



1. Project Data

Project ID
P100582

Project Name
REAL ESTATE REG.

Country
Azerbaijan

Practice Area(Lead)
Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)
IBRD-74350

Closing Date (Original)
28-Feb-2013

Total Project Cost (USD)
38,570,000.00

Bank Approval Date
21-Mar-2007

Closing Date (Actual)
01-Oct-2015

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	30,000,000.00	0.00
Revised Commitment	30,000,000.00	0.00
Actual	29,092,955.92	0.00

Sector(s)

Central Government (Central Agencies)(87%):Sub-National Government(8%):Other Agriculture, Fishing and Forestry(4%):Tertiary Education(1%)

Theme(s)

Land administration and management(29%):Personal and property rights(29%):Administrative and civil service reform(14%):Urban planning and housing policy(14%):State-owned enterprise restructuring and privatization(14%)

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2. Project Objectives and Components

a. Objectives

The Project Development Objectives (PDO) as stated in the Loan Agreement (Schedule 1, page 5) were:

“To ensure a reliable, transparent and efficient real estate registration system, which supports the real property markets and suitable systems for the management and use of State-owned immovable property.”



- b. Were the project objectives/key associated outcome targets revised during implementation?

No

- c. Components

There were four components.

Component A. Real Estate Registration. Appraisal estimate US\$15.76 million. Actual cost US\$25.14 million. This component aimed at improving service delivery in registration of property rights. Activities included: (i) Improving registration office premises. (ii) Supplying office equipment, furniture and computer systems. (iii) Developing unified registration and cadaster systems, archiving and on-line access to notaries. (iv) Providing a real estate cadaster and building inventory. (v) Improving property valuation system. (vi) Improving public awareness. (vii) Improving sustainability through strategic and business planning, and (viii) pilot activities aimed at analyzing the scope of illegal developments and preparing a formalization strategy for resolving disputes.

Component B. State Property Management and Register. Appraisal estimate US\$4.55 million. Actual cost US\$0.92 million. This component aimed at improving the management of state property. Activities included: (i) Improving administrative systems and service delivery, and (ii) Improving the automation of state property management system.

Component C. Mapping and Land Cadaster. Appraisal estimate US\$12.41 million. Actual cost US\$5.96 million. This component aimed at providing the basic data for establishing and maintaining the real estate and cadaster system by the State Service for the Registration of Real Estate (SSRRE) and the State Committee for the Management of State Property (SCMSP). Activities included: (i) Establishing Continuously Operating Reference Stations (CORS) for current and future survey work. (ii) Producing a complete set of digital orthophotomaps through new satellite and aerial imagery. (iii) Developing land parcel maps, and (iv) improving the sustainability of services through strategic and business planning.

Component D. Training, Policy Development and Project Management. Appraisal estimate US\$3.55 million. Actual cost US\$4.89 million. This component provided project implementation support. Activities included: (i) Training. (ii) Developing a joint information technology and information management strategy, and (iii) Technical assistance for policy and legislative development.

The following changes were incorporated in a Level 2 restructuring dated June 26, 2012:

1. The merger of the two implementing agencies –the State Service for the Registration of Real Estate (SSRRE) and the State Committee for the Management of State Property (SCMSP) – into a single agency, the State Committee for Property Issues (SCPI), which was carried out in 2009, was formally recognized. The SCPI was responsible for registration of both state-owned property and private property;
2. The creation of the Real Estate Cadaster Digital Index Map was dropped from the project. In 2011. It had resulted in a mis-procurement, due to misinterpretation of some parts of the Bank's procurement guidelines by the implementing agency. Even though declared as a mis-procurement, the issue was noted as a legitimate difference in judgement and not related to corruption. This activity was eventually implemented through Government funds, and IBRD funds allocated to this component were reallocated to other activities, such as establishing a Information Technology Center (IT), valuation of 600,000 properties, and the scaling up of some component A activities.
3. Targets for two key PDO indicators (the number of transactions registered at SCPI and the number of mortgages) were modified in view of the impact of the global financial crisis on property markets. Some intermediate indicators were modified and new indicators were added.

