changes of IDA Task Team Leader from project preparation till July 1, 2001 also hindered acceleration of implementation. As a result by July 2001, eighteen months after project effectiveness and more than two years after Credit signing, disbursement was only about 4 percent of the credit amount and only some TA had been contracted out.

¹⁰ See Section 2.3

¹¹ The Credit Agreement suggested a widespread use of International Competitive Bidding process for the procurement of goods and services, and the use of Quality- and Cost-based Selection for most consulting services. Prior review was needed for virtually all contracts and little flexibility was left for use of less competitive processes.

In August 2001, the Task Team and the PIU agreed on a new accelerated implementation schedule, to be compressed to assure completion of agreed activities by the project's closing date. Thanks to very good management of project resources by the Project director, careful supervision by the World Bank team and the revaluation of the SDR¹², the project generated an amount of savings which the Mid-Term Review Mission in February 2003 estimated to reach 1.5 Million USD. The Bank therefore agreed with the Government on a list of new complementary activities to be included under the project financing, in order to promote community development, a direct involvement of local population in the project, and a further increase in employment opportunities. From then on the project was implemented through a participatory approach seeking continuous feedback from local communities, NGOs and other stakeholders as any project should be¹³.

The project was therefore transformed, as much as it was possible, from a restoration and conservation operation into a relatively broader development project, where communities living adjacent to the sites played a larger and more active role, acting in the promotion of their own welfare on the basis of cultural heritage and stronger social capital. The original objective of enhancing and supporting Azeri cultural roots was therefore strengthened by leveraging local socioeconomic development at project sites through complementary participatory CDD activities based on the cultural heritage capital¹⁴. With the extended scope, the Government and IDA team realized the need to extend the duration of the project, in order to give substantive time for the new activities to become sustainable.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization:

The PAD had a very poor monitoring framework including too broad objectives with a very hard to measure set of indicators, which were too wide to be directly linked to project intervention, as explained in section 2.1. No baseline data for such indicators were also defined during project preparation. The project foresaw the recruitment of a specialist to help the project develop a monitoring information system (MIS), which could feed into the overall monitoring, the latter being developed and carried out under the responsibility of the PIU. A Project Oversight Committee comprising representatives from Government, NGOs and Academy of Science was supposed to provide guidance and oversee implementation.

Neither the M&E nor the MIS were successfully implemented once the project became effective. The MIS design was inadequately articulated by the internationally hired M&E consultant, suffering from the lack of an adequate baseline characterization and poor progress information. Overall M&E was limited to progress in civil works and financial management offering little value added. The lack of planned resources specifically allocated for carrying out survey did not allow the project to properly measure the PDO, with exception of the reports regarding the CDD activities. As for the

12 The SRD 5.6 million approved credit was equivalent to US\$7.5 million at the date of approval. Due to differences in the US\$-SDR exchange rates during implementation, the available funds were US\$8.46 million equivalent (12.8% or US\$980,000 over the original budget).

¹³ The IDA and the GOA agreed addition of CDD activities provided that all original restoration activities would have been completed as well. On the contrary, they enhanced the investment building synergies with the 4 site activities originally foreseen.

¹⁴ The new activities could be seen as an embryo of a territorial marketing strategy, focusing on and giving heavier weight to: (i) a participatory methodology and approach to development that aims to include communities at every stage of formulation of the decisions that affect them; and (ii) a certain set of assets or capital linked to cultural heritage, that existed on the territory and in particular the accrued capital represented by the assets restored under the project.

Project Oversight Committee (POC), it partially failed to operate primarily due to the lack of interest by some of the key stakeholders but also due to the content of the discussions, which were mostly technical in their nature and with limited policy implication. The Bank advised on several occasions the Minister of Culture to promote the POC as a privileged place for multi-stakeholders discussion on policy issues but substantial progress did not take place and the Committee continued to meet about twice per year and to deal mainly with technical issues. The only relevant exception was made for discussing the substance of the Management Plan of Icheri Seher.

2.4 Safeguard and Fiduciary Compliance (focusing on issues and their resolution, as applicable):

The project complied with all applicable Bank policies. The project was rated as an environmental category B, as limited concerns were raised, and its compliance with OD 4.01 on environmental assessment was rated satisfactory by all available Project Status Reports (PSR). Safety measures on the restoration and conservation work were adequate, as well as the handling and disposal of construction wastes. The project complied with OPN 11.03 safeguard on cultural property and was rated highly satisfactory throughout all project implementation, as stated by PSRs. The project received one procurement complaint, which was however reviewed by the ECA Region Procurement Advisor and the legal department, and no evidence of misprocurement was found.

2.5 Post-completion Operation/Next Phase (including transition arrangement to post-completion operation of investments financed by present operation, Operation & Maintenance arrangements, sustaining reforms and institutional capacity, and next phase/follow-up operation, if applicable):

Although the project has concluded all the activities planned in the PAD, there is a clear interest by the government to continue deepening its support to the project activities and scale up its work to other sites. The project has indeed managed to create a strong enthusiasm for conservation of cultural heritage and the PIU has pioneered some very important initiatives in the area of community based economic and social development. In this regard, the MCT is preparing a new State Program for Conservation and, within such context, it decided to retain the skills developed within the PIU by transforming it into a “Scientific Operational Unit” dedicated to prepare and implement CDD activities similar to those implemented under the project. Additionally this Scientific Operational Unit is expected to be a center of excellence for Azerbaijan in the area of preservation of cultural sites through use of Management Plans. The government is also considering financing now some of the activities the Bank suggested but did not manage to implement earlier, such as the installation of the Cultural Information Center in Baku.

In terms of sustainability, the strong endorsement of the IS Management Plan by the new authorities provides good hopes that efforts would be put in place to continue conserving the Shirvanshah Palace and the management of IS as a whole. However, strong pressures by real estate investors still pose serious risks to the conservation of the historical center. As for the Shirvanshah Palace and the other three sites, most of the risks come from the fact that, despite the significant increase of visitors following the restoration, the sites are still highly dependent on public funding and have not developed a capacity for generating their own resources. Fortunately, the MCT has significantly increased its budget for restoration works (allocations for restoration grew from 142,000 AZM in 2001 to 1.45 million AZM in 2006). Nevertheless, much of the future capacity of the sites to carry

out maintenance work would therefore rely on this aspect and on the capacity of the GOA to reform current ways of collecting and receiving revenues¹⁵ and spending them effectively.

Some of the steps to be made have been highlighted in the study on the institutional set-up for Cultural Property Management that was finished shortly before the project's closing. While the proposed change in approach of the Government from "provider/implementer" to "enabler/facilitator" will take several years, some other suggested measures could be implemented relatively soon and with relative easiness such as the establishment of a system of financial and social incentives, the adaptations of the legal system and creation of programs aimed at promoting apprenticeships and research on traditional building materials.

As for the CDD activities, especially in Sheki, there are good expectations that the Bed & Breakfast and the handicraft producers' associations would continue to operate effectively, despite existing weaknesses primarily linked to their youth and lack of experience.¹⁶

In terms of follow-up, the Study for the Institutional Set-up of Cultural Property Management financed by the project would certainly provide further guidance on longer term policy solutions and financing mechanisms for conservation of the country's cultural assets. These findings would also help the government to formulate possible follow up activities, which the donor community and the government itself would be willing to support. The MCT has already requested the World Bank to consider a possible follow-up operation.

In this regard, there is a good rationale for the Bank and other donors to continue support in the sector of culture heritage and economic development activities including tourism, based on the lessons learned during the project and taking advantage of the very promising perspective of the tourism sector in Azerbaijan¹⁷. The government request to the Bank for further assistance and policy dialogue could result in further support and help in identifying future actions and as a catalyst for other donors' engagement in the sector. The CAS pillar on developing the non-oil sector and reducing regional inequalities focusing on the poorer regions could be complemented by expanding on the new cultural heritage and development approach taking advantage of traditional tourist routes and creating opportunities for poverty reduction in areas of unexploited tourism potential.

