



GEF-6 PROJECT IDENTIFICATION FORM (PIF)
PROJECT TYPE: MEDIUM SIZE PROJECT
TYPE OF TRUST FUND: CAPACITY BUILDING INITIATIVE FOR TRANSPARENCY

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PART I: PROJECT INFORMATION

Project Title:	Capacity Building for Azerbaijan to meet the requirements of enhanced transparency framework of the Paris agreement		
Country(ies):	Azerbaijan	GEF Project ID: ¹	10043
GEF Agency(ies):	UN Environment (select) (select)	GEF Agency Project ID:	01637
Other Executing Partner(s):	Ministry of Ecology and Natural Resources	Resubmission Date:	May 30, 2018
GEF Focal Area(s):	Climate Change	Project Duration (Months)	36
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of parent program:	[if applicable]	Agency Fee (\$)	123,310

A. INDICATIVE [FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES](#)²

Objectives/Programs (Focal Areas, Integrated Approach Pilot, Corporate Programs)	Trust Fund	(in \$)	
		GEF Project Financing	Co-financing
CBIT	CBIT	1,298,000	350,000
Total Project Cost		1,298,000	350,000

B. INDICATIVE PROJECT DESCRIPTION SUMMARY

Project Objective: To strengthen institutional and human capacities in Azerbaijan to meet the reporting requirements of the enhanced transparency framework of the Paris Agreement						
Project Components	Financing Type ³	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Co-financing
1. Strengthening Azerbaijan's enabling environment and capacity for implementing the Paris	TA	1.1 Enhanced institutional capacity to report and monitor progress of the implementation of the country's Nationally	1.1.1 Review of current national policies and legal frameworks for the implementation of the Paris Agreement's transparency framework developed	CBIT	70,000	30,000

¹ Project ID number will be assigned by GEFSEC and to be entered by Agency in subsequent document submissions.

² When completing Table A, refer to the excerpts on [GEF 6 Results Frameworks for GETF, LDCF and SCCF](#) and [CBIT guidelines](#).

³ Financing type can be either investment or technical assistance.

Agreement's transparency framework		Determined Contributions	1.1.2 National coordination mechanism to enhance transparency in implementation of the Paris Agreement established	CBIT	150,000	30,000
			1.1.3 National system for tracking progress of the implementation of Azerbaijan's Nationally Determined Contributions developed	CBIT	340,000	40,000
			1.1.4 Training programme on enhanced transparency processes provided	CBIT	200,000	50,000
			1.1.5 Knowledge-sharing and coordination mechanism with the CBIT Global Coordination Platform established	CBIT	50,000	50,000
2. Developing a strategy to secure financial resources for the implementation of the country's Nationally Determined Contributions, including an implementation tracking system	TA	2.1 Enhanced institutional capacity to identify sources of funding and to track financial support	2.1.1 Financial strategy outlining means to identify sources of funding needed, and to track financial support received, developed	CBIT	120,000	0
			2.1.2 Training programme on identifying sources of funding and tracking financial support processes provided	CBIT	250,000	100,000
Subtotal					1,180,000	300,000
Project Management Cost (PMC) ⁴				CBIT	118,000	50,000
Total Project Cost					1,298,000	350,000

For multi-trust fund projects, provide the total amount of PMC in Table B, and indicate the split of PMC among the different trust funds here: ()

⁴ For GEF Project Financing up to \$2 million, PMC could be up to 10% of the subtotal; above \$2 million, PMC could be up to 5% of the subtotal. PMC should be charged proportionately to focal areas based on focal area project financing amount in Table D below.

C. INDICATIVE SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE, IF AVAILABLE

Sources of Co-financing	Name of Co-financier	Type of Co-financing	Amount (\$)
Recipient government	Ministry of Ecology and Natural Resources	In-Kind	350,000
Total Co-financing			350,000

D. INDICATIVE TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES), FOCAL AREA AND THE PROGRAMMING OF FUNDS ^{a)}

GEF Agency	Trust Fund	Country/ Regional/ Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee (b) ^{b)}	Total (c)=a+b
UNEP	CBIT	Azerbaijan	Climate Change		1,298,000	123,310	1,421,310
Total GEF Resources					1,298,000	123,310	1,421,310

a) Refer to the [Fee Policy for GEF Partner Agencies](#).

E. PROJECT PREPARATION GRANT (PPG)⁵

Is Project Preparation Grant requested? Yes No If no, skip item E.

PPG AMOUNT REQUESTED BY AGENCY(IES), TRUST FUND, COUNTRY(IES) AND THE PROGRAMMING OF FUNDS

Project Preparation Grant amount requested: \$45,000					PPG Agency Fee: 4,275		
GEF Agency	Trust Fund	Country/ Regional/Global	Focal Area	Programming of Funds	(in \$)		
					PPG (a)	Agency Fee ⁶ (b)	Total c = a + b
UNEP	CBIT	Azerbaijan	Climate Change		45,000	4,275	49,275
Total PPG Amount					45,000	4,275	49,275

F. PROJECT'S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS⁷

Provide the expected project targets as appropriate.

Corporate Results	Replenishment Targets	Project Targets
1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society	Improved management of landscapes and seascapes covering 300 million hectares	<i>Hectares</i>
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>Hectares</i>

⁵ PPG requested amount is determined by the size of the GEF Project Financing (PF) as follows: Up to \$50k for PF up to \$2m (for MSP); up to \$100k for PF up to \$3m; \$150k for PF up to \$6m; \$200k for PF up to \$10m; and \$300k for PF above \$10m. On an exceptional basis, PPG amount may differ upon detailed discussion and justification with the GEFSEC.

⁶ PPG fee percentage follows the percentage of the Agency fee over the GEF Project Financing amount requested.

⁷ Provide those indicator values in this table to the extent applicable to your proposed project. Progress in programming against these targets for the projects per the *Corporate Results Framework* in the [GEF-6 Programming Directions](#), will be aggregated and reported during mid-term and at the conclusion of the replenishment period. There is no need to complete this table for climate adaptation projects financed solely through LDCF, SCCF or CBIT.

3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services	Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins;	<i>Number of freshwater basins</i>
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	<i>Percent of fisheries, by volume</i>
4. Support to transformational shifts towards a low-emission and resilient development path	750 million tons of CO _{2e} mitigated (include both direct and indirect)	<i>metric tons</i>
5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern	Disposal of 80,000 tons of POPs (PCB, obsolete pesticides)	<i>metric tons</i>
	Reduction of 1000 tons of Mercury	<i>metric tons</i>
	Phase-out of 303.44 tons of ODP (HCFC)	<i>ODP tons</i>
6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>
	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries: 1</i>

PART II: PROJECT JUSTIFICATION

1. *Project Description.* Briefly describe: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative scenario, GEF focal area⁸ strategies, with a brief description of expected outcomes and components of the project, 4) [incremental/additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCE, SCCF, CBIT and [co-financing](#); 5) [global environmental benefits](#) (GEFTF) and/or [adaptation benefits](#) (LDCE/SCCF); and 6) innovation, sustainability and potential for scaling up.

1) The global environmental and/or adaptation problems, root causes and barriers that need to be addressed

Climate change represents an urgent and existential threat to humanity. All countries need to increase the ambition with which they act to mitigate their greenhouse gas (GHG) emissions and adapt to the anticipated impacts of climate change to secure the future livelihoods of their citizens. With this intention, in 2015, nations of the world gathered in Paris to reach a global consensus on the urgent need to reduce GHG emissions and to set national economies on a low-carbon development path.

As a developing country, the Republic of Azerbaijan also considers climate change as one of the most difficult environmental challenges and supports international cooperation on this issue. The country has ratified the Paris Agreement in January 2017 and has begun to fulfil the obligations outlined in its Intended Nationally Determined Contribution (INDC). The country considers that compliance with its mitigation commitments has to be considered against the following background:

- the country's national circumstances;
- the fundamental principles of the Convention, especially the "common but differentiated responsibilities and respective capabilities" of the various Parties to the United Nations Framework Convention on Climate Change;
- the leading role and provision of financial, technology and capacity building assistance by developed countries.