A further restructuring, on July 29, 2015, abolished the third implementing agency, the State Land and Cartography Committee (SLCC) in accordance with a Presidential Decree of February 5, 2015, and regulation of property rights was assigned to the SCPI. Following this change in arrangements, the results framework was revised and targets for some intermediate indicators were revised downwards.

- d. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project cost. The actual total project cost was US\$36.91 million, about US\$1.7 million less than the appraisal estimate of US\$38.57 million.. Although there was not much variation in total costs between appraisal and closure, cost of component A activities increased by 60% while both component B and C activities cost less than half the appraisal estimate. As indicated above, following the declaration of mis-procurement, Component B activities were implemented through Government funds, and IBRD resources allocated to this component were reallocated to augment the scope of Component A activities. The ICR does not provide reasons for reduction in cost of component C activities.

Project Financing. The project was financed by an IBRD Loan. The appraisal estimate was US\$30.00 million. The amount disbursed was US\$28.67 million. There was parallel financing of CHF1.22 million for technical assistance activities and supervision support from the Swiss State Secretariat for Economic Affairs (SECO). There was also parallel financing for complementary cadastral data and registration system activities in areas not covered by the Bank by the German Development Fund (Kreditanstalt für Wiederaufbau - KfW).

Borrower contribution. Appraisal estimate US\$8.57 million. Actual contribution US\$8.25 million.

Dates. There were two extensions to the project closing date. The first, by 22 months, was part of the first restructuring mentioned



above. The second, on October 14, 2014, extended the closing date by nine months in order to complete ongoing activities associated with the development of the Real Estate Registration and Cadaster Management System (RERCMS). The project closed 31 months (44%) behind schedule on October 1, 2015.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The objectives are highly relevant both to country conditions and Government strategy. Although land titling for state and collective farms in Azerbaijan had largely been completed under the farm privatization program in the mid-1990s, at appraisal there were no procedures for registering subsequent land transactions. The data on property rights were fragmented and the process of registering real estate was slow, expensive and non-transparent; this hindered using property as collateral. Also large areas of informal settlements had arisen due to the non-enforcement of planning rules. The Government strategy articulated in the *State Program on Poverty Reduction and Sustainable Development* for the 2003-2005 and 2008-2015 period indicated that "Access to Land" and "protection of Land Ownership" were essential for reducing poverty in rural areas.

The objectives also remain relevant to the World Bank Group's strategy for Azerbaijan. At appraisal, they were consistent with the two pillars of the Country Partnership Strategy (CPS) for the 2007-2010 period: (i) improving the quality and transparency in public sector governance, and (ii) sustainable growth of the non-oil economy. The CPS placed land administration as an integral element of the environment for sustainable and balanced economic development. The Bank's CPS for the 2010-2014 period highlighted the need for sustained improvement in business environment for transforming Azerbaijan into a sustainable middle-income country, through among things, reducing the time for land registration rights and increasing the use of mortgages for access to capital. The Bank's Country Partnership Framework (CPF) for Azerbaijan for the 2016-2020 period highlights the need for improved public sector management and service delivery through, inter alia, development and application of Information and Communication Technology (ICT) to areas with potentially high impact on transparency and accountability including the application of e-government elements in real estate and land registration.

Rating

High

b. Relevance of Design

The design was relatively standard for land registration projects which had become fairly common in the Europe and Central Asia (ECA) Region. The statement of the PDO and the Results Framework were clear. Design envisaged investments in infrastructure, while the institutional dimension aimed at strengthening the capacity of the implementing agencies for sustainability of development outcomes. The causal links between project activities, their outputs and the intended outcomes were also clear. Activities under components one and three (such as developing unified registration and cadaster systems, archiving and providing on-line access to notaries, providing a real estate cadaster and building inventory) could be expected to contribute to improving service delivery in registering property rights and thereby to improving the reliability, transparency and efficiency of real estate registration systems. Activities under component two (such as improving administrative systems and automating the state property management system) could be expected to contribute to the PDO of sustainable management of state-owned property.