¹⁵ In this regard, it is worth noting that there is little incentive for site managers to collect ticket revenues or increase prices as appropriate, as the proceeds go directly into the GOA's budget without any immediate return on the site. The proposal of creating a special account at each site is currently under discussion. There is also very little experience in the country of issuing leasing agreements for souvenir shops and organizing events around the sites, for the purpose of enhancing visitors' experience and raising additional revenues.

¹⁶ This is particularly true in the area of marketing and the internal communication and accountability system. While members of the associations are still largely dependent on the project efforts to promote their products and services, poor information flow between each association and its members on the management of revenues represents a major weakness, which could potentially challenge the future of such activities.

¹⁷ According to the Ministry of Tourism, the number of international visitors to the country has increased by 250% between 2002 and 2006, and there were above 1 million foreign visitors in 2006.

3. Assessment of Outcomes

3.1 *Relevance of Objectives, Design and Implementation (to current country and global priorities, and Bank assistance strategy):*

The project broad objectives were and are still valid as the Azeri society is very fragile and segmented. However they were too general and should have been more focused to and linked with other national objectives as encouragement of site economic growth and poverty alleviation as pointed out before. National identity and social cohesion are still weak in Azerbaijan and cultural projects like this one could play a major role if adequately linked to the country's development objectives. Moreover, the recent increase of domestic tourism and the doubling of international tourism arrival in the country during the last decade make this type of intervention even more relevant, especially whereas cultural heritage can be linked to economic growth and diversification through tourism¹⁸. This would be in line with the current CAS, namely with its second pillar, which is focused on supporting sustainable and balanced growth of the non-oil economy. The introduction of CDD activities during implementation precisely went towards the direction of increasing economic opportunities, especially among poor communities.

3.2 *Achievement of Project Development Objectives (including brief discussion of causal linkages between outputs and outcomes, with details on outputs in Annex 2):*

As stated earlier, the project had a very broad and ambitious PDO (national identity and social cohesion), which are also hard to measure. Moreover, the lack of baseline data on the indicators specifically mentioned by the PDO seriously handicaps determining the actual attainment of such objectives. Nevertheless, the project observed a very pronounced improvement in all the four key monitoring indicators mentioned in the PAD and/or their proxies, namely: the (i) increase of visitors to cultural sites; (ii) the increase of funding for conservation and restoration; (iii) number of NGO active in conservation and restoration; and (iv) the number of new sites restored¹⁹. Although such increases cannot be explained solely as the contribution of the project, one can observe a positive correlation between more project specific and observable trends and such indicators.

For instance, there is no doubt that the project contributed to increase the number of visitors to cultural sites and specifically to museums and architectural reserves²⁰, due to the great importance of the four sites in the country's overall cultural landscape and the increase of visitors experienced by such sites, as shown later.

The project also contributed to the overall outcome of leveraging public and donors' additional resources for conservation of cultural heritage as demonstrated by the significant increase in allocated fiscal budget for the restoration works both within the country's MCT and the Ministry of Tourism in Nakhchivan autonomous territory. In the MCT case, budget allocations for restoration grew from 142,000 AZM in 2001 to 1.45 million AZM in 2006, while in the Nakhchivan case they

¹⁸ The ongoing challenges of the country's economy linked to the oil boom and the so-called Dutch disease, urges to diversify its economic activities, and tourism has the potential to become an important driver for growth in non-oil sectors, including the revitalization of poor villages, which live around many historical sites of great significance.

¹⁹ See Results Framework on page iii

²⁰ According to the State Statistical Agency, the number of visitors to museums in Azerbaijan indeed increased by 24 % between 2001 and 2006.

went from approximately 40,000 to 300,000 AZM in the same period. There is a huge increase in the number of monuments and buildings being restored in Baku but it was not possible to get supporting data since it is done by the municipality and by several other public agencies and private sources. Although the direct causality of such trends with the project cannot be properly assessed, it is worth noting that the project had a small but significant direct contribution in this regard, by leveraging additional resources from the Soros Foundation and UNDP, who complemented CHSP funds by supporting specific activities, namely in the area of tourism information and community development. Regarding the specific components, the project output is described below.

Component 1. The restoration of *Shirvanshah Palace (Baku)* resulted in a significant increase of visitors to the site, which in the first quarter of 2007 appears to be about 45% over the yearly visitors before the end of restoration work²¹. Considering also that the price of tickets has increased significantly in January 2006, the contribution in terms of revenues is even more important. The contribution to achieving the PDO and in particular to the goal of raising awareness and building social cohesion was however best achieved through the additional activities funded by the project during project implementation. The Festival of IS in particular had a direct impact in terms of raising awareness, fostering ownership and active participation of the local residents²² becoming a great awakening for the local community on the need to preserve the city²³. The preparation of the old city management plan and its application by the city authority is also beginning to show results. The document is being reviewed by UNESCO and with its approval and application, it is expected that IS may be removed from the World Heritage endangered sites list and to remain on the World Heritage list. The component outcome is considered as satisfactory.

Component 2. Restoration of the *Sheki Khans Palace* completed by the end of 2004 appears extremely gratifying to the population of Sheki and to outside visitors. Bright facade paintings, delicately executed Shebeke, mirror stalactites shine, the unique paintings of walls and ceilings confirm the originality and magnificence of Azerbaijani architecture. As a result, the number of visitors has also increased dramatically²⁴. However, the most direct impact on the PDO has been achieved through the CDD activities (the B&B and the handicrafts associations) integrated by the project and their capacity to generate additional income²⁵ and build public support for cultural heritage²⁶. Component results are satisfactory.

²¹ On the year following the end of restoration work the increase was of 10% (from 44,354 in 2004 to 49,520 in 2005) and after a small decrease in 2006, it showed an even higher growth rate during the first part of the calendar year 2007, which, if sustained, would lead to an additional 30% increase over the previous year, with an estimated number of visitors beyond 60,000, as shown in the annex 2. It was not possible to obtain reliable data on revenues from entrance tickets sold.

²² See Annex 5, Beneficiary Survey results.

²³ A survey among 100 IS residents carried out by the PIU revealed high appreciation and positive disposition towards a follow-up festival. Additionally, the sample showed that: (i) 77% of survey participants took part in festival, (ii) 74% received material or moral profit, and (iii) 96% would take part in following festivals.

²⁴ According to the MC&T, 17,213 persons visited the Palace in 2006, while in 2001 the palace had only 1,950 visitors,

²⁵ Thanks to the project 52 new accommodations have been created in Sheki. Total bed/nights sold averaged at 70 in 2004, 242 in 2005 and 276 in 2006, leading to the creation of an additional income, which reached a reported amount of US\$ 1,659 in 2006 that is comparable with the investments made in this activity (brochures and website). As for handicrafts, lack of reported data poses a serious challenge in assessing the actual impact. One can note however that the sale of a specific product, the Kalagai, generated additional revenues of US\$ 2,200 in 2006 only.

²⁶ See annex 5, Beneficiary Survey results.

Component 3. *Momine Khatum Mausoleum* site has been restored as a highly appreciated national monument. The project together with parallel works undertaken by the local authorities contributed to transform an unsecured unfriendly site into a complex, where locals and tourists converge to admire the mausoleum. It now consists of the mausoleum with a small museum, an outside museum of stone carvings of animals, and the Khan's buildings (with a carpet museum). The number of visitors to this *Mausoleum* was about 5,000 per year before restoration and grew fourfold to 20,000 in 2006. Component results as a whole are considered satisfactory.

Component 4. *Gudi Khatum Mausoleum (Karabaglar)*. While it is not possible to estimate the number of visitors to this monument since no tickets are sold or records taken, about two to three-fold increase have been reported by locals. The maintenance of this site is still quite weak, and should be reinforced since some floor tiles and lighting devices are damaged due to the extreme low temperatures (-30°C) in the winter of 2006-07 in the first case and to vandalism in the second. Component results are considered as moderately unsatisfactory mainly due to the lack of capacity of the municipal authorities of Karabaglar and of the Ministry of Culture and Tourism of Nakhchivan to ensure a proper supervision and maintenance of the site. Additionally and unlike other components, the CDD activity (training of Incoming Tour Operators) in Nakhchivan did not have a direct impact, as the local government denied the trained ITOs to be registered and therefore to be able to operate.

