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PUBLIC INVESTMENT POLICY PROJECT

Quarterly Performance Report

Period: April 1 – June 30, 2006

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

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ATTACHMENTS:

ABBREVIATIONS

ABTC	Azerbaijan Bank Training Center
CER	Center of Economic Reforms
CSO	Civil Society Organization
CTO	Cognizant Technical Officer
DAI	Development Alternatives Inc.
EBRD	European Bank for Reconstruction and Development
FPM	Financial Programming Model
GOAZ	Government of Republic of Azerbaijan
HPPC	High-Policy and Planning Council
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
LTTA	Long- Term Technical Assistance
MOED	Ministry of Economic Development
MOED/DEPF	Ministry of Economic Development/Dept. of Economic Policy and Forecast
MOF	Ministry of Finance
MTFF	Medium-Term Financial Framework
MTMF	Medium-Term Macroeconomic Framework
NBA	National Bank of Azerbaijan
PIP	Public Investment Program
PIPP	Public Investment Policy and Program
PIP Project	Public Investment Policy Project
Q2/2006	Quarter 4, 2006
QPR	Quarterly Performance Report
RMSM-X	Revised Minimum Standard Model-eXtended
SPPRED	State Program for Poverty Reduction and Economic Development
SPPRSD	State Program for Poverty Reduction and Sustainable Development
SSC	State Statistics Committee
SSDP	Sector Strategic Development Plan
STTA	Short-Term Technical Assistance
TAMIS	Technical and Administrative Management Information System
TP	Training Plan
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	World Bank
WLI	World Learning Institute
WP	Work Plan

Q2/2006 PROGRESS REPORT

In Q2/2006, the Public Investment Policy Project has made a number of significant steps to advance the work plan tasks scheduled for Q2/2006 and continued with those expected through the project duration. Most notably, the PIP Project staff designed a new format for the Call Circular PIP 2007-2010 and proceeded with drafting of the PIPP Manual. Also, the Project succeeded conveying its ideas on the PIPP reform and the necessary implementation measures to the Government of Azerbaijan's top-level leadership. To this end, the PIP Project staff, along with the colleagues from USAID and the U.S. Embassy, organized and conducted a High Level Workshop on Integration of Planning, Budgeting and Investment Programming and called for clear reform actions in strengthening the Public Investment Policy and Program of Azerbaijan.

This Quarterly Performance Report for Q2/2006 presents an overview of developments in the PIP Project/WP tasks scheduled for that period.

1. STATUS OF PROGRESS IN WP TASKS IMPLEMENTATION SCHEDULED FOR Q2/2006 BY COMPONENTS

Component A:

Enhance the Central Agencies' (Parliament, President's and Cabinet Office, MOED, MOF and NBA) capacity for deciding on a set of sound development objectives, strategies and investment policies, which would address the aspirations of Azerbaijani population, compatible with the country's realities and consistent among themselves.

On April 12, 2006 the Azerbaijan Public Investment Policy Project (DAI/PIP Project), with the support from the U.S. Embassy and USAID, successfully organized and conducted the High-Level Workshop involving top-level government officials in Azerbaijan and many accredited international donor community members.

The Workshop was led by Honorable Reno Harnish, the U.S. Ambassador to Azerbaijan; James Goggin, USAID Country Director for Azerbaijan; Avez Alekberov, Minister of Finance; Heydar Babayev, Minister of Economic Development; Elman Rustamov, Chairman of the National Bank of Azerbaijan; and Valeh Alasgarov, Deputy Speaker of the Azerbaijan Parliament (Milli Mejlis). In the opening and closing statements the top-level leaders emphasized the need to consolidate efforts and achieve progress in issues of macroeconomic planning, budgeting and investment planning for the benefit of the people of Azerbaijan. The effective use of oil-export revenues is one of the primary policy goals of the Government of Azerbaijan.

Over 40 officials from 33 organizations, representing the Government of Azerbaijan, IFIs, diplomatic missions, and businesses, participated in the Workshop. The Workshop was well-received by all the participants who expressed appreciation to DAI/PIP Project for the success in organizing such an important economic policy forum. DAI/PIP Project was pleased to

receive high appreciation from the U.S. Ambassador, Honorable Reno Harnish, James Goggin, the USAID Country Director, and senior GOAZ officials who concurred on the importance of the Workshop. The IMF Resident Representative n Azerbaijan, Basil Zavoico, praised the organizers as well and stated it was "by far the most successful policy dialogue he had participated in though his entire career in IMF." In summary, the Workshop was appraised "commendable." Following the event, DAI/PIP Project COP Dr. Mete Durdag and the staff discussed with the USAID CTO Geoffrey Minott follow-up steps in advising GOAZ to make policy decisions in support for the PIPP reform. All the Workshop participants emphasized the importance of integration of planning, budgeting and investment programming. Four key speakers, representing international community and the Government of Azerbaijan (GOAZ), made presentations of their agencies' views on the issues and proposed an action plan to achieve progress in planning, budgeting and investment programming.

The key presentations are summarized below.

Christos Kostopoulos, the World Bank Senior Economist for Azerbaijan, made a presentation on the importance of having a common National and Sectoral Development Framework for the State Program for Poverty Reduction and Sustainable Development, State Budget and the Public Investment Program. The speaker emphasized the need to synchronize the budgeting process with the clearly established macroeconomic goals and objectives, prioritization of budget allocations, and ensuring effective public spending. Mr. Kostopoulos emphasized that good macroeconomic planning, sector needs prioritization and budget efficiency were the key prerequisites toward transition to a modern result-oriented program-based budgeting.

Mete Durdag, DAI/PIP Project Chief of Party, proposed practical institutional and procedural arrangements for Azerbaijan for linking planning, investment programming and budgeting. Mr. Durdag proposed establishing a High Policy and Planning Council or a similar institutional framework to define macroeconomic priorities in the medium- and long-term, set sector development priorities and sectoral/functional spending ceilings for investment programming and the budget. The speaker spoke of the simplicity and logic of issuing one Joint Call Circular to consolidate the process of public resource allocations to all poverty reductions programs, investment programs, and budgetary requests, guided by the same national development strategies, macroeconomic policies, and budget limitations as the beginning of the integration process.

Azer Bayramov, Deputy Minister of Finance, spoke of the need for qualitative changes in the budget process and alignment of State Budget preparation and execution with the medium-term macroeconomic goals. He emphasized the need for the sector ministries to formulate long- and medium-term development plans. He also called for the review and appraisal of optimal, cost-effective methods in PIPP management for achieving effective outcomes.

Shahin Sadigov, Head of Department of Economic Policy and Forecast Head, MOED, emphasized the need for establishing a High Policy and Planning Council to determine medium-term macroeconomic framework and, jointly with central ministries, define sector development priorities and recommend spending ceilings for current and capital budgets. The speaker spoke of the need for developing Guidelines for Preparation of Public Investment

Program. [Note: These Guidelines and an Annotated Manual will be the core methodological outputs of the DAI/PIP Project. Preparation of well-defined rules for project preparation will involve conducting of integrated project analysis, project screening and prioritization for implementation].