Rating

Substantial

4. Achievement of Objectives (Efficacy)



Objective 1

Objective

To ensure reliable real estate registration systems.

Rationale

Outputs.

18 regional property registration offices were renovated at project closure, as targeted. A modern Information Technology (IT) Center (IT) and its reserve center in Shamakhi were constructed as per the revised target. 18 local offices were renovated (of these five were from project funds and the remainder from state budget funds).

1,528,032 hectares of digital cadaster maps were created at closure. This exceeded the revised target of 1,500,000, but was short of the original target of 4,000,000. 120 private surveyors were made available to check the Real Estate Cadaster as per the revised target (The targets for this activity were revised downwards due to the delays associated with establishing the legal framework). A training center was in use at closure as targeted.

155,793 properties were valued at closure. This exceeded the revised target of 155,000 but was short of the original target of 600,000. The results were not posted online as targeted as the Real Estate Registration and Cadaster Management System (RERCMS) was not rolled out at project closure. 76,545 state property records were digitized into the National Automated Property System (NAPS) at closure.

Human Resource Strategy was implemented under the SCPI's strategic plan as targeted. Strategy for National Spatial Data Infrastructure (NSDI) was prepared, legal reviews of relevant laws were completed and real estate law center was established as targeted.

IT strategy was adopted by the two implementing agencies as targeted and a new joint IT strategy prepared in 2012 was in the process of being implemented at closure. The strategy for coping with informal settlement issues was completed as targeted.

606,561 annual information requests from the centralized system were made by interested buyers, mortgage lenders, tax authorities, real estate agents and other market players and participants as compared to 90,000 at the baseline. (No targets were set for this activity).

The Automated Document Circulation Information System (ADCIS) was implemented within SCPI and subordinated bodies as targeted. 37 Continuously Operating Reference Systems (CORS) were installed as compared to the target of 30. 26 customers were registered for the CORS systems as compared to the original target of 20. All activities pertaining to creation of digital ortho-photo maps and satellite imagery covering the entire country were completed, as targeted.

18 e-services were available to citizens at project closure and 150 notaries were connected to the on line registration system as compared to the original target of 100. Since June 2015, new functionality was installed that allowed notaries to directly submit registration requests and contracts electronically. New automated systems were installed in 26 regional offices and headquarters and they were connected through a Wide Area Network (WAN) and the internet, as targeted.

2,423 staff of the State Committee for Property Issues (SCPI) were trained for a total of 26,515 training days (This included 363 women and 2060 men). The project also financed study tours in seven European countries for the staff of all agencies.

The Law Center was established with three full-time legal specialists, equipment and books in 2009 for: (i) reviewing policy and legislation relating to real estate administration and management. (ii). the collection and analysis of land and property law. and, (iii). policy development. The center was intended for providing assistance with drafting legislation, instructions, providing training and assisting with drafting brochures. The training center by project closure was formalized as part of the State Committee on Property Issues (SCPI) as the Training and Education Center (TEC) to provide training on property registration, cadaster law and geodesy.

The number of procedures required for registering property decreased from seven in 2007 to three in 2015.

Outcomes.

The indicators were mainly output-oriented.

However, at project closure, all local registry offices in Azerbaijan were connected to the central database and Azerbaijan had a centralized, digital system (the Real Estate Registration System (RERS) - that linked cadaster and registry data. This system allowed professional users to check for information in the cadaster-registry system and also allowed property market participants (owners, buyers and professionals such as real estate agents, notaries and banks) to obtain information on property transactions. The 150 notaries in Azerbaijan were connected online to the system and since property transactions had to be notarized, their ability to see the date in the registry contributed to the reliability of the system.

According to the information provided by the team, two customer satisfaction surveys were undertaken using the same methodology in 2012 and 2014. The survey was conducted on the beneficiaries (including citizens and professional users of the system such as notaries and surveyors). The beneficiaries were randomly selected and 810 respondents (including 781 citizens and 29 professional users) participated in the survey in ten regions of the country. In the survey both citizens and professional users used a five point scale to measure satisfaction. About 92% of the respondents expressed satisfaction that registration system protected their property rights.



