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**PUBLIC INVESTMENT POLICY PROJECT**

# **STUDY TOURS OF GOAZ GROUPS**

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.



## **Public Investment Policy Project**

### **Study Tours**

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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**PUBLIC INVESTMENT POLICY PROJECT**  
**STUDY TOUR OF GOAZ GROUP**  
**ANKARA, TURKEY**

JUNE 26-30, 2006

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# **STUDY TOUR OF GOAZ GROUP**

**ANKARA, TURKEY**

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**Study Tour for Governmental Officials to Turkey  
in the framework of USAID PIP- Project  
June 26- 30, 2006  
Ankara**

**AGENDA**

**June 25 2006, Sunday**

Arrival to Ankara and registration at Hilton SAS Hotel.

**June 26, 2006, Monday**

- 09.00 – 09.30      Visit to TİKA’s Head Office in Ankara  
*Atatürk Bulvarı, No: 15  
Opera Meydanı, Ulus – Ankara  
(meeting with Mr. Musa Kulaklıkaya, Acting President, TİKA)*
- 10.00 – 12.00      State Planning Organization  
*Necatibey Caddesi, No: 108  
Yüce-tepe – Ankara  
(meeting with Dr. Əhməd Tıktık, Head of SPO and three deputies: Mr.  
Birol Aydemir, Mr. Halil İbrahim Akça, and Mr. Lütfi Elvan).*
- 12.15 – 13.45      Lunch (by SPO)
- 14.00 – 15.00      SPO *(meeting with Annual Programs and Market Evaluation Dept.  
Head).*
- 15.30-16.30      SPO *(meeting with Economic Models and Strategic Research Dept.  
Head).*
- 20.00 – 23.00      Banquet by Azerbaijani team  
(Ankara Hilton Hotel, Marko Polo Hall)

**June 27, 2006, Tuesday**

- 10.00 – 11.00      State Planning Organization *(meeting with Economic Sectors and  
Coordination Dept. Head).*
- 11.30 – 12.30      SPO *(meeting with Social Sectors and Coordination Dept. Head).*
- 12.30 – 13.15      Lunch (by SPO)
- 13.30 – 14.15      State Planning Organization *(meeting with Regional Development and  
Structural Management Dept. Head).*
- 14.15 – 15.00      SPO *(meeting with European Union Cooperation Dept. Head).*
- 15:30 – 17:00      Visit to Anıtkabire (Ataturk’s Tomb)

## **June 28, 2006, Wednesday**

- 11:00 – 12.00      Büyük Millət Məclisi (Parliament) of Turkey  
Budget Planning Commission  
*Dr. Sait Acha, Head of Commission*
- 12.15 – 13.15      Lunch
- 14.00 – 16.00      Treasury (Meeting Room, 15th floor)  
*İnönü Bulvarı, No: 36,  
Emek – Ankara*

## **June 29, 2006, Thursday**

- 10.00 – 12.00      Ministry of Foreign Trade  
*İnönü Bulvarı, No: 36,  
Emek – Ankara  
(Opening Remarks and Presentation)*
- 12.15 – 14.00      Lunch (by Ministry of Foreign Trade)
- 14.30 – 16.30      Ministry of Foreign Trade
- 20.00 – 23.00      Banquet by TİKA  
*Kale Washington Restaurant  
Doyran Sokak, No: 5–7, Kaleiçi – Ankara*

## **June 30, 2006, Friday**

- 10.00 – 12.30      Ministry of Finance  
İlkaddım Caddesi, No:6  
TBMM Karşısı, Dikmen – Ankara  
*(Presentation and meeting with Mr. Hasan Basri Aktan, Secretary  
General, Ministry of Finance).*
- 13:00 – 14:30      Lunch (by MOF)
- 16:00 – 17:30      Central Bank of Turkey  
*Mr. Durmus Yilmaz, Head  
Dr. Erdem Basci, Deputy Head*

## **July 1, 2006, Saturday**

- 20:00              Departure

**Study Tour for Azerbaijan Officials  
in the frame of USAID and PIP Project  
Ankara, Turkey June 26-30, 2006  
List of Participants**

No	Names	Positions	Agencies	Contact numbers
1	Ruslan Abdulimov	Head of Investment and Technical Programs Dept,	Ministry of Culture and Tourism	498 2009
2	Farzali Gadirov	Head of Strategic Analysis and Planning Dept	Ministry of Education	496 3515 (com.)
3	Firdovsi Aliyev	Deputy Minister	Ministry of Ecology and Natural Resources	492 4173, 441 4205 (com.)
4	Fizuli Ismayilov	Head of Finance and Accounting Division	Ministry of Ecology and Natural Resources	492 4173, 441 4205 (com.)
5	Ogtay Hagverdiyev	Head of Economic and Financial-Credit Policy Dept	Cabinet of Ministers	492 1779, 492 7415
6	Shahin Sadigov	Head of Economic Policy and Forecast Department	Ministry of Economic Development	4928425
7	Mikayil Jabbarov	Deputy Minister	Ministry of Economic Development	492 4110 (com.)
8	Farman Safarov	Deputy Head of Dept. of Transportation Policy and Economics	Ministry of Transport	433 99 60
9	Faig Alekberov	Head of Financial and Credit Dept	Ministry of Transport	431 4636
10	Mahammad Beydamirov	Deputy Head of Economic Dept	Ministry of Industry and Energy	431 80 73
11	Hafiz Humbatov	Head of Financial Department -Chief Accountant	Ministry of Industry and Energy	431 8012 (com.)
12	Ilgar Fatizade	Deputy Minister	Ministry of Finance	493 14 84
13	Rafiq Huseynov	Acting Head of Projects' Financial Appraisal Dept	Ministry of Finance	493 29 62 493 81 03 (3-13)
14	Khagani Abdullayev	Monetary Policy Dept. Director	National Bank of Azerbaijan	493 11 22 (commut)
15	Mete Durdag	COP	PIP Project	498 83 37



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Strategic Technical Assistance for  
Results with Training

**START/Caucasus  
AZERBAIJAN FIELD OFFICE**

**PRE-DEPARTURE ORIENTATION**

**Course Name:** Study Tour on «Public Investment Policy and Program Formulation

**Course Venue:** Ankara, Turkey

**Date:** 26-30 June, 2006

*The objective of the Program is to introduce to high ranking managers of Government of Azerbaijan to Turkey's experience and practice in successful implementation of public investment program.*

**1. Program Venue, Date (including travel days)**

June 25– July 2, 2006  
Ankara, Turkey

**2. Program Duration**

26 –30 June  
1 week

**3. Contact Person in Emergency Cases**

**In Azerbaijan:**

Firuza Hasanova  
Program Coordinator  
START Participant Training Program  
Azerbaijan, Ифли ФЯ1095,  
Tel/Fax: (994 12) 598 38 49; 498 10 08; 493 83 65; 498 19 64  
14/16 Khagani str, 3<sup>rd</sup> floor , apt. 41,  
Mobile: (994 50) 378 62 08  
[ашкряф@wli.baku.az](mailto:ашкряф@wli.baku.az)

**Please contact following persons in emergency cases during the trip:**

Ms Dildar Shirzad  
Translator/Expert  
TIKA  
Tel: 0090 312 508 11 42/18  
Mob: 0090 532 564 97 14

Mr Ali Aybey  
Assistant Expert for Technical Assistance  
**TIKA**  
Tel: 0090 312 508 10 93  
Fax: 0090 312 309 89 68  
Mob: 0090 533 443 83 34  
[a.aybey@tika.gov.tr](mailto:a.aybey@tika.gov.tr)

#### **4. List of Study Tour Participants:**

1. **Mr. Ilgar Fatizade**  
First Deputy Minister of Finance
2. **Mr. Rafiq Huseynov**  
Deputy Head of National Economy Finance Division, Ministry of Finance
3. **Mr. Mikayil Jabbarov**  
Deputy Minister of Economic Development
4. **Mr. Shahin Sadikhov**  
Head of Economic Policy and Forecasting Department, Ministry of Economic Development
5. **Mr. Ogtay Hagverdiyev**  
Head of Economy and Financial-Credit Policy Division, Cabinet of Ministers
6. **Mr. Firdovsi Aliyev**  
Deputy Minister of Environment and Natural Resources
7. **Mr. Fizuli Ismayilov**  
Head of Finance and Accounting Division, Ministry of Environment and Natural Resources
8. **Mr. Hafiz Humbatov**  
Head of Finance and Accounting Division, Ministry of Industry and Energy
9. **Mr. Khagani Abdullaev**  
Head of Monetary Policy Department, National Bank of Azerbaijan
10. **Mr. Ruslan Abdulalimov**  
Head of Investment and Technical Programs Division, Ministry of Culture and Tourism
11. **Mr. Mete Durdag**  
Chief of Party, Public Investment Policy Project
12. **Ms Sevinj Hasanova**  
Public Finance and Social Sector Expert, Public Investment Policy Project
13. **Ms Linda Decker**  
Resident Budget Advisor, US Department of Treasury
14. **Чфтъь Ацкшвц Ифифнумф**  
Project Assistant, US Department of Treasury

#### **5. Implementing Agency**

## TIKA

Address: 15 Ataturk Boulevard, Ulus  
Ankara, Turkey  
Tel: 0090 312 508 10 93  
Fax: 0090 312 309 89 68  
E-mail: tika@tika.gov.tr

### 6. Translation/Interpretation

Turkish is the working language of the program. Ms Dildar Shirzad, an Azerbaijani staff member of TIKA will assist the participants in interpretation/translation issues throughout the tour.

### 7. Transportation

START Participant Training Program will ensure that Be-Tur Tourism Agency provides two minibuses to you throughout the tour in Ankara.

Minibuses will meet you at the airport and will deliver you to the airport when leaving for Baku. At the same time they will be at your disposal during your presence in Ankara.

Ms Dildar Shirzad, TIKA staff member will meet you at the airport.

Mr. Gumhur Gurocak  
Be-Tur Travel Agency  
Tel: 0090 312 384 49 51 ext: 120  
Fax: 0090 312 341 70 45  
Mobile: 0090 555 655 20 04

### 8. Flight Information

Flight date	Flight No	Airlines	Flight	Departure Time	Arrival Time
25 June	TK 1341	Turkish Airlines	Baku – Istanbul	07:30	08:45
25 June	TK 120	Turkish Airlines	Istanbul – Ankara	11:00	12:00
1 July	TK 147	Turkish Airlines	Ankara – Istanbul	20:00	21:00
1 July	TK 1338	Turkish Airlines	Istanbul – Baku	23:10	03:55 (next day 2 july)

### 9. Arrival

Upon arrival at Ankara airport you will need to pass through immigration and then customs control. Airline personnel will assist you in this.

### 10. Delays/Cancellation of Flight

START Participant Training Program does not bear any responsibility for delays and cancellations of flights, however START Participant Training Program will try to help you to the possible extent. Please keep in mind that START Participant Training Program cannot purchase a new flight ticket for you.

In the event of delay or cancellation of flight please follow following steps:

- Φ. Immediately contact the airlines that gave you the ticket to get a ticket for the next flight.

**Delays caused by weather conditions:** in such cases, some airlines refuse to reimburse hotel costs even if you had to stay overnight. If you face such conditions, START Participant Training Program will reimburse the hotel costs (tax included) on condition that you provide the hotel receipt.

If delays/cancellations are not caused by weather conditions, upon your request the airline will book a ticket for next flight, even if with another airline. If there's a need in overnight stay, you can apply the airline to reimburse your hotel costs. If the airline refuses to reimburse hotel costs START Participant Training Program will repay these costs. In this case you are obliged to provide START Participant Training Program with hotel receipt.

- И.** You should contact START Participant Training Program and TIKА (at the above mentioned telephone numbers) to inform about your new arrival time. If START Participant Training Program or TIKА cannot be reached you should leave a message on the machine indicating telephone numbers to reach you. If you arrive a day later START Participant Training Program will need to cancel hotel reservation for that day.

## **11. Luggage**

START Participant Training Program recommends to take hand luggage and some clothes for change in case you lose the luggage or it arrives late. Also, it is advisable that in addition to luggage tag you put any kind of identification document also in other compartments of the baggage. This will help in baggage loss. **Please keep in mind that START Participant Training Program does not bear any responsibility for lost luggage.**

## **12. Medical Insurance**

You will be provided with travel insurance certificate from Ateshgah Insurance Company for the period of your stay in Ankara, including travel days (25 June-2 July 2006).

## **13. Information on your hotel**

You will be staying in **Ankara Hilton SA Hotel.**

### **Ankara Hilton SA Hotel**

Address: 12 Tahrаn Str, Kavaklıdere

Ankara, Turkey 06700

Tel: +90-312-4550000

Fax: +90-312-4550055

**Hotel check-in date and time: 25 June, 2006, 1 p.m.**

**Hotel check-out date and time: 1 July, 2006, 4 p.m.**

## **14. Work ID/Business card**

You should take multiple copies of work IDs, business cards and info.sheets on your agency. This information will assist in successful implementation of the study tour.

## **15. Program Agenda**

### **Initial Program Agenda**

**26 -27 June, 2006**

State Planning Agency

**28 June, 2006**

Morning:

State Planning Agency

After lunch:

Treasury

**29 June, 2006**

Foreign Trade Agency

**30 June, 2006**

Ministry of Finance





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## Public Investment Policy Project

# Memo

**To:** Geoff Minott, CTO, USAID  
**From:** Mete Durdag, COP  
**CC:** Dan Rathbun, DAI/HO, Bethesda, USA  
**Date:** July 21, 2006  
**Re:** Study Tour to Ankara, Turkiye

As you know, the PIP Project arranged, with funding provided by World Learning, Inc. (WLI) and logistics and programming help by Turkish Cooperation and Development Agency (TIKA), a study tour to Ankara during June 26–30, 2006 to learn about Turkiye's recent experience in integration of planning, investment programming, and budgeting. The participants' list and the tour program are attached to this memorandum. The tour was conducted and completed as planned, and the participants hopefully returned with significant new thoughts and ideas concerning possible improvements in planning, budgeting, and investment programming in Azerbaijan. I shall present here an account of the study tour and possible lessons that we may draw from it.

This "back-to-office report" is meant to answer information requirements of all agencies and individuals involved in the Study Tour, whom I shall each send a copy of it. For this reason, the memo will be rather long and perhaps too detailed in parts. I am, however, organizing it in sections so that audience can read it selectively.

### Background

The PIP Project's Training Program envisages arranging study tours abroad for the selected officials of GOAZ to learn about other countries' technical information and experiences relating to planning, investment programming, and budgeting. Since its inception in March 2006, PIPP has done extensive work on how to further strengthen GOAZ's capacity for better planning and investment programming with a view to more effective integration of them with government budgeting. To this end, PIPP has produced and distributed several technical notes and slide presentations; discussed them with technical cadres of MOED, MOF, and the selected line ministries; arranged two rounds of formal multi-week training for mid-level managers as well as experts from the said ministries; and held a one-day workshop for high-level participation from GOAZ, including the Parliament and the PM's Office, IFIs, and key donor countries. A study tour abroad has thus been conceived on this background as a means of more effective dissemination of PIPP's proposals so far by showing them working in another country.

## **Selection of Turkiye**

Initially, PIPP has given to WLI the names of four countries (Malaysia, Poland, Slovakia, and Turkiye) for arranging a study tour to the one that would be receptive to such a request. We have however realized soon that it would take too long to finalize this project through the usual WLI procedure of holding a tender for private consulting firms in the said countries to make the necessary arrangements. PIPP has therefore approached the TIKa Office in Baku and inquired if they could work with WLI to make the necessary logistic arrangements and liaising with Turkish authorities. Mr. Raif Kutluk, TIKa's Program Coordinator in Baku, very much welcomed the idea and arranged for me to convey my request personally to Mr. Lutfi Elvan, Deputy Undersecretary of the State Planning Organization of Turkiye, who happened to be on an official visit to Baku. From then on, both Mr. Kutluk and Mr. Elvan have done their best to have this study tour realized.

Turkiye's selection out of the four candidate countries was thus a pragmatic choice. But there were good reasons for Turkiye's inclusion in the initial group of four candidate countries:

1. Turkiye has rich experience in development planning, having just completed the implementation of its 8<sup>th</sup> Five-Year Development Plan, 40 Annual Programs, and the same number of annual Public Investment Programs.
2. In addition, the Government of Turkiye (GOT) adopted from this year a Medium-Term (3-year) Program as well as a Medium-Term Financial Plan, in line with the WB and EU recommendations to improve linkages between planning and budgeting.
3. Turkish Economic Ministries/Agencies' web-sites are far better than most other countries'; this provides good potential for follow-up work on the Study Tour findings.
4. Language advantage, as in both countries people speak Turkish.

## **Selection of Participants**

The study tour was mainly intended to bring together several key decision makers on plan-budget-PIP related matters from both the central Economic Agencies and the selected line ministries and give them opportunity to contemplate for a whole week what Azerbaijan needs to do for more efficient use of public resources. In this respect, Azerbaijani participants would benefit from listening to the presentations by their Turkish counterparts and exchanging views with them through questions and answers as well as from interaction and discussion with each other on the topics of each after completing the day's program. Upon PIPP's request, the cooperating GOAZ agencies each nominated one or two high-level (deputy minister or director level) representatives to participate in the study tour.

The GOAZ team that was formed for this study tour has indeed proved to be most appropriately composed for the task, as the all team members have shown high professional and intellectual qualities in interactions with their Turkish counterparts and strong interest to learn most from this opportunity provided to them. Due to heavy work pressure back in Baku, however, Mr. Jabbarov, Deputy Minister of MOED, could join the program only for the first two days, and Mr. Firdovsi Aliyev, Deputy Minister of Ecology and Natural resources, for the first three days.

The US Treasury's Budget Adviser at the MOF, Ms. Linda Decker, also wanted to join the tour together with her assistant/interpreter, and PIPP welcomed her request after checking with CTO. Finally, PIPP planned to send on this tour Dr. Durdag, COP, and Ms. Sevinj Hasanova, Public Finance expert, on the project's account. Ms. Hasanova, however, had to cancel her trip at the last moment on account of a family matter. Dr. Durdag's participation in

the trip proved to be helpful during the meetings as this was acknowledged by the several members of the team.

### **The Study Tour Program**

For this study tour, **the PIP Project has identified seven main areas of interest** both to GOAZ and the project and requested WLI, TIKA and the State Planning Organization (SPO) of Turkiye to help arrange the presentations and discussions focused on them.

These seven areas were as follows:

- The legislative and institutional set-up for development planning and public investment policy and program (PIPP) formulation;
- Linkages between medium-term macroeconomic and sectoral development framework;
- PIPP formulation, prioritization, substantiation, and approval for financing, and its integration with development planning, and budgeting;
- Project preparation, appraisal and financing;
- Techniques of project analysis: financial, economic, social, technical, and environmental;
- Public participation process in PIPP preparation, approval, implementation; and,
- Lessons learned from the PIPP implementation in Turkiye.