Following the presentations, open discussion among the representatives from the IMF, the World Bank, the British Embassy, the British Petroleum Corporation, DAI/PIP Project and others supported the proposals to GOAZ for improving macroeconomic planning policy, sector strategic development, budgeting and investment programming. The GOAZ authorities (from the MOF, the MOED, the NBA, and others) and Milli Mejlis (the Parliament) were in agreement with the intentions and the solutions proposed by the Workshop presenters. The participants offered cooperation and support in the preparation and implementation of the needed actions. The proceedings of the High Level Workshop are enclosed as Attachment 1 to this report.

Recognizing importance of the issues raised in the High Level Workshop towards rationalizing the sustainable economic development of Azerbaijan and for the formulation of sound economic policies, the National Bank of Azerbaijan Chairman Elman Rustamov invited the PIP Project COP for a technical meeting. The meeting took place on May 05, 2006 at the NBA premises. The PIP Project and NBA were represented respectively by Mete Durdag (COP), Sevinj Hasanova (the then Public Finance Expert, now a Deputy Minister, MOED) and Elman Rustamov (Chairman of NBA), Shakhmar Movsumov (advisor to the chairman), Aftandil Babayev (Director), and the heads of departments – Emin Huseynov, Khagani Abdullayev, and Rufat Aslanov.

During the meeting, the Chairman stated his strong satisfaction with the PIP Project conducting a High Level Workshop and noted that he fully supported all the ideas it put across. The Chairman and his staff had thoroughly familiarized themselves for the meeting with the contents and recommendations of the PIP Project Technical Notes that were provided to NBA following the Workshop. The Chairman described macroeconomic forecasting work that is done at NBA in the recent years in institutional isolation. He related the current problems in linking of policy, planning and budgeting. He said he believed in the urgency of joint efforts by MOED, MOF and NBA in building collaborative institutional and technical capacity for economic policy guidance during a very important phase in the country's history. In turn, the PIP Project's COP informed the NBA Chairman of the Project activities and advised of future plans, specifically, the preparation of the PIPP Guidelines (Manual), a simplified economic model for the MOED, and the assistance to the central and sector ministries for capacity building in preparing sector development plans and formulation of investment projects. Dr. Durdag stated that the main objective of the Project is not to assist the GOAZ in making policy decisions and to give ready results of economic models. The objective is to establish the mechanisms and to strengthen institutional and technical capacity in relevant economic and policy agencies of the central government to enable them make these decisions collaboratively and confidently. This, in the long-term, is the only way for GOAZ to build up adequate and sustainable capacity for sound economic policy formulation and successful management of the economy. The minutes of the meeting at NBA are enclosed as Attachment 2.

Development of the Financial Programming Model (FPM)

In accordance with Task 3 of the Sub-Component A.1 the PIP Project staff is facilitating the collaborative use of the IMF Financial Programming Model framework by the central economic agencies of GOAZ. The use of this model or a similar type of model, principally by the MOED, the MOF and the NBA, is of paramount importance. The public investment policy, preparation of a PIP and budgeting of programs must be guided by a quantitative framework. In developing a FPM for Azerbaijan economy, extreme attention needs to be paid to the share of oil sector in the national economic output, government revenue projections, and management of foreign exchange. The FPM is, essentially, an accounting framework that integrates four broad sectors of the economy: real sector, government sector, external sector (current and capital accounts of the balance of payments) and monetary sector. The FPM culminates in a "flow of funds" balancing table to track relationships among the four sectors of the economy in a systematic and coherent way. It helps to bring out inconsistencies in the available data and assumptions, and thereby helps to understand the economic relations among the sectors and to facilitate macroeconomic analysis. The model reveals any unbalanced or unresolved dependency among the sectors and forces economic policies towards consistency. Finally, it provides an indicative basis for policy recommendations.

The PIP Project staff has been updating economic data for the FPM from the years 2002-05 principally based IMF Statistical Appendices and on GOAZ sources. The MOED DEPF staff has been collating data from GOAZ sources. But for an operational model, the data of Azerbaijan has to come from the GOAZ (MOED, MOF, NBA and SSC). There have been, so far, long delays in collating data and inconsistencies in data from different sources. One of the most important aspects of creating a working economic model is the accessibility and accuracy of data, and sharing freely of that data. In this first exercise, the PIP Project found out that the process of collaboration among the economic agencies of the GOAZ is not smooth and facilitating. Hence the exercise of bringing about a nominally working FPM is delayed. It is a long, detailed and tedious process to establish consistent datasets, to promote coherent discussions on alternative economic scenarios, to openly review the risks of unsustainable policies, to communicate with IFIs in the same economics language, and finally to base a model's indicative outcomes for guiding GOAZ medium-term economic policies. A consistent quantitative framework in decision making by an authoritative organization such as the HPPC will be of enormous benefit to Azerbaijan. The FPM remains the most constructive yet the simplest starting point for institutionalizing the collaborative use of a consistent economic framework in the investment policy making process in the GOAZ.

Enhance the appropriate channels and venues between the government and non-government stakeholders (Civil Society, Non-Government Organizations, the political parties, the private sector and workers' organized representatives, etc.) for consultation and feedback on national, regional and sectoral development objectives, strategies and investment policies.

The PIP Project staff activities in civil society participation and stakeholder involvement in decision-making are implemented by numerous means. So far, these have consisted of

collaborating with MOED/ SPPRED Secretariat, and disseminating information at national and local levels on public investment and budgetary participation activities.

Azerbaijan's SPPRSD 2003-05 had been prepared with broad participatory processes allowing the civil society, NGOs, workers' and business organizations; academics, and donor agencies to contribute to the development of sector objectives, strategies and policies through joining the Sector Working Groups. The same cannot be said, however, for the Annual Progress Reports of the SPPRSD and for the RDP. To the extent that SPPRSD's sector objectives, strategies, and programs are reflected in the Sector Strategic Development Plans and in the sector public investment programs and projects, the formulation and prioritization of the PIP would represent the convergence of bottom-up and top-down planning processes at the line agencies level. Although the current budgeting and PIP processes in Azerbaijan are supposed to be pursuing this approach, it is generally agreed that in reality there is little, if any, organic and formal linkage between the SPPRSD and public investment policy and its projects. The PIP Project aims at assisting the GOAZ, through working with the SPPRED Secretariat in considering the integration of poverty reduction programs with SSDPs, medium-term expenditure framework, and public investment programs. This year, as a response to PIP Project recommendations to link with annual budgets, the SPPRED Secretariat staff has been working closely with MOF staff to link poverty reduction programs with budgetary expenditures.

During Q2/2006, the PIP Project staff with assistance from Ilgar Mammadov, a public awareness expert STTA, conducted an in-depth study and evaluation of the current participatory processes and practices in public investment programming. Along with Mr. Mammadov, the PIP Project staff investigated means through which the non-government stakeholders were involved in or consulted with in the preparation of the sectors' investment program selection and formulation. As part of the evaluation, the PIP Project team conducted interviews with and analyses of the line ministries, and their subordinate units and CSOs. A report that describes the current status, and problematic issues and provides recommendations to improve public participation process was written. In Q3/2006, the PIP Project will distribute the Azerbaijani language version of the report to the GOAZ counterpart agencies and will present its main points to discuss actions suggested to the Government to improve transparency, openness and participatory decision-making in public investment policy and programming. The report is enclosed as Attachment 3.