Component 5. *Institutional Strengthening*. The capacity building of the PIU staff and of key government officials was adequately executed and allowed for a satisfactory project implementation performance and for the possible implementation of follow-up projects and activities in the future²⁷. The strengthening of Azerberpa and the creation of an electronic archive was also successfully completed. Azerberpa is a public institute that works in close collaboration with MCT and whose principle responsibility is the survey of the state of conservation of the monuments in the Old City and the elaboration of conservation projects to be financed by the MCT. The total number of documents retrieved and inserted in the electronic archive is more than 53,000, and relevant references can now be accessed through queries of the database. The archive was tuned to make it user-friendlier and training of the Azerberpa Institute personnel who are responsible for the management and operation of the archive is very active in supporting public and private enquiries. This component results are considered satisfactory.

3.3 *Efficiency (Net Present Value/Economic Rate of Return, cost effectiveness, e.g., unit rate norms, least cost, and comparisons; and Financial Rate of Return):*

An economic and financial analysis of the project was not done at appraisal because project benefits are mostly public goods and appropriate methodologies for estimating them were not developed during preparation. It is now not possible to formulate new approaches using proxies for results and activities not easily quantifiable. In addition, available baseline and current data about visitors to the sites and revenues from the selling of tickets or from the CDD financed activities are partially incomplete or, in some cases, need validation. It appears to be clear however, that key project activities are benefiting indirectly by stimulating tourism and economic growth in site adjacent areas (B&B, handicrafts, etc.). Cost-effectiveness involved in the implementation towards achieving PDOs was high allowing including other complementary restoration works, CDD activities, and institutional strengthening activities beyond what was foreseen at appraisal.

²⁷ See also 3.5.b and 5.2.b for more on the project impact in terms of institutional strengthening

3.4 *Justification of Overall Outcome Rating (combining relevance, achievement of PDOs [GEO], and efficiency):*

Rating: Satisfactory

Most of the intended project objectives and key associated outcome targets were achieved or are in the process of being achieved with minor shortcomings: (i) the conservation or partial reconstruction of the four planned sites was carried out (actually the project restored eight monuments instead of the foreseen five); and (ii) Azerbaijan's capacity to conserve and restore historical monuments is enhanced. As stated earlier, all four key PI show positive trends, including: (i) number of visitors to cultural sites; (ii) number of volunteers and non-governmental groups who are involved in conservation and restoration; (iii) number of new sites restorations; and (iv) funding of public and private sources for conservation and restoration of historical and cultural sites. All the original project activities and most of the MTR added activities have been completed successfully. Azerbaijan's capacity to conserve and restore historical monuments has been definitely strengthened under the project in several of its aspects although none of those improvements could result in a numeric indicator.

The drawing materials in possession of Azerberpa were not archived and not accessible. The careful cataloguing of these materials allows today any student or practitioner to consult any of its 53,152 documents. Some findings already started to affect the conservation/restoration work conducted by public or private bodies. CHSP itself was affected by the sudden availability of this goldmine of information, in fact some of the lost details of the Momine Khatum mausoleum were discovered in retrieved documents dated 1939 and were followed during implementation of the works financed under the project.

Within training activities aimed at preparation of the MP for IS a specific space was left to realization of conservation plans (one of the many plans composing a MP). The trained people were then used for realizing the conservation plan for IS and, it is worth mentioning, that this was a high quality product in fact it was accepted by UNESCO integrally, that means without any modification requested.

Other training activities such as on-site management and on soft rocks cleaning together with exposure to the state of art practices of restoration and conservation clearly also helped achieving of such objective. All restoration and conservation contracts financed under the project, except restoration of the Caserne in Sheki, were won by foreign companies that introduced new procedures and concepts among Azeri practitioners. For example how partial reconstruction contributes to the understanding of monuments for visitors was previously neglected in restoration made by the Department for Restoration under the Ministry of Culture. This "completamento" technique (as this partial reconstruction is called) has been observed, particularly during Sheki Khan Palace fresco restoration, and is now being increasingly used in many works financed by the department.

Implementation of the study about the institutional set-up of Cultural Property management did not directly improve Azeri capacity to conserve and restore but provided several suggestions on areas that would require additional training, in particular on traditional building materials.

Summarizing the project is rated successful despite the 2 1/2 year delay in final completion compared to the original schedule because it not only achieved the original projected targets of the project, but both exceeded them and added important new aspects which significantly improved the project and its outcome with project savings, and fulfilled those as well.

3.5 *Overarching Themes, Other Outcomes and Impacts (if any, where not previously covered or to amplify discussion above):*

(a) Poverty Impacts, Gender Aspects, and Social Development

The most significant changes in terms of social development came from the CDD activities incorporated during project implementation involving mainly women. As mentioned earlier, in Sheki, these activities had a direct impact in terms of generating additional income for families offering B&B and handicraft artisans and related traditions in Sheki, in a moment of steep decline of the handicraft production and trade in the area. The on-going revitalization of the old trading street of Sheki is a clear indicator of the dynamism created by the association. In addition, the new Sheki business incubator is also expected to bring significant changes in this regard. The project had also a small but significant contribution in this regard in IS, thanks to the Festival²⁸. Overall the social development impact of some of the project activities can be best summarized in Annex 5. The restorations have also allowed the sites to be more accessible and their visit to be enhanced. A significant increase of visits by school students has also been reported particularly at IS and in Momine Khatum Mausoleum, indicating a further possible contribution in terms of building stronger social cohesion, especially in the long run.

(b) Institutional Change/Strengthening (particularly with reference to impacts on longer-term capacity and institutional development):

The project contributed to strengthen the capacity of key government or local officials leading cultural institutions in managing their resources. Personnel of public agencies or bodies that received formal training includes some departments of the MCT, in particular the department for Restoration and Conservation, the Executive Power of Baku city, the Municipality of Baku, the Archaeological State Reserve of Shirvanshah, the Archaeological State Reserve of Sheki, the University of Nakhchivan City and clearly the PIU that now has been transformed into the Scientific Operational Unit under the MCT. Thanks to the involvement of foreign companies and experts in all restoration works (except restoration of the Caserne in Sheki), key officers have been exposed to the state-of-the-art practices in conservation and restoration work, as well as management of cultural sites. A cultural shift has been observed among some key government officials in modern concepts of restoration, who are currently questioning the Soviet tradition of reconstructing sites or carrying out restoration works. Particular importance should be given to the training on management plan development organized by ICCROM in Rome. Most of the trained personnel was later involved, at different levels, in the realization of the MP for IS. At the same time, implementation of the MP for IS falls considerably short of quality standards, particularly as regards reconstruction techniques. In sum, we can conclude that several public officers and other stakeholders have been trained but at the same time it seems that unluckily this did not initiate a comprehensive process of change within the institutions that probably need an explicit and well defined strategy, together with longer terms, to be successful.

(c) Other Unintended Outcomes and Impacts (positive and negative):

Besides the unintended outcome of changed attitudes of key government officials towards the management of cultural heritage as part of the economic and social development efforts going

²⁸ For instance sale of souvenirs made by local residents during the festival generated at least US\$800 reported profits from sales of local residents' products indicating interesting incremental income generation possibilities for local residents from such festivals.

beyond civil works, more attention is now being paid to participatory local development around cultural sites, enhancing relationship with local communities and developing social capital²⁹.

3.6 *Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops (optional for Core ICR, required for ILI, details in annexes):*

No formal beneficiary survey or stakeholder workshop has been done. Meetings were held with the IS informal committee in charge of organizing the 1st Community Festival, who unanimously expressed their enthusiasm with the results obtained in terms of enhancing the community's social capital, rescuing their collective memory and reevaluating the need of conserving the IS old city (see Annex 6). Also the two associations in Sheki, highly valued the importance of the collective efforts supported under the project even if with limited funds and emphasized the need for supporting future development plans for their B&B and handicraft associations.