The Republic of Azerbaijan (a non-Annex I Party to the Convention) has implemented a number of measures to mitigate the impact of climate change and will continue in this direction. The use of renewable energy sources, the deployment of more efficient energy technologies, the use of gas instead of fuel oil in thermal power stations, the restoration of forests and the establishment of new forest areas, and the improvement of waste management practices are key examples of the country's commitment to climate change mitigation.

Along with contributing to the global effort to combat global warming and reduce ecosystem vulnerability, Azerbaijan is promoting a shift toward a so-called 'green economy paradigm' based on the principles of sustainable development. Azerbaijan is also pursuing cooperative efforts aimed at mobilizing investments to support climate change mitigation.

Based on Azerbaijan's first Biennial Update Report (BUR) (and, specifically, the needs and gaps identified through the International Consultation and Analysis (ICA) process for Azerbaijan's first BUR via the technical analysis and the facilitative sharing of views), its third National Communication, the country's INDC, as well as on-going national-level processes, such as the formation of working group on adaptation planning, and the establishment of a working commission to develop a low-carbon development strategy, it is clear that the country faces many gaps and barriers to address climate change. Key areas for improvement include:

- Strengthening institutional arrangements for the preparation of the national GHG inventory;
- Development of a data management system for tracking and archiving inventory data;
- Development and application of methodologies to prepare emission scenarios and projections;
- Improvement of the national coordination mechanism for implementing the Paris Agreement, including its transparency mechanism.

⁸ For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which [Aichi Target\(s\)](#) the project will directly contribute to achieving.

- Development of a national tracking system as part of the approach to implement the country's Nationally Determined Contribution;
- Integration of low-carbon and adaptation strategies into sectoral policies;
- Strengthening of the human, institutional and financial capacities required to conduct vulnerability assessments.

The current project will address the main capacity-building needs identified by the technical analysis of Azerbaijan's first BUR, which was undertaken in 2016. Specifically, the project will build national capacities with a view to strengthening the institutional arrangements and enhancing the level of knowledge of experts, mainly related to monitoring the implementation of mitigation actions and associated results. This project will establish a tracking system to support reliable domestic Monitoring, Reporting and Verification (MRV) arrangements, including performance indicators for mitigation policies, programmes and actions. It will ensure that experts of the relevant organizations responsible for the implementation of the intended measures have the necessary knowledge of and skills in the new applied technologies, tools and processes. The current project also aims to enhance the institutional capacity for tracking financial support received and identifying additional sources of funding. All knowledge and lessons learned will be communicated globally through the CBIT Global Coordination Platform. The diagram in section 2 below shows the current institutional arrangement for the transparency framework and proposed Capacity Building Initiative for Transparency (CBIT) support.

2) The baseline scenario or any associated baseline projects.

The Republic of Azerbaijan ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1995. Since the ratification of the UNFCCC, the country has adopted and implemented several national strategies and sectoral policies aimed at reducing GHG emissions and safeguarding the country from the impacts of climate change. The country established the State Commission on Climate Change in 1997, ratified the Kyoto Protocol in 2000, and ratified the Doha Amendment on April 14, 2015. To improve the coordination of climate change policy and related issues, a Climate Change Centre was established in 2000 within the Hydrometeorology Department of the Ministry of Ecology and Natural Resources.

- The baseline scenario of the country institutional capacity to track the NDC implementation progress/Paris Transparency framework

The Republic of Azerbaijan has highlighted the importance of climate change related issues in its national development strategy document, "Azerbaijan 2020: Vision to Future", which defines the country's national priorities until 2020. The president's 2012 economic strategy in Azerbaijan 2020, explains that Azerbaijan plans to decrease carbon intensity to Organization for Economic Cooperation and Development (OECD) levels by the end of the decade. For instance, in the section dedicated to environmental issues, the strategy document states that:

"During the period covered by the concept, it is planned to bring the amount of energy used for the production of one unit of GDP in Azerbaijan and the amount of carbon dioxide in line with the appropriate indicator of member countries of the OECD, and this is important in terms of implementing the development goals of the millennium."

Along with this, in 2016, the government of Azerbaijan adopted strategic roadmaps on the main sectors of the economy (including agricultural production and processing; heavy industry and engineering. These Strategic Roadmaps also consider issues related to mitigation, low-carbon development and adaptation. The road maps include the following overall objectives: (a) effective adaptation, (b) social development and (c) mitigation. Achievement of these objectives will rely on efforts under way to strengthen the following issues: (1) governance and coordination, (2) capacity-building, (3) science, technology and innovation, (4) finance, (5) international cooperation, (6) information, communication and education, (7) monitoring and reporting.

Finalised in 2012, the Technology Needs Assessment (TNA) of Azerbaijan identified key technological needs for adaptation and mitigation. The TNA report focused on the followings types of barriers: (1) economic/financial, (2) policy/regulatory, (3) technology (4) environmental, and (5) capacity building and information. Following the identified technological needs, a technology action plan (TAP) was subsequently developed.

During previous years a number of donor-funded projects related to climate change mitigation and adaptation in Azerbaijan were implemented (e.g. EU, ADB, USAID, GIZ etc.). Most of projects provided capacity building on institutional arrangement and training for respective national stakeholders mainly on use of assessment and inventory methodologies. For example, ADB funded project focused on emission prognosis using LEAP modelling tool and within the project it was provided emission prognosis till 2050 in energy and transport sectors only. Therefore, there is needs to expand the capacity buildings to other sectors. Current CBIT project will incorporate lessons learnt from all past and on-going donor-funded project in climate change area.

Against this background, the following main gaps and barriers to develop an MRV system were identified in the first BUR and the latest National Communication:

- *Capacity*- limited awareness about the economic and environmental benefits of key cleaner energy technologies.
- *Social*- the likely perception by many stakeholders that MRV is solely a control instrument by the central authorities.
- *Economic and financial*- high investment costs, long payback periods, inappropriate financial initiatives and low tariffs all hinder the cost-effectiveness of the MRV system.
- *Technological*- limited knowledge of new technologies and expertise in research institutions are limiting factors when trying to set-up a robust and innovative MRV system.

The above addresses the 'significant' challenges Azerbaijan faces with respect to tracking progress towards its NDC commitments.

Azerbaijan communicated its Intended Nationally Determined Contribution (INDC) to the UNFCCC Secretariat on 29th September, 2015 and submitted its first NDC on the 9th of January 2017. Both documents were developed by a working group composed of all relevant state and non-state stakeholders and led by the Ministry of Ecology and Natural Resources. The country set an ambitious 35% GHG emission reduction target below 1990 levels.

The Government of Azerbaijan submitted its First, Second and Third National Communications in 2001, 2010 and 2016 respectively. In addition to the National Communications, Azerbaijan also submitted its First Biennial Update Report (FBUR) on 31st March, 2015. At present, efforts to prepare the Fourth National Communication (FNC) and Second Biennial Update Report (SBUR) are underway with the support of United Nations Development Programme (UNDP).

Gaps identified during the preparations of the First BUR, 3NC and INDC have been prioritized by the government and, in this regard, the Cabinet of Ministers of Azerbaijan leads the process of creating working groups on low-carbon development strategy and on adaptation planning, which are tasked to identify relevant follow up actions. These working groups include representatives from all relevant state ministries and agencies. Each from its own perspective, the various members of the working groups are interested in the opportunities offered by existing financial mechanisms, with a view of fulfilling the identified national needs in the area of climate change.

Azerbaijan's most significant challenge is its inability to track the progress of NDC implementation in accordance with the requirements in the Paris Agreement's Enhanced Transparency Framework. As both the NDC concept and the transparency framework in the Paris Agreement have been introduced recently, domestic implementation capacity is limited. The government of Azerbaijan has launched procedures for preparing sectoral NDC implementation strategies. However, these exclude transparency elements, as there is still no tracking system in place. There is an urgent need to increase both the awareness and capacities of relevant stakeholders, and of decision-makers responsible for implementing the NDC.