Rating
Substantial

Objective 2

Objective

To ensure transparent real estate registration systems.

Rationale

Outputs.

The same outputs under objective 1 were also relevant to this objective.

Outcomes.

At project closure, the professional users in the country (including notaries, mortgage lenders and tax authorities) had access to the property register online and could check information relating to registration of property.

Service standards and Code of Conduct for the State Committee on Property Issues (SCPI) were developed and implemented in 2013.

This information was available online and also posted in the registration offices throughout the country. Citizens also had access to information online (<http://www.e-emdk.gov.az>) on application forms, fees, regulations, statistics and other information. This information was also posted in every registration office.

The ICR (page 53) notes that based on the customer satisfaction survey, 85.5% of the respondents in 2014 (as compared to 72% in 2012) expressed satisfaction with the access to information from the State Committee for Property Issues (SCPI).

Rating
Substantial

Objective 3

Objective

To ensure efficient real estate registration systems.

Rationale

Outputs.

The same outputs listed under objective One were also relevant to this objective.

Outcomes.

The average speed of transactions by the State Committee for Property Issues (SCPI) was reduced from 30 days at the baseline to 12 days at closure. This was short of the original target of three days. For an additional fee, urgent registration could be done in seven days and mortgages could be registered in five days or less. The ICR notes that three days registration are expected with the rollout of the new IT system.

210, 288 transactions were registered annually at SCPI as compared to 87,461 at the baseline. This exceeded the revised target of 200,000 but was short of the original target of 350,000.

45,619 mortgages were issued annually at closure as compared to 11,515 at the baseline. This exceeded the revised target of 40,000 but was short of the original target of 50,000.

The average time to process a new state property registration reduced from 90 days to 40 days as targeted.

Quality control checks were completed by the State Service for the Registration of Real Estate within five days of receiving the applications at closure, as targeted.

The ICR (page 53) notes that two customer satisfaction surveys were undertaken in 2012 and 2014 using the same methodology and survey questions. About 79% of the respondents expressed satisfaction with the speed of registration services within 20 days as stipulated by law. This was as compared to 50% at the baseline and as compared to the revised target of 75%.

While it is difficult to determine the extent to which the activities contributed to realizing the PDOs, it is reasonable to conclude that the project contributed substantially towards realizing the objectives of ensuring the reliability, transparency and efficiency of the real estate



registration systems.

Rating
Substantial

5. Efficiency

An economic analysis was conducted both at appraisal and at closure for activities associated with registration of real estate and state property. These components accounted for approximately 53% of the project cost at appraisal and 71% of project cost at closure. Table One shows the Net Present Value (NPV) and the Economic Internal Rate of Return (EIRR) for the different categories of properties (Residential, Land Under Construction, Commercial and Agricultural Land) in Baku and for properties outside Baku. The potential benefits to property values were assumed to come from the value added to the property stock, due to better security of tenure and more efficient legal property registration systems. The methodology followed assumed that property prices would increase by 5% in the 2007-2012 period, without the project. A properly functioning registration system was expected to add anywhere between 0.05 to 0.5 percentage points to the 5% base property price growth rate. While property values (residential, land under construction and commercial activities) increased as expected in Baku as shown in the table, for properties for outside Baku the property values did not increase to the extent expected.

Table One. Ex-Post Net Present Values (NPV) in million USD and Internal Rate of Return (IRR)					
Residential			Land Under Construction		
Baku	73.30	32%	Baku	2,285.52	656%
Non-Baku	13.92	-6%	Non-Baku	54.58	24%
Commercial			Agricultural Land		
Baku	108.39	54%	Baku	Not available.	
Non-Baku	25.08	5%	Non-Baku	3.43	-22%

Other potential benefits which were identified but not factored into the economic analysis included reductions in transactions costs, better security for financial intermediaries leading to more usage of real estate as collateral, increase in the value of state property, increase in revenue for the State Service for the Registration of Real Estate (SSRRE) and fiscal benefits due to the potential for increased tax collection due to better monitoring of real estate transactions. The ICR (page 48) notes although the State Committee for Property Issues (SCPI) - the single agency formed with the merger of the three agencies - was not fully self-financing as envisioned at appraisal, its reliance on the state budget decreased: while 6.10% of the operating costs of SCPI came from the state budget in 2010, this figure had declined to 3.80% in 2015.