The program prepared by TIKA Head Office in Ankara jointly with the cooperating agencies was arranged by agency and department as seen from Attachment. The presentations were not therefore focused on the issues identified by PIPP, but we somehow managed to steer them towards our concerns with our questions and comments.

The five-day program was arranged so as to have intensive sessions with the key central economic agencies of Turkiye, including the State Planning Organization (SPO), Undersecretariat for Treasury, Undersecretariat for Foreign Trade, and MOF. Upon our request at the first meeting with TIKA, the Plan-Budget Commission of Parliament and the Central Bank were also added to the program. Finally, in response to a strong demand from all Azeri members of our team, TIKA also made room in our program for a visit to Ataturk's Mausoleum

**SPO hosted our team for the first two days** of our program. We were met by the Director of International Economic Relations, Mr. Ferruh Tigli, who accompanied us throughout our program at SPO, and introduced us to Dr. Ahmet Tiktik, Undersecretary of SPO, who, accompanied by his three deputies, gave us a warm welcome and an introductory statement on recent developments in the Turkish economy and in planning and budgeting procedures. During the two-day program at SPO, the General Directors of the Departments of Annual programs and Conjuncture Evaluations; Economic Models and Strategic Research; Economic Sectors and Coordination; Relations with the EU; and Foreign Economic Relations, accompanied by their deputies and/or division chiefs, gave us presentations on their responsibilities and functions and answered our questions both during presentation and afterwards.

Established almost half-a-century ago, SPO has gone through a remarkable evolution in its functions in parallel to changes in dominant systemic features of the Turkish economy from a typically mixed economy with heavily protectionist policies in the 60s and 70s, to a rapidly liberalizing economy with full opening up to world economy in the 80s and 90s, and to almost complete market- and private-sector-based economy accompanied with gradual

decentralization of public administration since early 2000s. It was interesting to hear about SPO's recently evolving functions in the form of adoption of a Medium-Term Program as well as a Medium-Term Financial Plan as layer introduced between their Seven-Year Development Plan and Annual programs in order to improve integration of planning with budgeting. They also emphasized that SPO has been moving towards more general central planning while establishing the regional development agencies at regions for the planning of local development. They also seemed to pride themselves that SPO was serving as the brain of the economy in its capacity of Secretariat to the High Planning Council, which is a Cabinet cluster of main Economic ministers and some key line ministers.

Our program at SPO was completed with a quick tour of the Library. It was an eye-opening experience for all of us to know that the SPO Library had over 70,000 documents; exchange programs with all major libraries in Turkiye and abroad; a large subscription program for Turkish and foreign periodicals; a documentation section for unpublished materials and SPO archives; and a rapidly expanding e-library program.

Next in the program was a half-day session at the **Undersecretariat for Treasury (UT)**. We were welcomed by Mr. M. A. Akcay, the Director of External Economic Relations, who made a brief statement on broad functions of Treasury in Turkiye. Mr. Akcay seemed to be the right person to answer the several questions that Mr. Ilgar Fetizade, First Deputy Minister of Finance, had prepared, but he unfortunately excused himself after a brief statement to meet a Spanish Delegation while leaving us there with three young experts. This was a rather disappointing experience we had during our program in Ankara, and certainly calls for some efforts by UT to mend the resulting loss of goodwill of the Azeri delegation, particularly Deputy MOF who also oversees Treasury. The slide presentations by the three experts explained in detail (i) the important role of UT in external borrowing for investment projects of the public sector agencies whether included in the General Budget or not; (ii) types and terms of Treasury guarantees; and (iii) UT's role in overseeing the World Bank's loan portfolio for Turkiye, which currently includes 20 loans for a total amount of \$6 billion.

Visit to the **Plan and Budget Commission of the Parliament** (Grand National Assembly of Turkiye) was brief, and turned out to be not much interesting to our Azeri colleagues, perhaps because Azerbaijan Milli Mejlis has still long way to go before it can exert any influence on the plan-budget-investment program processes. The statement by Dr. Sait Acba, Chairman of the Plan and Budget Commission, particularly emphasized (i) the Commission's full access to any information it may require from any government agency; (ii) the statutory obligation of the Government to submit to Parliament the annual Final Accounts within 3 months of the completion of a fiscal year; and (iii) the importance of the external audit of all public agencies by Sayistay (the Independent Chamber of Accounts) on behalf of the Parliament.

The fourth day of our program was fully taken up by meetings at the **Undersecretariat for Foreign Trade (UFT)**, where we were extended a warm welcome and utmost care together with presentation of an overwhelming amount of information on Turkiye's foreign economic relations. Information on Turkiye's relations with a number of regional multilateral organizations was of interest to the members of our team because Azerbaijan was also a member in most of them, including the Organization of the Islamic Conference (OIC) and its Permanent Committee of Economic and Trade Cooperation (COMCEC), Economic Cooperation Organization (ECO), and Black Sea Economic Cooperation (BSEC). Presentation on Turkiye's bilateral economic relations engendered interest of our group particularly with respect to the volume of trade with Azerbaijan, Turkiye's border trade with its neighbors, and Turkiye's FDI and Construction Companies abroad. The general feeling, however, was that our program at UFT could have been confined to the areas most relevant

to PIPP-related topics in order to make time available to extend the program at MOF or Treasury to a full day.

We spent our fifth and final working day in Ankara at the **Ministry of Finance (MOF)** and the Central Bank. At MOF, we were met by Mr. Halit Ocal, Director of EU and Foreign Affairs Department, and a number of division chiefs and experts. Mr. Hasan Basri Aktan, Undersecretary of MOF invited up to four members of our group to his office. Messrs. Fetizade, Haqverdiyev, Sadigov and I met with Mr. Aktan in his office and received most welcoming and appreciative words for our visit to MOF. He also expressed thanks for USAID and the PIP Project making this visit possible and assured us that his Ministry was ready to extend any kind of technical assistance and cooperation that may be required by Azerbaijan. He then accompanied us down to the Conference Room and remained with us during two-and-a-half hour presentation. Mr. Aktan was interrupting the presentation at times to give clarifying explanations, and was personally responding to Mr. Fetizade's questions and making sure that his information requests were met immediately.

The MOF presentation gave an effective overview of public sector financial reform efforts in Turkiye initiated in 1995 by the signing of the Public Sector Financial Management Project with the World Bank. The project has produced a large number of reports through year 2000, when GOT started adopting serious institutional and procedural reform measures in line with the WB recommendations. Over the past five years, Turkish public financial management system has been completely overhauled, with the introduction of a new public sector accounting and budget classification system; dissolving all extra-budgetary accounts; establishing strong discipline over public debt management; building up a web-based automated public sector accounting system in 2001 and e-budget system in 2003; and finally enacting in 2003 a new Public Sector Financial Management Law (PSFML). Over the past three years, GOT has prepared all secondary legislation, implementation procedures, and reporting formats that would be needed for the effective implementation of PSFML, which was introducing the multi-year budgeting practice as well as a Medium-Term Program and a Medium-Term Financial Plan to better bridge the annual budget and the public investment program with the Seven-Year Development Plan. An equally significant reform action was the establishment in all budgetary agencies of Strategic Planning Units that would be in charge of the preparation of all budgeting, investment programming, and planning documents in close cooperation with the Strategic Planning Department of SPO and with MOF. Turkiye thus began in 2006 her multi-year budgeting experience, together with a MT-Program and a MT-Financial Plan, following meticulous preparations, and both MOF and SPO rightly seem to be sure that everything will work without significant hitches.

The final Agency on the Study Tour program was the **Central Bank of Turkiye (CBT)**. We were met by Mr. Suha Mirahur, Director of External Relations, and introduced to Mr. Dumus Yilmaz, one of the three Deputy Governors and other staff. Governor Yilmaz, who was appointed very recently upon the former Governor's completion of his term, extended to us a warm welcome and full cooperation of his institution for any technical support that Azerbaijan may require. Mr. Durmus also gave an overview of the CBT's current policies to control the then on-going mini-crises in financial markets of Turkiye, which was largely prompted by developments in the international financial markets. Mr. Durmus then left the meeting asking his Deputy, Dr. Erdem Basci, to continue acting as our host.

Our questions mainly focused on how reconciling the independence of CBT with the GOT's need to use the monetary policy as an active policy tool in macroeconomic management was working in practice. Dr. Basci agreed that the independence of CBT should not be interpreted as if it could stand aloof to the government's overall macroeconomic policies. At the end, the GOT could take the Bank in tow along its policies, but this would be going against to the

government's own commitment to keep inflation under control. Hence, he emphasized that the Central Bank's independence was very much dependent on the government pursuing responsible fiscal policies. Last part of our meeting was taken by questions from Mr. Khagani Abdullayev of NBA and answers by Dr. Basci on issues relating to banking practices in both Azerbaijan and Turkey.

### **Organization and Logistics**

The planning, coordination, and implementation of the Study Tour were smoothly carried out by a harmonious cooperation among PIPP-WLI-TIKA/Baku-TIKA/HQ-SPO.

The economy class air travel by Turkish airlines was comfortable, though the senior members of the Azeri delegation expressed their disappointment that they did not fly business class.

The group was booked in the Ankara Hilton Hotel, which offered good-size and well-equipped rooms at a corporate rate for TIKA of \$130 including breakfast (cf. \$210 at Radisson in Baku).

TIKA/HQ met us at Ankara Airport; arranged for two buses to be at our service throughout our stay in Ankara; arranged, with SPO's help, our program and made the last minute changes in it to meet our requests; assigned one native Azeri officer to accompany us to all meetings and to also help us with sightseeing and shopping arrangements; and finally hosted the group for a delightful dinner at an exquisite restaurant.

Mr. Musa Kulalikaya, Acting President of TIKA, stated on several occasions that his organization was very happy about this cooperation with USAID and he hoped to have more of the same in the future.

### **Lessons to Learn**

PIPP believes that this Study Tour offered great opportunity to the participating Azeri officials to make valuable observations relevant to their work and to establish contacts with their Turkish counterparts for cooperation to support Azerbaijan's efforts to reform her budgeting and investment programming systems. Most GOAZ officials, including many who participated in the PIPP Study Tour, however, have two misconceived beliefs that will hinder the potential benefits of the Tour from being materialized. These beliefs are as follows:

- a) Azerbaijan should look rather to the US and the west European countries for learning from others' experience because only those countries' systems and experiences have proven to be successful; and,
- b) Turkiye could not offer much to learn from her experience in multi-year budgeting and effective integration of planning-budgeting-investment programming, because she just adopted this practice from this year while Azerbaijan has already been implementing it over the past three years.

Instead of countering these beliefs, I rather prefer to highlight here my assessments, as listed below, of what we saw in the Turkish agencies, which were relevant to the PIP project and were educating at least for me. These observations, to the extent shared by the Azeri participants of the Tour, may be useful also to the GOAZ's planning, budgeting, and investment programming work.

### **Planning and Investment Programming**

- 1) The work of all GOT agencies on the medium- to long-term development of economy is guided and supervised by the High Planning Council (HPC), which is a sub-Cabinet chaired by the Prime Minister and composed of 8 key economic and line ministers. The HPC, which dates back to 1960, is provided with secretariat services by the State Planning Organization (SPO), which is an undersecretariat reporting to one of the Prime Ministers.
- 2) SPO is a large, well staffed, widely experienced, and highly respected organization with important technical, advisory, and coordination responsibilities.
- 3) SPO owes its strength and prestige to its ability to adapt to the changing economic development strategies of successive governments. Since 2000, it has been de-emphasizing macro planning while developing its regional development centers for greater and closer emphasis on local development efforts.
- 4) As a result, SPO has been moving away from the comprehensive and large economic models, despite its great experience in such modeling, towards the use of simple consistency models, and also away from detailed five-year development plans to brief seven-year plan documents supplemented with separate implementation programs.
- 5) SPO has a Strategic Planning Department with close direct rapport with line agencies' Strategic Planning Units, which are responsible for the preparation of line agencies' Strategic Development Plans as well as their submissions to MOF and SPO for the medium-term budget and for the long-term, medium-term, and annual plans and programs.
- 6) All capital spending decisions must be evaluated and given visa before they can be included in the PIP, and no capital spending can be included in the budget unless first cleared by SPO for the PIP.
- 7) Over the 1990s, Turkiye's PIP has become overburdened with ever growing number of on-going projects while the average completion period of projects was becoming unacceptably longer. This was due to initiating more and more new projects while the overall size of PIP could not be expanded because of resource constraint.
- 8) SPO has dealt with this problem with a strict program of the rationalization of the PIP implemented since 2001 cutting down the number of projects in the PIP from over 5000 in that year to less than 2000 today. This is a remarkable testimony to the determination of the GOT to bring financial discipline and efficiency to its public expenditure management.
- 9) The large size and high professional capacity of SPO's Library and Documentation Center provides an indication of the high and wide range of technical capacity of SPO staff. SPO earns its influential position in the economic management of Turkiye not so much by its statute as by the quality of its work.

#### Government Budgeting

- 10) Turkiye started implementing multi-year (three-year) budgeting together with a Medium-Term Program (MTMF/MTEF) and a Medium-Term Financial Plan (MTFF) from 2006 after systematic and determined preparations since 2000. Obviously, Turkiye decided to change its budgeting and planning systems, which were in force since 1927 and 1960, respectively, along with those principles which had been gaining acceptance in all advanced countries, mainly because of its own assessment that the new systems would lead to more effective and efficient practices.
- 11) This has naturally been reflected in meticulously prepared procedures, extensive training of staff, and setting up the necessary IT technology network to ensure successful implementation of the new public financial management system once it was launched (see above). The IMF and WB should derive most significant lessons from this practice of Turkiye in re-evaluating their past coercion policies of hurrying the transition economies to adopt MTEF and MTFF without necessary statutory and

technical preparations. Similarly, the transition countries, which are simply pretending to have multi-year budgeting and MTEF/MTEFF, should look into Türkiye's practice if and when they realize that they need those instruments for their own good and not for pleasing the IFIs and donors.

12) Türkiye's government budget meets all the key budgeting principles like:

- All government expenditures are included in the budget irrespective whether they are capital or current expenditures and whether funded from domestic or external sources;
- SPO is responsible for the preparation of PIP, but all capital expenditures are budgeted and approved by the Parliament under administrative, functional and economic classification.
- Full transparency and accountability are ensured by almost every means of legal and administrative framework. In this context, Parliament is given ample time (75 days) to thoroughly discuss the budget both at the committee level and on the floor, and each Ministry's budget is voted separately.
- The preparation of the multi-year budget, plan documents, and public investment program is all done with full inter-linkages with each other within a medium-term program and financial plan.

#### Treasury Function

- 13) Treasury is a separate undersecretariat reporting directly to the Prime Minister (currently through a Deputy PM).
- 14) Thus, the actual dispensing of public funds and checking all statutory requirements for each dispensing is vested in an agency other than the one(s) making and approving the spending decision.
- 15) Treasury does more than just a cashier's function, however; it forms a judgment and advises the GOT about the progress and prospects of the financial implementation of the current year's budget.
- 16) Treasury is particularly successful in public debt management. No state agency, other than Treasury, is allowed to negotiate and sign any external funding, including grants and GOT guarantees.

#### Monetary Policy

- 17) Monetary and credit policy is formulated by CBT, which has an independent status. Its Governor is appointed by the Cabinet of Ministers, subject to President's approval, for seven years and cannot be replaced.
- 18) Although independent of GOT, the CBT could implement a successful monetary policy only if the fiscal policy is conducted by MOF with an appropriate sense of responsibility for maintaining economic stability.
- 19) Similarly, the monetary and credit policy has to be consistent with funding requirements of both the public and private sector investment programs as planned and envisaged, respectively, by SPO. This is ensured by the necessary oversight of the "Money-Credit and Coordination Council", which meets as needed under a Deputy PM's Chairmanship, with CBT participating as one of the nine members and SPO as a member and Secretariat.
- 20) Our hosts in all three agencies (SPO, MOF, and CBT) were baffled by our questions about how they were succeeding in effective cooperation among themselves. For them, this was a natural process realized through routine communication among their

staff at all levels as well as through the statutory review and decision meetings, culminating in the meetings of the High Planning Council.

### General Observations

- 21) Perhaps the most striking observation of this Study Tour was about the high quality of all Turkish officials, both at technical and managerial level, whom we met in all agencies we visited. Obviously, they were all well trained and experienced in their fields, speaking English, and computer-literate.
- 22) I must add here my own explanation of the above observation: Most good graduates of the best Turkish universities aspire to join one of these key government agencies. For this they have to be successful in a nation-wide competitive examination, followed by a selection interview. New recruits join as assistant expert for three years, which is a probation period with special training programs both in-house and abroad to be concluded with a successful "expertship thesis". Once become an expert, his survival and promotion will depend not only on satisfactory performance but also on continually producing good quality operationally oriented papers. A visit to the web-sites of these agencies for just checking the long list and good quality of research papers by their experts will better explain this ([www.dpt.gov.tr](http://www.dpt.gov.tr); [www.tcmb.gov.tr](http://www.tcmb.gov.tr); [www.maliye.gov.tr](http://www.maliye.gov.tr); [www.hazine.gov.tr](http://www.hazine.gov.tr) ).
- 23) All agencies we visited had good facilities and, most importantly, seemed to have online access to all government data as they were bringing to us any information we request in a few minutes. In any case, this is also apparent from a visit to the above web-sites and stands as a stark contrast to what is experienced in Azerbaijan and some other FSU countries, where a ministry should send a written request to another ministry for obtaining a standard data.
- 24) Turkiye has been progressing rapidly in the development of internet use to improve efficiency and accessibility of government services. The implementation of this policy has been progressing since early 2000s through the "E-Transition Turkiye" project managed by SPO (see [www.bilgitoplumu.gov.tr](http://www.bilgitoplumu.gov.tr); [www.turkiye.gov.tr](http://www.turkiye.gov.tr) ; and <http://ekutup.dpt.gov.tr/plan/aep/e-dtr/2005.pdf>). In addition, the e-State project has been transforming government operations from being based on physical flow of information to web-based communications and data transfers (see <http://ekutup.dpt.gov.tr/bilisim/e-devlet/tr2005.pdf>). Finally, the accounting system of GOT, with more than 1600 accountancies spread across the country, now operates on an automated on-line accounting system, called "say2000i", capturing receipts and payments as they are made and producing up-to-date statements as needed.
- 25) Both Dr. Tiktik and Mr. Aktan, Undersecretaries of MOF and SPO, offered help to establish these systems in Azerbaijan if GOAZ was interested in them.