The current CBIT project will help to ensure transparency in fulfilment of sectoral commitments through the establishment of a national NDC tracking system to record and monitor sectoral mitigation actions. To do so, it will build on two ongoing initiatives:

- a UNDP-implemented project to prepare the country's second BUR, which includes the proposal of a domestic MRV system for the country;⁹this on-going project was approved in 2016
- a technical assistance project funded by the Climate Technology Centre and Network (CTCN) to develop vulnerability and impact indicators through an iterative process that involves consultations with a wide range of stakeholders (both at national and municipal levels).

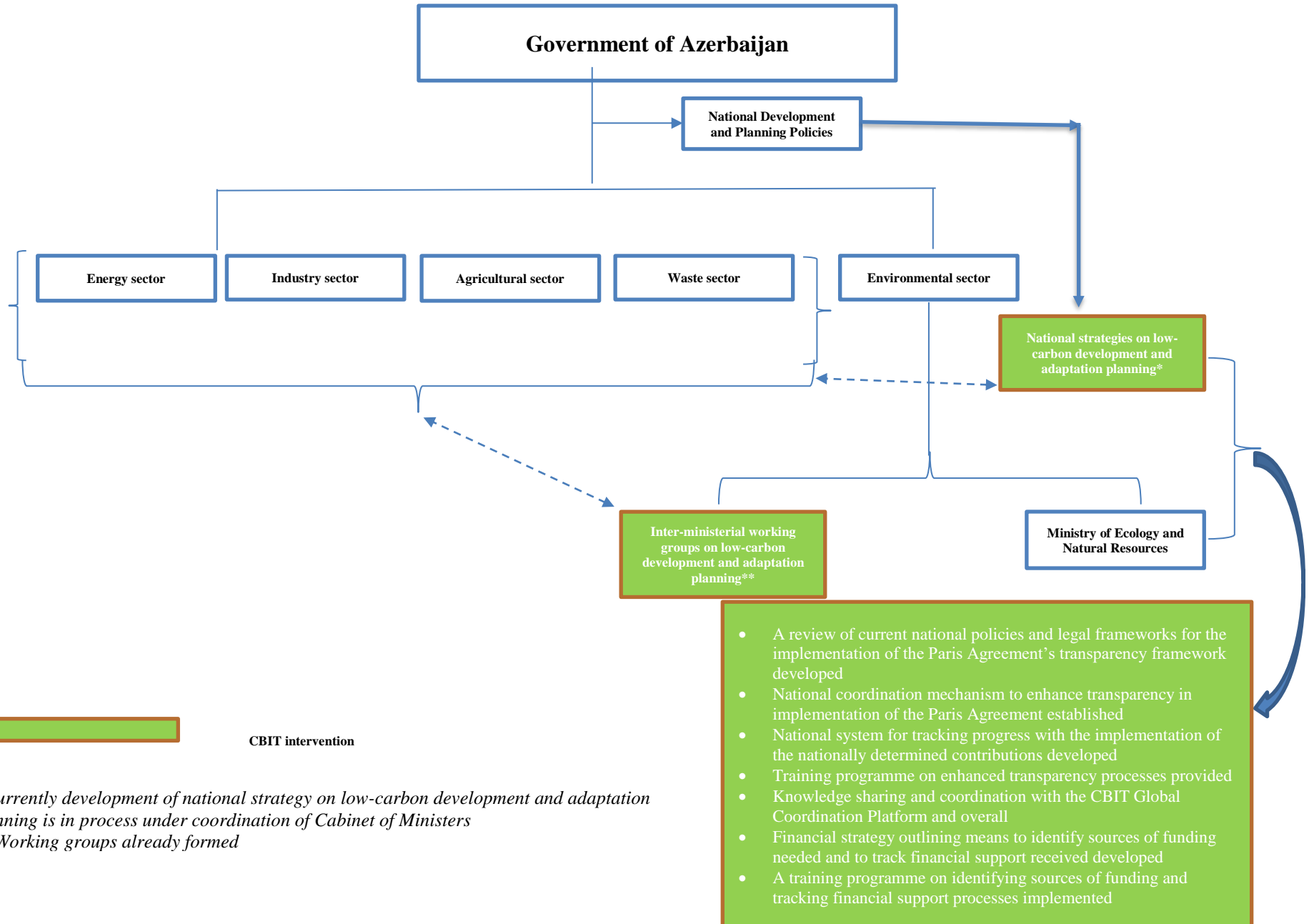
Under the UNDP project, a new MRV system will be piloted by 60 pre-selected entities (the country's main emitters – see the table in attachment 1). The goal is to expand this system in the future. However, there are still gaps in institutional arrangements, and institutional reforms call for new approaches to the way the MRV system should be designed.

- an on-going collaboration in Azerbaijan with the Green Climate Fund (GCF) Readiness Support Program to strengthen the National Designated Authority; enhancing Azerbaijan's capacity to implement mitigation and adaptation actions, support stakeholders' engagement and to galvanise private sector interests in national consultations and in the GCF financing mechanisms.

The current CBIT project will build on the baseline provided by these ongoing activities, leveraging from the lessons learned through them.

⁹ Currently, UNDP in Azerbaijan is implementing a GEF-funded project named "Development of Azerbaijan's Fourth National Communication to the UNFCCC and Second Biennial Reporting". The project will support the government of Azerbaijan through the Ministry of Ecology and Natural Resources to fulfil its obligations under the United Nations United Nations Framework Convention on Climate Change (UNFCCC), in particular to prepare its Fourth National Communication (FNC) and its Second Biennial Reporting (SBUR) in accordance with its commitments as a non-Annex I Party to UNFCCC. The UNDP project has specific actions related to improving capacities on emission projections, measurement, reporting and verification, as on the development of institutional arrangements.

The following chart presents the structure of the current institutional arrangement system for the transparency framework and proposes some new structures under the CBIT.



* Currently development of national strategy on low-carbon development and adaptation planning is in process under coordination of Cabinet of Ministers

** Working groups already formed

-The baseline scenario of the country capacity for climate finance transparency and tracking financial support needed and received:

In Azerbaijan, the Ministry of Economy tracks socio-economic and environmental actions on a yearly basis. The main purpose of this tracking is to appraise all sectoral achievements and synthesize them in a countrywide overview. According to the OECD, in 2016, 81% of the financial resources received came from multilateral development banks for Reconstruction and Development. The major contributors included the World Bank Group, the Asian Development Bank and the European Bank. 13% from bilateral (DAC member) banks, and 6% from climate funds and other multilateral institutions.¹⁰ However, Azerbaijan has limited experience with tracking its financial needs and finance received, and no system in place to track this information. The Ministry of Finance, the governmental entity managing the state budget, tracks all expenditures incurred by the state but there is no specific tracking of climate change finance. The only information available from line ministries and agencies is the information collected during the development of the NC and BUR reports. There is a need for an efficient system to assess financial support needs and track financial support received.

- Financial Support Received: Since joining the UNFCCC, the Republic of Azerbaijan has implemented a number of actions related to mitigation and adaptation, mostly using its own resources. The information on financial sources provided (for climate change mitigation and adaptation, and including capacity building activities), is not available in a structured manner. As a result, it is possible that some of the financial resources used have not been reflected in the data, especially when it comes to sector-specific resources.

- Financial Support Needed: The NDC document of the Republic of Azerbaijan clearly indicates all sectoral mitigation actions to be implemented. However, the NDC does not provide a financial strategy outlining the sources (both national and international) of funding required to implement those mitigation actions. As a result, relevant governmental, non-governmental and private stakeholders, representing the energy, industry, agriculture, and waste sectors, among others, lack a clear vision of the most appropriate financial strategy to identify sources of funding (both national and international), as well as to track received financial resources.

To address this need, the CBIT project will include a component aimed at conducting sectoral assessments of the financial resources needed to implement the NDC, which would make it possible to prepare a country-wide financial strategy for NDC implementation. Best international practice will be adopted, in close collaboration with all relevant sectoral institutions. The development of a financial strategy will be preceded by the preparation of a detailed list of considered mitigation actions by sector.

