



Independent  
Project  
Accountability  
Mechanism

## **MAP Monitoring Closing Report**

**VI Monitoring Period: July 2022 - April 2023**

**Lukoil Shah Deniz Stage II Project**

**EBRD Project Number 46766**

**Case 2017/07**


**May 2023**

**Note:** This case was received under the [Project Complaint Mechanism \(PCM\)](#) - the former accountability mechanism of the EBRD - in accordance with the [2014 PCM Rules of Procedure](#) and the Monitoring stage was initially conducted under PCM Rules and Procedures.

Effective 1 July 2020, the Project Complaint Mechanism was replaced with the [Independent Project Accountability Mechanism](#), brought into effect through the [2019 Project Accountability Policy](#). Under the Policy's provisions for case transition, monitoring of the Lukoil Shah Deniz Stage II Management Action Plan from the date above is undertaken in alignment with the requirements of the [2019 Project Accountability Policy](#).

IPAM is the independent accountability mechanism of the EBRD. It reviews environmental, social, and Project disclosure-related concerns raised by Project-affected people and civil society organisations. IPAM can address concerns through two avenues: i) Problem-solving, which supports dialogue between Complainants and Clients to resolve environmental, social and public disclosure concerns without attributing blame or fault; or ii) Compliance Reviews, which determine whether the EBRD has complied with its Environmental and Social Policy and Access to Information Policy in relation to the Project.

For more information about IPAM, please contact us at [ipam@ebrd.com](mailto:ipam@ebrd.com) or visit the [IPAM webpage](#).

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*Unless otherwise indicated capitalised terms used in this report are those as set forth in the 2019 Project Accountability Policy.*

## List of Abbreviations

Abbreviation	Long Form
ESD	Environment and Sustainability Department
GN	Guidance Note
GR	General recommendation
IPAM	Independent Project Accountability Mechanism
MA	Management Action
MAP	Management Action Plan
PCM	Project Complaint Mechanism
PIP	Public Information Policy
PSR	Project specific recommendation

## Executive Summary

The EBRD Project Complaint Mechanism (PCM) completed a [Compliance Review](#) of the [Lukoil Shah Deniz Stage II Project](#) (46766) in Azerbaijan in May 2018, identifying seven instances of non-compliance and seven instances of partial compliance with the EBRD's 2008 Environmental and Social Policy (ESP). The Compliance Review found that Bank Management did not meet its obligations around meaningful dialogue and informed consultation; the public disclosure of key environmental and social information; the verification of Project-level grievance mechanism effectiveness; or the differentiated assessment of, and engagement with, vulnerable peoples affected by the Project (PR10.17, PR 10.8, PR 10.9, PR 10.11, 10.25). It also determined that the Bank did not adequately monitor impacts on vulnerable groups, or the implementation of Client commitments in the Stakeholder Engagement Plan and Environmental and Social Management Plans (PR 1.14 and 1.17).

The Compliance Review identified that Bank Management only partially met its obligations around the adequate and timely disclosure of important Project information to affected communities. This included insufficient disclosure of the Project Summary Document; the Environmental and Social Impact Assessment; the Project Stakeholder Engagement Plan; the Environmental and Social Management Plans (PRs 10.12, 10.13, 10.14 and 10.15); or the outcomes of Project-level grievance mechanism cases (PR 5.13). The Bank was also found only partially compliant with provisions 14 and 15 of the 2008 ESP, as the Expert identified that the Project's environmental and social approach did not meet the spirit and intent of the Policy, given that the Project structure resulted in a limited ability to influence the environmental and social appraisal, due diligence or project outcomes.

The independent PCM Expert responsible for the Compliance Review made 19 recommendations to Bank Management, including nine procedural/systemic (i.e., general) recommendations and ten Project-specific recommendations, outlined in their [Compliance Review Report](#).