**Back-to-office Report on Study Tour of GOAZ Group**  
**Prepared by Khagani Abdullayev,**  
**Head of Monetary Policy Dept., NBA**  
**June 26-30, 2006 Ankara, Turkey**

## **Organization of Macroeconomic Management in Republic of Turkey**

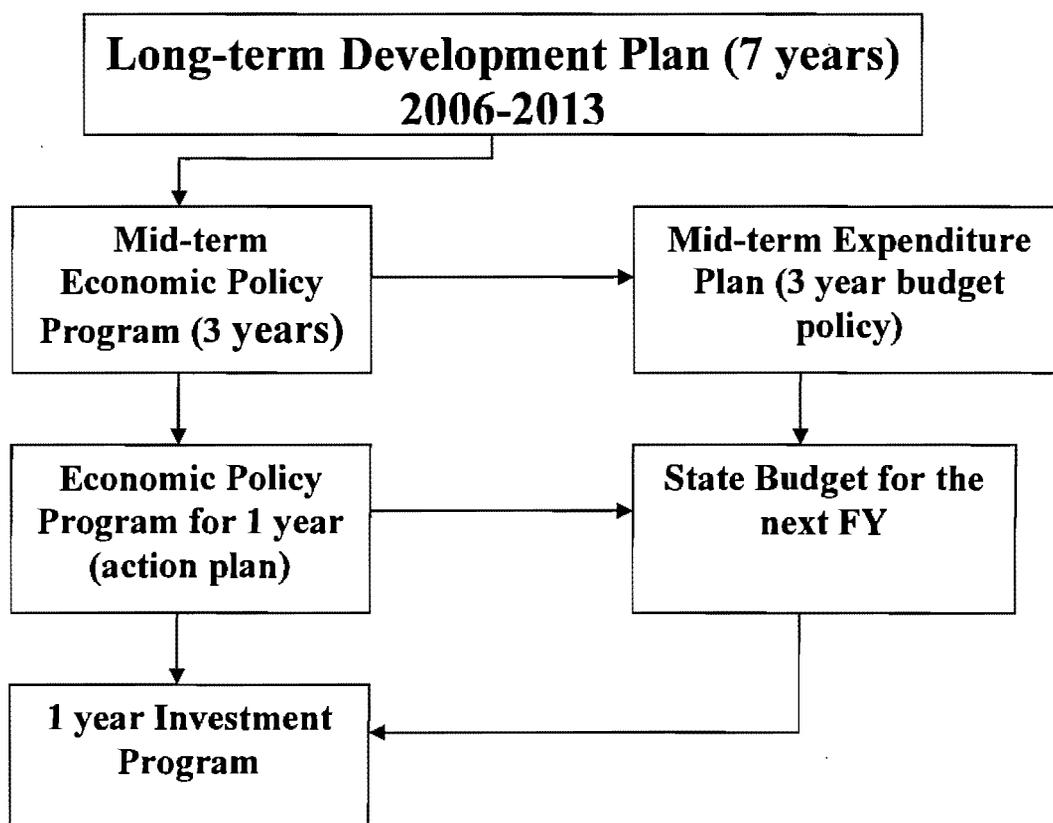
**Institutional framework.** State Planning Organization (SPO) of Republic of Turkey is the state body responsible for developing and implementing short, medium and long term macroeconomic policy. SPO is directly accountable before the Prime Minister and is the state's strategic apparatus for economic policy.

SPO has a representative in each ministry and these representatives monitor achievement of targets set in national programs (in other words they guard/ensure planned economic "stability")

Ministry of Finance and Treasury also have certain responsibilities related to macroeconomic management.

Macroeconomic and budget policy strategy in Turkey is established by High Policy Planning Council (HPPC) comprising 8 key ministers + the Prime Minister.

### **Macroeconomic Management Mechanism in Turkey**



**Long and medium term programs.** As can be seen, the country's long-term economic policy framework is prescribed in 7 year Plan (Development Plan). This plan identifies major national development targets, as well as macroeconomic and structural objectives.

The 5 key objectives of the Plan are:

- To strengthen the country's international competition capacity;

- To increase employment rate;
- To develop human capital and ensure social solidarity;
- To expedite regional development;
- To improve the quality of state services (expenditure).

Broad public discussions are held and about 60 committees function with purpose of developing this plan. General Development Plan is formulated based on the reports of these committees.

After preliminary approval from HPPC, the Plan is submitted to the Parliament for approval. The Parliament's approval has following objectives:

- Adhere to democratic principles in approval of the plan;
- Ensure compliance of laws to be approved with National Plan.

For phased implementation of this plan 3 year Medium Term Economic Policy Program (MTEPP) was adopted. This program details global targets prescribed in the National Plan. The program reflects 3 year development strategy for each sector identifies sub-targets of 5 key goals of the National Plan and delineates activity programs to achieve these targets.

MTEPP identifies macroeconomic targets, including 3 year inflation targets. As monetary policy of the Central Bank of Turkey functions in inflation targeted regime, **the Government in all cases takes into account the Central Bank's opinion when identifying MTEPP's budget deficit/GDP and budget expenditure.**

Following preparation of MTEPP, Medium Term Financial (Fiscal) Plan (MTFP) is developed as its financial support (financing economic policy program). MTFP is developed jointly by SPO, MoF and the Treasury and reviewed and approved by HPPC by the end of may.

**Importance of MTFP.** MTFP is a financial document (financial program) which reflects government's medium term economic priorities and prescribes for top-down planning of budget expenditure.

Annual budget expenditure volume is formulated on the basis of macroeconomic framework (*deficit/GDP, inflation, debt/GDP etc.*) initially identified by the government, not budget requests of certain ministries and organizations.

MTEF identifies 2-step limit system: *i) global limit and ii) sectoral limit.*

Global limit identifies overall limit for increase in budget expenditure for the period of 3 years, specifying every year. Limits for each sector (health, education, defense etc. functional classification) are identified within the overall limit. These sectoral limits are calculated on the basis of each sector's strategic goals.

Sectoral limits are based on each sector's development strategy in MTFP and are invariable. However, these limits could be revised on 2<sup>nd</sup> and 3<sup>rd</sup> years of MTFP.

Upon receipt of these limits, every relevant ministry starts allocation expenditure among the organizations. In this process every ministry responsible for a certain company is free to set the limit.

After these limits are distributed among state enterprises, relevant organizations prepare strategic plans and justify outcomes/results to be achieved from the allocated resource envelop – (these results have to conform with 7 year National Plan).

Medium term capital expenditure and medium term current expenditure for MTFP are planned respectively by SPO and MoF.

SPO sets investment limits for each ministry and subordinating organizations. Medium term investment program is separately discussed at HPPC, These discussions are attended by all sector ministries and the chairman of the central bank.

The Prime Minister issued “Guideline on Public Investment Policy” to ensure preparation of investment program on technical level (by the enterprises).

**Annual Budget Cycle.** Upon approval of MTFP in May, the document is acknowledged to the public. Following this, preparation of detailed state budget for the 1<sup>st</sup> year of MTFP is started.

Similar to MTFP, SPO and MoF start planning (June-August) respectively annual public investment program and current budget expenditure, taking into account National Plan targets and sectoral constraints. MoF summarizes the budget when current and capital expenditure are ready. Draft budget is reviewed and approved by HPPC.

State Budget is submitted to the Parliament no later than October 17. MoF officially presents state budget to the Parliament. The Parliament should approve the budget no later than 75 days before the end of year.

At the same time HPPC should approve by the end of October next year’s economic policy program (Action plan) which was the basis for the annual budget. This plan is developed jointly by SPO, MoF, Treasury and Central Bank.

The Parliament approves annual budget’s capital and current expenditure limits for each sector (ministry).

Every ministry should adhere to the budget limit set for it. *However, every ministry can independently (i.e. without addressing SPO or MoF) make item relocations between current and capital expenditure by 20% of the limit set for the ministry.*

**Public Investment Program.** Annual program of detailed investment projects by enterprises is approved by SPO no later than January 10.

*External funding source of every project in annual investment program should be agreed with the Treasury.* Because, the Treasury can perform detailed economic analysis of the project and is responsible for concluding external credit agreements on behalf of the government. No public projects can receive external funding without Treasury’s approval. If state enterprise has an old external arrear or low solvency, Treasury may refuse to sign external credit agreement.

Every ministry has a Council analyzing feasibility studies (Technical Economic Justification) of investment projects.

SPO performs monitoring of investment programs of organizations and reports to HPPC on quarterly basis. Broad reporting is done on annual basis (all details of project’s economic classification – fixed asset, wages/salaries, rapidly aging assets etc.)



**Back-to-office Report for Study Tour of GOAZ Group**  
**Prepared by Rafiq Huseynov,**  
**Acting Head of Projects' Financial Appraisal Dept., MOF**  
**June 26-30, 2006 Ankara, Turkey**

Within the framework of Public Investment Policy Project, USAID has financed participation of MOF key management in a study tour to Ankara, Turkey on June 25-July 02, 2006. Under the resolution of Minister of Finance (No.116, dated June 22, 2006) the ministry was represented by Mr. Ilgar Fatizade, first deputy minister and Mr. R. Huseynov, Deputy Head of Division for Financing National Economy.

The goal of the study tour was to introduce to GOAZ representatives Turkey's experience and best practices in the field of public investment programming.

The Azerbaijani group consisted of 10 managers from 7 government agencies: Cabinet of Ministers, MOF, MOED, Ministry of Industry and Energy, Ministry of Environment and Natural Resources and National Bank of Azerbaijan.

Pursuant to the agenda of the tour, meetings and discussions were held at Organization of Cooperation and Development, State Planning Organization, Ministry of Finance, Treasury, Foreign Trade Agency; participants studied practices and management models of the host organizations and exchanged views.

Furthermore, the Governor of the Central Bank, who is also the Chairman of Budget Committee under Parliament of Republic of Turkey met with Azerbaijani delegation.

During the study tour, participants became familiar with and discussed practices of Republic of Turkey in following areas: public investments programming, state budget's capital expenditure (public investment) projections, funding of public investment, 3 year development plan, 3 year financial plan, external economic relations, foreign trade turnover of the country, monetary-credit policy implemented by the central bank, discussion of draft state budget in the parliament and other issues.

During the program, GOAZ representatives also got to know achievements of Turkey in implementing public investment policy and program.

Participants of the study tour also reviewed Statute of Ministry of Finance, structure of its central apparatus, scrutinized legislative acts related to financial management and supervision, as well as budgeting. These activities were followed with intensive discussions and exchanges of views.

Representatives of Government of Turkey informed their Azerbaijani counterparts of how the issues prescribed in the study tour are regulated by relevant legislation; Azerbaijani counterparts obtained sample material on target subjects, including fiscal policy, budget legislation with purpose of using these materials in practical work.

Based on the proposals arising from review of materials obtained during the aforementioned study tour, collegiums of MOF resolute:

1. Following should be taken into account:

- MOED in coordination with MOF and COM should prepare medium term (current year and following 3 years) draft public investment program and present it to the President of Azerbaijan Republic for approval;
- State budget's capital expenditure (public investment expenditure) projections should be based on approved public investment programs;

- Capital repair expenditure should not be projected in public capital expenditure of state budget; and should be reflected within the budgetary lines (i.e. capital repair expenditure line) of the budgetary institutions given in functional classification.
2. Ilgar Fatizade, first deputy minister; M. Agazade and R. Huseynov, Head and Deputy Head of Division for Financing National Economy should ensure following:
- With purpose of regulating public investment programming issues mentioned in Paragraph 1 above, I. Fatizade, M. Agazade and R. Huseynov should closely participate in preparation of draft guidelines for preparation, monitoring and implementation of public investment program; coordinate their work with relevant units of MOED; regularly inform ministry's management on the progress;
  - Until issues mentioned in paragraph 1 are regulated, projects lacking cost-estimates and expert appraisal should not be included into annually approved public investment program;
  - The aforementioned managers should submit to MOF's management, proposals regarding approval of capital expenditure breakdown by agency in annually approved state budget (including the name of investment project and total investment) and changes/amendments to relevant legislation within 1 month after enforcement of this resolution. These proposals would be later delivered to the Cabinet of Ministers for approval;
  - Proposals regarding changes/amendments to legislation, requiring that expenditure related to budget funded construction of residential, non-residential and other buildings be considered solely in public investment program and forecasted in capital investment expenditure, should be submitted within 1 month after approval of this resolution.
  - With purpose of more effectively regulating MOF's authorities and duties related to public investment policy, proposals on amendments/changes to the Statute and structure of the central apparatus of the ministry should be presented within 1 month after approval of this resolution.
3. Authority for implementation of this resolution shall remain after me.





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**PUBLIC INVESTMENT POLICY PROJECT**  
**STUDY TOUR OSLO, NORWAY**  
**Effective Economic Planning and**  
**Public Expenditure Management**

March 25- April 01, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.



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5. Materials from Ministry of Finance, March 26-27, 2007: The planning process in Norway- the role of macroeconomic forecasting and financial programming.



<b>Tuesday 27 March</b>	0900-1130	<p><b>Ministry of Finance</b></p> <p>Oil Fund Management strategy and policy in Norway  <i>Mr Thomas Ekeli, Investment Director, Asset Management Department</i>  <b>Presentation-Oil Fund Management_ Thomas Ekeli</b></p> <p>The planning process in Norway - the role of macroeconomic forecasting and financial programming  <i>Mr Arent Skjæveland, Deputy Director General</i>  <b>Presentation-Planning process in Norway_ Arent Skjoeveland</b></p> <p>Wrap up and remaining questions  <i>Mr Arent Skjæveland, Deputy Director General</i></p>
	1130-1400	Lunch
	1400-1600	<p><b>Statskonsult</b></p> <p>From oil to cash – effects on human behaviour.  <i>Mr Arne Jon Isachsen, professor, The Norwegian School of Management</i>  <b>Presentation- From oil to cash - effects on human behvaiour.2007 03</b>  <i>Asarbadjan</i>  <i>A NOTE ON THE OPTIMAL TIME PATH FOR PETROLEUM EXTRACTI</i></p>

<b>Wednesday 28 March</b>	0900-1200	<p><b>Ministry of Petroleum and Energy</b></p> <p>Welcome and introduction <i>Mr Gunnar Gjerde, Director General</i></p> <p>Organisation of the Norwegian Petroleum Sector - Relationship between Parliament, Government, Directorates and private companies <i>Mr. Gunnar Gjerde, Director General</i> <b>Presentation-</b> <i>Organisation of the Norwegian Petroleum Sector_Gunnar Gjerde</i></p> <p>State participation <i>Mr Johan A. Alstad, Deputy Director General</i> <b>Presentation-</b> <i>state participation_Johan Alstad</i></p> <p>State as regulator and resource manager <i>Mr Gunnar Hognestad, Deputy Director General</i> <b>Presentation-</b> <i>Resource management_Gunnar Hognestad</i></p> <p>Industrial development and local content <b>Presentation-</b> <i>Mr Erik Just Olsen, Adviser Industrial development and local content_Erik Just Olsen</i></p> <p>Process in the MPE with regard to The State Budget <i>Mr Sigmund Johansen, Deputy Director General</i> <b>Presentation-</b> <i>Process in the MPE with regard to state budget_Sigmund Johansen</i></p>
	1200-1430	<p>Statoils engagement in Azerbaijan <i>Mr Helge Leiv Hatlestad, Vice President, Statoil</i> <i>Mr John Høines, Statoil</i> <i>Mr Gunnar Myrvang, Statoil</i></p> <p>Lunch hosted by Statoil</p>

	1445-1715	<p><b>Ministry of Transport and Communications</b></p> <p>Welcome and introduction  <i>Mr Steinulf Tunesvik State Secretary (Deputy Minister)</i></p> <p>Norwegian transport policy – planning and expenditure management</p> <p>National Transport Plan and the overall strategy  Economic framework and main priorities in the transport sectors  The Norwegian road system – economic planning and cost control</p> <p><i>Mr Kjell Rosanoff, Deputy Director General</i>  <i>Mr Ola Brattegard, Deputy Director General</i>  <i>Mr Jan Fredrik Lund, Head of Strategic Planning, Public Roads Administration</i></p> <p><b>Presentation-</b> 2007 03 28 Aserbadsjan <i>Jan Fredrik Lund</i>  <b>Presentation-</b> Norwegian transport policy - planning and expenditure management</p>
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<b>Thursday 29 March</b>	0900-1245	<b>Oslo sightseeing</b> Lunch	
	1300-1630	<b>Norges Bank</b> (central bank)  Welcoming remarks <i>Mr Jarle Bergo, Deputy Governor</i>  Government Pension Fund, Global - Background, governance structure, organisation, investment strategy <i>Mr Bjørn Taraldsen, Assistant Director, Norges Bank Investment</i> <b>Presentation-</b> Gov Pension Fund_ Bjorn Taraldsen  Monetary Policy - Flexible inflation targeting in a small open economy <i>Mr Amund Holmsen, Director, Monetary Policy Dept</i> <b>Presentation-</b> Monet Policy- Flexible inflation targeting_ Amund Holmsen	
<b>Friday 30 March</b>	0930-1230	<b>Statistics Norway</b>  Welcome and introduction <i>Mr Olav Ljones, Deputy Director General</i>  Official statistics in Norway and the role official statistics play in economic planning <i>Mr Olav Ljones, Deputy Director General</i> <b>Presentation-</b> Effective Economic Planning_ Olav Ljones  Macroeconomic impacts of the booming oil sector in Norway - a resource curse or a blessing? <i>Mr. Ådne Cappelen, Director of Research, Research Department</i> <b>Presentation-</b> boomingoil_ Ådne Cappelen	
		1230-13.15	Lunch hosted by Statistics Norway
		13.15 -1400	Large-Scale Econometric Models - Some Norwegian Experiences <i>Mr Ådne Cappelen, Director of Research, Research Department</i> <b>Presentation-</b> large scale models_ Ådne Cappelen
	1015-1045	<b>Ministry of Foreign Affairs</b> Meeting between the Azerbaijani delegation and the Ministry of Foreign Affairs <i>Deputy Minister, Ms Savinj Hansanova</i> <i>Mr. Khagani Abdullayev</i> <i>Ms. Nigar Chaybasarskaya</i>  <i>State Secretary (Deputy Minister) Mr Raymond Johansen</i> <i>Mr Kjetil Paulsen, Adviser</i>	

<b>Saturday 31 March</b>		<b>Cultural activities - Visit to The Kon-Tiki Museum etc</b>
<b>Sunday 1 April</b>		<b>Departure</b>



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**Strategic Technical Assistance for Results  
with Training**

**START/Caucasus  
AZERBAIJAN FIELD OFFICE**

**ORIENTATION SHEET**

**Training Event Title: Economic Planning and Public Expenditure Management  
Study Tour**

**Location and Date: Oslo, Norway. March 26-30, 2007**

**1. TRAINING SUBJECT**

The purpose of the study tour is to demonstrate to top-level government officials of the Republic of Azerbaijan the progress Norway has achieved from effective and efficient macroeconomic and sectoral development framework.

The study tour is implemented by Statskonsult under organizational assistance from START Participant Training Program with financial support of United States Agency for International Development and Norwegian Ministry of Foreign Affairs through Norwegian Embassy in Azerbaijan. The program has been initiated by Public Investment Policy Project.