In late Q2-2006, the PIP Project joined an initiative on public participation aspects of public investment and budgetary decisions at the local government level in the regions. In this effort to disseminate information, the Project works with CHF International and Counterpart International, which are USAID partners in Democracy and Governance Project area. As a part of the Community Development Activity of the USAID, the CI has organized three regional conferences to take place in Sheki, Lenkoran and Guba. The PIP Project decided to participate in these conferences and make presentations touching upon the topics of local budget cycle, local budget relations with the central government budget (timing and fiscal dependency), link to the national and regional strategies (i.e. SPSEDR and SPPRSD), timing of budget hearings at the local level, and the benefits of local participatory practices in the use of public funds. The Project staff discussed with the MOF staff and local NGO representatives local

governance and local budget issues. As an output, the Project developed a presentation. The PIP Project participated in the first Conference which took place on June 28 in Sheki. The presentation and the initial feed-back have been very rewarding to the local participants of the Conference and the staff of the PIP Project. The details of the series of CDA Conferences and lessons learned/imparted will be elaborated on in the QPR Q3/2006.

Component B:

Evolution of the Public Sector Capital Budget Formulation as a bridge within an MTEF between development planning (SPPRSD and RDP) and the Consolidated State Budget

The PIP Project staff provided comments on one of the fundamental policy and planning documents of Azerbaijan, the State Program for Poverty Reduction and Sustainable Development. Mr. Mehman Abbas, Chief Adviser to the MOED Minister and Head of SPPRED Secretariat invited comments and suggestions on the draft SPPRSD 2006-2010 document. The PIP Project had already made, in December 2005, substantial comments on improving the preparation of the policy document. Mr. Abbas said that the new draft document benefited from those comments and is a much better document because of them.

Now, the PIP Project commented on the Action Plan Annex of the draft SPPRSD 2006-2010 document. The comments were constructive and sincerely acknowledged the improvements in the new document. The SPPRED Secretariat was commended for the work they had done under conditions of less than ideal resources and country capacities. Some of the changes incorporated in the draft SPPRSD 2006-2010 from the earlier recommendation made in December 2005 included defining and quantifying more concretely the indicators and the targets. More notably, the Secretariat started to link annual poverty reduction programs with annual budget expenditures and annual public investment programs in the medium-term expenditure framework. Such conceptual linkage, which the PIP Project promotes in practice by issuing a Joint Call Circular, is the first stage in integrated planning, investments and budget formulation. The comments on draft SPPRSD 2006-2010 document are enclosed as Attachment 4.

As an aside task, the MOED requested from the PIP Project to analyze the report and the data which was prepared by an expert on a USAID Project. The report is titled the "Capital Expenditure Profile for Azerbaijan (2006-15)." The PIP Project comments on the report are enclosed as Attachment 5.

Develop a Manual for Public Investment Policy and Project Development (PIPP Manual)

At present, Azerbaijan does not have an integrated public investment policy in alignment with macroeconomic and sectoral development objectives and strategies. Additionally, what is called the Public Investment Program is ad hoc a collection of "some" public sector projects. Nevertheless, the current practice might still have some rationality for what it is, and the PIP Project would make sure that the proposed approach to public investments formulation and management would account for much of that. However, there are basic standards and methods to any good public expenditure management framework. The effectiveness of the content of

public investment policy and sound prioritization of its projects require, at first, the full coverage of public investments irrespective of their sources of funding and of their size and importance. A comprehensive public sector definition should categorize consistently the investment and budgeting responsibilities of different state agencies (e.g. State budget agencies, state-owned enterprises or, even more broadly, local governments) by pooling together all public capital spending within one consolidated expenditure framework.

The development of public investment policy and program with a view to serving the policy functions will require substantial changes not only in their coverage but also in the way they are processed into the Consolidated Budget. The current practices and procedures are the results of ad hoc decisions reflecting partly administrative/operational convenience and partly the portfolio competition among the budgetary agencies. Given this fact, the PIP Project and MOED would have to continue to do a good deal of explaining to and lobbying with both the central government (the President's Office, the Cabinet of Ministers, the MOF and the line ministries) and the Parliament to bring about integration and coherence to the PIP process. One of the more concrete ways the lobbying and persuading effort will be anchored by promoting a comprehensive Manual for Public Investment Program and Policy, and Project Development. It is expected that the Manual will be adopted by the GOAZ in Q4/2006. The institutional assimilation of the Manual's investment policy prescriptions and other project management procedures would put the public investment policy on a path towards increased efficiency. With a practical Manual, the MOED will become able, with PIP Project assistance, to execute set of rules and instructions for investment policy and project design and implementation.

During Q2/2006, the PIP Project staff produced an outline for the PIPP Manual. The Manual will cover investment program/project identification, preparation, implementation, monitoring, and evaluation phases. Links to SSDPs and MTEF, and integration with the recurrent budget are stressed. Importantly, the Manual sets the technical aspects of project management inside a public investment policy led by a coherent and rational macroeconomic policy. The drafting of the PIPP Manual is proceeding in a collaborative way by staff separately concentrating on chapters according to their specialties with the overall lead on content and format given by the COP. The chapters and the supporting attachments, which give detailed instructions on implementation, are almost ready. Once the sections are completed, the document will be consolidated into a guideline with modular character. It is intended that the MOED will update the modules (cooperatively with the MOF on budget linkages) as required.

The overall vision for the draft Manual must account for potential administrative and structural adjustments in the operations of the GOAZ to maximize the benefits from the use of the Manual. These potential adjustments are considered with great caution and within realistic assessment of the existing institutional ground rules. Nevertheless, the MOED and other agencies of the GOAZ will have to commit to important administrative and legislative measures to put the Manual into operation. To that extent, the Manual makes references to clearly defined implementation requirements for macroeconomic management, comprehensive budgeting system, and sectoral development plans that will help the efficiency of public investment programming.

The Manual is expected to be finalized in Q3/2006 and involve extensive consultation and appraisal of its concept and content by MOED, MOF and cooperating line ministries. The working outline of the PIPP Manual is enclosed as Attachment 6.

Development of the MOED's Capacity for PIPP Formulation

In accordance with Task 11 (b) of the Work Plan, the PIP Project staff continued with the development of database of public investment project formulation and management and a depositary/library of reports and studies. Consultations on database management, maintenance, resource replenishment, and information dissemination were made with Mrs. Anna De Nicolo, the DAI Librarian/Knowledge Manager. The database will be both in electronic and in hard copy formats and include manuals, data, policy papers, latest economic overviews, legislation and government documentation as well as the PIP Project reports. All materials and publications are categorized and catalogued by subject. There is a separate listing for sector studies. Recent publications and materials on program budgeting and capital budgeting, internal and external debts management, public investment programs from various countries, in English and Russian languages, will be included in the database.

Help enhance the capacity of the sector divisions of MOED/DMAF in preparation of PIP Call Circular, review and evaluate the Line Agencies' capital spending programs and investment projects.