The Government of Azerbaijan is strongly interested in the opportunity to receive CBIT support for the development of a national coordination mechanism to implement the Paris Agreement's transparency mechanism, and a national system for tracking implementation of the country's Nationally Determined Contribution, including a financial strategy that identifies sources of funding and a mechanism to track financial support. This would help Azerbaijan break down climate change mitigation actions into bankable components, making it possible for the government to identify possibly sources of finance and develop appropriate financing strategies for each of the various mitigation actions.

¹⁰ "Green Action Programme ,OECD. 2016. Financing Climate Action in Azerbaijan 2016. https://www.oecd.org/environment/outreach/Azerbaijan_Financing%20Climate%20Action.Nov2016.pdf

3) The proposed alternative scenario, GEF focal area¹¹ strategies, with a brief description of expected outcomes and components of the project

The current CBIT project seeks to strengthen Azerbaijan's enabling environment and capacity to implement the Paris Agreement as well as facilitate the identification and tracking of financial resources available for the implementation of the Nationally Determined Contribution. Both elements are crucial for the country to be in a position to scale up its climate change mitigation efforts and to be able to fulfill its obligations under the Paris Agreement.

Outcome 1.1: - Enhanced institutional capacity to report and monitor progress of the implementation of Nationally Determined Contributions

This Outcome focuses on enhancing existing institutional arrangements in Azerbaijan, in the context of monitoring progress and reporting on NDC implementation. This output will support the following key accountability functions:

- Identifying additional steps to be undertaken by the end of the NDC implementation period;
- revealing synergies between the Sustainable Development Goals (SDGs) and the NDC goals;
- showing to what extent the requirements of the Paris Agreement have been fulfilled;
- providing transparent and comparable information to both national and international stakeholders.

To achieve the above key functions, it is imperative to initially strengthen the institutional capacity for reporting and tracking the progress of NDC implementation in Azerbaijan.

Output 1.1.1 A review of current national policies and legal frameworks for the implementation of the Paris Agreement's transparency framework developed

Transparency is a central issue in most processes under the UNFCCC. Indeed, transparency is key to ensure accuracy and comparability of elements such as emission inventories, mitigation actions reporting and emission scenarios.

Further to the adoption of the Paris Agreement, the Republic of Azerbaijan is required to step up its efforts to implement the Agreement's transparency framework. In this regard, a review of current national policies and legal frameworks and assessment of policy needs pertaining to transparency should be conducted. This assessment will touch upon three issues: institutional and human capacity needs associated with implementation of the Paris Agreement's transparency framework; required regulatory framework (and national policies in particular); and the gap between the needed and existing policies, legislation and regulations.

This review of current national policies and legal frameworks will help to identify current institutional and capacity needs for the establishment of an efficient and enhanced transparent tracking system. It will cover all aspects related to capacity, technology and financial needs required to set up a comprehensive tracking mechanism. It will include an assessment of relevant legislation and, based on the needs identified, new regulations or amendments to existing ones will be proposed when adequate. Such assessment is essential because the country currently lacks the experience required to track mitigation actions. For example, there are many mitigation actions implemented by the private sector that are not tracked at national level. More generally, it is important to understand how the new situation that emerges after the Paris Agreement can be translated into a policy framework that is conducive to implementing this Agreement, and how the needs identified can be addressed by the relevant project interventions.

The proposed scope of work aligns to the activities listed in the CBIT national programming directions: 18 (j).

¹¹ For biodiversity projects, in addition to explaining the project's consistency with the biodiversity focal area strategy, objectives and programs, please also describe which [Aichi Target\(s\)](#) the project will directly contribute to achieving.

Output 1.1.2 A national coordination mechanism to enhance transparency in implementation of the Paris Agreement established

At present, the overall coordination of the implementation of the Paris Agreement is conducted through the country's INDC Working Group, which is still in operation. However, an effective mechanism to coordinate transparency in reporting at the sectoral level is lacking.

Drawing on a review of current national policies and legal frameworks that will be developed under Output 1.1.1, the project will implement actions to set-up a national coordination mechanism to enhance transparency. This mechanism will encompass aspects of transparency related to the monitoring of emission reductions, the human capacities required to manage the mechanism, and the institutional capacities needed for the mechanism to be operational. It will be based on the best available international experience, as applied in developed and developing countries. This mechanism will follow a monitoring and evaluation (M&E) plan, and will be used to identify barriers to, and gaps in, policy implementation. The output from the implementation of the M&E plan will be documented and widely disseminated.

This Output will be focused on the followings: (1) establishing a revised institutional arrangement; (2) operationalizing a collaborative mechanism (MOUs) across government agencies; (3) operationalizing a national system for tracking NDC progress and (4) delivering training and capacity development programmes to new and existing teams.

The proposed scope of work aligns with the following activities listed in the CBIT national programming directions: 18 (a).

Output 1.1.3 National system for tracking progress with the implementation of the nationally determined contributions developed

The current national system for data management is rudimentary, not systematic and not efficient in tracking mitigation actions. In addition, there are challenges associated with data management for the emissions inventory, which is not online. At present, the mechanism of emission reporting is simple, relies on submissions by relevant entities to the national institute of statistics and lacks a verification mechanism. An improved national system for data management is badly needed.

Currently, the system used to track economic development actions implemented within different projects and programmes is coordinated by the Ministry of Economy. It tracks socio-economic and environmental actions with the aim of having a countrywide overview of the yearly achievements. This system is not linked to any climate change mitigation actions, and does not track the achievement of governmental targets stated in long-term sustainable development programs. A slightly different approach is needed for tracking NDC progress, compared to the existing MRV mechanism led by the Ministry of Ecology and Natural Resources. The improved system will continue to be led¹² by the Ministry of Ecology and Natural Resources and will mainly focus on climate change mitigation actions towards implementation of NDC commitments.

To increase the efficiency of the national coordination mechanism, the existing MRV mechanism will be integrated into the national M&E system at the national, sectoral and district levels, wherever possible. To achieve this goal, two activities can be suggested:

- 1) Indicators for mitigation actions, effects and co-benefits for key policies and measures will be developed by a group of national experts under the coordination of the Ministry of Ecology and Natural Resources for inclusion in the national M&E framework. The same group of national experts will also develop MRV/M&E framework templates to be incorporated into the existing reporting template. The M&E framework will track the implementation of national and sector policies and programmes and report annually on their progress. The

¹² CBIT will propose the elements of the tracking system and is up to the county government to decide upon them. For example about which ministry should be the coordinating body.

annual report will then become the main M&E framework for tracking of mitigation actions and their GHG impacts and co-benefits.

2) Setting up an online national climate change data hub. The data hub will constitute an online dashboard for Azerbaijan’s climate reporting. The proposed “national climate change data hub” will be an integrated data management system, enabling Azerbaijan to track all sectoral actions as well as non-state actors towards NDC commitments. There will be a working group unit responsible for the hub, to collect the data from the relevant entities and upload it.

The figure below shows the relationship between the MRV and the M&E systems.

Monitoring and evaluation (M&E) and Monitoring, Reporting and Verification (MRV)			
	Governance	Objectives	Outputs
Monitoring and Evaluation	<p>Rationale linked to domestic policy-making:</p> <ul style="list-style-type: none"> - support policy planning - facilitate learning <p>Scope and frequency determined by domestic needs</p>	<p>Analyze individual issues that are of interest for domestic policy-making, at any time of the policy cycle</p> <p>Consult and secure buy-in from domestic stakeholders</p>	<p>Greenhouse-gas emissions data</p> <p>Policy evaluation evidence:</p> <ul style="list-style-type: none"> - barrier and gap analysis - quantification of co-benefits
Monitoring, Reporting and Verification	<p>Rationale linked to accountability with regard to the UNFCCC :</p> <ul style="list-style-type: none"> -common but differentiated responsibilities; -fairness and ambition. <p>Scope and frequency (in certain cases) determined by UNFCCC COP decisions.</p>	<p>Provide an overview of climate change mitigation goals, progress with implementing those goals and the difficulties encountered.</p> <p>Contribute to implementing the provisions of the Paris Agreement</p>	<p>Summary report (in the context of the technical analysis conducted as part of the International Consultation and Analysis (ICA))</p> <p>Reporting on:</p> <ul style="list-style-type: none"> -support needed and received -mitigation actions

The proposed scope of work aligns to the following activities listed in the CBIT national programming directions: 18 (d) and (e).