**2. PROGRAM VENUE AND DATES (Including travel dates)**

Program dates (including travel dates):  
March 25 – April 2, 2007

**3. TRAINING DURATION**

1 week

**4. EMERGENCIES**

**In case of emergencies during the study tour, the contact persons in:**

**Baku, Azerbaijan**

Firuza Hasanova,

Program Officer

START Participant Training Program

14/16 Khagani Street, Apt. 41, 3rd Floor

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Interpreter

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Fax: +47 2235 0500

Email: [markim@online.no](mailto:markim@online.no)**5. NAMES OF PARTICIPANTS**

No.	Name	Position	Agency
1.	Mr. Vahid Huseynov	Senior Advisor, Department for Coordination of Government Guaranteed Loans, Technical Assistance and Grants	Cabinet of Ministers
2.	Mr. Khagani Abdullayev	Director of Monetary Policy Department	National Bank of Azerbaijan
3.	Ms. Sevinj Hasanova	Deputy Minister	Ministry of Economic Development (MOED)
4.	Mr. Shahin Sadigov	Head of Department for Economic Planning and Forecast	MOED
5.	Mr. Mushvig Bayramov	Acting Director of Budget Forecasting Department	State Oil Fund of the Azerbaijani Republic (SOFAZ)
6.	Mahabbat Mammadov	Head of Department for Supervision over implementation of Budget and Foreign Funded Projects	Ministry of Industry and Energy
7.	Mr. Ilham Guliyev	Deputy Minister	Ministry of Agriculture
8.	Mr. Rafiq Aslanov	Deputy Chief	State Amelioration and Irrigation Committee
9.	Ms. Nigar Chaybasarskaya	Leading expert, Advisory Service on Economic Issues	Presidential Office
10.	Mr. Janusz Szyrmer	Chief of Party	Public Investment Policy (PIP) Project
11	Ms. Sabira Shihaliyeva	Training Coordinator	PIP Project

## 6. NAME OF TRAINING PROVIDER

### Statskonsult

Address:

Stensberggt. 25, 0170 Oslo, Norway

Tel: +47 22 45 12 40

Fax: +47 22 46 94 70

Web: [www.statskonsult.no](http://www.statskonsult.no)

## 7. INTERPRETATION

The program will be held in English and Norwegian languages. Norwegian Ministry of Foreign Affairs will assign one of their Russian-speaking employees Ms. Maria Kim to assist with the interpretation during the whole study tour.

## 8. TRANSPORTATION

START Participant Training Program, through Statskonsult, will arrange a maxi taxi from OsloTaxi to arrange all the transportation needed for the participants in Oslo, including airport pick-up and drop-off.

Statskonsult representative Mr. Tormod Rodsten and Norwegian MFA representative Ms. Maria Kim will meet the participants at the airport.

## 9. INTERNATIONAL TRAVEL INFORMATION

Date of Flight	Flight number	Airline Company	Flight (from-to)	Departure	Arrival	Duration
March 25	OS 882	Austrian Airlines	Baku – Vienna	03:45	06:00	5:15 hrs
March 25	OS 335	Austrian Airlines	Vienna – Oslo	10:30	12:55	2:25 hrs
April 1	OS 336	Austrian Airlines	Oslo – Vienna	13:45	16:10	2:25 hrs
April 1	OS 881	Austrian Airlines	Vienna – Baku	20:20	03:30 (next day)	4:10 hrs

## 10. ARRIVAL

Upon arrival in the airport in Oslo, Norway, the participants must first pass through immigration before claiming their luggage and clearing customs. Airline representatives will be on hand to assist with this procedure.

## 11. FLIGHT DELAYS/CANCELLATIONS

START Participant Training Program is not responsible for flight delays or cancellations, but will assist the participants to the extent possible. Please note that START Participant Training Program is unable to re-book participants on new flights in the event of flight cancellations or delays.

If the participants' flight is delayed or cancelled, the following steps should be taken:

Pre-Departure Orientation Sheet: Effective Economic Planning and Public Expenditure Management Study Tour.  
March 26-30, 2007. Oslo, Norway.

- a. The participants should immediately contact representatives of the airline that issued their tickets and request to be re-booked on the next available flight;

In case of **weather related delays**, some airlines do NOT cover the cost of hotels, should an overnight stay be necessary. In this case, the participants will be reimbursed by START Participant Training Program for the hotel room rate plus tax. The participants will be reminded to submit itemized receipts to START Participant Training Program in order to be reimbursed.

If the flight delay/cancellation is NOT due to inclement weather, airlines will re-book the participants on the next flight *even if it is on another airline*, if requested by them. If an overnight stay is necessary, the participants should request the airline cover the cost of hotel accommodations. The airline may not honor that request, in this case the participants will be reimbursed by START Participant Training Program. The participants will be reminded to submit itemized receipts to START Participant Training Program in order to be reimbursed.

- b. Contact START Participant Training Program or the event organizer (using the emergency numbers provided above) to advise on the new arrival time. If START Participant Training Program or the event organizer is not available to take the call, the participants should leave a detailed message, including a telephone number where they can be reached. START Participant Training Program/the event organizer will need to cancel the hotel reservation in Oslo, Norway if their arrival is delayed for a day.

## 12. LUGGAGE

START Participant Training Program suggests that the participants take a carry-on bag containing a change of clothing in case of lost luggage or a delay in luggage arrival at the airport. They are encouraged to enclose a business card or another form of identification inside each piece of luggage in addition to attaching a luggage tag. These steps will help with identification of lost luggage. The participants are to be reminded that START Participant Training Program is not responsible in case of lost luggage.

The participants should write their name and the address of the place that they will be staying in Oslo, Norway on the luggage tag.

It is recommended that the participants check their luggage through Baku – Oslo directly.

**Note: It is allowed to check one piece of luggage with a maximum weight of 20 kg. A single item of hand luggage to take onto the aircraft with you is permitted to weigh a maximum of 5 kg.**

## 13. HEALTH INSURANCE

The participants will receive travel health insurance from Ateshgah Insurance Company for the duration of their travel to/from and stay in Oslo, Norway: March 25 – April 2, 2007

## 14. ACCOMODATIONS

The participants will be accommodated at Grand Hotel.

Karl Johans gate 31, NO-0159 Oslo, Norway

Tel: +47 23 21 20 00

Fax: +47 23 21 21 00

Email: [grand@rica.no](mailto:grand@rica.no)

Web: [www.grand.no](http://www.grand.no)

Reservation Department: contact person Ms. Kjersti Kallandsvik

Tel: +47 23 21 20 73

**Check-in date & time: March 25, 2007; 15:00**

**Check-out date & time: April 1, 2007; 12:00**

## 15. BUSINESS CARDS

The participants should bring a good supply of business cards and information about their organizations. Specific information will assist the training provider in ensuring appropriate training.



### List of Participants for the Norwegian Trip

<b>N o.</b>	<b>Name</b>	<b>Position</b>	<b>Agency</b>	<b>Contacts</b>
1.	Nigar Chaybasarskaya	Leading expert, Advisory Service on Economic Issues	Presidential Office	492- 66-08 (050) 323 89 83
2.	Vahid Husseyrov	Senior Advisor Department for Coordination of Government Guaranteed Loans, Technical Assistance and Grants	Cabinet of Ministers	492-56-45 (050) 323 30 50
3.	Khagani Abdullayev	Director of Monetary Policy Department	National Bank of Azerbaijan	598 4166 (050) 399 44 84
4.	Sevinj Hassanova	Deputy Minister	MOED	492-58-94
5.	Shahin Sadygov	Head of Department for Economic Planning and Forecast	MOED	492-84-25 (050) 318 98 95
6..	Mushfiq Bayramov	Deputy to Department Head for Budget Forecasting	State Oil Fund	498 77 53 (137) (050) 664 36 15
7.	Mahabat Mammedov	Head of Department for Supervision over implementation of Budget and Foreign Funded Projects.	Ministry of Industry and Energy	431-94-37 430 16 69 (050) 212 82 11
8.	Ilham Guliyev	Deputy Minister	Ministry of Agriculture	498-98-24 (050) 220 29 25
9.	Rafiq Aslanov	Deputy Minister	Committee of Irrigation and Water Supply	493 34 44 (050) 215 81 28
10	Sabira Shihaliyeva	Training Coordinator	PIP-Project	498 83 37 (050) 336 15 38
11	Janusz Szyrmer	Chief of Party	PIP-Project	498 83 37 (050) 548 07 91



**Effective Economic Planning and Public Expenditure Management**  
**Study Tour Oslo, Norway 25 March – 1 April 2007**

**Names, Addresses and Homepages of Participants/Lecturers from  
the Norwegian Institutions**

**Ministry of Finance**

<http://www.regjeringen.no/en/dep/fin.html?id=216>

Mr Roger Schjerva, State Secretary (Deputy Minister)

<http://www.regjeringen.no/en/dep/fin/The-Ministry/Other-Political-Staff/Roger-Schjerva.html?id=272481>

Mr Arent Skjæveland, Deputy Director General, Economic Policy Department  
[arent.skjaveland@fin.dep.no](mailto:arent.skjaveland@fin.dep.no)

Ms Ingrid Rasmussen, Deputy Director General  
[Ingrid.Rasmussen@fin.dep.no](mailto:Ingrid.Rasmussen@fin.dep.no)

Mr Per Mathis Kongsrud, Deputy Director General  
[per-mathis.kongsrud@fin.dep.no](mailto:per-mathis.kongsrud@fin.dep.no)

Mr Yngvar Tveit, Deputy Director General  
[Yngvar.Tveit@fin.dep.no](mailto:Yngvar.Tveit@fin.dep.no)

Mr Espen Aasen, Deputy Director General  
[Espen.Aasen@fin.dep.no](mailto:Espen.Aasen@fin.dep.no)

Mr Thomas Ekeli, Investment Director, Asset Management Department  
[Thomas.Ekeli@fin.dep.no](mailto:Thomas.Ekeli@fin.dep.no)

**Ministry of Petroleum and Energy**

<http://www.regjeringen.no/en/dep/oed.html?id=750>

Mr Gunnar Gjerde, Director General  
[gunnar.gjerde@oed.dep.no](mailto:gunnar.gjerde@oed.dep.no)

Mr Johan A. Alstad, Deputy Director General  
[johan.alstad@oed.dep.no](mailto:johan.alstad@oed.dep.no)

Mr Gunnar Hognestad, Deputy Director General  
[gunnar.hognestad@oed.dep.no](mailto:gunnar.hognestad@oed.dep.no)

Mr Erik Just Olsen, Adviser  
[erik-just.olsen@oed.dep.no](mailto:erik-just.olsen@oed.dep.no)

Mr Sigmund Johansen, Deputy Director General  
[sigmund.johansen@oed.dep.no](mailto:sigmund.johansen@oed.dep.no)

**Effective Economic Planning and Public Expenditure Management**  
**Study Tour Oslo, Norway 25 March – 1 April 2007**

**Statoil**

<http://www.statoil.com/>

Mr Helge Leiv Hatlestad, Vice President

[HHAT@statoil.com](mailto:HHAT@statoil.com)

Mr John Høines

[JHNES@statoil.com](mailto:JHNES@statoil.com)

Mr Gunnar Myrvang

[gunmyr@statoil.com](mailto:gunmyr@statoil.com)

**Ministry of Transport and Communications**

<http://www.regjeringen.no/en/dep/sd.html?id=791>

Steinulf Tungesvik, State Secretary (Deputy Minister)

[steinulf.tungesvik@sd.dep.no](mailto:steinulf.tungesvik@sd.dep.no)

Mr Kjell Rosanoff, Deputy Director General

[kjell.rosanoff@sd.dep.no](mailto:kjell.rosanoff@sd.dep.no)

Mr Ola Brattegard, Deputy Director General

[ola.brattegard@sd.dep.no](mailto:ola.brattegard@sd.dep.no)

Mr Jan Fredrik Lund, Head of Strategic Planning, Public Roads

[jan.lund@vegvesen.no](mailto:jan.lund@vegvesen.no)

**Norges Bank**

<http://www.norges-bank.no/english/>

Mr Jarle Berge, Deputy Governor

[central.bank@norges-bank.no](mailto:central.bank@norges-bank.no)

Mr Bjørn Taraldsen, Assistant Director, Norges Bank Investment Management

[bta@nbim.no](mailto:bta@nbim.no)

Mr Amund Holmsen, Director, Monetary Policy Department

[Amund.Holmsen@Norges-Bank.no](mailto:Amund.Holmsen@Norges-Bank.no)

**Effective Economic Planning and Public Expenditure Management**  
**Study Tour Oslo, Norway 25 March – 1 April 2007**

**Statistics Norway**

<http://www.ssb.no/english/>

Mr Olav Ljones, Deputy Director General

[Olav.Ljones@ssb.no](mailto:Olav.Ljones@ssb.no)

Mr. Ådne Cappelen, Director of Research, Research Department

[Aadne.Cappelen@ssb.no](mailto:Aadne.Cappelen@ssb.no)

**Ministry of Foreign Affairs**

<http://www.regjeringen.no/en/dep/ud.html?id=833>

Mr Raymond Johansen, State Secretary (Deputy Minister)

[rajo@mfa.no](mailto:rajo@mfa.no)

Mr Kjetil Paulsen, Adviser

[kjetil.paulsen@mfa.no](mailto:kjetil.paulsen@mfa.no)

**Special lecturer**

<http://home.bi.no/fag87025/>

Mr Arne Jon Isachsen, professor, The Norwegian School of Management

[arne.j.isachsen@bi.no](mailto:arne.j.isachsen@bi.no)





NORWEGIAN MINISTRY OF FINANCE

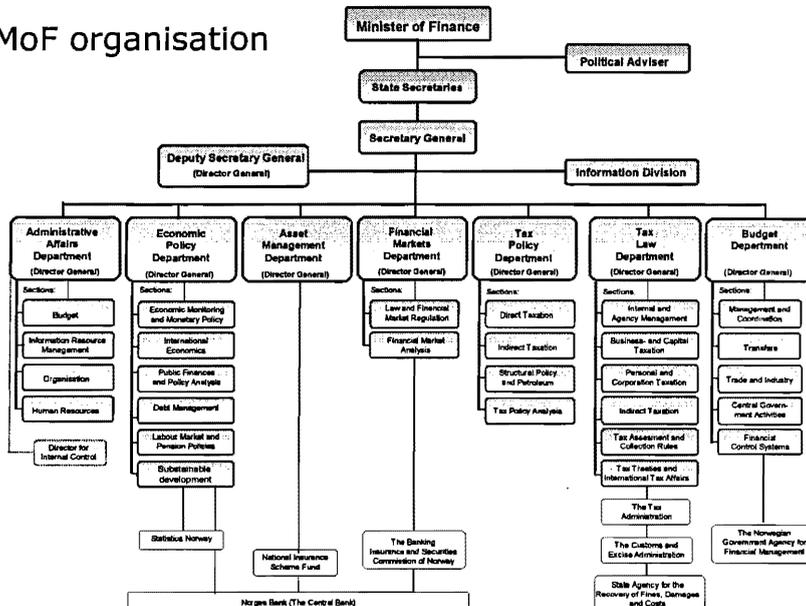
The planning process in Norway – the role of macroeconomic forecasting and financial programming

Presentation to Azarbaijan delegation  
Oslo 27.03.2007

Arent Skjæveland  
Deputy Director General  
Economic Policy Department  
www.government.no

Norwegian Ministry of Finance

MoF organisation



## The responsibility of the Ministry of Finance

### Main tasks:

- planning and implementing economic policy
- co-ordinating the preparation of the budget
- ensuring government revenues by maintaining and developing the system of taxes and duties
- monitoring financial markets and drawing up regulations
- managing the state's financial assets
- raising and servicing government loans
- guidelines for monetary policy
- structural policy
  - public sector efficiency – together with the other ministries
  - private sector efficiency – good framework conditions
  - labour supply – together with Ministry of Labour and other ministries

## The responsibility of the Ministry of Finance cont.

### Analyses and planning:

- monitors and analyses economic development in Norway and abroad
- longer-term analyses and reports on subjects such as
  - population trends
  - developments in income and living conditions
  - environmental issues
  - labour market trends
  - public services and public sector transfers, e.g. long term growth in pension expenditure

## Economic Planning in Norway

- The government plans and proposals is presented to the Storting every autumn in the National Budget and the fiscal budget, and each spring in the Revised National Budget.
- Before the budgets are presented, the Ministry of Finance gives advice on
  - the level of the non-oil budget deficit
  - how much government expenditure can increase,
  - the level of income tax
  - what taxes should be imposed to ensure that the central government can cover its expenditures.
- On longer term issues – separate White Papers, f.ex.:
  - Pension Reform
  - Reform of Disability Pension
  - Reform of Sick Benefit Leave
  - The organization of health services

5

## Economic Planning in Norway cont.

- Planning documents
  - The yearly National Budget, presented together with the Fiscal Budget
  - The Long Term National Transport Plan
  - The Long Term Defense Plan
  - A Report in Economic Perspectives (replaced the Long Term Programme)
- Multi-year budgets has no role – all decisions are yearly

6

## The role of macroeconomic forecasting

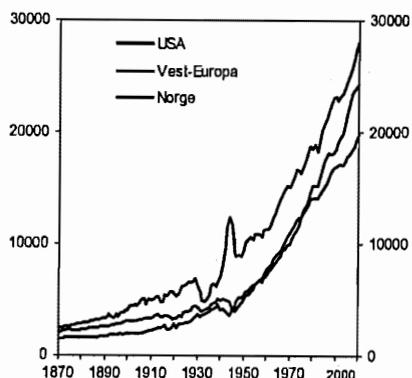
- Short term
  - A model for 2-5 years forecasting (MODAG)
  - Purpose
    - Establish a short term reference path
    - Evaluate the effect of policy measures
    - Decide the stance of fiscal policy (expansionary or contractionary compared to the 4 pct. rule)
- Longer term
  - Several models for 10-50 years analysis (MSG, MOSART, Generational accounts)
  - Purpose:
    - What is a reasonable fiscal policy rule?
    - What to do in addition to the follow the fiscal rule?
      - pension reform
      - other reforms to curb expenditure growth
    - What are the consequences of different assumptions regarding
      - labour supply
      - productivity
      - oil prices
      - demographics (life expectancy, fertility, immigration)
      - health status

## What are the main focus in the forecasting process?

- Short term
  - Pressure problems – risk of overheating, wage growth, inflation
  - Main instrument – interest rate/monetary policy
  - But – fiscal policy also play a role in stabilization
- Longer term
  - Public sector finances
    - Are welfare services sustainable?
  - Not productivity growth
    - No direct link between measures taken and productivity growth in the models
    - In the forecasts productivity is taken as exogenous – and it do not affect public finances
    - But of course productivity is important:  
*In actual policy good framework conditions have a strong focus*