Operational and Administrative Issues. There were time overruns. The change in implementing arrangements delayed project implementation by at least five months in the initial years, as many contractors could not be paid while the management changes were being implemented. The decision by the implementing agency to establish a new, fully integrated IT system with one contract as compared to the original plan using modular approaches, further contributed to time overruns. The project closed about two and half years behind schedule and despite the time overrun, the activity associated with integration of state property management and real estate registration functions was not complete at project closure.

Efficiency Rating
Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:



	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of the objectives is rated as High and that of design Substantial. Efficacy of the three objectives was rated as Substantial. While it is difficult to determine the extent to which the project contributed to realizing the project development objectives, it is reasonable to conclude that the project made a substantial contribution to ensuring the reliability, transparency and efficiency of the real estate registration system. Efficiency is rated Modest: the economic analysis showed low rates of return in areas outside Baku, and there were administrative inefficiencies leading to time-overruns and incompleteness of one activity.

- a. Outcome Rating
Moderately Satisfactory

7. Rationale for Risk to Development Outcome Rating

Institutional Support. With the merger of the three agencies, SCPI is the sole agency responsible for cadaster, registry and State Land Management functions and significant capacity has been built through training, technical assistance and project activities. The agency now has sufficient capacity for maintaining the Market Data Register developed under the project. The institutional risk is rated as Low.

Technical Risk. Although the project aimed at establishing an integrated IT system that combined both Real Estate Registration and Cadaster Management (RERCM), only the development phase of the integrated system had been completed by closure, and the system was not operational in all the registration offices. Further, pilot tests of the system indicated technical problems associated with the compatibility of the systems and migration of functionalities (such as notaries access). This has made it necessary to retain the real estate registration system as a dual system for some functionalities. Given this, it is not clear whether the SCPI has the required capacity for finalizing and rolling out the integrated system in all the registration services.

- a. Risk to Development Outcome Rating
Modest

8. Assessment of Bank Performance

- a. Quality-at-Entry

The project was based on lessons from land registration operations in the Europe and Central Asia (ECA) Region and from a previous Bank-financed project in Azerbaijan (the Agricultural Development and Credit Project) which included a successful pilot of a computerized land registration system across a well-defined area in Nakhchivan Region. Experience from land registration projects in the ECA Region shows that given that land administration and management are complex operations that entail many functions (such as locating all properties, assessing land boundaries and usages, privatizing or restituting property rights, improving rental markets and resolving disputes), it was necessary as a first step to ensure that a suitable system be in place for recording and protecting citizen's property rights. In view of this, the project design was selective and concentrated on the basic activities associated with establishing a simple, inexpensive and sustainable immovable property registration system. Measures were taken at preparation for compliance with safeguards (discussed in Section 11). Given the complicated and sophisticated Information Technology (IT) system envisaged under the project, the original design devised a modular



approach for developing the IT system to prevent the failure of the whole works under a single contract.

There were, however, significant shortcomings:

The preparation team underestimated the risks of coordination associated with having three implementing agencies. Based on IEG experience it is highly unlikely that the three agencies would work effectively to implement the project activities without a strong coordination mechanism. The lack of clarity on their roles and responsibilities contributed to delays in the initial years, before the merging of the two implementing agencies.

The preparation team underestimated the technical risks associated with establishing an integrated IT system. At closure, only the development phase of the integrated system was complete and the system was not operational in all the registration offices.