4. **Assessment of Risk to Development Outcome**

Rating: Moderate

No major technical, economic, social, political, environmental, GOA or other stakeholder's commitment risk to the PDO achievement is foreseen³⁰. Only some moderate risks exist regarding the maintenance of the Karabaglar site since insufficient attention is being provided for the maintenance and supervision of the site: only one guard is assigned to this site and this guard seems not to be often on the site. Despite the Bank's advice the Ministry of Culture of the Autonomous Republic of Nakhchivan did not, to-date, take any corrective measure. Also, regarding natural disasters exposure, the monuments in Nakhchivan are located in a well-known earthquake zone. Although restoration technologies were used to minimize this risk by making structures more resilient to earthquakes, the threat will always exist.

5. **Assessment of Bank and Borrower Performance** (relating to design, implementation and outcome issues)

5.1 **Bank**

(a) Bank Performance in Ensuring Quality at Entry (i.e., performance through lending phase):

Rating: Unsatisfactory

The Project was an immediate response to the GOA request for assistance to Government's priorities, at the time, which were to recover endangered monuments, and through supporting the institutions and symbols of nationality, to help Azerbaijan to develop positive economic and social

²⁹ Two cases deserve to be mentioned, the Mayor of Sheki and the Director of Shirvanshah Palace. The first is supporting development of the showroom/incubator for handicraft artisans in several ways including new street signals indicating location of the showroom. The second participated to both training on MP and site management, and before her sudden death in 2006 started organizing weekly evening concerts and other cultural events in the site premises, thereby opening up to a new concept of sites management, which is critical in creating added value and engaging broader audiences through events and other alternative uses. The weak point of this last case, in absence of specific regulations, is how to control such phenomena and direct it towards improvement of the site's financial sustainability.

³⁰ MCT authorities, including the Minister are convinced on the value of the new approach to conservation of cultural heritage including the complementarities of development of the communities surrounding the sites. The adopted management plan for the IS old city by the relevant authorities and the on-going institutional study, together with the current preparation of a follow-up project by the MCT will probably consolidate the achievements and advance in further actions towards the development of the sector.

development. It was approved by IDA's Board of Directors despite considerable criticism that it did not adhere to the principles for cultural heritage projects adopted by the Board itself, and further that it did little or nothing toward IDA's overarching objective of poverty reduction. The PAD was weak, particularly because it lacked a reasonable logical framework and the PDO indicators were too loosely linked to the project activities and because no baseline was presented or required. At the same time the PAD did provide a reasonable framework for proper implementation of restoration works and the team did respond quickly to adjust its design following Board's recommendations.

(b) Quality of Supervision (including of fiduciary and safeguards policies):

Rating: Satisfactory

After an initial slow start the project team provided a rather good and effective supervision that has been appreciated by the counterpart. The first year of supervision passed with very little communications between Bank and the Borrower and with insufficient attention paid to the weakness of the newly created PIU, who was slow in complying with simple effectiveness conditions. During and after the second year, following up on the IDA Board's criticism of project's flaws, the project team initiated an intense dialogue with the client to improve the PIU team by strengthening its capacity, improving its integration, accelerating procurement and complementing the original project activities with activities to promote economic and social development of the project areas, using the CDD approach. To this end, strong assistance was provided to the dissemination of the ICB pre-qualifications questionnaires allowing for adequate time for the preparation of cost-effective proposals. At the time, IDA team also suggested preparation of a Site Development Plan for each site, to identify complementary activities to be undertaken with project financing or through donor funds³¹. Strong TA support was mobilized by the supervision team to help the relative initial weakness of the PIU. The supervision team was also actively involved in successfully convincing the Borrower's policy makers on the importance of adding a development approach to the strong physical works character of the original project design and supporting with information for the project planning and management. Cost of works savings and the appreciation of the SDR against the dollar allowed for the introduction of the new activities during MTR and the extension of project closing for completion of the new activities. The Bank staff based in the country office helped to provide strategic support to the PIU throughout implementation.

(c) Justification of Rating for Overall Bank Performance:

Rating: Moderately Satisfactory

The quality of Bank overall performance is considered to be satisfactory since the Bank managed to transform a poorly conceived project into a successful implementation that led to a satisfactory outcome through setting clear objectives, a strategic plan, and close supervision to rise above poor quality at entry and adverse situations. The major achievement of the Bank team was to discuss and to agree with the Government about the use of savings for implementing activities that had not been agreed during preparation that shifted the focus, as much as possible, from Cultural Property restoration to local social and economic development and policy improvements.

5.2 Borrower Performance

(a) Government Performance:

³¹ However, despite some early interest by some donors, such funds had not materialized and funds to implement the Site Development Plans within the scope of the Project had to come from unused funds of the Project through savings resulting from a good and cost-effective implementation management.

Rating: Satisfactory

The Borrower's performance during preparation and implementation is assessed as satisfactory. Preparation responded to their strong original concept and commitment towards recovering its cultural heritage as a means to enhance social cohesion and revive the tourism industry. There were no delays identified in securing Government counterpart funding during implementation. Government initial resistance to introduce the development approach suggested by the Bank gradually gave way to understanding, acceptance, and later strong support to the point that today it is endorsing the new approaches for their sector strategy. Government project ownership has been very strong from the very beginning and flexible in changing its views over conservation and restoration versus the reconstruction approaches. The expansion of the scope of the project beyond "bricks and mortar" to include CDD activities³², a development approach engaging local communities in conservation of sites³³, has been adopted and expanded. In parallel, several institutional changes are being implemented, which did not have an impact on the project, mostly because they occurred in the last year, but have utmost importance for the future³⁴. A slight negative aspect concerning government was the lack of strong political push or interest in calling sessions of the Project Oversight Commission (POC) that was thought to facilitate coordination and oversee implementation. These sessions took place rarely and were mainly limited to technical issues. The only positive exception was the discussion of the Management Plan for Icheri Seher where substantial contributions of the Municipality of Baku, of the Archaeological State Reserve of Shirvanshah complex and of representatives of some Ministries made the POC discussions relevant and useful for IS MP coordination.

(b) Implementing Agency or Agencies Performance:

Rating: Satisfactory

The PIU was initially quite weak, which compounded with the poor attention provided by the Bank supervision team at those initial stages, resulted in losing about a year. After some major PIU reshuffling, in the second and third years of project implementation the PIU entered into a steep learning curve that led to increased implementation competence and a highly positive mentality for solving implementation difficulties. One key ingredient to such transformation is to be attributed to the professionalism of the Project Coordinator who also proved to possess strong negotiating skills. He also had to overcome a real struggle in introducing state-of-the-art concept of conservation approaches to a number of government officials, academicians and private contractors, who sometimes criticized the projects work, based on old concepts of applying major reconstructions to monuments. He also had to explain to a large audience the necessity of the CDD activities that were seen by some as resources taken away from restoration activities. Financial management, project accounting and reporting, internal control procedures, planning and budgeting; counterpart funding; and external audits; were done since then in a correct professional manner. Detailed reviews of SOEs were conducted during supervisions to ascertain that the expenditures contained in the SOEs were

³² It must be noted that the government appreciated the convincing arguments brought forward by the Bank team based on best practices from similar initiatives, as noted in the Borrower's own Report

³³ The Minister showed a particularly favorable attitude towards CDD activities, in fact he promoted participation of both the Sheki Bed and the Breakfast and Handcraft associations to the country's Tourism Fair in April 2007.

³⁴ At the end of 2006 an Architectural Reserve Department within the IS municipality was created as responsible for all archeological values except for provision of public utility service. The projects management plan for IS has been strongly adopted and would be enforced once it is approved by the Presidency of the country. Also, the merging of the Ministry of Culture and that of Tourism in 2006, have provided a great opportunity for closer linkages with the conservation and community development work and the country's tourism strategy and marketing efforts.

authorized, fully supported and eligible for financing under the existing legal agreements. No significant weaknesses were identified in administrative and accounting capability to prepare and maintain SOE records and make them available for inspections.