## Report on Economic Perspectives: From poor to rich

GDP pr. capita. 1990-USD

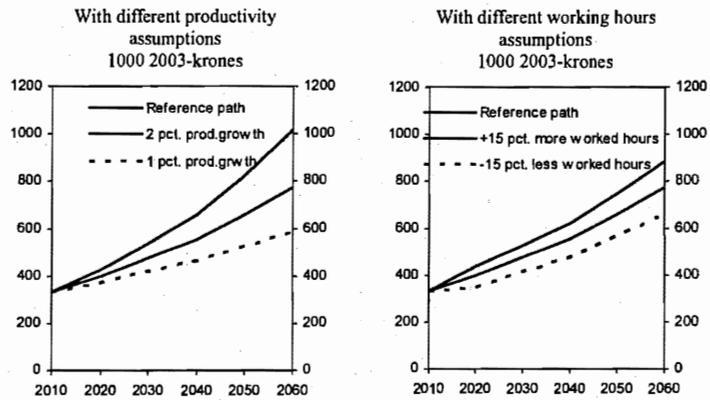


- Mainland economy by far most important
- High labour participation and low unemployment
- A high education level
- High productivity level

## Report on Economic Perspectives: What decides economic growth

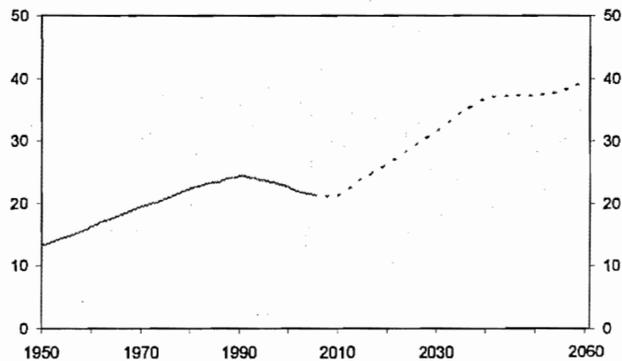
- Productivity growth
  - institutional conditions
  - quality and competence
  - research and development
  - international trade
  - ability to adapt to changes/structural policy
- Supply of real capital and natural resources
- Labour supply

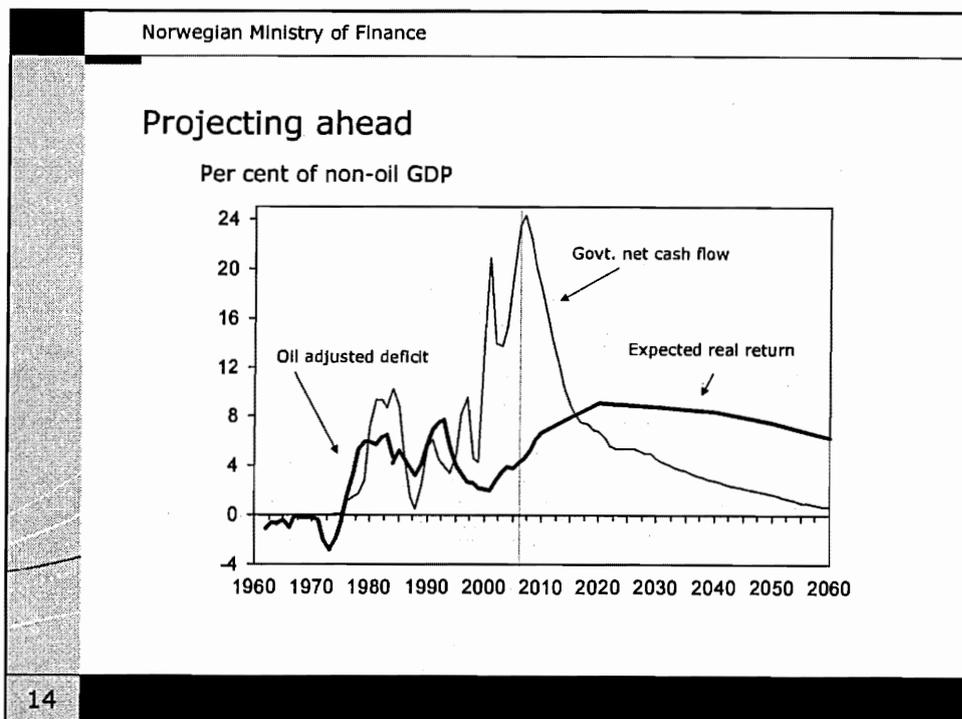
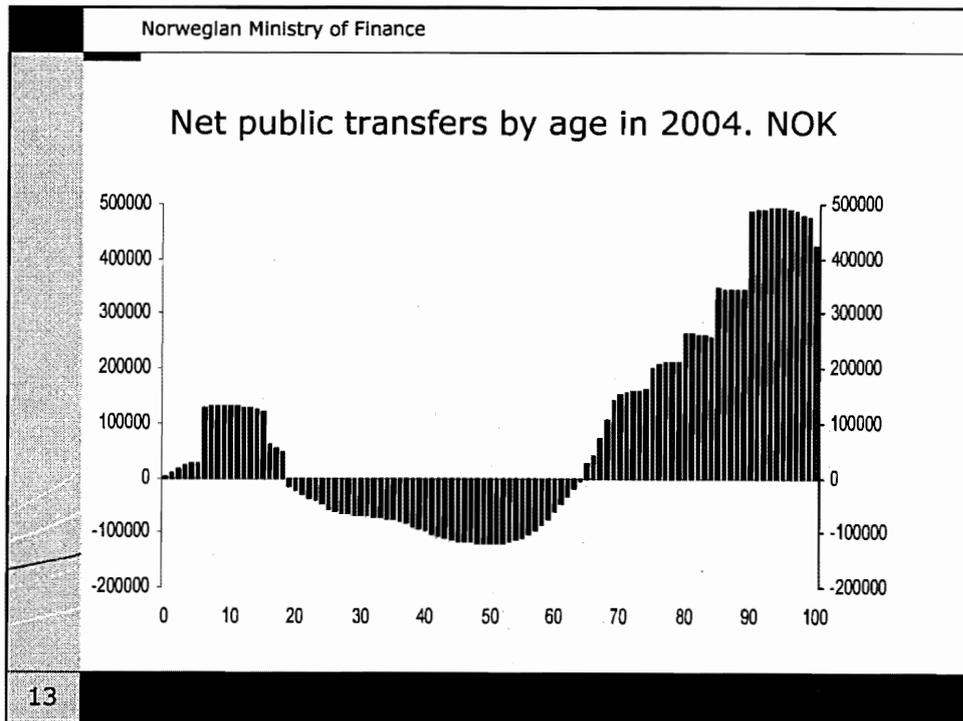
## Report on Economic Perspectives: Income pr. capita will continue to grow



## Long-term challenges: Ageing of the population

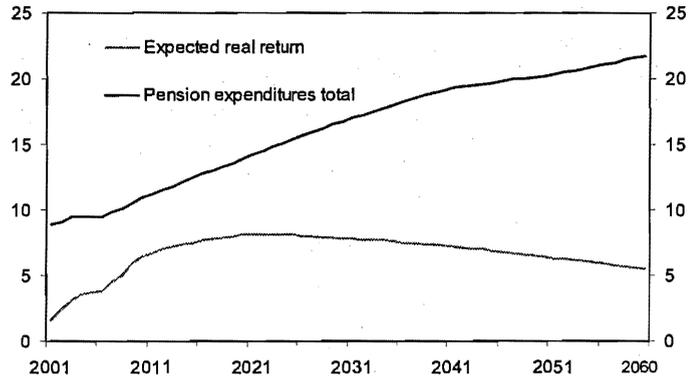
People 67 years and over in per cent of working age population



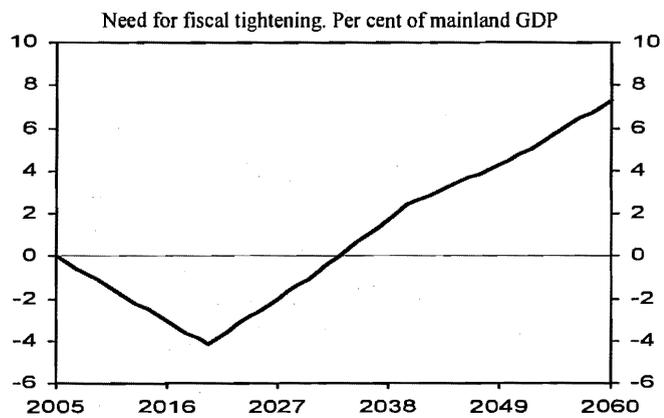


## Fiscal pressure

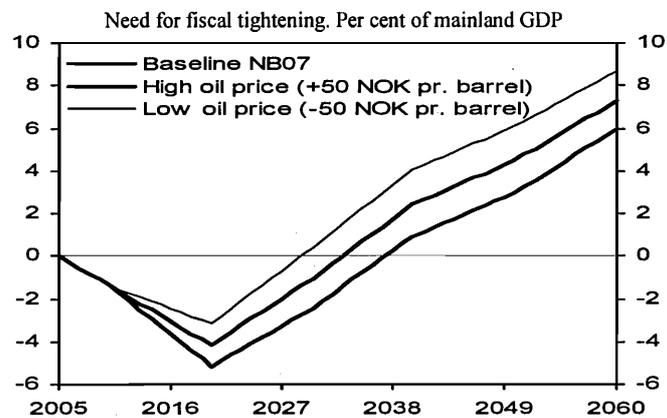
Pension expenditure and expected real return on the Government Pension Fund-Global. Per cent of mainland GDP



## Income from petroleum will not suffice...



... even with a high oil price

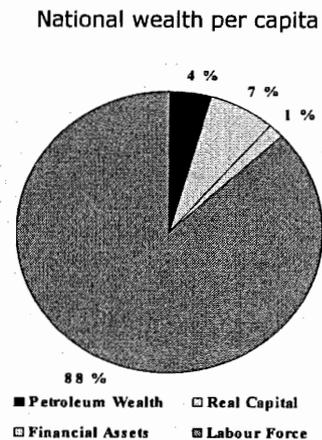


Report on Economic Perspectives:  
**How to solve the challenges facing public finances?**

- Increased tax level
- Pension reform
- A shift in welfare services back to the private sector
- Increased efficiency in provision of public services
- More user fees to pay for public services
- Increased immigration

Report on Economic Perspectives:  
**The labour force is our most important asset**

- Pension and tax system must give incentives for work
- Welfare scheme reforms: More people at work - fewer on benefits
- Good policy fundamentals - sustainable macroeconomic policy



**Key idea regarding our State Pension Fund**

- A petroleum fund is no substitute for sound fiscal management. Main priorities:
  - a good budget process integrating oil revenues
  - a sustainable fiscal policy strategy
  - institutions that are competent, transparent and accountable
- A well-designed fund can help build public awareness and support for a policy of wise and long-term management of the petroleum wealth.
- A poorly designed fund can do more harm than good





**USAID**  
FROM THE AMERICAN PEOPLE

**PUBLIC INVESTMENT POLICY PROJECT  
STUDY TOUR OF GOAZ  
GROUP TO ANKARA,  
TURKEY**

MAY 21-25, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by Development Alternatives, Inc.



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4. Project Analysis Techniques Presentation (PROJE ANALİZ TEKNİKLERİ)

**Training Program for the Government of Azerbaijan's Delegation  
During 21-25 May, 2007**

<b>Date</b>	<b>Training Topics</b>	<b>Agency</b>
21 May, 2007	<ul style="list-style-type: none"> <li>• Budget, Program, Projects and linkages between them. Investment and Project Concepts</li> <li>• Public Investment Process in Turkey</li> </ul>	State Planning Organization
	<ul style="list-style-type: none"> <li>• Public Investment Program forms (types) and Public Investment Size (expenditure limits)</li> </ul>	
	<ul style="list-style-type: none"> <li>• Project Preparation: Prefeasibility and Feasibility Studies</li> </ul>	
22 May, 2007	<ul style="list-style-type: none"> <li>• Types of project analysis (Cost –Benefit Analysis)</li> </ul>	State Planning Organization
	<ul style="list-style-type: none"> <li>• Project monitoring and Evaluation</li> </ul>	
23 May, 2007	<ul style="list-style-type: none"> <li>• Development of Macroeconomic Framework</li> </ul>	
	<ul style="list-style-type: none"> <li>• Budget preparation process</li> </ul>	
24 May, 2007	<ul style="list-style-type: none"> <li>• The role of the Ministry of Finance in indentifying investments and budget preparation process</li> </ul>	
25 May, 2007	<ul style="list-style-type: none"> <li>• Main definitiomns (concepts) of Public Finance and Investments</li> </ul>	Treasury

## LIST OF PARTICIPANTS FOR STUDY TOUR TO ANKARA

No	Name	Position	Ministry	Contact number
1.	Siavush Mustafyev	Chief Advisor. Fiscal Monetary and Pricing Policy Division, Economic Development Policy and Forecast Department	Ministry of Economic Development	492 41 10 (ext 1-23 )
2.	Rustam Mahmudov	Chief Advisor, Public Investment Policy and Programs Division, Public Investment Policy	Ministry of Economic Development	492 41 10 (ext 1-47)
3.	Faiq Gassimli	Division Head, Public Investment Policy and Programs Division, Public Investment Department	Ministry of Economic Development	492 41 10 (ext 21-74) (050) 363 98 78
4.	Azad Musayev	Division Head, Project Monitoring and Evaluation Division, Public Investment Department	Ministry of Economic Development	492 41 10 (ext-2-15) (050) 418 59 05
5.	Samir Mammadov	Senior Advisor, Public Investment Policy and Programs Division, Public Investment Policy	Ministry of Economic Development	492 41 10 (ext 1-65) (050) 362 59 57
6.	Zaur Valiyev	Leading Advisor, Macroeconomic Forecast Division, Economic Development Policy and Forecast Department	Ministry of Economic Development	492 41 10 (ext 1-60) (050) 531 88 77
7.	Yashar Mammadoov	Department Head, Integration with the World Economy, Financial Sector and Market Development Problems Department	Economic Reform Scientific Research Institute	430 93 59 (050) 340 65 20
8.	Shovqu Quliyev	Leading Researcher, Investment Policy and Forecast Department	Economic Reform Scientific Research Institute	(050) 386 75 86
9.	Rena Fatullayeva	Department Head, Personnel	Economic	431 21 87

		and Administrative Department	Reform Scientific Research Institute	(050) 644 40 52
10.	Sevinj Ali-zade	Leading Advisor, Work with the State Budget Funded Investment Projects Division, Financing of Social Investment Projects Department	Ministry of Finance	598 44 71 (work) 493 81 03 (ext-317) 324 75 11
11	Saadat Eyvazova	Leading Advisor, Financing of Investment Projects from Transport, Agriculture Sectors and Irrigation and Water Supply Infrastructure Division, Financing of Infrastructure Investment Projects Department	Ministry of Finance	493 81 03 (ext- 507) (050) 323 23 19
12	Nadir Badalov	Chief Advisor, Work with Credit Funded Social Investment Projects Division, Social Investment Projects Department	Ministry of Finance	493 81 03 (ext 5-09) (050) 367 15 74
13	Rasul Pashayev	Dty Head of Science, Project, Construction and International Relations Dept.	Committee for Irrigation and Water Supply	493 13 63 (050) 558 9266
14	Jeyhun Mammadov	Advisor, Education Information Management System Department	Education Ministry	496 -95- 84 (050 )670 36 32
15	Ali Valiyev	Leading Advisor, Project Preparation and Expertise Division department	Ministry of Agriculture	598 33 02 (050) 462 78 83
16.	Lala Akhmedova	Chief Advisor, Macroeconomic Forecasting Division, Economic Development Policy and Forecast Department	Ministry of Economic Development	492 41 10 (ext 2-20) (050) 327 04 45





**USAID**  
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## Strategic Technical Assistance for Results with Training

### START/Caucasus AZERBAIJAN FIELD OFFICE

TO: Stephen Morin, General Development Officer, USAID/Azerbaijan  
CC: Farid Bakhshiyev, Project Management Specialist, USAID/Azerbaijan  
FROM: Julie Hamlin, Country Director, START Participant Training Program  
DATE: March 2007  
PAGES: 8

## TRAINING INTERVENTION REQUEST FORM (TIRF)

**Training Event Title:** Public Investment Policy and Program Preparation  
**Location and Date:** Turkey, May 2007

### SECTION A: GENERAL INFORMATION

#### A.1 USAID Country and SOs

**Country:** Azerbaijan  
**Mission SO:** SO 1.3 Growth and Development of Competitive Private Enterprises Accelerated

#### A.2 SO Team Leaders or USAID Technical Officer

**USAID Officer:** Stephen Morin  
**Position:** General Development Officer  
**Address:** 10 Nizami St.  
**Telephone Number:** (99412) 498 18 35  
**Fax Number:** (99412) 493 38 16  
**Email Address:** [smorin@usaid.gov](mailto:smorin@usaid.gov)

#### A.3 Technical Assistance (TA) Contractor/Grantee

**Contractor/Grantee:** START Participant Training Program  
**Contact Name:** Julie Hamlin  
**Address:** 14/16 Khagani Street, Apt. 41, 3rd Floor  
**Telephone Number:** (99412) 598-3849, 498-1964, 498-1008, 493-8365  
**Fax Number:** (99412) 598-3849, 498-1964, 498-1008, 493-8365  
**Email Address:** [julie@wli.baku.az](mailto:julie@wli.baku.az)

#### A.4 Contact for Training Event Details

**Name:** Firuza Hasanova  
**Organization:** START Participant Training Program  
**Address:** 14/16 Khagani Street, Apt. 41, 3rd Floor  
**Telephone Number:** (99412) 598-3849, 498-1964, 498-1008, 493-8365  
**Fax Number:** (99412) 598-3849, 498-1964, 498-1008, 493-8365  
**Email Address:** [firuza@wli.baku.az](mailto:firuza@wli.baku.az)

<b>SECTION B: INTENDED RESULTS</b>
------------------------------------

**B.1 Provide Brief Background on SO(s) selected.**

**Strategic Objective 1.3: Growth and Development of Competitive Private Enterprises Accelerated.**

**B.2 Intermediate Results (IR):****IR 1.1 Legal, Policy and Regulatory Reform Improved**

1.1.3 Implementing and Enforcing Institutions Strengthened

3

**B.3 Objectives of Training Intervention**

The Government of Azerbaijan (GOAZ) is determined to adopt sound public investment (PI) policy practices from the countries with similar economic conditions. This experience is crucial in the process of adapting of new progressive practices in PI programming and management. Therefore, the staff of the central economic ministries (Ministry of Economic Development, the Ministry of Finance) as well as sector line ministries (LMs) is keenly interested to learn more from countries that were successful in integrating planning, investment programming, and budgeting frameworks. Indeed, since 2000 Turkey has been advancing in areas of macroeconomic forecast, sector development planning, and assigning resources per the socio-economic needs and development priorities. This has resulted in economic growth and betterment of social standards putting Turkey in a better position to qualify for the EU membership. Beginning 2006 the Government of Turkey started to implement its Medium-Term (3-year) Development Program as well as the Medium-Term Financial Plan with the consecutive improvement of linkages between planning and budgeting. Therefore, Turkey is the best choice of a country to learn from its experience and adopt many of the progressive patterns in Azerbaijan.