There were weaknesses in M&E design (discussed in section 10)

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

18 supervision missions were conducted over a nine year period. The missions included Bank specialists who had both designed and supervised projects of this kind in the Europe and Central Asia (ECA) Region and elsewhere, as well as key specialists from the Food and Agricultural Organization (FAO) of the United Nations under the World Bank/FAO partnership program. Following the Mid-Term Review, the team modified the target figures in the results framework in light of the institutional reorganization in 2009. The Borrower's ICR (page 55) reports that the supervision team was flexible and this aided in coping with changing circumstances (Borrower's ICR, page 55). The working of the team with other external partners helped in keeping the project on track.

However, the continuity of supervision was undermined by four changes of Task Team Leaders (TTLs). Although the original design envisaged a modular approach for developing the IT system, this aspect of the design was abandoned by the Borrower during project implementation in favor of a single system development. The ICR provides no information on why this aspect of design was abandoned and it is not clear whether the decision was taken in consultation with the Bank. This contributed to delays in the latter years of the project and this activity was not complete at project closure.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance

Before appraisal, the Government had enacted several real estate laws, including a Land Code and Laws on Land reform, Land Markets, Land Leasing, State Land Cadaster and Land Use. The Government had also established in 2003 the State Service for Registration of Real Estate (SSRRE) for registering private property, and in 2005 the State Committee for the Management of State Property (SCMSP) for managing state-owned properties. The Government demonstrated strong commitment at preparation and this was demonstrated by the rapid appointment of a Director of the Project Management Unit (PMU) and establishing the Project Steering Committee (PSC). The Government was also able to leverage funding from other external partners for complementary activities.

Although the 2009 merger of two of the implementing agencies (SSRRE and SCMSP) into the SCPI caused delays of about five months, it contributed to greater efficiency by removing duplications between the work practices of the previous agencies.

However, as the ICR (p. 19) points out, government decision making was sometimes slow and resulted in delays. The decision to abolish the third implementing agency (SLCC), though appropriate, came too late in to impact significantly on project implementation and outcomes.

Government Performance Rating

Moderately Satisfactory



b. Implementing Agency Performance

During preparation, the three original implementing agencies -- SSRRE, SCMSP and SLCC -- were engaged and active in designing and preparing the project. Following the merger of SSRRE and SCMSP, the actions agreed upon in the Aide Memoires were followed up and the performance of the Project Management Unit (PMU) was deemed to be satisfactory (ICR, page 9). There was compliance with safeguards and fiduciary issues.

The coordination between the implementing agencies in the initial years of the project was lacking due to the lack of clarity on roles and responsibilities relating to certain activities – valuation, cadastral surveying. This in turn contributed to delays during implementation and eventually the targets for these activities had to be revised downwards.

Although a modular approach for developing the IT system was envisaged at preparation, the SCPI's decision to establish a new, fully integrated IT system, contributed to delays during implementation and this in turn led to the non-completion of a project activity. (The integrated system was not operational in the regional offices at closure). The ICR does not provide details on whether the Bank was consulted before the decision was taken.

The implementing agency did not report on all matters covered in the results framework in the early years of the project (See Section 10b below).

Implementing Agency Performance Rating
Moderately Unsatisfactory

Overall Borrower Performance Rating
Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The M&E design included seven key outcome indicators for monitoring performance. The key outcome indicators such as development of automated systems, average speed of transactions following registration requests to the SSRRE, number of transactions registered at the SSRRE, number of mortgages issued, number of information requests received by the SSRRE, were appropriate for measuring performance in terms of improving efficiency of real estate registration.

Many output and intermediate targets set at design were ambitious considering the complexity of the project, the number of activities and the capacity of the implementing agency.

SSRRE was to be responsible for monitoring indicators pertaining to real estate registration and SCMSP for monitoring indicators pertaining to management of state-owned property. With the merging of these two entities, the SCPI became responsible for monitoring activities pertaining to registration of both private and state-owned property.

b. M&E Implementation

Given that the targets set at design were ambitious, the team and the implementing agency used the mid-term review (MTR) for setting more realistic targets. Following the MTR, targets for two key outcome indicators – the number of transactions registered at the SSRRE and the annual number of mortgages issued by SSRRE - were revised downwards in view of the adverse impact of the global financial crisis on property markets and new intermediate indicators that could be realistically achieved were added.