Some weaknesses can be tracked back to the areas of M&E and in the capacity of the project director to maintain a high quality PIU staff at all times. A good example of the latter can be the procurement officer. The PIU had to deal with very strict procurement procedures as per provision of the Credit Agreement that envisaged extensive use of prior reviews and strict control operated by the Bank supervision team. Procurement succeeded to carry out all foreseen works and activities achieving significant saving on budgeted costs (See Annex 1) without compromising the quality of the restoration works and activities. However, in spite of two training abroad for the two different PIU procurement officers, there were three changes in the local procurement staff and the procurement international expert had to be maintained for three years to support their job. As a result, despite considerable expenditures for training and TA in this area, towards the end of the project its procurement capacities were still very limited due to the continuous changes regarding these key staff. The M&E tasks also suffered from the lack of a proper set of PDO and monitoring indicators and the international expert failed to propose an adequate plan as well as to focus on systematic outreach activities. As the project changed its approach, thereby requiring a M&E system going beyond the following of progress in civil works and financial management, the PIU failed to develop a system, which would have allowed better reporting and closer follow-up on the challenges faced by the sector³⁵.

(c) Justification of Rating for Overall Borrower Performance:

Rating: Satisfactory

The Borrower (government and PIU) complied with most project covenants and agreements toward achievement of the DO. They showed flexibility and openness to discussion about the use of savings and this allowed achievement of project implementation targets in all components beyond expectations. The PIU started weak but gained experience and capacity and played a major role in building widespread understanding of the new state-of-the art approaches on conservation and restoration among stakeholders.

6. Lessons Learned (both project-specific and of wide general application)

Sustainable restoration and conservation is much closer to sustainable development than to pure restoration and conservation, it is much more difficult to achieve and therefore needs detailed agreement and coordination with the counterpart particularly during the preparation phase. This is also true since the main counterpart, the Ministry of Culture, is sometimes not completely aware of concepts more typical of development economics. This project was originally not enough focused on return on the investments, guaranteed future income for covering the costs for maintenance and contribution to local or regional growth. As shown above, the project did manage to add some of this type of intervention going beyond civil works during implementation. However, having added such

³⁵ For example, the lack of information on the actual users of the archives and the difficulty faced by the ICR team in acquiring reliable data on number of visitors and revenues from project sites, are clear indicators of capacity and planning constraints faced by the government agencies supported by the project. It also shows their weakness in putting in place a transparent and effective revenue mechanism.

activities upfront, with a balanced weight of resources between them and the pure rehabilitation works, would have led to broader and more sustainable results.

Engaging communities in economic and social activities around cultural heritage sites in particular proved to be one of the keys to the success of the project. No other activities have been as successful in building widespread understanding, stewardship and real commitment to conservation. The experience has also demonstrated that community driven development is possible even in a difficult context such as Azerbaijan

The project faced several misunderstandings at different levels primarily due to the lack of a well planned and resourced communication program. A two-way communication program, aimed at providing complete information to local communities and engaging them in providing timely feedback to the project, would have helped to build stronger ownership and enthusiasm about the work, and more importantly, to convey very delicate changes of concepts involved in managing effectively cultural heritage resources.

Even more than in other types of projects the data to be monitored, their importance and reliability should be agreed in detail and upfront with the counterpart. Much of the difficulty encountered by the international M&E consultant in building an acceptable MIS came from the lack of acceptable data sources. As a consequence all proposed next steps lose relevance or do not have a solid base to be attached to. For example, poor or not existent control over selling of tickets at the sites is a major obstacle for analyzing the degree of financial sustainability of the sites. In turn this does not help designing of a reliable system of financing for post-project operations.

Finally, the success of the project in preventing corruption and accumulating a high amount of savings due to very stringent procurement rules also shows the importance of adapting procurement rules to country circumstances, as well as strengthening the Bank's fiduciary role in monitoring of contracts in the context of poor governance.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies:

The borrower prepared its own evaluation that is largely in accordance with the ICR's contents.

(b) Co-financiers:

Not applicable

(c) Other partners and stakeholders (e.g. NGOs/private sector/civil society):

No comments or evaluation was received from NGOs and Soros foundation.

ANNEXES

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in US\$ million equivalent)

Components	Appraisal Estimate (US\$ million)	Actual /Latest Estimate (US\$ million)	Cost as % of Appraisal	Target (%) Achievement
1. Shirvanshah Palace	2.58	2.48	96%	100%
2. Sheki Palace of Khan	2.62	2.11	80%	100%
3. Karabaglar	0.72	0.82	113%	100%
4. Momine-Khatum Mausoleum	0.24	0.37	150%	100%
5. Institution Building	1.34	1.33	99%	100%
6. Complementary MTR Activities	-	1.94		100%
- Other Shirvanshah Monuments	-	0.30		100%
- Reconstruction Sheki Incubator	-	0.55		100%
- Community Development	-	0.80		100%
- Other Activities		0.29		100%
Total Baseline Cost	7.50			
Physical Contingencies	0.75			
Price Contingencies	0.65			
Total Project Costs	8.90	9.05	101%	100%
Originally Planned Activities	8.90	7.11	79%	100%
MTR Added Activities	-	1.94		100%
Total Financing Required	7.50 1/	8.17	108%	100%
Unused/Cancelled	-	0.29		

1/ The SRD 5.6 million approved credit was equivalent to US\$7.5 million at the date of approval. Due to differences in the US\$-SDR exchange rates during implementation, the available funds were US\$8.46 million equivalent (12.8% or US\$980,000 over the original budget).

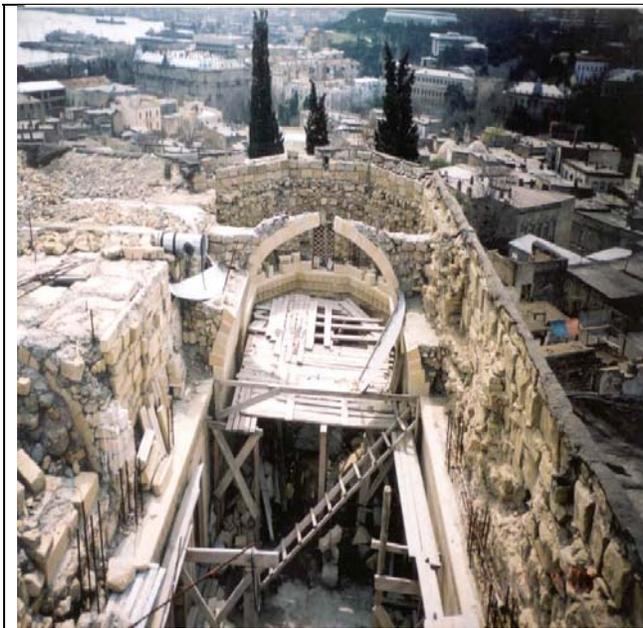
(b) Financing

Source of Funds	Type of Financing	Appraisal Estimate (US\$ million)	Actual/Latest Estimate (US\$ million)	Percentage of Appraisal
[Government]		1.40	0.88	63%
[IBRD/IDA or GEF]		7.50	8.08	108%

Annex 2. Outputs by Component

Component 1. Results of this component are satisfactory. **The Shirvanshah Palace** is a 15th century monument located on the highest point in Baku's ancient walled city. The palace is an ensemble of several buildings enclosed by a wall, consisting of the palace residence, Divanhane (a pavilion for public meetings), family tomb, palace mosque, the mausoleum of Bakuvi (a noted scientist of the time), and the palace bath-house. The Shirvanshah Palace is an essential component of the IS old town, which itself is a historical site of international importance. The project included the completion of the reconstruction of the second floor of the residential palace, the reconstruction of the Divanhane and the conservation of the Mosque and the Ovdan of the Shirvanshah complex. Activities included the preparation of a concept and plan for the restoration as well as the ultimate use of the entire ensemble, and a more detailed project implementation plan for reconstruction of the second floor of the residential palace. For the Divanhane, carrying out of static investigations, documentation of existing damages; development of the restoration concept and a detailed plan for structural strengthening as needed, waterproofing of the roof, cleanup of the water damage, and cleaning of the stone surfaces and implementation of the approved restoration plan; and the purchase of materials and equipment for cleaning of the stone surfaces.