Output 1.1.4 Training programme on enhanced transparency processes provided

Limited human capacities and skills remain a major problem for the government agencies involved in preparing the national emissions inventory, emissions scenarios, and related reporting activities. For this reason, training programmes will be prepared and delivered to increase the skills of the relevant national experts. National Research institutes and academia will be invited to contribute with the coordination body, the Ministry of Ecology and Natural Resources, in developing the training materials.

This Output addresses the barrier of the limited awareness at the local level. It does so by developing the training materials and developing short-term courses for the all relevant stakeholders. It focuses on training of trainers. The training programmes will be expected to address current gaps in capacities within all relevant sectoral institutions.

All related sectoral stakeholders involved in climate change mitigation will benefit from capacity building training sessions, including non-governmental organizations, the private sector, and academia. The main training topics will be GHG inventory development, assessment of tracking of the effects of mitigation actions, mitigation actions and their

effects, mitigation and adaptation policies, appraisal of the impact of the support received, and identification assessment of the additional of support needed.

To envisage the sustainability of the training programs, all the materials will be documented and submitted to the Ministry of Ecology and Natural Resources and available to all relevant stakeholders. A ‘knowledge management unit’, including a group of national experts, responsible for training activities, will be established at the Ministry of Ecology and Natural Resources, to provide continuous training support to stakeholders. The main target groups have been specified in table 2-Stakeholders.

The proposed scope of work aligns to the following activities listed in the CBIT national programming directions: 18 (e).

Output 1.1.5 Knowledge sharing and coordination with the CBIT Global Coordination Platform

All the documents and outcomes from the CBIT Azerbaijan will be shared via the Global Coordination Platform and be publicly available for other countries. The data and documents in Azerbaijan will be collected by the climate change data hub. The benefit of knowledge exchange between countries via the platform will:

- Enable coordination, maximize learning opportunities, and facilitate transparency enhancements;
- Encourage other countries, the GEF Partner Agencies, and other relevant entities and institutions with related programming activities to enhance national, multilateral, and bilaterally supported capacity-building initiatives;
- Facilitate the coordination of transparency-related initiatives and support (e.g. donor supporting efforts).

Outcome 2.1: Enhanced institutional capacity to identify sources of funding and to track financial support

The current institutional set-up in Azerbaijan is not designed to track financial flows for climate change-related purposes. This is true both for the tracking of existing financial flows as well as for the budgeting of future activities, notably the implementation of actions to achieve NDC goals. Specific governance arrangements are required for: (1) identifying the roles and responsibilities of the different government actors, including coordination mechanisms; (2) the ‘tagging’ of climate finance already at the budgeting stage, and (3) the financial oversight rules applied to identifying the finance flows during implementation of activities. Clear and consistent tracking of climate change related financial flows will help Azerbaijan in its interaction with finance and planning agencies to achieve stronger results and a more trustworthy process, both internally and in relation to external stakeholders, particularly donor and private-sector financiers.

To ensure successful implementation, it will be important that the financial management entities in Azerbaijan are properly trained to follow international fiduciary standards as well as international good practice principles, with a view to ultimately facilitating dialogue with, and scrutiny by, domestic or international actors.

Integrating climate change priorities into the national budget cycle is one of the central objectives of the governance arrangements to be developed. Doing so is expected to help mobilise international finance. However, to achieve this a number of measures are required, namely: revising guiding principles for budget formulation and investment appraisal; piloting new budget transparency and accountability measures, including through the national parliament; developing guidelines for interaction with civil-society organisations and the media, and bringing climate change subjects forward in important budget documents¹³.

Lessons learned and capacity improvement for the previous donor funded project will be used for designing the two following outputs. For example, the information on the institutional arrangements for the existing donor procedures/guidelines for tracking, reporting and verifying the support received for climate change mitigation and adaptation in Azerbaijan will provide good baseline for outlining the financial strategy for identifying sources of

¹³ Bird *et al.* 2012.

funding needed and track the supports received. In addition, information on implemented capacity buildings activities related to tracking MRV and finance will help to assess the gaps and better design the training programmes for financial tracking system.

The following two outputs below cover the above points:

Output 2.1.1 Financial strategy outlining means to identify sources of funding needed and to track financial support received developed

“Financial strategy” considers all financial support provided by all relevant actors in the context of a specific mitigation action. At present, the government’s sectoral strategies lack the detail required to attach financing proposals to them. As a result, expected or even potential sources of finance (national or international) are not indicated, which hampers the ability to implement the strategies. An ongoing GCF Readiness and Preparatory Support project will identify sectoral needs for finance, which the GCF might be able to provide to Azerbaijan. The CBIT project will draw on the activities under way to implement this GCF project, notably the review of financial needs at the sectoral level, and will complement the GCF project by providing greater detail on financial needs (i.e. at the level of NDC goals and targets).

To this end, a thorough analysis needs to be conducted to

- (1) identify and assess existing national systems and protocols to measure and track financial flows;
- (2) identify the institutional arrangements for the existing donor procedures/guidelines for tracking, reporting and verifying the support received for climate change mitigation and adaptation in Azerbaijan;
- (3) identify the gaps and barriers for the implementation of existing systems.

The aforementioned analyses will be conducted for two categories of finance: financial support received and financial support needed.

The relevant activity to Enhanced institutional capacity to identify sources of funding and to track financial support will be:

- 1) Identify and assess existing national systems and protocols to measure and track the financial flows, and identify the institutional arrangements for the existing donor procedures/guidelines for tracking, reporting and verifying the support received towards climate change mitigation and adaptation in Azerbaijan.

The Finance Ministry in Azerbaijan coordinates the identification and tagging of public financial flows, whether originating from national budget or international donors. A ‘Climate Finance Unit’ is proposed to be established at the Ministry of Finance, which will be responsible to collect the data from all the relevant stakeholders. Data from non-state actor resources will be collected and analyzed as well. The working group will also identify existing systems for tracking climate finance in collaboration with ministry staff, initially by requesting any existing relevant logs or reports and comparing these with central donor contributions to Azerbaijan over the past 3 years as registered by OECD DAC, MDBs and UNFCCC to assess the effectiveness of current systems.

In collaboration with the Ministry of Finance¹⁴, an analysis of both in-flow (national and international sources) as well as budgetary outflows will be made to establish the final scope of analysis, i.e. whether the current systems for identification of public climate finance flows can remain within the ministry of finance or must be broadened to line ministries and agencies.

- 2) Identify the gaps and barriers for the implementation of these existing systems.

An initial challenge for the design of a climate change budget is that climate change is not recognized as a category of public expenditure under the UN classification system of the functions of national governments, which would allow an automatic compilation of relevant spending. As a result, a manual examination of budget spending, potentially leading to a tailored budget tracking tool, is required if climate change-relevant expenditures are to be identified. Such a tool may have to adopt a specific definition of climate finance to ensure consistency. Tracking

¹⁴ The government has to agree to assign the ministry of finance for this task.

should ideally also include comparisons to reporting by institutions from which climate finance may originate in order to ensure consistency.

Less rigorous approaches may be adopted and it will be determined whether Azerbaijan, being generally resource constrained, has appropriately balanced ambition and resources in its choice of approach to tracking climate finance. This will be clarified through interviews with staff from the Climate Finance Unit at the Ministry of Finance in parallel to work performed under points 1.

General resource requirements based on experience from other developing countries through the Climate Public Expenditures and Institutional Review (CPEIR) with support from UNDP (e.g. Nepal (ODI, 2011)) or more recently EU GCCA¹⁵ in Seychelles for tracking systems will be compared to resources available in Azerbaijan.

Barriers may also be institutional and relate to liaising with line ministries if and when necessary for such recording purposes as clarified under points 1. This will be clarified through interviews with relevant ministries.