In Q1/2006, the PIP Project staff in cooperation with MOED staff had developed a new Call Circular for PIP 2007-10. This Call Circular was accepted by the MOED and in Q2/2006 was distributed to all budget agencies to be used for their investment project proposals. The MOED PIP Division staff appreciated the importance of the new Call Circular and was strongly behind its promotion among the budget organizations. Four orientation meetings, involving representatives from central agencies and line ministries, were held to present and explain new requirements and information needed for applying for public investment project financing. The PIP Project staff views this product as an interim one during the establishment of a comprehensive and inclusive set of regulations that will govern the Public Investment Policy and Programming. The draft 2007-10 PIP Call Circular was developed to help MOED at this time towards establishing better procedures and requirements for PIP development. The current innovations include new project evaluation forms, improved sector development statements on goals and objectives, reporting of all budgetary capital expenditures (PIP and non-PIP) and rationale for each public investment project. For the first time in a long time, the line ministries are obliged to regard the PIP preparation process deliberately, considering objectives, outcomes, and considering economic rationale for project financing. The PIP 2007-10 Call Circular is enclosed as Attachment 7.

Help the Line Agencies develop or improve their institutional and technical capacity to identify, formulate and prioritize the necessary investment policies and programs to realize the sector strategies and objectives while at the same time complying with the guidance and requirements of the Central Government.

During Q2/2006, the PIP Project staff assisted line ministries in the formulation of the PIP goals and objectives for FY 2007 and the medium-term horizon. The staff of line ministries now realizes the need to strengthen strategic and medium-term sector planning and justify requests for public investment projects. A series of meetings were held with the staff of the line ministries involved in the draft PIP 2007-10 preparation process. The PIP Project sector specialist staff assisted the cooperating line ministries in filling in forms and questionnaires.

One of the new Call Circular forms was for reporting the previous and expected capital spending from the budget. These capital expenditures are classified in the budget but are outside of the PIP capital spending requests. Because the budget classification has gone through a few permutations in the last few years, the MOED and line ministry staff was not confident about the budget classification of capital expenditure items. Hence, consultations on the Budget System Law requirements and classification-related matters were requested by the MOED staff. A training session was held for the PIP Division as well as the Investment and International Economic Policy Department of MOED on current budget practices. The training covered the following topics: Budget System Law; 2006 Annual Budget Law; FY 2006 Budget Decree; new budget classification (administrative, functional and economic expenditures), other budget preparation and execution matters.

Component C:

Help MOED and MOF to jointly develop a set of "project appraisal, preparation and negotiations procedures", which will emphasize integration of social, economic, financial and engineering analysis based on market economy and modern engineering norms rather than old Soviet practices.

The Project staff got familiarized with the former Soviet Union technical requirements for formulation of capital investment projects. The cost system in the FSU was based on the established system of "norms" and "normatives" that made sense in the environment of vertically integrated state economic planning. Countries with economies in transition need to adjust to new cost accounting according to market economy principles for efficiency, effectiveness, and accountability. The PIP Project staff intends in Q4/2006 to familiarize the GOAZ authorities and staff with methodology of cost-benefit analysis with concepts of integration of social, financial, engineering, social impact, distributional and other analyses. This is an ambitious but absolutely a basic building block for proper investment project choices but also for fundamental understanding of public investment policy. Once implemented, this knowledge and practice will become one of the technical elements in preparing and justifying better the PIP projects that fit macroeconomic and sectoral development plans and yield sustainable economic and social returns. Meanwhile, training materials from Rounds 1 and 2 Training (February-April 2006) serve MOED as the interim guide to the integrated project analysis and review for the PIP project submissions.

Help improve the selected line ministries' capacity, without additional resources, for effective monitoring and evaluation of the public investment programs and projects in terms of their socio-economic impact.

As a part of the formal training in benefit-cost analysis, the staff of MOED, MOF, and selected line ministries learned to evaluate the impact of their collectively-prepared case studies on the country's social-economic development. The PIP 2007-10 Call Circular builds on these skills. It contains forms and tables to help MOED staff to practice steps and gain experience for analyzing effectiveness, efficiency and social-economic impact of the PIP and individual projects. This practice will be built upon and will expand roots over many PIP implementation cycles. The PIP Project staff continuously emphasizes the role of permanently functioning PIP divisions in the line ministries. These divisions must closely collaborate with other expenditure planning departments of the ministries in realizing the SSDPs. Undoubtedly, future PIP departments and divisions in the line ministries will be set up in a variety of forms and will be responsible for investment project preparation, implementation, monitoring and evaluation as they put into operation their forward-looking and demand responsive strategic sector plans. To make these goals fully operational many organizational and methodological modification are required over time and the PIP Project is promoting all necessary interventions.

Component D:

Multi-week Training Program on Integrated Project Analysis

On April 5, 2006 the Second Round of the training course was completed. During the two pilot Rounds of training (February – April 2006) over 80 GOAZ officials from MOED, MOF and selected line ministries became directly involved in the training program and workshops. The PIP Project furnished the trainees with the CD-ROMs with training and reference materials in the Azerbaijani language as well as hard copies of the English-language manuals on project preparation and analysis.

Training of Trainers

Through the Training Program the PIP Project contributes to building up the capacity of Azerbaijan's training institutions to serve as the methodology and training resource base for integrated project analysis. The Azerbaijan Center of Economic Reforms (CER) was selected as the PIP Project partner in the preparation and delivery of multi-week training courses in integrated project analysis. To aid in teaching and research work, the CER assigned, permanently, three economists to the PIP Project Training Courses. The economists will become trainers of the CER on integrated project analysis.

Following the formal training in Integrated Project Analysis, the Training of Trainers' Program was developed and delivered by Mrs. Patricia Garcia, TRG expert, during April 4-6, 2006. The number of participants was increased from 3 to 7 persons thus involving additional four experts from the CER. The three original TOTs participated in both Rounds of the Training Courses and during the Second Round already started becoming involved in the training delivery. The increased participation in TOT addressed two important objectives: 1) to expand the expert base at CER to serve as a sustainable Training and Methodology Center of MOED, and 2) to train additional trainers with the later involvement in the PIP Project Training Program. The TOT participants demonstrated a genuine interest in training and a willingness to enhance their training methodology and presentation skills. The TOT course was appraised

as an extremely beneficial one and worth repeating for even a larger audience, and potentially by other training institutions. The TOT-related materials are enclosed as Attachment 8 to this report.

Study Tour

Within the USAID START Participant Training Program the PIP Project planned to organize a study tour on the topic of the Public Investment Policy and Program formulation for 15 senior level GOAZ executives. The PIP Project had offered WLI to arrange a study tour to a country where the public investment programming was being successfully implemented. Poland, Slovakia, Malaysia, and Turkey were chosen as countries that demonstrated sustained economic growth with effective and efficient use of state budget capital resources for infrastructure and social sector development. In the end, Turkey was selected for the study tour visit. The decision was based on various considerations: a) Turkey has deep experience in development planning, having just completed the implementation of its 8th Five-Year Development Plan, 40 Annual Programs, and 40 annual Public Investment Programs, b) the Government of Turkey is adopting from this year on 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, c) Turkish Economic Ministries/Agencies' web-sites are far better than other countries. This provides good potential for follow-up work on the Study Tour findings especially in light of the closeness of the Turkish and Azerbaijani languages. During the Tour, the benefits of common language already made communication much richer. Finally, the resources, which Turkish authorities offered to facilitate the parameters of the Tour, determined the selection decision.