In response to the findings of non-compliance, the Bank developed a Management Action Plan (MAP) to address the Expert's findings and recommendations, which was approved by the EBRD Board of Directors. Bank Management established Actions responding to twelve of the findings of non-compliance and partial compliance – six at the procedural/systemic (i.e., general) level and six at the Project-specific level, where Management deemed an Action necessary.

The Compliance Review Report and the approved MAP were disclosed on the [IPAM case registry](#) on in April and May 2019 thus initiating the MAP monitoring stage. IPAM initiated the monitoring of this case in July 2020 and from that date has issued reports related to five monitoring periods as shows in the table below. They were all disclosed on the [IPAM case registry](#).

### Management Action Plan Monitoring Reports

No.	ACTIVITY	TIMELINE
1.	<a href="#">1st monitoring report</a> covering period June 2019 – July 2020	August 2020

2.	<a href="#">2<sup>nd</sup> monitoring report</a> covering period August – December 2020	March 2021
3.	<a href="#">3<sup>rd</sup> monitoring report</a> covering period January – June 2021	July 2021
4.	<a href="#">4<sup>th</sup> monitoring report</a> covering period July – December 2021	February 2022
5.	<a href="#">5<sup>th</sup> monitoring report</a> covering period January – June 2022	August 2022
6.	6 <sup>th</sup> monitoring report covering period July 2022 - April 2023	May 2023

This report covers the sixth and last monitoring period.

As Management has finally completed the implementation of the three remaining actions, IPAM is concluding the monitoring stage of Case 2017/07 Lukoil Shah Deniz Stage II Project (46766) and will be disclosing this report in the IPAM case registry after notifying all Parties.

IPAM notes that originally, the **Action Plan proposed by Management was to be completed within one year of the approval by the Board (May 2019)**. Furthermore, **six out of ten proposed actions within the MAP were to produce guidance notes to assist Clients** in the implementation of the new Environmental and Social Policy, approved in May 2019. **The timeframe for all guidance notes was 2020 and it was only in March 2023 that they were finalised and disclosed.**

As Management has initiated in 2023 the review of the Environmental and Social Policy, IPAM would recommend ensuring that all Client guidance notes relevant to the new ESP are ready and disclosed in a timely fashion. Robust guidance to Clients on the implementation of the environmental, social and disclosure requirements of the EBRD is a key element for avoiding harm in EBRD-funded projects.

## 1. Introduction

This is the sixth Monitoring Report on implementation of the [Management Action Plan \(MAP\)](#) related to the Case 2017/07 Lukoil Shah Deniz Stage II.

The Project Complaint Mechanism (PCM) registered the case in 2017 and PCM Expert, Mr. Luc Zandvliet, undertook the Compliance Review of the Case as per the 2014 PCM Rules of Procedure. In line with the latter, the Compliance Review Report and the Management Action Plan (MAP) to address the findings and recommendations of the report were submitted to the EBRD Board of Directors in 2019, and the MAP ultimately approved on in May 2019, commencing the MAP monitoring process.

On 1 July 2020, the 2019 Project Accountability Policy (PAP) became effective thus superseding the 2014 Rules of Procedure. Consequently, as per the transitional provisions established in section V of the PAP, monitoring of the Lukoil Shah Deniz Stage II MAP implementation fell under the responsibility of IPAM as per the PAP provisions for monitoring (paragraph 2.8 of the PAP).

## 2. Background

In September 2017, PCM received a [Complaint](#) from Crude Accountability, the Public Association for Assistance to Free Economy (PAAFE), and a private citizen (“the Complainants”).

The Complainants alleged that the EBRD failed to comply with its own policies, specifically the EBRD Social and Environmental Policy (ESP), EBRD Public Information Policy (PIP), and EBRD Performance Requirements (PR) 1, 2, 3, 4, 6 and 10.

Mr. Luc Zandvliet was appointed to undertake the Compliance Review as an external PCM Expert.

He found the Bank non-compliant in the number of issues and made 19 recommendations to Bank Management, including nine procedural/systemic (i.e., general) recommendations and ten Project-specific recommendations, outlined in their [Compliance Review Report](#).