3) Evaluate different options for the improvement of existing MRV systems and propose guidelines to establish a national mechanism to track finances received towards climate related activities and enable tracking of national budgetary expenditure on climate change.

Ideally, the system to track climate finance must characterize financial sources as domestic, bilateral or multilateral, divided into financing instruments (grants, concessional loans, non-concessional loans as well as in-kind contributions), and tag these with purpose of the finance. Such tagging can follow CPEIR principles, should differentiate between mitigation and adaptation purposes, and identify the finance flow¹⁶ as recurrent spending or investment. Climate finance originating outside Azerbaijan will partly follow the definition attributed by any donor, while it will also be analyzed if and how contributions are reported to OECD DAC, recorded by Multilateral Development Banks (MDBs) and/or recorded established UNFCCC procedures.

Azerbaijan does not have an existing system of tracking international climate finance and it is believed that improvements of the current system may relate to either national financial flows with climate relation in general and/or to the tracking of private climate finance.

4) Identify the resources for pilot-testing of the improved MRV system including a timeline for the implementation of the MRV framework

Pilot testing of the improved system will be discussed with staff from the Ministry of Finance and the Climate Finance Unit. Relevant staff will use the system over a period of 6 weeks (pending resource availability).

5) Present the findings and orient the stakeholders for the proposed guidelines on climate finance tracking

6) Collect feedback from stakeholders and revise the proposed guidelines as per the stakeholder consultation

The proposed scope of work aligns with the following activities listed in the CBIT national programming directions: 18 (i).

Output 2.1.2 Training programme on identifying sources of funding and tracking financial support processes

Successfully developing a financial strategy for identifying the types and amounts of funding needed, and setting-up a system for tracking financial support received will require improved capacities on the part of the government agencies tasked to maintain the financial transparency system. The training programme to be implemented under this project is

¹⁵ Global Climate Change Alliance

¹⁶ Financial flows fall in four categories in two dimensions: public or private, and national or international, and the identification must follow this logic in order to be complete.

expected to fully address these gaps in capacities in all relevant sectoral institutions. The training program for the expert in relevant sector focuses to increase capacity on identifying sources of funding and tracking financial data, financial transparency,

The material will be developed by a group of experts (national experts, academia and research institutes) collaborating with the coordinating entity, Ministry of Ecology and Natural Resources. As for the training in Component 1, to ensure the sustainability of the training programs all the materials will be documented and submitted to the Ministry of Ecology and Natural Resources and available to all relevant stakeholders. A 'knowledge management unit', including a group of national experts, responsible for training activities, will be established at the Ministry of Ecology and Natural Resources, to provide continuous training support to stakeholders. The main target groups have been specified in table 2-Stakeholders.

The proposed scope of work aligns with the following activities listed in the CBIT national programming directions: 18 (e) and (i).

4) Incremental/additional cost reasoning and expected contributions from the baseline, the GEFTE, LDCF, SCCF, CBIT and co-financing

Climate change is a priority area for Azerbaijan. Azerbaijan actively participates in climate change negotiations and supports all global efforts to curb climate change. Even though the country did not have any quantitative emissions reductions commitments under the Kyoto Protocol, in recent years, it has implemented a number of measures to mitigate climate change. Upon ratification of the Paris Agreement, Azerbaijan has undertaken an ambitious target to reduce emission level by 35% by 2030, compared to a 1990 base year.

The features in the Enhanced Transparency Framework to track the progress of the NDCs illustrate a robust challenge for all developing countries. The NDC agreement is about the transparency and the clarity of the information provided about GHG emissions and the progressive effective implementation of these actions as much as is about the ambition of the mitigation actions.

The current CBIT project will design country driven GHG inventory system and methodologies for a domestic MRV system, essential to achieve the global goal to restrict "the increase of global average temperature to well below 2°C above pre-industrial levels, following efforts to restrict the temperature increase to 1.5°C above pre-industrial levels".

The CBIT project will complement activities of the international efforts in Azerbaijan, including the GCF, CTCN and TNA and UNDP Second BUR project in which new MRV system is considered to be applied. None of the aforementioned project will ensure to increase required capacities for Azerbaijan's NDC tracking progress. In short, the current project will be the only tool at the disposal of the government to meet the Paris Agreement by tracking NDC implementation progress, in accordance with the provisions contained in the Enhanced Transparency Framework. National capacities to implement the Paris Agreement's transparency framework are largely insufficient at present. While the government is committed to doing so, and some modest steps have been taken, the resources required are unavailable.

This CBIT project will address transparency gaps identified through; for example; the ICA process by strengthening institutional arrangements, enhancing the GHG inventory and MRV systems, and tracking climate finance and local capacity development. These improvements will allow Azerbaijan to ensure the quality and efficiency of the next BURs elaboration based on better data collection and processing.

The CBIT programme is designed to improve mandatory reporting of signatories of the UNFCCC. As such, this project is financed on a full-agreed-cost basis. In the case of this programme, eligible activities have been described in the GEF document Programming directions for the Capacity Building Initiative for Transparency (GEF/C.50/06). The activities of this project are consistent with the scope of relevant programming directions. Co-financing is not a necessary requirement for this project, however there is a foundation of activities that are considered co-financing and

have been included in table C. Thus, the Ministry of Ecology and Natural Resources will provide in-kind contributions consisting of venue and facilities to organize some of events envisaged in the current project. In addition, the Ministry will provide the necessary human resources, notably by involving relevant experts during the project implementation cycle.

5) Global environmental benefits (GEFTF) and/or adaptation benefits (LDCF/SCCF);

Upon ratification of the Paris Agreement, the government of Azerbaijan started domestic procedures to identify sectoral strategies for fulfilling the commitments undertaken. It has already established working groups representing all relevant sectors, with objective of developing the “National Strategy for Low carbon development” and the “National Adaptation Plan”. Despite of this, capacity at all levels – starting from expert level to decision-makers level remain weak. Lack of capacities mainly emerge in issues related to projecting sectoral emissions and tracking adequate mitigation actions for both governmental and non-governmental stakeholders. In addition to formulating national and sectoral strategies, there is also a need for undertaking integrated emissions projections and improving transparency to track climate change mitigation actions. In this regard, the current project is vital and will support the setting-up of an efficient tracking system that will help the country to increase ambitions in future. The project will monitor an additional indicator for the qualitative assessment of the institutional capacity built with regard to transparency-related activities under Article 13 of the Paris Agreement. The baseline and target will be set during the project development phase, following the scale of 1-4 as per the guidance of the CBIT programming direction in the Annex IV: Indicator for qualitative assessment of institutional capacity for transparency- related activities.

This project is linked to the GEF-6 climate change mitigation focal area Indicator 3 on MRV systems for emissions reductions in place and reporting verified data. The indicator has 10 levels and the baseline and target will be set during project development.

6) *Innovation, sustainability and potential for scaling up.*

This project is based on a thorough baseline analysis. It builds on the existing regulatory and policy framework, institutional arrangements, technical capacities, monitoring tools and social processes, addressing the barriers that hinder fulfilment of the Article 13 of the Paris Agreement and taking into account ongoing and planned complementary projects. This project is sustainable because it builds on lessons learned from previous initiatives, and it brings into the national institutions and the expertise that initially existed within external consultants and it tries to maintain the capacities even with turnover of staff, through the development of long-lasting institutional arrangements.

Innovation:

Developing and operationalizing a cost effective MRV system that will be integrated into the current national development M&E structure (as opposed to setting-up new layers of institutional structures) is seen as an innovative, cost-effective and a sustainable approach to undertaking MRV activities at all levels in Azerbaijan (that is, at the project, sector and national levels). A key focus is the design of an MRV structure that can be integrated into the existing system, that it is user friendly and acceptable to the identified relevant institutions in Azerbaijan, and that it fulfills all essential requirements for MRV, as stipulated in the Paris Agreement’s transparency framework.