The Project requested the Turkish International Cooperation and Development Administration Agency (TICA) to help WLI with logistic matters and program setup. The TICA management was extremely supportive and promised to do their utmost for the Tour's success. The PIP Project believed that the Study Tour would help the GOAZ counterparts to broaden their understanding and perspective for an effective and efficient Public Investment Policy and Program implementation, and draw valuable policy lessons for Azerbaijan. Therefore, the Project requested its core counterpart agencies to nominate two persons, one at the level of Deputy Minister and the other – the Head of Department for the PIP-related issues. The Tour took place on the last days of the Q2-2006. The PIP Project believes that this Study Tour offered great opportunities 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. Detailed information on the Study Tour to Ankara will be provided in the QPR Q3-2006. The preliminary list of GOAZ participant is enclosed as Attachment 8.

English Language Training

According to a request from the MOED and subsequent endorsement from the USAID, the PIP Project staff, together with WLI staff, started preparation of an English Language Training Program. The MOED requested to organize the training for the staff of twenty (10 persons from MOED DEPF and 10 persons from other departments from MOED) employees. The PIP

Project requested the MOED Department Heads to nominate one to two persons for the English Language Training. The list of participants was prepared and submitted to the USAID/WLI for approval. The PIP Project staff, together with the selected trainer organization – Education and Training International (ETI) – and jointly with WLI, assessed the language level of the participants. Based on the assessments, 5 English language groups were established: two groups of Beginners and one group for each of Elementary, Pre-Intermediate and Upper-Intermediate levels. When the list of participants indicated that gender equilibrium was not achieved, more female participants were included in the programs. Consequently, the number of participants rose to 25 persons. A rigorous training schedule was designed. The PIP Project office conference room is made available to the students before and after work hours and on Saturday to make the language program a success. The list of participants in the English language course is enclosed as Attachment 9.

2. THE Q1/2006 BENCHMARKS OF THE PMP

Aggregate Performance Indicator 2. Improved capital budgeting formulation

Progress Indicator G. Improved procedural arrangements for public sector budgeting through the development of PIPP Manual.

Statement of progress in Q2/2006: During Q2/2006, the PIP Project staff drafted and discussed the outline for the PIPP Manual which will be one of the core methodological contributions of the PIP Project. The PIP Project LTTA and STTA staff defined key elements to be covered in the PIPP Manual. The Manual will be a set of instructions for the sector line ministries to prepare, justify, validate and prioritize their PIP project requests. Correspondingly, MOED and the concerned PIP reviewer units and agencies will need to follow the formally established appraisal patterns and recommend for inception only projects that will yield the highest socio-economic returns.

Progress Indicator H. Prepare procedures for PIP 2007-10 and submit to MOED for consideration and approval

Statement of progress in Q2/2006: The PIP Project staff prepared new requirements for submission and tables for the PIP 2007-10 Call Circular. The document was discussed with MOED, MOF and line ministries' staff and was submitted and accepted by MOED. The PIP Project staff participated in a series of presentations and meetings, which were organized by the MOED PIP Division, and answered questions related to the new Call Circular forms and requirements.

Aggregate Performance Indicator 3. Improved investment project preparation, appraisal and monitoring.

Progress Indicator J. Procedures for project appraisal, preparations and negotiations developed and presented for GOAZ approval

Statement of progress in Q2/2006: The PIP Project staff continued work on preparation of the PIPP Manual to be finalized in Q3/2006. The document will be finalized and submitted for the GOAZ approval which is expected to be in Q4/2006.

Progress Indicator L. Technical memo on use of shadow prices in project (economic) appraisal prepared.

Statement of progress in Q2/2006: The terms of reference for the work on shadow pricing were prepared but the task is suspended until Q3-Q4/2006. Currently, there is little urgency to undertake the shadow pricing study prior to completion and adoption of the PIPP Manual. The World Bank had suggested that the PIP Project invite Mr. Glen Jenkins to discuss the shadow pricing study. The PIP Project is considering using Mr. Jenkins to prepare good case studies for the Round 3 training on Integrated Project Analysis.

Aggregate Performance Indicator 4. Increased proficiency and knowledge of GOAZ counterpart organizations in public investment policy and efficiency

Progress Indicator P. Number of employees involved in formal and on-the-job Training Program on PIPP.

Statement of progress in the Project Year 1: During the two pilot Rounds of training (February–April 2006) over 80 GOAZ officials from MOED, MOF and selected line ministries were directly involved in the training program and workshops. The PIP Project plans to further conduct similar but more contextualized training programs to follow the new Guidelines for PIPP. The follow-up work is proceeding with the graduates of the training courses to help them apply at their work the skills gained in practical training and, more importantly, in improving the current methodology and operations in investment program preparation, implementation and management. To increase the GOAZ capacity in public investment program management and research works the PIP Project entered in a partnership with the Azerbaijan Center of Economic Reforms (CER), a research affiliate of the MOED.

3. COOPERATION WITH GOAZ COUNTERPART ORGANIZATIONS

The PIP Project leadership, along with the USAID (G. Minott; J. Goggin), the U.S. Embassy (Reno Harnish; D. McCormick), the U.S. Treasury Department (L. Decker) held a series of policy and technical meetings with the leadership from the Ministry of Economic Development (N. Pashayev; S. Sadigov; M. Jabbarov; H. Babayev) and the Ministry of Finance (A. Bayramov; I. Fatizade, A. Alekberov). This was an opportunity, having the presence and support of the U.S. Ambassador Honorable Reno Harnish, to convey the PIP Project position on institutional reforms necessary to make Azerbaijan's PIPP more effective to address the country's macroeconomic objectives and goals. The April 12 High Level Workshop on PIPP issues, (see pp. 5-7), provided an excellent platform for presentations and opinions of the Governments of Azerbaijan and the United States as well as the donor community members on ways to rationalize oil-export revenue management, and capital expenditures, in particular. All parties were in full agreement that practical changes were necessary to strengthen the public investment policy and procedures for the country to enjoy benefits from oil wealth.

The other intensive activity with the GOAZ counterparts was the Study Tour in Turkey. Deputy Minister and Head of Division level personnel from MOED, MOF, NBA and line ministries made the potential impact of the Tour quite high. Detailed information and the evaluation of the Study Tour to Ankara will be provided in the QPR Q3-2006. The preliminary list of GOAZ participant is enclosed as Attachment 8.

4. COORDINATION WITH DONORS, IFIs AND USAID PARTNERS

In Q2/2006 the PIP Project staff continued maintaining good cooperation with the international donor organizations, particularly with the IMF, the WB, the ADB and the UNDP on issues related to the public investment planning and program/project management. Extensive meetings continued with Christos Kostopoulos, Senior Country Economist for Azerbaijan, who is very interested in a broader budget reform agenda and transition to the result-oriented program budgeting.

As a part of the initiative in public awareness and participatory practices, the PIP Project staff joined the USAID meetings on health reform issues and those related to local budgeting. With respect to local budgeting process, the PIP Project staff consulted with the MOF local budgets division expert (E. Veliyev) and learned of the current municipal and local budgeting issues and put together a presentation for the local authorities. Following coordination with the USAID partners in local community development issues, the CHF International and Counterpart International, the PIP Project staff decided to participate in the three regional conferences (Sheki, Lenkoran and Guba) and to deliver presentations related to local budget and public investment issues. The main part of this activity occurred in July hence the details will be provided in QPR Q3-2006.