The Shirvanshah Palace Before and After



The palace restoration had an immediate impact on the number of visitors. The following graph shows the evolution of visitors to the Shirvanshah Palace which increased by about 35% over the number of visitors before restoration:



Source: Ministry of Tourism and Culture

* Projections, based on 1st quarter 2007

IS Festival. Materials for publicity and public information including festival posters (500 copies) in Azeri and English and a 30 second preview trailer in Azeri about the planned festival that was shown on central TV channels during the month before the start of the festival were prepared to stimulate community participation. Also, to strengthen the advertising campaign the preview trailer was shown on the light screen on one of the central squares of the IS city 690 times. The festival started with an official opening on a stage behind Maiden Tower on June 4 2005 conducted by Minister of Culture, the Head of the World Bank office in Azerbaijan, and a representative of IS community. During first two days 5000 copies of the festival map with the program and 3000 copies of the UNESCO decree about the IS old city were distributed among visitors, confirming the presence of 5000 visitors just in the initial hours. A monitoring group to check the quality and implementation of all main festival activities was created including three PIU representatives and three representatives of Ministry of Culture. Based on meetings with IS residents, visitors and participants of the festival the event was recognized as interesting and implemented according to the main requests and goals of the community with the exception of some organizational flaws (i.e. insufficiencies in the advertising campaign). Following, a 15-minute documentary film was shot about the festival (separate scenes about major events of the festival). Information about the event was published in Mass media including 23 publications in newspapers and ten TV programs.

Following the festival an IS community public committee of nine persons was created (with representatives of IS community, cultural organizations, persons participating in the past festival and PIU specialists); a festival statute was prepared and working meetings are being held with PIU specialists. In order to attract potential sponsors an official letter about the project and types of sponsorship (3 categories) with offers and promotional materials were prepared. The letter was sent to some banks, the international organizations and the foreign companies. Information work to potential sponsors has continued.

Component 2. This component output is considered as satisfactory. **The Sheki Khan Palace** is located in Sheki, the most ancient city in Azerbaijan. One of the most unique features of the palace is the large number of stained glass windows, which were put together without the use of glue or nails, a construction technique known as the shebeke method. Inside, the walls and ceilings in many of the

rooms are covered with detailed paintings of cultural and historic importance. The Palace is surrounded by a rock wall enclosing a landscaped garden. Its restoration included: (i) a static engineering assessment of the palace, examining the stability of the building and focus on the impact the removal of the concrete brace will have on the structural soundness of the building; (ii) an assessment of the risk of damage during earthquakes providing recommendations for an alternative to the concrete brace; (iii) monitoring of humidity in the rooms and moisture in the walls; (iv) detailed study of the paintings to determine the number of layers, types of materials used, etc. so that the binding to each layer was known, and restoration options identified; (v) development of the restoration concept for the palace as a whole, including removal of the concrete brace, restoration of the building, windows, paintings, and the grounds; (vi) removal of the concrete brace, with minimum damage to the existing interior and exterior surfaces, installation of a replacement brace, humidity and moisture control systems and restoration of damaged woodwork; (vii) restoration of woodwork and interior wall paintings; and (viii) purchase of woodwork tools.

The Sheki Khan Palace of Khans Before and After



Sheki Bed and Breakfast Association. The project supported the creation of the Sheki B&B association from June, 2003 to May, 2006. Several working meetings held with professionals (lawyer and financial experts) led to: (i) the registration of the association; (ii) the definition of organizational and financial structures including rights/responsibilities, types of activities, spread sheets forms for registering coming tourists; (iii) training of personnel; and (iv) signing of contracts. From the 52 members about 33 signed agreements including rights and duties of the parties, distribution of the profits (including a deduction of 20 % for the association for paying taxes on behalf of the members and for other expenses). The supported advertising campaign included the preparation, printing and distribution of informational materials including 5000 booklets, 200 catalogues (40 members' houses were reflected both in the catalogue and the website); the

promotion of B&B activities among tour agencies, embassies including catalogues/booklets distribution; promotion work with the info-centers in Baku and Sheki; advertisement campaign on TV; info-tours for the representatives of leading travel agencies; participation in tourist exhibitions; preparation and implementation of tourist routes; power point presentations; etc.. Since the most important aspect of the demand was found to be the availability of decent toilets in the B&B houses, the project even supported a minor toilet rehabilitation program, which turned out to be crucial³⁶.

The PIU also organized inspections of the B&B houses and financed the construction materials and sanitary equipment for improving guest conditions for 28 of the B&B houses. Total bed/nights sold averaged at 70 in 2004, 242 in 2005 and 276 in 2006, indicating a positive development of the association. During the 2004 season about 46 guests from a total of 95 were derived from travel agencies, 11 of which were foreigners. Total turnover grew from about US\$292 in 2004, to US\$1,414 in 2005 and US\$1,659 in 2006 indicating a significant growth in member's revenues.

The main achievements of the association in 2006 included: (i) presentation of the annual report including fiscal report; (ii) participation of the Association in two international tourism exhibitions in Baku; (iii) submission of a project on "Development of tourist industries in north-western region of Azerbaijan" to the Ministry of Foreign Affairs and the MCT; (iv) submission of a project on "Development of ecotourism in Sheki" to the Embassy of Norway; (v) tour-routes including a 1-2 days handicraft tour, a 1-3 day walk in Sheki-tour, a 7 days walk in suburb of Sheki-tour; and (vi) information concerning tours to the recently opened center in Sheki and association's activities.

The sustainability of the association is considered highly likely based on the working connections between Handicraft and B&B associations, the preparation of informational tours and guides for the association, the improvements of the B&B rooms, the individual trainings for the house owners, the on-going other donor's grants, trainings to further development of the association activities, and the preparation and implementation of follow-up projects.

The Sheki Handicrafts Association. Activities under this project's CDD program were implemented from June, 2003 to May, 2006. The creation and registration of the Sheki Handicrafts association and the development of its organizational structure, management, council and controlling commission were followed by the signing of contracts with members including rights and duties of the parties and deduction of 7-10 % for taxes by the 32 members. Six groups of artisans working wood, embroidery, silk products, metal, ceramics and leather were formed. Main activities included: (i) new product prototypes development (for shebeke, wood engraving, embroidery, ceramics and sets, silk products, and crochet and knitwear); (ii) training for export processes for the Association (quotation, confirmation, shipment list, invoice); and (iii) market research and survey in different customer groups from European countries. Advertising campaign materials were also prepared including: (i) information booklets and catalogue of products in three languages (5000 copies and 200 copies respectively) with photos, products, prices, etc.; and (ii) a web site of the association and its products.

Information concerning the Association and its products was presented on the series of international exhibitions with the help of the project's international experts and distributed among art galleries,

³⁶ The toilet rehabilitation program spent about US\$ 200 of materials, concrete and tiles, and each participating family provided their own labor or hired laborers at their own expense.

craft shops and tourist agencies. Although only one contract was signed with a European customer, the direct connections with foreign retail buyers will probably result in further increased incomes for the artisans in the future.

Several workshops to train tour guides in Baku were organized covering areas as *presentation skills*, *walking tours* and *on the spot* training conducted by qualified international experts including a guide for the city of London, and a “Blue Badge” guide from the SE England Tourist Board qualified as a trainer and examiner by the Institute of Tourist Guiding. Guides were trained to conduct both craft-tours and tours for B&B association. As a result, the associations offer three prepared guides with English language skills for *walking* and *on the spot* tours. In addition, an informational-cultural tour for representatives of fifteen tourist companies from Baku was held in Sheki to familiarize these companies with activities of both Handicrafts and B&B associations. The tour included visiting workshops where participants witnessed the production process, shared information about crafts and visited Sheki historical spots to practice their guide skills. Partnerships were also developed with the pilot mobile scheme “Program through Partnership” with support from the SOROS Fund Institute and working connections with similar non-governmental organizations in Central Asia (International Fund of the Handicraftsmen “Haft Paikar”, "Kyrgyz Heritage" and Centre of Rishtan ceramic). In October, 2005 a two weeks workshop with participation of eight craft experts from Central Asia was organized. Additional funds from the OSI-Budapest were obtained by the Association (US\$9,185 and US\$1,500).