Azerbaijan's MRV system will seek to ensure that current sectoral and national M&E system are designed such that:

- greenhouse gas emissions or reductions attributed to a particular mitigation action (policy, programme, measure or project) are effectively monitored;
- climate-related support provided by the Government of Azerbaijan or received from donors or the market in the form of finance, technology transfer and capacity to enable implementation of a certain action (or as a result of an action taken in a particular sector of the economy) is effectively monitored;
- sustainable development benefits of mitigation actions are effectively tracked and documented.

Due to the fact that the proposed MRV system will be integrated into the existing structures, it will not require a new law in order to be implemented. Rather, it will be possible to make the system operational under the existing legal framework, which is an innovative approach, and can ease substantially all aspects of policy implementation.

Another innovative aspect of the project is the development of a national system for tracking progress of the NDC. The experience gained with implementing this system will be of use in the context of reporting on the performance of other strategies and plans. Similarly, the experience associated with the preparation of a financial strategy detailing the types of finance required and the potential sources for this finance and making it possible to track financial support received can be of use in other sectors.

Sustainability

With regards to sustainability, the project will enable Azerbaijan to continually monitor, report and verify its mitigation and adaptation climate actions, thanks to the implementation of a sustained and transparent MRV system. Capacity gaps will be identified at the outset of the project, and a team of external experts will provide in-country training to ensure the long-term sustainability of the project. Likely future reporting priorities and related measures will be explored, so as to minimize the need to implement new tools in the future.

Specifically, the following components will secure the sustainability of the project:

- Once the national tracking system has been piloted and tested in the selected sectors, an assessment will help determine the system's performance in the selected sectors; as well as the sustainability of the associated institutional set-up, including computer-based tools and processes, and data collection templates and guidelines. Regular revisions of these guidelines, templates and tools will be needed before the system can be transferred to other sectors;
- A robust national system for generating and storing data on time;
- The Ministry of Ecology and Natural Resources, as the coordinating body, will spearhead the transparency effort, notably vis-à-vis line ministries. Further, it will conduct training to relevant staff, notably with regard to new guidance in international transparency processes.

The proposed project components are aligned with the design of the system, which ensures that core goals are pursued in an effective manner. The design of the system is such that it makes it possible to strengthen it and scale it up over time. Not least, it is expected that the development of a national system for tracking progress with the implementation of the country's Nationally Determined Contribution and financial support received will promote sectoral units to improve transparency in their own mitigations actions.

Potential for scaling up:

In sum, the project has substantial potential for scaling up, taking into account its national and cross-sectoral scope, covering sectors and actions related to emissions, mitigation, support, and adaptation. For instance in the energy sector the current project would cover the most common renewable energy and energy efficiency technologies. The experience gained with this work (e.g. data collection, monitoring, stakeholder consultation, data management and documentation, tools and so on) would allow Azerbaijan to scale up the approach to other less common technologies.

The comprehensive monitoring approach of the project will be conducted at different scales, comprising the regional planning units of the country and the municipal levels. Moreover, the project is aiming to learn from previous experiences and share its experiences at the international level. The project will promote that Azerbaijan actively exchanges lessons learned with regional peers, such as Georgia, currently preparing a CBIT project, and other neighbouring countries. Azerbaijan will participate in regional and global platforms and networks providing and receiving inputs, such as the CBIT Global Coordination Platform.

2. Stakeholders. Will project design include the participation of relevant stakeholders from [civil society organizations](#) (yes /no) and [indigenous peoples](#) (yes /no)? If yes, identify key stakeholders and briefly describe how they will be engaged in project preparation.

Name of key stakeholders	Responsibility/expertise	Role in the project
Ministry of Ecology and Natural Resources	The Ministry is a Designated National Authorities (DNA) to UNFCCC and leads climate change-related activities in the country	As the Executing Agency, the Ministry will be a key project beneficiary and partner, it will play as well the role of coordinating the project activities among other stakeholders. The staffs will receive trainings on MRV and Climate finance.
Ministry of Economy	The Ministry leads economic policy in the country and supports low-carbon industrial development	The Ministry will be mainly involved in the activities related to the development of a national system to track the implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV and Climate finance.
Ministry of Agriculture	The Ministry leads agricultural policy in the country and has expertise in climate change mitigation and adaptation in the area of Land use, land-use change, and forestry (LULUCF)	The Ministry will participate in both components mentioned above The staffs will receive trainings on MRV and Climate finance.
Ministry of Finance	The Ministry leads financial policy in the country and supports initiatives related to climate change mitigation and adaptation in the country.	The Ministry will be mainly involved in the activity related to the preparation of a financial strategy, outlining means of identifying sources of funding and tracking financial support received. The staffs will receive trainings on MRV and Climate finance.
Ministry of Transport, Communication and High Technologies	The Ministry coordinates transport policy and has expertise in the development and implementation of a low-carbon transport strategy in the country.	The Ministry will be mainly involved in the activities related to the development of a national system to track implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV and Climate finance.
Ministry of Energy	The Ministry coordinates energy policy and has expertise in the development and implementation of a low-carbon energy and energy-efficiency strategy in the country.	The Ministry will be mainly involved in the activities related to the development of a national system to track implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV and Climate finance.
State Oil Company of Azerbaijan Republic (SOCAR)	A state owned company, SOCAR focuses on oil and gas production, transport and sale. SOCAR has expertise in the development and application of low-carbon strategies in the oil and gas sector	The company will be mainly involved in the activities related to the development of a national system to track implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV and Climate finance.

Azerenergy OSC	A state-owned company, Azerenergy OSC concerns itself with oil-gas production, transport and sale. Azerenergy OSC has expertise in the development and application of low-carbon strategies in the oil and-gas sector	The company will be mainly involved in the activities related to the development of a national system to track the implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV and Climate finance.
State Agency on Renewable and Alternative Energy Sources	The Agency leads national policy efforts in the area of alternative energy and has expertise in the development and application of renewable and alternative energy strategies and initiatives	The agency will be mainly involved in the activities related to the development of a national system to track the implementation of the Nationally Determined Contribution. The staffs will receive trainings on MRV.
National Academy of Sciences	The Academy leads scientific-research activities in the country and has expertise in climate change-related research	The Academy will be involved in the activities related to the development of methodologies and training programmes.
Non-governmental organisations	NGOs play an important role in the formulation and implementation of climate change policy in the country	Relevant NGOs and other non-state actors will be engaged for the development of all project activities. These will include NGOs working on gender and climate issues such as: International Dialogue for Environmental Action (IDEA); Ekoleks Ecological Juridical Center and Azerbaijan's Green Movement. The staffs will receive trainings on MRV.

3. *Gender Equality and Women's Empowerment.* Are issues on [gender equality](#) and women's empowerment taken into account? (yes /no). If yes, briefly describe how it will be mainstreamed into project preparation (e.g. gender analysis), taking into account the differences, needs, roles and priorities of women and men.

Based on previous experience with past projects/programs on climate change, it could be noted that participation of women in climate change related initiatives in the country is suboptimal. In order to improve this situation, it is planned to consider gender mainstreaming in all project activities. In particular, gender participation will be a key criterion in the context of capacity building events and seminars, and all relevant stakeholders will be made aware of this requirement.

The Government of Azerbaijan acknowledges the need to ensure fair and full participation of women and men at CBIT GEF-6 all levels of development. Thoughtful efforts will be employed to ensure that the barriers that prevent full and effective participation of women and men in all sectors are removed. Therefore, this project will leverage the advancement that Azerbaijan has made in gender equality and empowerment of women in political, economic and social spheres.

The project will include women in its design and implementation phases, from the project board and project management team to consultants, and from training to active participation in consultation workshops. In this sense, project management and monitoring will be gender-sensitive, including gender-disaggregated indicators showing who is involved and whose views are represented.

The project will develop a gender-responsive results-based framework during the PPG design phase which is based on the CBIT Programming Directions and GEF Policy. Gender considerations will be cross-cutting in this project, in terms of both its products and its processes. Indeed, with its focus on transparency, shedding light on how women and

men participate in climate change-related decision-making, the project will contribute to women’s equal engagement in, and benefit from, climate change activities.