The PIP Project staff established excellent work relations with the recently established NGO – the National Budget Group – sponsored by the Soros Foundation. The Project COP also met with the Director of the Economic Research Center, a newly established NGO, to discuss areas

of cooperation and mutual interests. Finally, responding to the request from MOED and MOF in international PIP-related study tour, the Project COP and Training Coordinator met with the leadership from TIKA (Turkish Economic Development Agency) and discussed technical areas to be addressed during the study tour to Turkey. The QPR Q3/2006 report will provide extensive coverage of the Study Tour. The listing of PIP Project meetings with counterparts and other projects is enclosed as Attachment 10.

5. ADMINISTRATIVE TASKS

PIP Project Relocation:
On May 1, the PIP Project staff moved to the new premises at 9 Aliyarbekov Street, Apt. 65. The new office is located at a reasonable distance from MOED, MOF and other prime counterpart agencies. Computer networking, telephone and security arrangements were made in accordance with the office setup schedule.

NXP Procurement for CER:
Following the NXP approval the PIP Project procured and stored 10 desktop computers for the CER. For the purpose of public awareness the PIP Project staff plans a ceremony of the equipment transfer to CER in end-September 2006 inviting the U.S. Ambassador Honorable Anne Derse. The PIP Project staff prepared a set of informational materials that included the Event Summary, the Project Flyer and the Talking Points for the Ambassador who we cordially invite to participate.

Recruitment:
The PIP Project administration proceeded with recruitment of Ms. Nigar Ismaylova as Regulatory and Infrastructure Specialist (replacing Mr. Nofal Rzayev). Technical and salary approvals were granted by USAID.

Staff Performance Evaluation:
Staff annual performance reviews were conducted, and appropriate records were made and filed.

6. CONCLUSIONS AND IMPLEMENTATION ISSUES

Despite overall progress in implementation of the individual PIP Project tasks there are policy issues that rest beyond the PIP Project's control. These policy issues can solely be addressed and resolved by the top-level leadership of Azerbaijan. The success in the Public Investment Policy and Programming of Azerbaijan depends on the level of continuity and determination on the part of GOAZ to improve efficiency of its policy and procedures in capital investments:

1. The newly appointed leadership in the Ministry of Economic Development and the Ministry of Finance need to strengthen prospects for improved economic coordination of central ministries and for long- and medium-term macroeconomic framework development. For this purpose it is critical to establish an economic sub-cabinet – the High Policy and Planning Council (as suggested by the PIP Project, or a differently structured agency as

suggested by the World Bank yet with similar economic policy management functions) – to set macroeconomic goals, national development objectives, and sector and administrative unit targets and resource envelopes. There needs to be one common set of national priorities and one set of macroeconomic targets and assumptions, which will become a common denominator for the development of the State Program for Poverty Reduction and Sustainable Development, the State Budget, the Medium-Term Expenditure Framework, and the Public Investment Program.

2. The GOAZ needs to fit its public investment programming into a clear investment policy framework. Once national development policies and priorities are formulated in the long- and medium-term, the sectoral ministries can then formulate their technical development agendas with the guidance of national priorities and sectoral objectives. Under such guidance, the GOAZ agencies will deliver public goods or services, which are the only reasons for the existence of the agencies.

3. The Public Investment Program of the GOAZ needs to flow from the country's harmonized macroeconomic objectives and sector development plans. The PIP needs to be rationalized by including all types of public capital expenditures into the PIP whether they are funded from the budget or by donor loans and grants, and whether undertaken by budget organizations or by extra-budgetary funds. At present, Azerbaijan does not have a coherent PIP. Of the total public capital spending (excluding that of fully or partly owned state enterprises), only about 40 percent is shown in the State Budget (2005) and the rest, mostly externally funded, is not. Of the total capital spending included in the State Budget, less than a half is included in the PIP. Externally funded public capital spending, while not in the Budget, is included in the PIP. There is a part of total public capital spending which is in neither the Budget nor the PIP. Once such fragmentation is replaced by a coherent system of PIPP management, Azerbaijan will enjoy greater economic and social benefits.

4. The project descriptions in the PIP for budgetary fund requests must based on a comprehensive set of rules and regulations. The preparers of the budget-funded projects need to qualify and to justify projects that will yield maximum economic and social benefits. The MOED leadership will then need to use a common set of appraisal standards for projects. A rigorous technical evaluation of the projects will secure a non-biased way to select projects that meet expectations for results.

5. Building institutional capacity in the central economic ministries and also in the line ministries is of a paramount importance. The professional staff of these ministries involved in public investments needs to be, a) fully proficient to undertake complex tasks of PIP management, and b) provided with incentives, motivation and remuneration worthy of their skills and knowledge.

6. Finally, GOAZ needs to employ appropriate measures in support of the economic development policy and encourage transparency, public involvement and participation in economic policy formulation and implementation. The current situation of dynamic economic development and political stability can allow new approaches to the government decision-making process. In the early and mid-1990s, when the strong government authority was

required to overcome the political and economic turmoil, President Heydar Aliyev successfully formulated a strong state and built a powerful administrative structure. Since then, the ensuing ceasefire, economic stability, the accession of Azerbaijan to the Council of Europe, the prospects for membership in WTO, the introduction of the oil wealth, the urgent need for strategic decisions about development of non-oil sector of the economy, and other burgeoning factors created plausible conditions for greater involvement of civil society in the government affairs. Wider public involvement is especially important in budget and economic planning processes. In a democratic state, there should be the right to obtain free and regular information on the ways of utilization of budgetary funds and socio-economic results of public investment policy. Given the new economic environment and challenges, the Government needs to develop, in cooperation with the academic, non-government, international, and other civic stakeholder groups, a set of practical measures and standards to ensure coherent, uniform and broad public participation policy for the Government of Azerbaijan. These measures and standards should address topics of public information, information dissemination, participatory monitoring and evaluation, diverse research on policy, stakeholder consultations on economic policy issues, and public accountability for outcomes.

Attachment 1.

Materials from the High-Level Workshop on Integration of Planning, Budgeting and Investment Programming in Azerbaijan

Date: April 12, 2006
Venue: Afurja Ballroom, Excelsior Hotel, Baku

The purpose of the proposed High-Level Workshop on April 10, 2006 is to arrive at a consensus, if possible, on the required institutional framework for the preparation of the GOAZ's Budget, including the capital budget, as an effective instrument for the national and sectoral development of the economy over the medium- to long-term. This in turn requires that the proposed institutional framework should enhance the inter-linkages among development planning (SPPRSD and SPSEDR), government budgeting, and public investment programming.

The required institutional (i.e., organizational and procedural) framework is envisaged to include the following:

1. The preparation of SPPRSD, SPSEDR or their Annual Progress Reports, the State Budget, and the PIP will start with the President's guidance and instructions on the long- and medium-term national and sectoral development objectives/goals, strategies, and targets (after checking them carefully for consistency with each other and for their feasibility vis-à-vis the current and expected constraints).
2. A rolling Medium-Term Macroeconomic and Sectoral Development Framework (MTMF) and a rolling Medium-Term Fiscal Framework (MTFF) will be used:
   - to check consistency and feasibility of the national and sectoral development objectives, strategies and targets, and
   - to identify both the overall resource envelope and sectoral spending ceilings.
3. All this work will be led, supervised, and pre-approved by a Cabinet cluster of economic ministers (Socio-Economic High Policy and Planning Council –HPPC) before considered by the Cabinet of Ministers (COM).
4. Upon the HPPC's proposal, COM will issue early in every FY to all government/ budgetary agencies a Joint Call Circular (JCC) to provide them with the necessary guidance and instructions to prepare their submissions to MOF and MOED for the State Budget, PIP, and SPPRSD/SPSEDR.
5. Each line ministry will prepare its Sector Development Program as an operational document, with time-bound specific targets and adequate attention to the resource and other constraints, and use it as the basis of its submissions to MOF and MOED for spending proposals and planned activities.
6. All technical work for the above will be provided by MOED as Secretariat to the HPPC in close cooperation of and concurrence with MOF and NBA.