In response to the findings of non-compliance, the Bank developed a Management Action Plan (MAP) to address the Expert’s findings and recommendations, which was approved by the EBRD Board of Directors. Bank Management established Actions responding to twelve of the findings of non-compliance and partial compliance – six at the procedural/systemic (i.e., general) level and six at the Project-specific level, where Management deemed an Action necessary.

The Compliance Review Report and the approved MAP were disclosed on the [IPAM case registry](#) on in April and May 2019 thus initiating the MAP monitoring stage.

### 3. Monitoring Update

#### 3.1. Monitoring Activities during the period July 2022 - April 2023

IPAM tracks progress on MAP implementation until it has determined that all actions have been completed as agreed; or whenever conditions for completing pending actions no longer exist.

In preparation of this Monitoring Report, IPAM requested written confirmation from Bank Management on its MAP progress.

#### 3.2. Monitoring Findings

In the last [Monitoring Report covering January – June 2022](#), IPAM closed the period with three actions still outstanding: Actions 1, 2 and 3, which included the production of two guidance notes.

Actions 1 and 2 envisaged the production of a guidance note on PR10, while Action 3 related to the production of a guidance note on PR4.

The recommendation of the Compliance Review was to assess if further specific guidance on PR 4 and PR10 is needed and if so, to issue the guidance. The Management in its MAP considered that the development of new guidance notes relating to the 2019 ESP would address this recommendation.

In this monitoring period, Management reported to IPAM that both guidance notes were finalised and disclosed on the [EBRD website](#).

**Table 1** provides details on actions, pending from the previous monitoring periods, Management response and IPAM's conclusions.



3.3 Table 1: MAP Implementation Progress

Management Action Plan Commitment approved by EBRD Board of Directors	EBRD Management implementation update (January 2022)	Status of Management Action Plan Commitment	IPAM Feedback
<b>Procedural / Systemic Management Actions</b>			
<b>Management Action 1:</b> Assess and consider PCM Expert recommendations as part of the broader review of the ESP Guidance Notes, following the approval of the 2019 ESP. PCM Expert recommendations relate to accessible, culturally-appropriate information disclosure; meaningful engagement; requirements for Public Consultation and Disclosure Plans; and the development and implementation of Stakeholder Engagement Plans in line with good international practice. The development of a new Guidance Note on the implementation of PR10 - which considers the concept of meaningful consultation, is planned.	Update on PR 10 GN. The GNs was submitted for internal approval. It will be subject to final edits and formatting.	<b>Completed</b>	Management reported to IPAM that the GN was finalised and disclosed on the EBRD website.  The action is closed.
<b>Management Action 2:</b> Assess and consider PCM Expert recommendations relating to vulnerable peoples as part of the broader review of the ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.	Update on PR 10 GN. The GNs was submitted for internal approval. It will be subject to final edits and formatting.	<b>Completed</b>	Management reported to IPAM that the GN was finalised and disclosed on the EBRD website.  The action is closed.
<b>Management Action 3:</b> Assess the need for further guidance on Project-level grievance mechanisms, which considers the PCM Expert's recommendations, in the context of the broader review of ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.	Update on PR 4 GN. GN has been approved and is currently undergoing final edits, which will be followed by formatting.  Update on PR 10 GN. The GNs was submitted for internal approval. It will be subject to final edits and formatting.	<b>Completed</b>	Management reported to IPAM that the GN was finalised and disclosed on the EBRD website.  The action is closed.

### 3.4. Monitoring Conclusions

As Management has finally completed the implementation of the three remaining actions, IPAM is concluding the monitoring stage of Case 2017/07 Lukoil Shah Deniz Stage II Project (46766) and will be disclosing this report in the [IPAM case registry](#) after notifying all Parties.