Gender analyses will be conducted for all workshops and webinars. An initial analysis of the national experts will be undertaken and the results of these analyses will become available and will be combined into the project communications and documentation. Throughout the project, the team will try to ensure an equal gender balance and will, to the extent possible, communicate the significance of maintaining gender equality.

The relevant governmental agency responsible for women and gender issues is *The State Committee for Family, Women and Children’s Issues*. The State Committee will spearhead this particular activity, working together with relevant non-governmental organizations (NGOs) including:

- International Dialogue for Environmental Action (IDEA);
- Ekoleks Ecological Juridical Center;
- Azerbaijan’s Green Movement

4 Risks. Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable).

Identified risks can be grouped into 3 categories: institutional, technical and political as presented in the table below.

Project Risk	Rating	Mitigation
<i>Institutional</i>		
Poor institutional coordination	Medium	In recent years, the country had a good experience putting in practice the INDC Working Group for the preparation of NDC implementation. It was an effective tool to help establish coordination channels. Along with this, the project steering committee will be in charge of briefing all relevant stakeholders and supporting effective institutional coordination.
Some sectoral institutions do not show interest in participation in project interventions	Medium	As the coordinating institution, the Ministry of Ecology and Natural Resources will conduct regular consultations and negotiations with key relevant institutions, to explain the importance of the planned project interventions.
Some sectoral institutions do not have long-term development strategies	Low	Recent Strategic Roadmaps have created a good path for all sectors to develop long-term sectoral development strategies.
<i>Technical</i>		
Lack of skill and capacities of sectoral institutions	Medium	This shortcoming will be addressed by developing targeted capacity building approaches for different sectors and also for different skill sets.
Lack of available data or access to information	Medium	To address this risk the project will make use of all relevant databases and collaborate with a wide range of institutions involved in climate change issues. Where data cannot be identified, proxies from countries experiencing comparable situations will be used.
<i>Political</i>		
Lack of political buy-in on the importance of transparency and long-term planning tools	Medium	Regular communication with sectoral institutions through working groups and the Project Steering Committee will serve to increase the buy-in by high-level officials.

Lack of political buy-in on spending for allocating budget for transparency	High	Current financial shortcomings due to the oil price crisis may lead the government to neglect the preparation of a financial strategy to identify sources of funding for NDC implementation. Nonetheless, through effective communication on the possibilities associated with the use of the different financial mechanisms within the UNFCCC, it is expected that this risk can be managed effectively. For this reason, it is important that the training programmes touch upon this issue, possibly with references to the Green Climate Fund.
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5. *Coordination.* Outline the coordination with other relevant GEF-financed and other initiatives.

The Ministry of Ecology and Natural Resources of Azerbaijan, who will be the Executing Agency for the project, has sound experience in coordinating climate change-related initiatives in the country. As for all previously implemented projects/programs, the Ministry has closely coordinated all interventions with key stakeholders. This was done through the setting up of Working Groups and Project Steering Committees, representing all relevant sectors.

The same approach will be applied for this CBIT project, for which UN Environment will be the Implementing Agency. It is planned to establish a Project Steering Committee at the beginning of the project, representing all relevant sectors. Representatives of on-going GEF-financed projects (“NAMA for low-carbon end-use sectors in Azerbaijan”, “Development of the Fourth NC and Second BUR”, and any future relevant projects) will be also invited to all project events, to share experience and lessons learned in similar climate change-related undertakings. Additional Working Groups will be set-up throughout the project cycle, as relevant.

It is envisaged that some activities of the current project will be coordinated with the on-going GEF project - “Development of the Fourth NC and Second BUR”. This project is aiming to support the government of Azerbaijan through the Ministry of Ecology and Natural Resources to fulfil its obligations under the UNFCCC, in particular to prepare its Fourth National Communication (FNC) and its Second Biennial Reporting (SBUR) in accordance with its commitments as a non-Annex I Party to the UNFCCC. The CBIT project activities related to the formation of a national system for tracking progress with the implementation of the nationally determined contributions could be coordinated with the Activity 2.2.3. (Prepare a roadmap and set of recommendations to achieve the INDC target submitted to the UNFCCC) under the “Development of the Fourth NC and Second BUR” project.

6. *Consistency with National Priorities.* Is the project consistent with the National strategies and plans or reports and assessments under relevant conventions? (yes /no). If yes, which ones and how: NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, INDCs, etc.

The current project is well-aligned with the national socio-economic and environmental priorities of the Republic of Azerbaijan. Notably, the project goals are fully consistent with the broad policy directions included in “Azerbaijan 2020: Vision to Future”, the national development blueprint. Similarly, the various sector-specific Strategic Roadmaps, laying out key policy priorities for the main sectors of the economy, reflect the need to reduce greenhouse gas emissions, as contemplated in the country’s NDC.

The proposed project is considered as significant contribution to the country with regard to its ability to implement the Paris Agreement’s transparency framework. Additionally, intended project activities related to development of an MRV system will help the country to meet the associated UNFCCC requirements.

The current project is well aligned with TNAs, BURs, NCs and INDC as earlier indicated.

7. *Knowledge Management.* Outline the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives, to assess and document in a user-friendly form, and share these experiences and expertise with relevant stakeholders.

According to its role as the responsible sector for coordinating climate change actions in the Republic of Azerbaijan, the Ministry of Ecology and Natural Resources will be responsible for managing all project documents and for implementing and managing the national transparency system. As such, it will have a special focus on preparing capacity-building materials that result from this project, and making them available to the wider public. During the design and consolidation of a national transparency system it will be necessary to consider methodologies and previous experiences with regard to information tracking.

Applying cutting-edge software to improve the user-friendliness and effectiveness of the reporting process is a central aspect of knowledge-management efforts for the project. Such software can strongly facilitate the management and archiving of relevant data, and help secure regularity with the data compilation process, while facilitating efforts to make data accessible in a user-friendly format

Furthermore, the Republic of Azerbaijan will participate in the CBIT global coordination platform and other relevant platforms and networks, providing and receiving inputs. The project proposal will therefore define how national CBIT information can be shared and updated at the level of the global coordination platform. Sharing lessons learned and experiences under the platform will ensure alignment of this CBIT project with related national, regional and global transparency initiatives.

Close collaboration with other on-going climate change related projects (namely the ongoing projects “NAMA for low-carbon end-use sectors in Azerbaijan”, and “Development of the Fourth NC and Second BUR”, and the up-coming projects GEF-funded project on Readiness Support) is planned, as outlined above. Finally, it is planned to establish a mechanism for information sharing and for the exchange of experience in related issues.

PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)

A. RECORD OF ENDORSEMENT¹⁷ OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):

(PLEASE ATTACH THE [OPERATIONAL FOCAL POINT ENDORSEMENT LETTER](#)(S) WITH THIS TEMPLATE. FOR SGP, USE THIS [SGP OFP ENDORSEMENT LETTER](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Mr. Huseingulu Bagirov	GEF Operational Focal Point	MINISTRY OF ECOLOGY AND NATURAL RESOURCES	09/13/2017


B. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies¹⁸ and procedures and meets the GEF criteria for project identification and preparation under GEF-6.

Agency Coordinator, Agency name	Signature	Date (MM/dd/yyyy)	Project Contact Person	Telephone	Email

¹⁷ For regional and/or global projects in which participating countries are identified, OFP endorsement letters from these countries are required even though there may not be a STAR allocation associated with the project.

¹⁸ GEF policies encompass all managed trust funds, namely: GEFTF, LDCF, SCCF and CBIT

Kelly West, Senior Programme Manager & Global Environment Facility Coordinator Corporate Services Division UN Environment		May 30, 2018	Geordie Colville Climate Change Mitigation Portfolio Manager	+254 713601293	geordie.colville@un.org
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C. ADDITIONAL GEF PROJECT AGENCY CERTIFICATION (APPLICABLE ONLY TO NEWLY ACCREDITED GEF PROJECT AGENCIES)

For newly accredited GEF Project Agencies, please download and fill up the required [GEF Project Agency Certification of Ceiling Information Template](#) to be attached as an annex to the PIF.