The statements by the representatives of the Ministry of Finance and the Ministry of Economic Development, and the US Ambassador are expected to support the above proposal as follows:

The Minister of Finance:

- Over the past decade, the **MOF has adopted a number of significant improvements in the budgetary system**, including its format, preparation, and review and approval, which all make it more effective and transparent than before. **[Name some examples of the said improvements].**
- On the other hand, similar improvements were lacking in the relationship among the budgetary system, the planning process, and the formulation of public investment policy and program, despite some serious efforts in this respect. Until recently, **MOF has been the host to a UK-funded (subsequently ADB-funded) Macro Policy Unit** that has provided a useful analytical framework to MOF work. Although this Unit ceased to exist three years ago (?) when external funding ended, several MOF staff members who received on-the-job training there can now contribute to **reviving the required macro framework** for the integration of planning and budgeting work.
- While there is need for better and more effective guidance by MOF and MOED of the line ministries' planning and budgetary work, the line ministries, on the other hand, have to base their spending proposals and planned activities on their **Sector Development Programs**, whose technical and financial feasibility and consistency with the national and sectoral development objectives and strategies must be verified by MOF and MOED.
- Another critically important issue is the need to bring the **externally funded public investment projects** within the budgetary system.
- The above-noted processes will not only help to establish **better linkage between planning and budgeting**, but will also improve budgeting for current expenditure implications of capital spending proposals.
- Finally, MOF expects that the action program that would emerge from this Seminar will also contribute to our progress towards the **Program Budgeting System**.

The Minister of Economic Development:

- Since early 1990s Azerbaijan has been going through a transition from a centrally planned to a market-based economy. In the process, **the old regulatory system has been dismantled** and almost all markets, prices, and asset ownership have been mostly liberalized.
- In parallel to market reforms, the central planning (Gosplan) mechanism has become dysfunctional. **The alternative institutional developments have of course been emerging, albeit slowly, for sound governance of the economy.** Particularly lagging, however, is the development of appropriate institutions to ensure adequate integration among planning (SPPRED and SPSEDR), budgeting, and investment programming (PIP).

- On the other hand, **the existing legislative framework, as noted below, includes many elements of a good governance system**, though requiring better coordination and further strengthening for functioning fully satisfactorily.
- In this regard, we have just heard **Mr. Alekberov's presentation** about the recent and ongoing developments as well as further improvements required in the budgetary system. **MOED, on the hand, has the lead responsibility** to prepare the Medium-Term Social and Economic Development Prognoses (**MTSEDP**); the main development planning instruments such as **SPPRSD** and **SPSEDR**; and the public investment policy and program (**PIP**).
- **The most crucial element in the good governance of the economy could be Sector Development Programs**, which are now widely adopted by line ministries without any guidance and instructions by the Central Government as to their relation to the national and sectoral development objectives, priorities, and resource constraints.
- Each of these planning documents, once adequately improved and better coordinated with each other and with the State Budget, could serve as an effective instrument for most efficient use of Azerbaijan's rapidly rising oil funds.
- **We greatly appreciate the Donor Agencies' TA in this area**, including the WB and IMF assistance for general development of the budgetary system; the UNDP and ADB assistance for capacity improvement in the preparation of SPPRSD and a macroeconomic model, and the USAID assistance for capacity improvement to prepare sound public investment policy and program.
- The success of such donors' assistance and the government's own efforts to improve planning and budgeting work will greatly depend on:
    - establishment of an effective guidance, evaluation, and overview of all planning and budgetary work of both the central and line ministries by the top leadership (the President and, on his behalf, the CoM); and
    - ensuring consistency and feasibility of sectoral spending proposals and planned activities with the national and sectoral development objectives and priorities, with each other, and with resource and other constraints by using an appropriate macroeconomic and sectoral development framework.
- The USAID-funded "Public Investment Policy Project" has looked over the past year into the current practices of planning and budgeting in Azerbaijan, particularly on the two points above, and had extensive discussions of their evaluations and draft proposals with the technical and managerial cadres of MOED, MOF, and several line ministries.
- The PIP Project proposal could be summarized as follow:
    - The President or the CoM will issue in early FY to all government agencies the national and sectoral development objectives and strategies over the medium- to long-term together with detailed guidance and instructions in one combined document (Joint Call Circular) how to prepare and submit their spending proposals for the State budget and the PIP and planned activities for the SPPRSD and SPSEDR or their Annual Progress Reports.

- The above work will be based on a formal Medium-Term Macroeconomic and Sectoral Development Framework that will be continuously updated and used to maintain the Central Authorities' finger at the thumb of the economy.
- Line ministries will prepare their Sector Development Programs as realistic and operational documents that will serve as the source of their budgetary and planning submissions to MOF and MOED.
- All the above work will be guided, supervised, and pre-approved on behalf of the President/CoM by a Cluster of Economic Ministers (plus the Chairman of NBA) that will be provided with secretariat services by MOED in close cooperation and concurrence with MOF and NBA.

- The PIP Project proposal aims at addressing a crucial issue without creating any new agency or organization, and any new policy instrument, and without shifting any responsibility from the agency that it should normally belong to.

Major points for speech of Mr. Azer Bayramov, Deputy Minister of Finance:

1. **Current status of** linkage and consistency between national development plans (mid term national Socio-Economic Development Concept, draft SPPRSD, SPSEDR), sector development programs, public investment program and Consolidated Budget in MOF:

- progress in ensuring linkage;
- issues/problems in ensuring proper linkages and consistencies;
- to what extent will the proposals in the workshop help solve existing problems (ensure more effective justification of state and consolidated budget expenditure; improve efficiency and transparency of budget expenditure; bring formulation of sector development programs to a more systemized manner, ensure their linkage with the budget and thus, ensure their sustainability; provide sector ministries with a more approximate resource envelope)

2. **Ministry of Finance's plans** with regard to public expenditure management, improving its efficiency and basing expenditure on final results. In other words, how MOF sees public expenditure reforms:

   - Discussions with the World Bank;
   - Sharing experience from Warshaw seminars;
   - Program based and result oriented budgeting experience in other CIS countries' (Ukraine, Russia);
   - Review of legislative frameworkd for program based budgeting in Azerbaijan: 1) Relevant article of Budget System Law; 2) Provisions of Budget Formulation and Implementation guidelines; 3) relevant provisions of Decree of the President of Azerbaijan on Strengthening Anti-inflation Measures.

- Step-by-step implementation of public expenditure reforms over 2007-2009???? And formulation of 2010-2013 budget expenditure on basis of relevant programs. To this end, it is imperative that donors provide significant technical assistance and Ministry's staff go through a comprehensive training program.