In June 2006 WLI (World Learning Institute) and TICA (Turkish International Cooperation Agency), with assistance from DAI/PIPP, arranged a study visit to Turkey for the top-level GOAZ officials from central and sector line ministries. The Study Tour has offered an opportunity for the GOAZ top-level officials to make valuable observations relevant to their work; increase the capacity of the government to develop long- and medium-term policies and plans; improve to some extent the quality of projects through applying policy, economic and social criteria in selection and prioritization of projects. Following the top-level delegation visit, and valuing the experience, the GOAZ requested to organize an additional, a mote technical visit for the GOAZ project practitioners to learn of the necessary regulation, processes and sequence in preparation of the Public Investment Program. Therefore, the purpose of the training visit is to provide the practitioners from key economic ministries – the Ministry of Economic Development and the Ministry of Finance of Azerbaijan – as well as a number of cooperating line ministries with the first-hand knowledge of capital budgeting process, and validate projects for their submission to the annual Public Investment Program.

**Behavioral Objectives:**

This program is planned as a follow up of the Study Tour to Ankara (June 2006). The GOAZ ministries - counterparts to the PIP-Project - from the Ministry of Economic Development, the Ministry of Finance, the Ministry of Education, the Ministry of Health, the Ministry of Industry and Energy, the Ministry of Transportation, the Ministry of Agriculture, the Ministry of

Irrigation, the Ministry of Culture and Tourism, and the Ministry of Environment and Natural Resources - were invited to nominate one practitioner from their departments involved in planning, budgeting and investment issues. The study tour will help the counterpart agencies to better prepare for the formulation of public investment projects beginning FY2008.

### **Expected Results:**

The core objective of the training is to provide the GOAZ practitioners with the experience of a country in the region, where the public investment program is being successfully implemented, gain the required knowledge and skills, and develop and implement practices of effective PI management in Azerbaijan. This objective is best addressed when the participants learn and practice skills through technical interactions with their peer colleagues. Turkey demonstrates a vivid upheaval in economic growth with co-current effective use of capital state budget resources for infrastructure and social sectors' development.

It is expected that the participants of the Study Tour will be able to:

1. Understand legislative and institutional set-up for long-term national and sector development planning and investment policy formulation and ways to translate new concepts to the Azerbaijan context.
2. Realize that strong linkages need to be established between medium-term macroeconomic forecast and sectoral development framework, and pursue with this axiom in Azerbaijan.
3. Learn procedures for effective Public Investment Policy and Programs formulation, prioritization, substantiation, and approval.
4. Gain new skills in areas of program and project preparation, appraisal and financing, execution, monitoring and evaluation. Realize that this is an interrelated and complex process requiring coordination of economic and finance ministries and technical knowledge of project cycle management.
5. Understand a spectrum of tasks and techniques for project appraisal from economic, financial, technical, social and other points of view.
6. Realize the importance and advantages of a participatory process in PIPP preparation, approval and implementation. Involving public for discussion, decision making and control adds credentials to the effective public service.
7. Based on the experience from Turkey, the participants will draft recommendations for improving their work patterns and technical procedures for effective public investment policy and program formulation and execution in Azerbaijan.

TICA expressed willingness to contact the appropriate government agencies in Turkey (foremost, the Ministry of Planning and the Ministry of Finance) to host the delegation. The counterparts in Turkey will not charge for their time and logistics in relation to this visit.

### **B.4 Training Event Components:**

The PIP-Project suggests the following Public Investment Policy and Program-related topics to be covered during the visit:

1. Legislative and institutional set-up for long-term national and sector development planning and investment policy formulation

2. Linkages between medium-term macroeconomic and sectoral development framework
3. PIPP formulation, prioritization, substantiation, and approval for financing, and its integration with development planning, and budgeting
4. Project preparation, appraisal, screening, award and financing
5. Techniques of project cycle analysis *ex-post* and *ex-ante*
6. Participatory process in PIPP preparation, approval and implementation
7. Lessons learned from the PIPP implementation in the host country.

<b>SECTION C: TRAINING EVENT</b>
----------------------------------

C.1 Suggested event title: Public Investment Policy and Program Preparation

C.2 Training Venue: Turkey

In Country  Third Country  US

**C.3 Type of Course**

- New Event  
 Repeat Event  
 Modification of an Event previously funded

**C.4 Is this event part of a series of events?**

YES:  NO:

Enter the series code: N/A

**C.5 Training is to begin:**

Projected Start Date: May 2007  
 Projected End Date: May 2007

Duration of the Training: 10 days

**C.6 Number of Trainees to attend Event:**

Males:  
 Females:  
 Total: 15 max

**C.7 Training Provider:**

Non-compete program to: **Turkish International Cooperation Agency (TICA)**

The procurement of this program will be non-competitive since the training provider meets the following justification as stated in the Handbook of Participant Training Policies and Procedures, by USAID Bureau for Europe and Eurasia - E&E Handbook:

“The training provider will charge no tuition for the classroom components of the training activity; out-of-pocket costs will be charged with no fee or overhead.”

Below is the brief information on TICA.

TICA was established in 1992. TICA is the main governmental institution in charge of Turkey's technical cooperation activities.

TICA's mission is to support sustainable social and economic development in developing countries, support regional cooperation activities, contribute to international peace and stability and settlement of cross-boundary problems. Currently, TICA has field offices in Albania, Azerbaijan, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

TICA, as an international development agency, has been working in Azerbaijan since 1994. They have funded and delivered a number of development programs, including training programs in various fields. TICA has also been cooperating closely with the Ministry of Economic Development, which is one of primary beneficiaries of this training program.

#### **SECTION D: BACKGROUND/SUPPORTING INFORMATION**

Since its independence Azerbaijan has undertaken intensive oil and gas exploration highlighted by the realization of the transnational Baku-Tbilisi-Ceyhan (BTC) pipeline project to export its oil to international markets. Oil production is expected to peak around 2011, plateau for a few years and then decline by 2024 to about one-quarter of the peak level. While enjoying windfall resources from oil sales, the country continues to experience inflationary pressures, slow reengineering of its non-oil industries, pervasive poverty, and deteriorating social indicators. The challenge of handling the projected rapidly rising oil revenues through 2012 and its later decline will thus become more demanding. Experience of other oil-rich countries (Mexico, Nigeria, other) indicates inability of their governments to use oil revenues to industrialize, develop businesses, invest in infrastructure, alleviate poverty, and compete in international markets. On the other hand, Indonesia, Malaysia, Norway, UAE, UK, and Norway have all made good use of their oil revenues and have been continuing to perform well. The oil and gas windfall could be of great benefit to Azerbaijan if it is combined with careful macroeconomic and fiscal management and highly disciplined implementation of regional development and poverty reduction strategy.

Management of rapidly expanding public capital spending requires strengthening the Government of Azerbaijan's (GOAZ) institutional and technical capacity in the areas of development planning, budget formulation, and project development and management. The public investment policy and program of the GOAZ needs, *first*, to be saved from its current fragmentation by making it inclusive of all capital expenditures of the government, whether funded from the budget or by donors, and whether undertaken by the budget organizations or by the extra-budgetary funds. *Second*, the public investment policy and program should be developed as an integral part of a medium-term national and sector development framework adopted by the GOAZ. *Third*, there should be only one and the same set of national and sector development objectives, strategies, targets and policies, common to the Poverty Reduction and the Regional Development Programs, the Medium-Term Expenditure/Budget Framework (MTEF), the Azerbaijan Public Investment Program (PI Program), and the annual State Budget. *Finally*, the success of the above will depend on the establishment of effective guidance, overview, and evaluation of all planning and budgetary work of both the central and line ministries by the top leadership (the President and, on his behalf, the Cabinet of Ministers).

To this end the PIP project has undertaken several measures to support establishment of a legal and policy framework to strengthen alignment of the public investment policy with both the planning and budgeting instruments. Specifically, PIP project has prepared: (a) the PI Program Manual that provides rationale for strengthening the inter-linkages and consistency of development planning, budgeting, and investment programming with each other by using the improved Public Investment Policy and Programming preparation as a bridge between them; (b) a draft President Decree that orders relevant authorities (the Cabinet of Ministers (CoM), the Ministry of Economic Development (MOED), the Ministry of Finance (MOF), the National Bank of Azerbaijan (NBA), the State Oil Fund of the Republic of Azerbaijan (SOFAZ), and sector line ministries) to coordinate macroeconomic development plans with the budgeting process and validate the PI Program; (c) the draft New PI Program Operational Procedures that need to be adopted by the Ministry of Economic Development (as a responsible PI Program governance agency); and (d) interim PI Program Call Circular 2007-10 that requires sector line ministries to justify their projects' submission to the Annual PI program for consistency with national strategies and public expenditure priorities following their preparation, appraisal and selection.

GOAZ is keenly interested in development and adoption of the enabling policy framework to ensure that PI Policy and Program is consistent with the macroeconomic objectives of the country and that it provides necessary linkages between planning and budgeting instruments

To successfully address the Government's objective of making most efficient use of the country's resources it is critical to undertake tasks under the three major categories:

- Determination of the national and sectoral development objectives, strategies, and investment policies for medium-term planning and budgeting at both macro and sector level, in line with both SPPRED and RDP.
- Evolution of the public sector capital budget formulation as a bridge within an MTEF between development planning (i.e., SPPRED and RDP) and the Consolidated State Budget.
- Help strengthen the Government's institutional and technical capacity for a sound management of the public investment project cycle (comprising identification, appraisal, preparation, prioritization, implementation, and monitoring and evaluation) in all the budgetary organizations.

The work under each category is being carried out at three levels of the Central Government (the Cabinet of Ministers, MOED and MOF), the Line Ministries and Municipalities, and the non-government organizations. The focus of the USAID partner organization (the PIP\_Project) is at the development or improvement of the institutional, organizational, and technical capacities and the procedures and processes underlying the government's ability for sound development planning and budgeting.

## SECTION E: CRITERIA FOR CANDIDATE RECRUITMENT AND SELECTION

### **E1: Candidate(s) will be identified:**

- By current/future employment position
- By participation in seminar or other in country training activities
- By contribution to organizational performance improvement
- Other

*Participant Profile: The participants will be 15 middle-level executives and practitioners from the Government of Azerbaijan.*



# PROJE ANALİZ TEKNİKLERİ

## Eğitim Programının İçeriği

- Giriş
- Proje Analizinin amacı
- Proje Analizine neden ihtiyaç duyarız?
- Proje Analizinin önemli yönleri
- Teknik Analiz
- Ticari analiz
- Finansal Analiz
- Ekonomik analiz

29 Kasım 2005

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## Giriş

- Proje Analizi, Proje Döngüsünün üçüncü aşamasını oluşturur
- Analiz şu konuları içerir;
  - ✓ Temel verilerin dikkatli incelenmesi,
  - ✓ Projenin hazırlanması aşamasında kullanılan temel metodoloji ve varsayımları,
  - ✓ Çalışma programının gözden geçirilmesi,
  - ✓ Maliyet tespiti ve önerilen finansman yöntemi,
  - ✓ Projenin kurumsal ve idari yönlerinin değerlendirilmesi
  - ✓ Projeden beklenen finansal, ekonomik ve sosyal faydaların doğrulanması

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## Proje analizinin amacı

- **Proje analizinin amacı**
  - ✓ Projenin desteklenmesi için uygun olup olmadığına karar vermektir

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## Projeleri kim analiz eder?

- Proje Analizi potansiyel proje destekleyicisi tarafından analiz edilir.

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## Proje analizine neden ihtiyaç duyarız ?

- Projenin teknik yeterlilikte ve finansal açıdan ekonomi tümü için faydalı ve uygulanabilir olmasının doğrulaması.

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## Proje analizinin yönleri

- Teknik
- Finansal
- Ekonomik
- Çevresel
- Kurumsal

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## Teknik Analiz (1)

- Teknik Analiz projenin teknik açıdan uygulanabilir olup olmadığını tespit eder
- Teknik analiz aşağıdaki hususların sağlanmasını yapar;
  - ✓ Proje planının kabul edilmiş teknik ve çevresel standartlara uyuyor mu?
  - ✓ Tasarım, yapı ve yerleşim mantıklı mı?
  - ✓ Teknik alternatifler dikkate alınmış mı?
  - ✓ Çıktılar elde edilebilir mi ve çalışma planı gerçekçi mi?

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## Teknik Analiz (2)

- ✓ Tedarik planları fonu sađlayan kuruluřun gereksinimlerine uygun mu?
- ✓ Malzeme ve hizmetler iin hesaplanan maliyetler gereki mi ve beklenmedik giderler iin ayrılan ihtiya akeleri yeterli mi?

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## Piyasa Analizi

- Piyasa kavramı projenin sureceđi ve buyeyeđi tm evreyi ifade etmektedir:
- ✓ Tketiciler
- ✓ Rakipler
- ✓ Politik, hukuki ve idari bađlamda talep

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## Piyasa arařtırması

- Piyasa arařtırması , piyasada yer alan fırsatları belirlerken ařađıdaki iki kaynaktan gelen bilgileri kullanır
  - ✓ İstatistiksel
  - ✓ İstatistiksel olmayan

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## İstatistiksel bilgi

- Ürün/hizmetler, cođrafi, müşteri tipleri bağlamında ayrıştırılmış geçmiş ve güncel eğilimler,
- Fiyatlar ile ilgili istatistikler,
- Satış ve dağıtımlara ilişkin istatistikler,
- Kamu etkileri, ihracat/ithalat, lisanslar, gümrükler ve standartlara ilişkin istatistikler,
- Demografik, ticari-mali-ticaret istatistikleri, ulusal, uluslar arası ve akademik kuruluşlarca hazırlanmış dokümanlar,
- Özel araştırma sonuçları

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## İstatistiklere ilişkin metotlar

- Trendlerin tahmini
- Teknik katsayıların hesaplanması
- Uluslar arası karşılaştırmalar
- İhracata veya ithalat ikamesine ilişkin imkanların tespiti
- Ekonometrik modeller
- Aile bütçesi araştırmaları
- Özel çalışmalar

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## İstatistiksel olmayan bilgiler

- Güncel taleplerin çok ötesinde belirlenen ulusal kalkınma hedefleri
- Önemli kamu politikaları (istihdam sağlanması, turizmin geliştirilmesi, vb.)
- Uluslar arası ticaret anlaşmaları, karşı alım anlaşmaları ve ülkeler arası düzenlemeler gibi politik faktörlerin dikkate alınması
- Ticaret anlaşmaları

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## Piyasa etüdüne ilişkin kontrol listesi

- Piyasa fırsatları
- Piyasa araştırması
- Belirsizlikler
- En iyi tahminler

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## Piyasa fırsatları listesi (1)

- Piyasada açık var mı?
- Baskın rakip eksikliği var mı??
- Minimum, tehdit teşkil etmeyen piyasa payı nedir?
- Proje, müşterilere ve piyasa dilimine en iyi şekilde hizmet ediyor mu?
- Piyasa önemli ölçüde büyüyor mu?
- Yüksek kar oranı sağlayan bir piyasa mı?
- Erişilebilir bir piyasa mı?
- İyi bir fiyat denetim mekanizmasına sahip bir piyasa mı?

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## Piyasa fırsatları listesi(2)

- Bilinçli, ulaşılabilir müşterilerin bulunduğu bir piyasa mı?
- Piyasaya giriş maliyetleri düşük mü?
- Düşük maliyetli satış ve dağıtım olanakları mevcut mu?
- Dağıtımın ve satışın keskinleştirildiği bir piyasa mı?

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## Piyasa araştırması Listesi (1)

### A) Veri

- ✓ Veri yeterli mi?
- ✓ Güncel mi?
- ✓ Güvenilir mi?
- ✓ Hangi kaynaktan sağlandı?
- ✓ Kaynak güvenilir mi?
- ✓ Veri toplanması için kullanılan yöntem (anket vb.) güvenilir mi?
- ✓ Veri nasıl doğrulandı?
- ✓ Belirgin bilgi eksikliği var mı?
- ✓ Özel araştırmaya ihtiyaç var mı?

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## Piyasa arařtırması Listesi (2)

### B) Analiz yöntemleri

- ✓ **Eğilim Analizi Yöntemi:** proje ömrü boyunca geçmiş eğilimler ne ölçüde devam edecek?
- ✓ **Teknik Katsayılar Yöntemi:** Teknik katsayılar proje ile ilgili mi?
- ✓ **Ekonometrik modeller:** Veri ve model kapsamında kapsamlılık sağlandı mı?  
Sağlama yapılması için hangi alternatif yöntemler kullanıldı?
- ✓ **Aile bütçesi arařtırmaları:** Kullanıldı ise, ilgili be güvenilir mi?
- ✓ **Özel arařtırmalar:** Özel arařtırma garanti edildi mi?

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## Belirsizlikler

- Belirsizlikler nelerdir?
- Belirsizlikler listesi yeterli ölçüde kapsayıcı mı?
- Belirsizliklerin sayısını ve kapsamını daraltacak imkanlar nelerdir?
- En belirgin belirsizlikler nelerdir?

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## En İyi Tahminler

- Belirsizlikler içerisinde “en kötü senaryo” nedir ?
- Belirsizlikler içerisinde “en iyi senaryo” nedir?
- En gerçekçi senaryo nedir?
- En iyi senaryo ihtimali geliştirilebilir mi (kapsamlı çalışma, uzman görüşleri, risk değerlendirmesi, risk kontrolü, etc.)?

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## Yatırım Analizi

- Mikro (proje) seviye → Finansal Analiz
- Makro (ulusal) Seviye → Ekonomik Analiz

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## Finansal Analiz (1)

- Proje yeterli likiditeye sahip mi?
- Tahmin edilen finansal getiriler yatırımcılara cazip mi?
- Riskler yatırımcılar açısından katlanılabilir mi?

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## Finansal Analiz(2) Karlılık Ölçütleri

- |                              |                                  |
|------------------------------|----------------------------------|
| ● <b>Statik Ölçüler</b>      | ● <b>Dinamik Ölçüler</b>         |
| ✓ Yatırımın getirisi (RoI)   | ✓ Net bugünkü değer (NPV)        |
| ✓ Öz kaynağın getirisi (RoE) | ✓ İç getiri oranı (IRR)          |
| ✓ Geri ödeme süresi          | ✓ Net bugünkü değer Oranı (NPVR) |

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## Yatırımın getiri oranı (RoI)

- RoI , yıllık karın sermaye yatırımına oranını ifade etmektedir
- $\frac{\text{Net Kar} + \text{Faiz}}{\text{Toplam Yatırım}} \times 100$

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## Öz kaynak Getiri Oranı (RoE)

- Yıllık karın, toplam özkaynağa oranını ifade etmektedir
- $\frac{\text{Net Kar}}{\text{Özkaynak}} \times 100$

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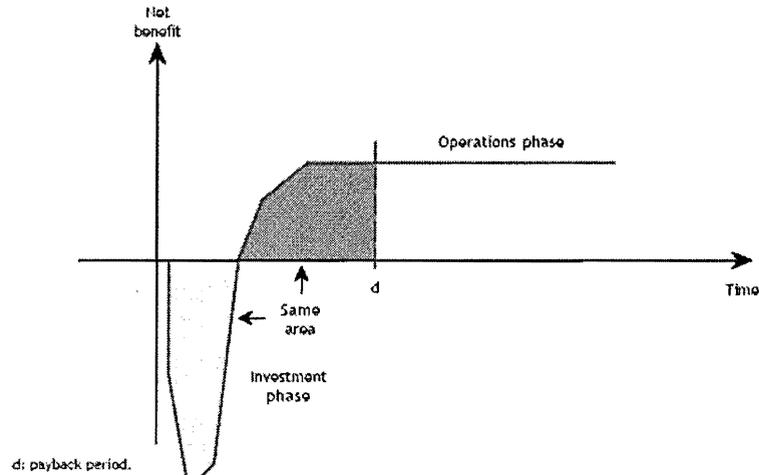
## Geri ödeme süresi (1)

- Proje ile elde edilen toplulaştırılmış net nakit akımlarının ilk yatırım harcamasını karşıladığı süre olarak ifade edilmektedir.