Main achievements of the handicraft program are: (i) increased revenues; (ii) diploma as the best regional association awarded by the President of Azerbaijan Republic; (iii) micro credits obtained (US\$4,000) corresponding to musical instruments, shebeke (stained glass windows), metal products and production of chirags (national lamps) crafts; and (iv) participation in two business trade fairs in Baku and Ganja. Several other development proposals are being presented to different donors giving a high probability of success of sustainable development. In order to give sustainability to the development of the Sheki Handicraft Association, the project also supported the creation of an incubator center for Sheki artisans and an internal regulations frame for the incubator was defined.

Component 3. This component output is considered as moderately unsatisfactory. The rehabilitation works have been carried out properly but the current low level of maintenance at Karabaglar site as described in the para below led to this unfavorable rating. **The Karabaglar Mausoleum and Twin Minarets** are located in the village of Karabaglar, about 40 kilometers north of Nakhchivan City, in the autonomous region of Nakhchivan. The site contains two monuments, a mausoleum and twin minarets, in a very pastoral setting in the village. Both structures are outstanding examples of the monument styles of the famed 12th century architect Ajemi Nakhchivan. The twin minarets were built in the 12th century, and included a portal between them, a style first developed by Ajemi. The mausoleum was built in 1333-35, and contained cornices with scripts from the Koran in stylized Arabic writing using glazed turquoise bricks and tiles around the top of the monument and over each of the four portals. The minarets had large cracks which needed structural stabilization. In the early 1990s, a building enclosing the minarets and portal was constructed, to provide some support to the base of the minarets. However, no work had been done to stabilize the towers. The cornices of the mausoleum were largely destroyed.

Much of the surface brickwork of the mausoleum had been repaired. The cupola was rebuilt, but there were still problems with water damage. There were no current, detailed designs for their restoration or the overall management of the site. Restoration of the mausoleum and the twin minarets involved: (i) the design and implementation of a plan for reinforcement and structural stabilization of the twin minarets; (ii) closing of the openings at the top of each tower and the tops capped, to prevent further water damage; (iii) investigations of the foundation of the minarets to determine if additional structural stabilization was required; (iv) for the mausoleum, reparation of the cupola to prevent water damage, re-construction of the known script of the top cornice, and preservation of the existing materials; (v) protection of the remaining scripts and materials from further deterioration; and (vi) landscaping of the site grounds, construction of kiosks, and preparation of brochures, etc.

The quality of the restoration works was satisfactory. However, there are some problems with the inadequate arrangements for the conservation and maintenance of the site. Since the mausoleum is in the small village of Karabaglar 40 km away from the city of Nakhchivan and only one guard is assigned to the site, the place looks almost abandoned. The floor tiles imported from Iran have not resisted the extreme low temperatures of the winter (-30°C) showing several broken tiles. Also, some lights are not working as bulbs are not repaired. The Ministry of Culture of the Autonomous Republic of Nakhchivan has been alerted about this situation but until July 2007 no countermeasure has been taken.

The Karabaglar Mausoleum and Twin Minarets Before and After



Component 4. Momine Khatum Mausoleum. Overall output of this component is satisfactory. This mausoleum is of particular architectural importance since it was designed by the famed architect Ajemi and built 1186. It is located in the center of the city of Nakhchivan and has been restored as a national monument and is the symbol of the people and historical culture of the region. The site now consists of the mausoleum, an outside museum of stone carvings of animals, and a

small museum inside the mausoleum. The importance of this monument to the people is demonstrated by the fact that the inside and outside museums were created and are maintained by volunteers without any support from the Government. The mausoleum is leaning by about 11 degrees and the tilt of the structure could be readily observed. Although the building did not seem to be in imminent danger of collapse, it was important to obtain precise measurements of the rate of tilt in order to determine whether the building continues to move and further conservation measures were required. In addition, the cupola of the monument was leaking and needed to be repaired, vegetation growing on the roof needed to be removed, and the cupola needed to be cleaned. The restoration of this monument involved the following activities: (i) monitoring of the rate of leaning over a period of three years; and (ii) cleaning and waterproofing of the roof, including small repairs.

Training for Tour operators in Nakhchivan. Since no operator of incoming tours was authorized to work in Nakhchivan, it was proposed to prepare a certain number of young incoming tour operators with the goal of piloting an activity that seemed to be completely absent in the autonomous republic. The training was strongly supported by the local government and local universities. Organization and implementation of the training activities has been good and enthusiastically supported by local institutes, authorities and population. Unfortunately the result has been unsatisfactory. In fact after an advertising campaign for residents of Nakhchivan to participate in the training, seventy applicants applied of which thirty were selected. Four teachers were nominated by the Nakhchivan State University and the Pedagogical Institute increasing the number of participants to 34 participants. The training involved five foreign and ten local teachers. After completion of the training, six participants applied to the relevant state authorities for the registration of their company but could not obtain it given tight restrictions and/or other vested interests of a single existing informal operator whose existence was not known even to the participants to the course. Due to that problem above-mentioned activity could not achieve its ultimate objectives. In spite of it, one of the trainees that were interviewed by the ICR mission reconfirmed the value of the training and the convenience on repeating the event given the existing possibilities in the region and considering that the authorities sooner or later will allow the new operators to be registered.

Momine Khatum Mausoleum Before and After



Component 5. Institutional Strengthening. Moderately satisfactory institutional development has been achieved. MTC authorities and key staff involved in the preservation of cultural heritage in Azerbaijan have internalized the new concepts regarding conservation and restoration as they benefited from study tours to leading institutions and agencies in Italy and other countries and through the exposition to state-of-the-art techniques and methodologies for conducting proper conservation through the internationally competitive selection of foreign specialized companies. Craftsmen in preservation and conservation have benefited from working with the foreign companies and have updated methods and techniques. The computerized archive and institutional strengthening of the Azerberpa Institute have effectively completed offering a new framework for the improved management of the national patrimony in future. Communities and PIU officials involved in carrying out the project have benefited from the new transparency and accountability introduced and fostered by the project through careful conservation and restoration of the selected monuments, competitive bidding for works and services, and greater consultation with a wider group of stakeholders. The project has been less successful in instituting strong institutional development within the MCT. However, the PIU director has managed to maintain continuity of government commitment and support, greater understanding for community consultation as well as stronger transparency and competitive procedures in the design and execution of civil works. New institutional arrangements are being analyzed by the MCT for the future handling of conservation and restoration works of new monuments, capitalizing the skills developed by the project PIU.

Annex 3. Economic and Financial Analysis

An economic and financial analysis of the CHSP was not done in the original appraisal because project benefits are mostly public goods and appropriate methodologies for estimating them were not developed at the time. It is not possible to formulate new approaches using proxies for components and activities not easily quantifiable and in addition, available baseline and current data about visitors to the sites and revenues from the selling of tickets or from the CDD financed activities are not reliable or in some cases inexistent. It appears to be clear however, that key project activities would benefit indirectly by stimulating tourism and economic growth in site-adjacent areas (B&B, handicrafts, etc.). Cost-effectiveness involved in the implementation towards achieving PDOs was high allowing including other complementary restoration works, CDD activities promoting cultural works, and institutional strengthening activities not foreseen at appraisal. At MTR it was estimated that through good management and close Bank supervision, and the revaluation of the SDR, about US\$1.5 million in savings in the main restoration works was generated as compared with the budget.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending <i>(The system pulls from Task Team in PAD Data Sheet, if any.)</i>			
Peter Pollak	Team Leader	ECSIE	
Supervision <i>(The system pulls from Task Team Members in all archived ISRs.)</i>			
Giuseppe Fantozzi	Sr Operations Off.	ECSSD	Task Management/Social Development
Ida N. Muhoho	Sr Financial Management Specialist	ECSPS	Financial Management
Yingwei Wu	Sr Procurement Spec.	ECSPS	Procurement
Saida R. Bagirli	Sr Operations Officer	ECCAZ	Operations
Emanuele Santi	Communications Officer	EXTCD	ICR/Communications
Mark Woodward	Sr Social Development Specialist	ECSSD	Task Management/Social Development
Tom Blinkhorn	Consultant	ECSSD	Task Management
Manfred Wedhorn	Consultant	ECSSD	Restoration Specialist
Gianluca Regoli	Consultant	ECSSD	Fresco Specialist
Juan Morelli	Consultant	ECSSD	ICR Preparation