The lack of capacity in the State Committee for Property Issues (SCPI) resulted in inadequate reporting on matters covered in the results framework until 2009. The reporting improved with the arrival of a new M&E specialist and the creation of a series of manuals. Training was also undertaken. Customer satisfaction surveys were also conducted in 2009 and 2014.

c. M&E Utilization

The indicators were used for monitoring project performance.



M&E Quality Rating
Modest

11. Other Issues

a. Safeguards

The project was classified as a Category B project for environmental assessment purposes. Other than Environmental Assessment (OP/BP 4.01), no safeguard policies were triggered. According to the PAD, a partial Environmental Assessment (EA) was conducted during preparation to ensure that building rehabilitation and modernization works would be environmentally acceptable. Compulsory land acquisition was not envisaged as construction of office buildings financed under the project were to be built either on government-owned complexes or on vacant state lands where there were no squatters. The ICR states that an Environmental Management Plan (EMP) was prepared and publicly disclosed for addressing measures associated with controlling dust, noise and traffic at construction sites and guidelines for controlling erosion and clean up after construction at appraisal (PAD, pages 14 and 73). The ICR (page 9) notes safeguard compliance was monitored through regular missions and safeguards. Compliance was deemed to be satisfactory during implementation (ICR, page 9).

b. Fiduciary Compliance

Financial Management. The ICR (page 9) notes that there were delays in the submission of some financial statements due to the frequent turnover of Financial Management Staff. The ICR provides no details on the quality of audits, but states that “all audits had a clear opinion.”

Procurement. At preparation, the procurement risk was rated as high given that there were three implementing agencies with limited or no experience in Bank-financed procurement and the fact that these agencies were operating in a high risk country in respect of the public procurement system. The risk mitigation measures included: (i) Intensive and close supervision. (ii) All complaints by bidders were to be diligently addressed and monitored. (iii) Publication of Advertisement and contracts, and, (iv) A procurement plan that was consistent with Bank requirements was prepared by the implementing agency. Given the complicated and sophisticated Information Technology (IT) system envisaged under the project, the original design devised a modular approach for developing the IT system to prevent the failure of the whole works under a single contract. During implementation, the modular approach for developing the ICT was abandoned at the instigation of the implementing agency. The ICR (page 9) nonetheless notes that procurement management was deemed to be satisfactory in supervision reports.

c. Unintended impacts (Positive or Negative)

d. Other

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---



Borrower Performance	Moderately Satisfactory	Moderately Satisfactory	---
Quality of ICR		Modest	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The first two of the following lessons are taken from the ICR. The third is drawn by IEG.

1 Collaboration with other external partners can be effective in dealing with implementation challenges. In this project, close collaboration of the team with other donors, such as Swedish State Secretariat of Economic Affairs (SECO) and The German Development Bank (kfw) prevented a duplication of work in the Digital Cadastral Map (DCM) and this in turn helped addressing the challenges that rose during implementation.

2 It would be useful to provide capacity building programs before the start of an IT system development. A capacity building program that begins at preparation and continues throughout can be beneficial for countries like Azerbaijan with capacity constraints to address procurement issues.

3 Indicators reflecting the full range of intended outcomes are necessary for the assessment of the project's efficacy. In this case, there were no specific or quantitative indicators relating to two of the written objectives (reliability and transparency of real estate registration services).

14. Assessment Recommended?

No

15. Comments on Quality of ICR

The ICR provides a detailed overview of the project. The narrative is generally aligned to the project development objective. The ICR could have provided more details on the reasons for abandoning the modular approach and whether this decision was taken in consultation with the Bank. Given the positive impact associated with the merger and the negative impact due to the delays associated with implementing the integrated system, the ICR could have drawn more useful lessons from the experience of complementing this project.

- a. Quality of ICR Rating
Modest