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## Geri Ödeme Süresi (2)



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## Geri ödeme süresi(3)

Yıl Proje	0	1 Nakit	2 Akımı	3	Geri- ödeme Süresi
A	(2000)	1000	1000	5000	2
B	(2000)	0	2000	5000	2
C	(2000)	1000	1000	100.000	2

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## Net Bugünkü Değer (NBD)

- Gelecekteki nakit girdilerinin ve çıktılarının bugünkü değerlerinin farkıdır.
- Tüm nakit akımları bugünkü 0 noktasına daha önce belirlenen bir indirgeme oranında taşınır

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## Net Bugünkü değer(2)

- Yıllık net nakit akımlarının indirgenmiş değerleri (nakit girdileri eksi nakit çıktıları)
- $$NBD = NNA(0) + \frac{NNA(1)}{1+r} + \frac{NNA(2)}{(1+r)^2} + \dots + \frac{NNA(n)}{(1+r)^n}$$

**NBD** Net Bugünkü Değer

**NNA (t)** Net Nakit Akımı (t yılı sonunda)

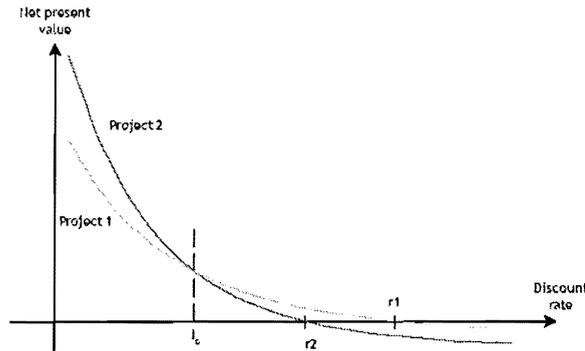
**t=0,1,2,.....n**

**r** indirgeme oranı

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## NBD Oranlarının Karşılaştırılması



For  $r > r_0$  project 1 seems better  
for  $r < r_0$  project 2 seems better

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## İç Getiri Oranı (IGO)

- IGO, net nakit girdilerinin bugünkü değerinin, net nakit çıktılarının bugünkü değerine eşit olduğu orandır, yani Net bugünkü değeri sıfır yapan indirgeme oranıdır
- $0 = \text{NNA}(0) + \frac{\text{NNA}(1)}{(1+r)} + \frac{\text{NNA}(2)}{(1+r)^2} + \dots + \frac{\text{NNA}(n)}{(1+r)^n}$

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## İç Getiri Oranı

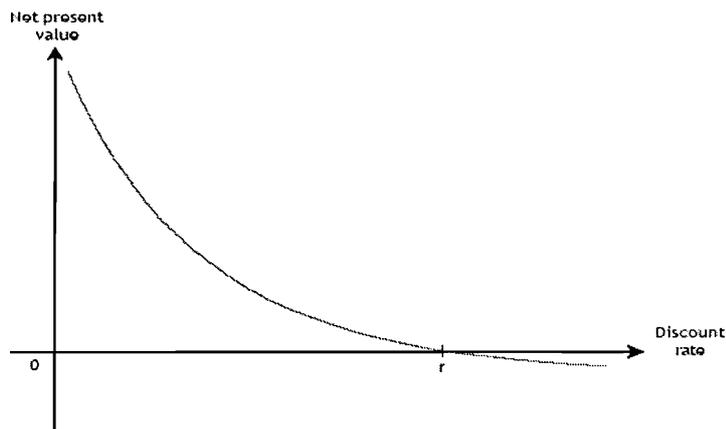


Figure E.4. Graphical representation of the IRR

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## Net Bugünkü deęer Oranı (NBDO)

- NBD/YBD olarak tanımlanmaktadır. Burada YBD ilk yatırımın bugünkü deęeridir
- Özellikle projelerin kendi içinde sıralamalarında kullanılmaktadır.

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## Paranın zaman deęeri

- Bileşik faiz kavramı çok önemlidir.

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## Birleşik Faiz

Şimdi	$r= 10\%$	\$ 1
1 yıl sonra	$\$1 \times 1.10 =$	\$ 1.10
2 yıl sonra	$\$1.10 \times 1.10 =$	\$ 1.21
3 yıl sonra	$\$1.21 \times 1.10 =$	\$ 1.33

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## İndirgeme

Tutar	Zaman	Bugünkü değeri
\$ 1	şimdi (yıl 0)	\$ 1
\$ 1.10	Yıl 1	\$ 1
\$ 1.21	Yıl 2	\$ 1
\$ 1.33	Yıl 3	\$ 1
Tutar	Zaman	Bugünkü değeri
\$ 1	şimdi (yıl 0)	\$ 1
\$ 1	Yıl 1 $\$ 1/1.10$	\$ 0.909
\$ 1	Yıl 2 $\$ 1/1.21$	\$ 0.826
\$ 1	Yıl 3 $\$ 1/1.33$	\$ 0.751

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# Kırılma Noktası

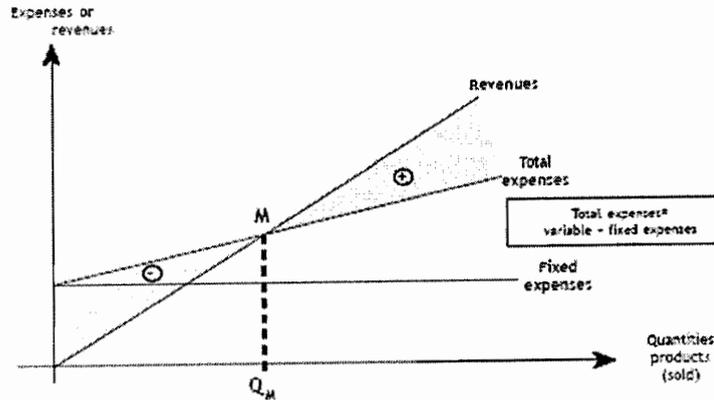
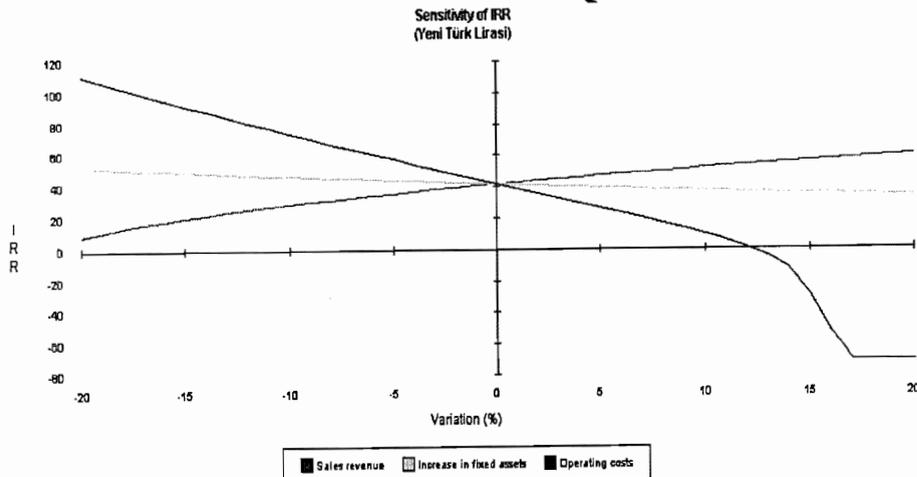


Figure 3.3. Break-even calculation

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# Duyarlılık Analizi



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## Yatırım maliyeti

- Sabit yatırım tutarı
- Üretim öncesi sermaye giderleri
- Net çalışma sermayesi

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## Sabit yatırım tutarı

- Arsa
- Arazi düzenlemesi
- Binalar ve inşaat işleri
- Ana tesis makine ve donanım giderleri
- Montaj giderleri
- Anonim sabit varlıklar (e.g. Sınai mülk hakları)

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## Üretim Öncesi Sermaye Giderleri

- Ön sermaye (işletmeye alma giderleri)
- Hazırlık çalışmaları harcaması
- Üretim öncesi harcamalar
- Test – çalışması, başlangıç işletme giderleri

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## İşletme Sermayesi

- Cari varlıklar – Cari yükümlülükler
- Alacaklar+Stoklar+eldeki nakit borçlar

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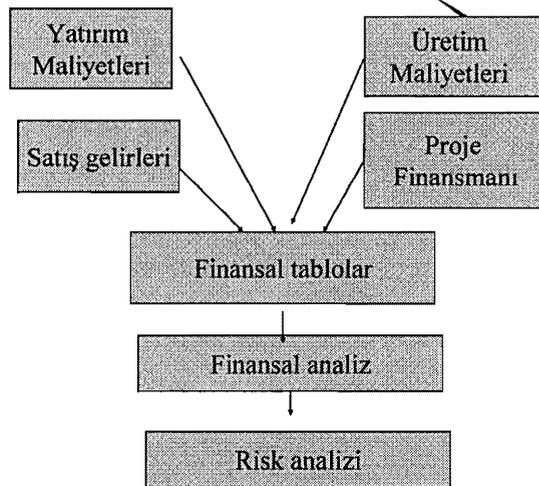
## Finansman Kaynakları

- Öz sermaye
- Teşvikler veya yardımlar
- Borçlar
- Kredi limiti aşımı

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## Finansal Analiz



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## Finansal analiz : sıralama

- Tüm planlama süresini kapsayan proforma hesap özetlerinin çıkarılması
- Proje performansı için finansal ölçütlerin hesaplanması
- Finansal olarak projede yer alan tüm aktörlerin finansal kriterlerinin belirlenmesi
- Beklenen finansal performansın yukarıda açıklanan finansal kriterler ile karşılaştırılması
- Finansal risklerin değerlendirilmesi

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## Ekonomik Analiz

- Ekonomik analiz, önerilen projenin ekonomik (ulusal bakış açısı) geçerliliğinin incelenmesidir.

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## Ekonomik Fayda Maliyet Analizinin Temelleri

- Bireysel yatırımcı veya firma veya bölge için doğru olan, aynı ölçüde ulusal açıdan doğru olmayabilir.
- Ulusal ekonomi sadece bireysel ekonomik birimlerin toplamı değildir
- Kalkınma süreci çok amaçlı ve kar maksimizasyonun amaçlardan sadece birinin olduğu bir süreçtir.

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## Ticari analiz ve ulusal analiz (1)

Aralarında şu temel farklar vardır:

- Ulusal ekonomide bir birimden diğerine yapılan gelir veya kaynak akımı ECBA' da salt maliyet veya gelir olarak ele alınamaz. Örneğin vergi bireysel ekonomik birim için maliyeti temsil ederken, ulusal açıdan sadece bir transfer (yer değiştirme) olarak ele alınmaktadır. Aynı kavram teşvik gibi diğer transferlere de uygulanmaktadır. Teşvik bireysel ekonomik birim için gelir olarak ele alınırken, ulusal açıdan salt transfer olarak ele alınmaktadır.
- Ayrıca pozitif veya negatif dışsallıklar, ECBA' da gelir veya gider olarak ele alınırken, FCBA' de ihmal edilmektedir. Örneğin, bir fabrikanın çevreye yaydığı kirlilik ticari yatırımcı açısından bir maliyet unsuru olarak ele alınmazken (yatırımcı bir bedel ödemiyorsa) ulusal ekonomi açısından bir maliyet unsuru teşkil etmektedir.

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## Ticari analiz ve ulusal analiz (2)

- Ticari karlılık analizinde yaygın piyasa fiyatları kullanılmaktadır. Buna karşın ekonomik analizde bu tutum hatalara sebep olmaktadır. Zira piyasa aksaklıkları mevcuttur. Buna karşın ECBA gölge fiyatları veya kaynakların gerçek fırsat maliyetlerini kullanılmaktadır.
- Ticari analiz bireysel indirgeme oranını kullanırken, ulusal karlılık değerlendirilmesinde sosyal indirgeme oranı kullanılmaktadır.

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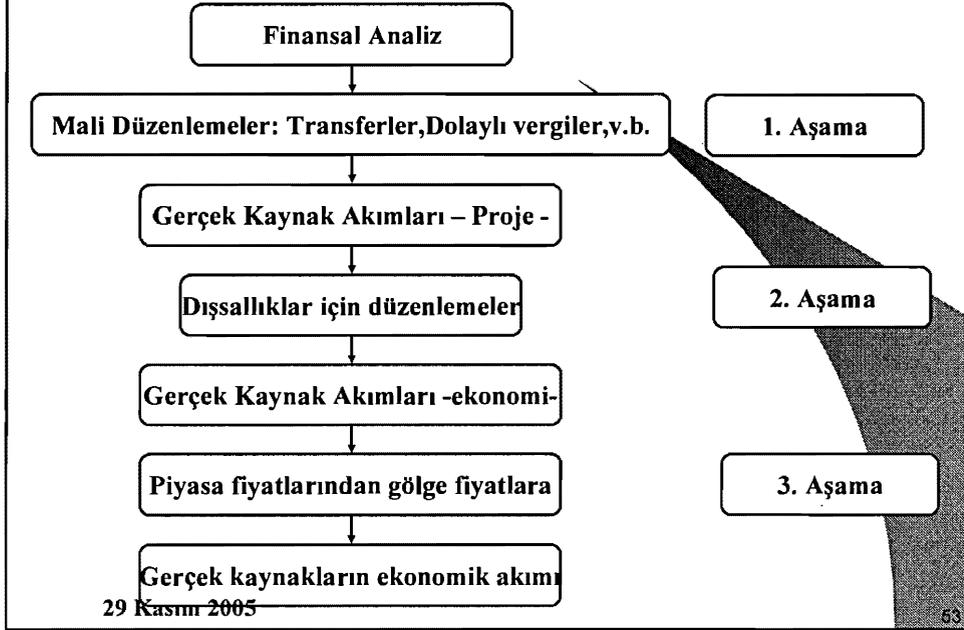
## Ticari karlılık kısıtlı bir araç olarak

- Ulusal amaçlar bireysel yatırımlara göre değişik ve çok daha kompleks bir yapıdadır.
- Piyasalar kusurludur; özellikle kalkınmakta olan piyasalarda yer alan fiyat/maaş kontrolleri, teşvikler, döviz kontrolleri, doğal ve kamu tekelleri vb. yer almaktadır.
- Ticari karlılık sadece doğrudan (parasal etkileri) kapsar, buna karşın olumlu veya olumsuz dışsallıkları ihmal etmektedir.

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## Project's National Profitability Evaluation



## Ulusal Fayda-Maliyet Analizinin Kapsamı ve Çerçevesi

- Ulusal fayda-maliyet analizi, yatırım projelerinin sosyal çıkarları maksimize edici kabiliyetleri açısından değerlendirme yöntemi olarak kullanılabilmesi için iki kaynaktan alınacak "veri girdilerine" ihtiyaç vardır.
- ✓ Ulusal karlılık için bazı veriler zaten ticari karlılık değerlendirmesi aşamasında elde edilmiştir. Bunlar:
  - Piyasa parametreleri, ihtiyaç duyulan kaynaklar, proje amaçları ve ticari karlılık kriterleri.
- ✓ Diğer ihtiyaç duyulan veri grubu ise sosyal ekonomik kalkınma planlarında yer alan ulusal amaçlardır.
- Kalkınma süreci çok yönlü bir karakter taşıdığı için projenin ulusal açıdan değerlendirmesine esas teşkil edecek salt, en önemli amacı bulabilmek çok zor olabilmektedir.

## Ulusal Amaçlara Örnekler

- Ekonomik büyüme
- Toplam tüketimde artış
- Yaşam şartlarının geliştirilmesi
- Endüstrileşme
- Altyapının kalkındırılması
- Tam istihdam veya daha yüksek düzeyde istihdam
- Toplumsal eşitlik amacıyla gelir dağılımı
- Bölgesel gelişme
- Sağlık ve eğitim için geliştirilmiş standartlar
- Döviz kazancının artırılması
- Growth of foreign exchange earning
- Ulusal güvenlik

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## Ulusal Amaçlar

- Belirtilen öncelikler arasında pazarlık söz konusudur. Bu yüzden bu örneklerin hepsi ve diğerleri ulusal otoriteler tarafından öncelik sıralamasına konulmalıdır. Bu sadece teknik değil aynı zamanda politik bir süreci içermektedir.

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## Gölge Fiyatı – Piyasa Fiyatı

- Gölge fiyatı, kaynakların ulusal ekonomi açısından kıtlığına bağlı olarak değişen gerçek fırsat maliyetlerini ifade etmektedir.
- Kaynak maliyetlerini her kısıt için kaynakları bir birim artırmak için katlanılacak maliyet olarak ifade edebiliriz. Yani, kaynakların gölge maliyeti, toplum için marjinal maliyete eşit olmaktadır.
- Tam serbest piyasa koşullarında kaynakların veya ürünlerin kaynak maliyeti piyasa fiyatına eşit olmaktadır.

Temel olarak Gölge fiyatları 2 yöntemde hesaplanır:

- ✓ Little-Mirrlees (güncellenmiş OECD) Yöntemi
- ✓ Squire-Van Der Tak (World Bank) yaklaşımı

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## Gölge Ücret Oranı (1)

- Gölge ücret oranı şu soruya yanıt teşkil etmektedir: Bu kişi projede görevlendirilmemiş olsaydı ne üretecekti veya kazanacaktı?
- Diğer bir deyişle, emeğin ulusal ekonomi açısından kıtlığını ifade eden fırsat maliyetidir.

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## Gölge Ücret Oranı (2)

- Emekğin serbestçe işler arasında dolaşabildiği, tam rekabetçi piyasalarda, piyasa ücreti gölge ücreti olarak kullanılabilir.
- Gelişmekte olan ülkelerde ise emek piyasası tam rekabetçi değildir ve emek sınırsız bir kaynaktır. Bu nedenle gölge ücret oranı piyasa ücret oranından çok daha düşük bir orana isabet etmektedir.