(b) Staff Time and Cost (from SAP)

(The system pulls data available for all fields)

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of Staff Weeks	US\$ Thousands (including travel and consultant costs)
Lending		
FY99	n. a.	106,263.70
TOTAL:		
Supervision/ICR		
FY00	21.10	75,448.22
FY01	18.99	63,961.88
FY02	20.93	79,525.83
FY03	16.97	47,859.56
FY04	19.36	69,391.40
FY05	20.43	55,617.09
FY06	20.58	64,938.17
FY07	10.44	47,361.37
TOTAL		

Annex 5. Beneficiary Survey Results

No formal beneficiary survey was carried out. However during the ICR mission, the World Bank had more than a dozen meetings with local communities in the project areas.

In Baku, a meeting was held with a group of more than twenty inhabitants of IS, most of them having taken part in the informal committee in charge of organizing the Festival of IS, financed by the project. The community members unanimously expressed their enthusiasm for the results of such activities, as a means of enhancing the community's social capital, rescuing their collective memory and reevaluating the need of conserving the IS old city (see box below with quotes from the meeting).

Box 1: Quotes from the Meetings with the local communities of Icheri Seher

“Before the festival we were neighbors and did not even know each other. Thanks to the festival we built a relation among us”

“We knew each other and discovered how many talented people we have”

“We were motivated to revise our memories and became aware of the history of the old city”

“The festival revitalized our memory”

“Many neighbors did not believe in the value of the Festival and after it expressed they wanted to be involved in the organization of the second one”

Some lamented the fact that, besides the festival, few opportunities are offered to local communities to get more interested and more involved in the management as well as the use of the IS monumental complex. Regrettably, only a few had visited Shirvanshah palace after the restoration, mostly due to the lack of events being organized at the site³⁷.

A sample of 100 IS inhabitants was interviewed soon after implementation of the festival. It appears that their participation was very high and amounted to 77 persons. Out of them 57 were spectators and 20 participated actively as performers, preparing the stands, preparing food or selling something. Five made a profit out of the selling activities. Out of these 77 only three would not repeat the experience or did not find it interesting. The overarching majority of the other 74 instead asked for scaling up the experience and for repeating it in the future.

The community members were also moderately satisfied with the actual restoration work carried out in Shirvanshah Palace. In fact, opinions differed widely on the type of work carried out, with a few members complaining about some of the most modern elements added to the building and others questioning other technical aspects of the actual work. It became very clear that better

³⁷ It must be noted that the series of concerts of traditional music being organized with the support of UNESCO in April 2006 is certainly in the right direction. However such events are still quite sporadic and of limited reach.

communication between the PIU and the director of the palace and communities to illustrate the rationale of the choices taken for the restoration would have helped build larger consensus and avoid misunderstanding.

In Sheki, the mission met with local community members, who took part in the B&B and handicraft associations, and thereby benefited directly from project support.



The high number of participants, as well as the very engaged discussions, were certainly good indicators of the interest of Sheki communities in the project and its activities. Members of the associations spoke enthusiastically about the training they received, the actual results achieved in terms of increased income and the more lasting changes brought by the project. The members of the handicraft association in particular spoke about the longer term impact of project activities in revitalizing local handicraft production, by putting local artisans in closer contact with domestic and international markets.

The mission also sensed a great enthusiasm for the refurbishment and conversion of the Old Caserne into a business incubator, which was finalized at the end of the project. This is expected to further enhance the social and economic prospects of local artisans, by providing them with a space for new product development, as well as a point of sale for tourists visiting the nearby Palace of Khans. Currently all contracts for occupancy of all the incubator's slots have been signed and the mayor of Sheki is making a major effort to promote tourist visits to the showroom/incubator by all tourists that come to visit the old city. New street-signs have been put in place and the waiting list for occupying next free slot in the incubator already counts more than a dozen artisans (in July 2007).

In Nakhchivan, the ICR mission had little opportunity to meet local project beneficiaries, as most of the participants of the training for Tour Operators left the region or were simply not available. The local government refusal to register the trained Tour Operators simply prevented the project to have a direct impact at community level. Yet, it is however worth noticing the positive feedback provided by one of the former participants from the training, who affirmed the overall usefulness of the training and the engagement of qualified foreign expertise to "open up our mind, and bring about change in such a difficult and closed environment".

Annex 6. Stakeholder Workshop Report and Results

No workshop has been held.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

The borrower provided comments through a five page evaluation report prepared by the director of SOC (Scientific Operational Unit) in coordination with the head of the department for Restoration and Conservation under the Ministry of Tourism and Culture. The borrower's evaluation report does not have an executive summary, and the ICR team selected those parts that seem to be more relevant.

The borrower is very satisfied with the project. All components of the project were completed on time according to the planned schedule of works and the quality of the works is satisfactory. Relevant experience in preparation and realization of international tenders was acquired, in applying modern methods and materials in sphere of conservation, in preparing management plans of historical cities, and in organizing work with local communities.

The cooperation between borrower, Bank and other partners that played specific or minor roles (NGOs, Soros Foundation, ICCROM) was very good. Bank and Borrower performance in all stages of the project cycle - identification, preparation, implementation, supervision, final completion – was positive and timely and this allowed successful implementation in Azerbaijan of the project. Direct contact and consultations between the Bank team in HQ and in Azerbaijan gave to the PIU well-qualified help in achieving project targets.

The most significant outputs coming out of the project have been:

- Creation of Project Implementation Unit (PIU), consisting at present time of well-qualified specialists of necessary types in sphere of preservation of cultural heritage, restoration and program of community development.
- Training for local specialists in techniques of restoration and conservation, received from contact with foreign companies well-qualified professional level.
- Restoration of monuments, having national and international importance.
- Accumulation of experience of work with local community taking active part in preservation of monuments, having social and economical value.

The Country received political, economical and social benefits during realization of the project. Those benefits of the project can be summarized as follows: (I) improvement and conservation of valuable sites, which reinforce social unity of Azerbaijan population;(II) attraction of tourists to restored monuments of Shirvanshah Palace and to Sheki Palace of Khans, which resulted in increase of tourism to Baku and Sheki with appropriate benefit for economies of these cities; (III) consolidation of potentials of Azerbaijan in restoration of its historical and cultural monuments, improvement of restorer's and worker's skills, involved in restoration of selected monuments; (IV) attraction of community to taking active part in preservation of monuments as social and economical value.

The negative aspects were the following:

- A suitable space for the information cultural center in Icheri Seher could not be found by Baku authorities;
- Several Azeri masters in sphere of conservation of historical monuments did not participate actively in project's activities;

- Incoming Tour Operators (ITOs) agencies in Nakhchivan could not be established due to impossibility of providing them adequate permits by the autonomous republic authorities.
- The POC was created by the Prime-Minister but was not fully effective.

Annex 8. Comments of Co financiers and Other Partners/Stakeholders

There was no co financier. Local NGOs and Soros Foundation did not provide any comment.

Annex 9. List of Supporting Documents (available on request)

1. Cultural Heritage Project (Concept Report)
2. Project Appraisal Document
3. World Bank Supervision Mission Reports
4. Management Plan of Icheri Seher
5. Azerbaijan, Study of the Institutional set-up of Cultural Property Management
6. Shirvanshah complex site management plan
7. Sheki Khan palace site management plan
8. Momine-Khatum and Karabaglar site management plans
9. The Borrower's evaluation report