IPAM notes that originally, the Action Plan proposed by Management was to be completed within one year of the approval by the Board (May 2019). Furthermore, **six out of ten proposed actions** within the MAP were to produce guidance notes to assist Clients in the implementation of the new Environmental and Social Policy, approved in May 2019. The timeframe for all guidance notes was 2020 and it was only in March 2023 that they were finalised and disclosed.

## Annex 1. Summary of MAP and deliverables

The implementation of the Management Action Plan during the period July 2019 to April 2023 involved the following deliverables:

### Procedural / systemic Actions

#### Management Action 1:

In response to General Recommendations 4, 5, 6 and 8: Assess and consider PCM Expert recommendations as part of the broader review of the ESP Guidance Notes following the approval of the 2019 ESP. PCM Expert recommendations relate to accessible, culturally appropriate information disclosure; meaningful engagement; requirements for Public Consultation and Disclosure Plans; and the development and implementation of Stakeholder Engagement Plans in line with good international practice. **The development of a new Guidance Note on the implementation of PR10, which considers the concept of meaningful consultation, is planned.**

#### Management Action 2:

In response to General Recommendation 7: Assess and consider PCM Expert recommendations relating to vulnerable peoples as part of the broader review of the ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP. The development of the Guidance Note above was set as

**Deliverable: Guidance Note – [Performance Requirement 10: Information disclosure and stakeholder engagement](#);**

#### Management Action 3:

In response to General Recommendation 9: Assess the need for further guidance on Project level grievance mechanisms, which considers the PCM Expert's recommendations, in the context of the broader review of ESP Guidance Notes for each ESP Performance Requirement, following the approval of the 2019 ESP.

**Deliverable: Guidance Note – [Performance Requirement 4: Health, safety and security](#)**

### Project-specific Actions

#### Management Action 4:

In response to Project Specific Recommendation 1: Amend the PSD to disclose the information recommended by the PCM Expert, including i) why an ESP derogation was required for this Project; ii) the evidence through which the derogation was approved; and iii) how the Client will demonstrate that the intent of the 2008 ESP will be met.

**Deliverables: The action was completed by Q1 2019 – The PSD was reviewed to address the reason why there had been a derogation of the ESP (<https://www.ebrd.com/work-with-us/projects/psd/lukoil-shah-deniz-stage-ii.html>)**

**Management Action 5:**

In response to Project Specific Recommendation 2: Pursue the disclosure of operations phase Environmental and Social Management Plans to affected communities, as per the IESC's request, to be confirmed during subsequent 2019 monitoring visits.

**Deliverables:** The reports of the IESC and the PSD included information confirming that this had taken place in 2018 and 2019.

**Management Action 6:**

In response to Project Specific Recommendation 5: Instruct the IESC to specifically review, assess and monitor impacts to vulnerable groups on an ongoing basis and report findings as part of all future monitoring events.

**Management Action 7:**

In response to Project Specific Recommendation 6: Work with the IESC to request additional information on the assessment and mitigation of impacts on vulnerable groups be released (including information on how mitigation measures are assessed for effectiveness), either by the Operator itself, or by the IESC for inclusion in the publically disclosed IESC report for 2019.

**Deliverables:** The reports of the IESC in 2018 and 2019 included information confirming that impacts to vulnerable groups were reviewed and assessed.

**Management Action 8:**

In response to Project Specific Recommendation 9: Continue to assess the effectiveness of the Project-level grievance mechanism through the IESC during each monitoring visit, the results of which will be placed in the public domain.

**Deliverables:** The reports of the IESC in 2018 and 2019 included information confirming that impacts to vulnerable groups were reviewed and assessed.

**Management Action 9:**

In response to Project Specific Recommendation 10: Request that the Client raise the potential for increased community participation in environmental monitoring with the Operator, referencing the most recent IESC report identifying community reluctance to believe the monitoring results and citing participatory monitoring as an option to build trust with the local community. Discuss this item with the Client and during the IESC monitoring event of 2019.

**Deliverables:** None, as Management stated that the recommendation had already been addressed.