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## Gölge Ücret Oranı (3)

- Eğer emek kıt bir kaynak ise, proje değerlendiricisi çalışanın önceki ücretini marjinal verimliliğine eşit kabul edebilir.
- Piyasa ücreti oranı=Marjinal Verimlilik=Fırsat Maliyeti

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## Gölge Ücret Oranı (4)

- Eğer emek bol ise, emeğin fırsat maliyeti kırsal ücretlere eşit alınabilir zira projenin kırsal alandan kente emek akımına sebebiyet vereceği varsayılabilir
- $SWR = \text{Kırsal ücret}$

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## Gölge Ücret Oranı (5)

- Asgari ücret veya sendika pazarlıklı ücretler emek piyasasını bozucu etki yapmaktadır. Bu nedenle, dönüşüm oranı aşağıdaki gibi hesaplanabilmektedir:
- $CF = \frac{\text{Gölge ücret}}{\text{Piyasa ücreti}}$

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## Gölge Döviz Oranı

- Gölge Döviz Oranı, iç piyasa fiyatı ile döviz artışına veya azalışına sebep olan marjinal tüketim birimini veya giderini ifade etmektedir.
- Diğer bir değişle, dövizin gerçek fırsat maliyeti onun ulusal ekonomi açısından göreceli kıtlığını ifade etmektedir.
- Gelişmekte olan ülkelerde yatırım için ithalata ihtiyaç duyulmaktadır. Fakat, genellikle bu ülkeler konvertibil paraya sahip değildirler ve resmi kurlar genellikle gölge döviz maliyetlerinin çok çok altında olmaktadır.

18 Şubat 2008

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## Kurumsal Analiz

- Kurumsal Analiz şu hususları denetler;
  - ✓ Kurumsal düzenlemelerin yeterliliğini,
  - ✓ Projenin uzun dönem olumlu etkilerinin görülebileceği güvenli kurumsal çevrenin varlığını,
  - ✓ Projenin İdari yapısının, yönetiminin, personelinin, politikalarının ve prosedürlerinin gerçek kalitede olup olmadığını,
  - ✓ Gereken hukuki çerçevenin varlığını,
  - ✓ Yerel kabiliyetlerin ve yeteneklerin azami derecede kullanılıp kullanılmadığını

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## Çevresel Analiz

- Çevresel Analiz;
  - ✓ Projenin çevresine önemli ölçüde etkisi olup olmayacağını analiz eder.
  - ✓ Çevresel Etki Değerlendirmesi etrafında yürümektedir (EIA)

29 Kasım 2005

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FROM THE AMERICAN PEOPLE

**PUBLIC INVESTMENT POLICY PROJECT  
STUDY TOUR OF GOAZ  
GROUP TO ASTANA,  
KAZAKHSTAN**

OCTOBER 08-12, 2007

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## Schedule of Meetings with the Kazakhstan Government & Contacts

Agency	Date	Contacts	Web site	Notes
<b>The Ministry for Social Protection and Labor</b>	October 9, 2007	<b>Vice Minister</b> Ms. Abdykalikova Gulshara	<a href="http://www.enbek.kz">www.enbek.kz</a>	
<b>The Sustainable Development Fund “Kazina”</b>	October 10, 2007	<b>Head of the Department</b> Mr Nurseyitov Azamat Aytkaievich	<a href="http://www.kazyna.kz">www.kazyna.kz</a>	The hardcopy of the Fund’s presentation provided.
<b>The Ministry for Economy and Budget Planning</b>	October 10, 2007	<b>Vice Minister</b> Mr. Kusayinov Marat Apsementovich	<a href="http://www.minplan.kz">www.minplan.kz</a>	
<b>The President’s Stipend Program for Education Abroad - The “Center for International Programs”</b>	October 11, 2007	<b>President of the Center</b> Ms. Aida Kistaubaevna	<a href="http://www.edu-cip.kz">www.edu-cip.kz</a>	Brochures & other materials were provided.
<b>The Ministry of Industry and Trade The Committee for Construction The Committee for Investments The Anti-Monopoly Committee</b>	October 11, 2007	<b>Committee Chairmans</b> Mr. Nurashev Timur Bekbalatovich & Mr. Omarov	<a href="http://www.mit.kz">www.mit.kz</a>	
<b>Kazakhstan Holding for Management of State Assets</b>	October 11, 2007	<b>Deputy Chairman of the Board</b> <b>Mr. Kaireldy Kabyldin</b>	<a href="http://www.samruk.gov.kz">www.samruk.gov.kz</a>	Reports were provided.
<b>The Center for Economic Research, J.C.</b>	October 12, 2007	President Mr. Serik Nugerbekhov	<a href="http://www.economy.kz">www.economy.kz</a>	Reports were provided in hardcopy.

### List of Participants for Study Tour to Astana

<b>N o.</b>	<b>Name</b>	<b>Position</b>	<b>Agency</b>	<b>Contacts</b>
1.	Sevinj Hassanova	Deputy Minister	MOED	492-58-94
2.	Shahin Sadygov	Head of Department for Economic Planning Policy and Forecast	MOED	492-84-25 (050) 318 98 95
3.	Namiq Tagiyev	Director	ERSRI	430 89 33 211 52 09
4.	Natiq Pashsyev	Deputy Head of Department for Public Investments	MOED	492 99 76, (050) 369 46 44
5.	Adalat Muradov	Sector Head for Work with WTO, Economic Planning Policy and Forecast Department	MOED	492 41 10 (20-48) 437 13 36 (055) 227 01 21
6..	Farrukh Dadashov	Sector Head for Infrastructure Policy, Economic Planning Policy and Forecast Department	MOED	492 41 10 (20-72) (050) 662 15 66
7.	Ramil Maharramov	Expert	PIP-Project	498 83 37



## **Discussion Topics in Kazakhstan trip**

### **The Ministry of Economy and Budget Planning**

#### **Strategic Economic Planning**

- The Strategic, Sectoral and Regional Development Planning Process in Kazakhstan
- Preparation and Implementation of Medium-term Development Plans
- Ensuring consistency and harmony among different Development Plans
- Development and Execution of Economic and Budget Planning Instruments: Medium-term Macroeconomic Framework, Medium-term Fiscal Framework, Current and Development (Capital) Budgets
- The Nature, Parameters and Structure of Economic Forecasting and Analytical Models
- Short-term Economic Planning and Management Tools/Indicators
- Institutional and Legislative Framework of the Strategic and Economic Planning Process
- Methodology and Techniques Used for Evaluation of Strategic and Economic Development Plans
- The Role of the National Fund in Economic and Budget Planning

#### **Sector/Regional Development Planning**

- The Process of Sector/Regional Planning
- Implementation and Monitoring of Sector/Regional Development Plans
- Linkages between Sector/Regional Development Plans, Long-term National Economic Strategy, The State Budget and the Public Investment Program
- Legal and Institutional Framework of Sectoral Development Programs
- Development, selection and prioritization of sectoral public investment programs

#### **Budgeting and Preparation of the Budget Investment Program**

- The budgeting process in Kazakhstan
- Process of aligning national and sectoral development programs with the budgeting process
- The role of the Budget Call Circular
- The preparation of the Development (Capital) Budget
- Ensuring Consistency between the Current and Development Budget
- Approval of the Budget and the List of Priority Public Investments
- Impact Evaluation of the State Budget: methodologies and techniques used
- The legal and institutional framework of the budgeting process

#### **Public Investment Project Planning and Implementation**

- The preparation process of public investment projects
- Development and approval of the project proposal

- The elements and requirements for feasibility studies
- Criteria for feasibility studies
- Project analyses required
- Managing cost of feasibility studies
- Nature and content of economic analysis of projects
- Estimation and use of national parameters for economic analysis: shadow exchange rate, shadow price of labor, economic prices of tradable inputs
- Cost estimation of public investments
- Project Appraisal process
- Preparation and approval of technical/engineering documents
- Prioritization and approval of public investments
- Methodology and techniques used for monitoring and evaluation of public investments
- Legal, organizational and institutional framework for project preparation and approval
- Technical capacity needs for project analysis, appraisal and implementation

#### **The Ministry of Industry and Trade**

- The role of the Ministry of Industry and Trade in planning and implementation of public investments

#### **The Investment Agency**

- The role of the Investment Agency in funding, planning and implementation of public investments
- The methodology and extent of the Investment Agency's involvement in public investments
- The regulatory framework for the Investment Agency and its activities related to public investments

#### **The Ministry of Finance**

- The role of the Ministry of Finance in planning and implementation of the state budget and public investment program
- The coordination between the Ministry of Finance and the Ministry of Economy and Budget Planning
- Regulations, procedures, and methodologies for managing and monitoring the use of budgetary funds including public investment funds
- Managing the procurement process for budgetary investment projects: requirements, process, duration, criteria, methods, etc.
- Requirements and process for state borrowing to fund public investments
- Main challenges with financial control of public investment projects

#### **Treasury**

- The process and requirements for opening the financing for public investments

# Report on the Kazakhstan Study Tour

By: Ramil Maharramov

Date: February 18, 2008

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This report summarizes meetings and discussions of the Azerbaijani Government Delegation with Kazakh counterparts during the study tour to Kazakhstan on October 7-12, 2007.

**Objectives of the study tour:** Discuss and explore the Kazakhstan's experience on economic forecasting models, preparation of the macroeconomic framework, development and approval of socio-economic development plans, development and approval of the fiscal policy, and preparation, prioritization and implementation of public investment projects.

## **Meeting at the Ministry for Social Protection and Labor**

The Vice Minister for Social Protection and Labor headed the Kazakh delegation in this meeting. Two department directors also participated in the meeting. Discussions evolved around the different phases of the efforts to reform the social safety net in Kazakhstan, active labor market policies used, the methodology for determining the poor and targeting the social assistance, the methodology for determining the quota for international labor and the management of Pension Funds.

Discussions revealed following:

- During the first phase of pension reforms retirement age for both women and men increased to make 58 for women and 63 for men. All exemptions for pensioners and welfare recipients were eliminated and later monetized. Currently the average monthly pension is around 250 USD, whereas the minimum pension is 85 USD.
- The social safety net of Kazakhstan comprises two Funds: the Pension Fund and the Social Insurance Fund.
- The Pension Fund is accountable for collection of payments to the Pension Fund, managing the Pension Fund for higher return and for paying monthly pensions. It has accumulated around 8 billion USD in savings from regular payments to the Fund.
- The Social Insurance Fund is accountable for managing the targeted social assistance benefits, unemployment insurance benefits, benefits for the loss of a family head, benefits to families with children and payments for different types of disability.
- The poverty threshold is determined in relation to the minimum living standard. Food items and non-food items comprise 60 % of the minimum living standard. The minimum living standard in 2007 is set at 78 USD.
- The poverty threshold is set at 40% of the minimum living standard according to which roughly 20% of the population is poor. 300,000 people live in absolute poverty.
- The management of the Social Insurance Fund is decentralized. The regions -'oblasts' – determine the welfare recipients based on their application.
- Targeted social assistance benefits to the poor are determined by local commissions comprising doctors, teachers, municipality reps, etc. The recipients of social assistance benefits are regularly visited on a quarterly basis. The social assistance benefits amount to the difference between the poverty threshold and the income per family member.
- In addition to social assistance benefits, communal assistance benefits are provided to families whose family expenditures on communal services exceed 20 percent of the total family income.
- The child assistance benefits are provided to families whose aggregate income is below the minimum food basket – 60% of the minimum living standard.

- The Public Pension Fund is profitable with 9 % return on investments, most of which are made on low risk instruments. There are 4 Private Pension Funds. The state owns 25 % of their shares.
- Unemployment rate is 7.5 percent. The monthly average salary is around 408 USD. The wage reform in the public sector is continuing. The government plans to bring wages in the public sector up to the private sector level.
- Active labor market policies are widely used. The government assists the unemployed through re-training, capacity building, providing information on available vacancies, employing job seekers in paid community work schemes and providing assistance in social adaptation.
- Annually the country determines the quota for the foreign labor. In 2007 this quota was 0.99%.

### **Meeting at the Sustainable Development Fund “Kazina”**

The Fund’s delegation made a presentation on objectives, functions, tasks and the management of the Fund for the Sustainable Development. They described the strategic role the government assigned the Fund in accelerated economic development in the country. The Fund is the major player in implementation of the President’s medium-term development objectives, the Strategy on Industrial-Innovative Development of Kazakhstan during 2003-2015 and the State Program on “30 Corporate Leaders of Kazakhstan”.

- Established in 2006 “Kazina” is referred as the Fund of Funds. It is comprised of 7 development institutions/funds and possesses 100% government shares in these 7 institutions.
- The major task of the Fund is the management of development institutions for achieving development in Kazakhstan through investments and innovations in the non-oil sectors.
- These development institutions include: 1) Development Bank of Kazakhstan 2) Investment Fund of Kazakhstan 3) National Innovations Fund of Kazakhstan 4) Marketing-Analytical Research Center 5) Kazakh Center for Facilitation of Investments 6) The State Insurance Company 7) Fund for Development of Small Entrepreneurship.
- The main functions of the Fund include corporate management, financial management, coordination of constituent development institutions, HR management, monitoring and control of projects, and analytical support of potential partners.
- The tasks of the Fund are to increase profitability of the Fund as a whole, to implement innovative projects in priority non-oil sectors, facilitate innovative production through PPP, facilitate access of Kazakh businesses to the global market, develop high technology and innovative production, support small & medium businesses and attract foreign direct investment to Kazakhstan. The target is to attract 3 Tenge external investments per 1 Tenge investment of the Fund.

### **Meeting at the Ministry for Economy and Budget Planning**

The discussions focused on macroeconomic modeling and forecasting, capital expenditure planning, project analysis and WTO accession issues.

- The ministry is responsible for strategic and medium-term economic planning, budget planning, investment planning, economic modeling and forecasting.

- The main long-term development strategic document is the “Development Strategy of Kazakhstan Till 2030”. For implementation, this strategy is divided into three 10-year strategies of 2010, 2020, and 2030. All the medium and short-term economic and budget planning shall be consistent with the long-term strategy.
- All sectoral and regional state programs are reviewed by the Ministry and approved by the economic sub-cabinet (the Republican Budget Commission).
- The Kazakhstan is passing to the program budgeting model as part of the overall administrative reform.
- The role of the CoM in overall economic and budget planning is reduced due to existence of the economic sub-cabinet.
- The Oil Fund is tapped only to cover the deficit of the development (capital) budget.
- According to the fiscal rule the annual growth of the State Budget can not exceed the real GDP growth and the total budget deficit shall be less than 1% of GDP.
- National Oil Fund is managed by the Central Bank.
- Only projects with the feasibility study are included into the List of Priority Public Investments.
- The ministry undertakes economic appraisal/expertise of investments projects. Sectoral appraisal of projects is done by relevant sectoral ministries.
- Preparation of feasibility studies usually takes from 3 months to a year. Feasibility studies can be submitted to the Ministry any time in a year. Only projects with feasibility studies are included into the next year’s public investment program.
- Feasibility studies are financed from current budgets of sectoral ministries/authorities.
- The ministry undertakes only financial monitoring of investments projects based on quarterly reports from sectoral agencies.
- Feasibility study is not required for typical social investments such as school and hospital construction.
- Macroeconomic forecasting is based on integrated economic modeling system. This system includes several models: 1) Computable General Equilibrium Model run on the GAMS software 2) Model of Inter-sectoral Balance 3) Financial Consistency Model 4) Econometric models on forecasting national and regional development 5) Analytical calculations based on trend models and Cobb-Douglas Production Function.

### **Meeting at the President’s Stipend Program for Education Abroad “Bolashak” – The Center for International Programs**

The discussion evolved around the challenges, current situation and perspectives of Bolashak, which wholly finances education of Kazakh citizens in universities abroad. The ultimate aim is to develop the well-trained cadre of Kazakhs who have the skills and ability to contribute to development of Kazakhstan in all spheres.

- Bolashak started in 1993. During 1994-2004 the government annually sent 700 students abroad. In 2005 the government increased this number to 2000 students per year.
- Beginning from 2008 Bolashak will start funding short-term research and internship opportunities abroad too.
- The specializations needed for the country are prioritized through annual survey of government agencies and private companies.
- The students with appropriate TOEFL and GRE/GMAT/other required test scores are interviewed by the Independent Expert Commission first and then by the Republican

Commission. The members of the Republican Commission include ministers, deputy ministers, heads of departments in gov't agencies, reps of foreign organizations. The decision of the Republican Commission is final.

- Finalists shall sign a contract with the government and provide collateral in case they don't return. Graduates of the program shall work in Kazakhstan for 5 years.

### **Meeting at Kazakhstan Holding for Management of State Assets "Samruk"**

Discussions focused on the tasks, functions and achievements of Samruk, which is the first of its type in CIS. The holding follows the model applied in Singapore in 1960s, when the government in this country established a special state holding to manage all public investments.

- Samruk was established in 2006 and amalgamates all the Kazakh State-Owned Enterprises, of which some of the biggest are Kazakhstan Oil Company, Kazakhstan Railroads, Kazakhstan State Airlines, Kazakhstan Telecommunications, Kazakhstan Post Service, Kazakhstan Engineering, Kazakhstan Marine Shipping Company, etc.
- The main objectives of Samruk include improving corporate governance standards and increasing profitability of state-owned companies. These objectives are achieved through introduction of best corporate governance standards, setting the development strategies, selection and appointment of executives, application of unified budget policy and ensuring that the investment portfolio of SOEs are consistent with the strategic development objectives of Kazakhstan.
- The government organizations are represented in the Board of Directors and the Advisory Board of Samruk. The Prime Minister heads the Advisory Board and appoints heads of departments within Samruk. The Advisory Board also sets wages for executives in SOEs. Samruk's organizational structure mirror sectors of economy.

### **Meeting at the Ministry of Industry and Trade**

Discussions evolved around the nature of communal services, reforms of the communal system, investment promotion mechanism and determination of construction standards. The Ministry comprised of several committees including the Committee on Construction, the Committee for Investments, the Price-setting Committee and the Anti-monopoly Committee.

- The system of communal services reformed in 1997. Currently 96% of all apartments are privatized. The maintenance of houses has become a challenging issue. The Law on "Residential Housing" allows residents to set up condominiums to take care of maintenance issues of houses/buildings. Every apartment in the condominium pays regular fees to the maintenance fund which can be kept in savings and checking accounts in commercial banks. Legal action is taken against residents not-paying fees.
- Provision of communal services is privatized, but tariffs/prices on communal services are annually determined by the state. Tariffs can differ by regions.
- As part of the investment promotion process, new investors can receive tax exemptions for several years. For receiving tax exemptions investors need to be active and put their investments in non-oil and productive sectors. Tax exemptions are provided for three years. For big companies duration of tax exemptions is longer.
- The government is responsible for determining construction standards and annually produces baseline prices to be used in cost estimation for public projects.

## **Meeting at the Center for Economic Research**

Discussions focused on the structure, challenges and achievements of the center. The Center was recently privatized. The main source of revenue is research funded by the government and private companies. In the current year the Center won bids for different researches and made 2 mln. USD in gross revenue. The monthly wage of researchers is around 2thsd. USD. Azerbaijani side expressed interest in replicating the model in Azerbaijan for the Economic Research Institute.