3. Below are the **improvements that may be applied in 2006** in formulation of 2007-2010 mid term budget forecast:

   - Further modification of budget call circular: comprehensive guidelines on preparation of sector development programs[1], better linking of current expenditure proposals with capital expenditure; and better justification,
   - Formulation of the budget of MInistry of Education, as a pilot project, on the basis of Education Sector Development Program. To this end, provision of technical assistance by the World Bank and PIP Project
   - Discussion of initial results of changes implemented late 2006 with MOED, MOF and Ministry of Education and conclusions.

Main points of speech for Mr. Shahin Sadigov, Head of Economic Policy and Forecast Department, MOED:

1. **Current situation** at MOED with linking and coordination of macroeconomic planning, state development programs (medium term Socio-Economic Development Concept, Draft SPPRSD, SPSEDR), sector development programs and public investment program with each other:

   - Progress in ensuring linkages: linking external sector projections with real sector projections; preparation of overall financial balance of the state; supporting long-term (10 year) development papers (draft SPPRSD) with medium term (5 years) more specific programs;
   - Difficulties in ensuring inter sector consistencies in macroeconomic forecasting: difficulties in ensuring linkages between monetary and fiscal sectors;
   - Fragmented preparation, approval and implementation of sector development programs, gaps in linking them with budget and PIP and lack of any other unified guidelines,
   - Difficulties in formulation of Public Investment Program: disapproval of relevant guidelines, different approach to externally and internally funded projects.

2. **Development plans of Ministry of Economic Development** in relation with macroeconomic planning, preparation and implementation of national and

[1] Please refer to Technical Note on Preparation of Sector Development Programs prepared by PIP Project

sectoral development programs, formulation and improving efficiency of public investment policy:

- Discussions with the World Bank;
- Sharing experience from Warshaw seminars;
- Experiences of other countries (Ireland, Turkey, Philippines) in linking policy, planning and investment;
- Development of IMF's financial programming model and the World Bank's RMSM-X model in MOED for ensuring inter sector consistency in macroeconomic forecasting. For this purpose, MOED, MOF and NBA should cooperate closely.
- Step-by-step reforms to ensure better formulation of 2006-2008 public capital expenditure policy and public investment program ??? and preparation of 2008-2011 Public Investment Program based on improved procedures. To this end it is imperative that PIP Project provide significant technical assistance and Ministry's staff go through a comprehensive training program.

3. **Improvements/changes which may be applied in 2006** for preparation of 2007-2010 macroeconomic forecasts and public investment program:

- Develop simplified version of IMF financial programming model with support of PIP Project and in cooperation with MOED and NBA and ensure examination of consistency of 2007-2010 real, monetary, fiscal and external sector projections within the model.
- Improve PIP Call Circular;
- Prepare, at the end of the year, comprehensive guidelines reflecting procedures that comply with international PIP standards;
- Discuss initial results of changes implemented as of end 2006 with MOED, MOF and NBA and draw conclusions;
- Work together with MOF and NBA on Joint Call Circular for 2008-2011 rolling budget year.

Workshop Recommendations by Mr. Shahin Sadigov, Economic Policy and Forecast Department, MOED:

1. **Improving economic coordination:**

- Establish High Economic Council;
- Create a work group for identifying mid-term macroeconomic framework and sector funding (resource) contrains under the decree of the Cabinet of Ministers.

2. Preparing budget on the basis of targeted programs:

- Prepare proposals with regard to selecting a model for Azerbaijan and identifying programming level.

3. Developing Public Investment Program:
   - Improve guidelines for preparation of Public Investment Program;
   - Ensure transparency in project evaluation and prioritization.
4. Establishing effective monitoring (supervision) system of pulic funds utilization:
   - Improve legislative basis for supervision system;
   - Prepare reconmmendations on organizational structure of supervision system.
5. Strengthening qualifications and capacity in the relevant aencies for performing aforementioned work:
   - Improve capacity at MOED, MOF;
   - Improve capacity at line ministies.

Action Plan

Activity	Formulation of 2007-10 draft budget	Formulation of 2008-11 draft budget	Formulation of 2009-12 draft budget
Application of simplified financial programming model	x	x	x
Application of simplified model for cross sectoral resource distribution	-	x	x
Sector development plans	-	x	x
Ensure that Economic block of CoM functions as a single group	-	x	x
Application of Joint Call Circular based on macroeconomic framework that sets sector expenditure limits	-	x	x
Application of Joint Call Circular which identifies national strategies, sector plans, macroeconomic consistency and sector expenditure limits	-	-	x
Application of procedures consistent with international best practices in formulation of public investment policy and program	-	x	x

List of Participants

Government of Azerbaijan

1. Avaz Alekberov, Minister of Finance
2. Heydar Babayev, Minister of Economic Development
3. Musa Panahov, Deputy Minister of Transport
4. Valeh Alasgarov, Deputy Speaker
5. Safar Mehdiyev, Deputy Chairman of Customs Committee
6. Azer Bayramov, Deputy Minister of Finance
7. Mikayil Jabbarov, Deputy Minister of Economic Development
8. Mehman Abbasov, Head of SPPRED Secretariat
9. Shahin Sadigov, Head of EPFD
10. Ogtay Hagverdiyev, Head of Economy and Finance-Credit Division
11. Elman Rustamov, Chairman of the National Bank
12. Sedreddin Mammadov, Ministry of Transport

International Financial Institutions/Revenue Management Group

13. Valeriu Razlog, Associate Banker, European Bank of Reconstruction and Development
14. Saida Bagirova, World Bank
15. Gregory T. Gedrzdjczwak, World Bank
16. Christos Kostopoulos, World Bank
17. Christian Peterson, World Bank
18. Basil Zavoico, IMF
19. Matthew Westfall, Asian Development Bank
20. Gulshan Rzayeva, Senior Development Advisor, UNDP
21. Bernard Du-Chaffaut, Ambassador of France
22. Sylvain Guiaugue, Embassy of France
23. Michele Jelinine, Embassy of France
24. Carsten Meyer-Wiefhausen, Embassy of Germany
25. Laurie Bristow, Ambassador of the United Kingdom
26. Colin Wells, Embassy of the United Kingdom
27. Kenichi Osugi, Embassy of Japan
28. Reno Harnish, Ambassador of the United States of America
29. David McCormick, Embassy of the United States of America
30. Jason Hyland, Embassy of the United States of America
31. Linda Decker, the US Dept. of Treasury
32. James Goggin, USAID
33. Geoffrey Minott, USAID
34. Aydin Gashimov, BP Azerbaijan Performance and Public Reporting Manager, Communications and Public Affairs
35. Vladimir Drebentsov, BP Chief Economist on CIS, BP Economics Team, Moscow

Agenda

09:30 - 10:00	Opening Statements by Avez Alekberov, Minister of Finance, Heydar Babayev, Minister of Economic Development and Reno Harnish, the Ambassador of the United States of America
10:00 - 10:30	"Importance of Having a Common National and Sectoral Development Framework for the SPPRSD, State Budget and the PIP, and the " Speaker World Bank
10:30 – 11:00	"Institutional and Procedural Arrangements for Linking Planning, Public Investment Policy, and Budgeting" Speaker Mete Durdag, PIPP Chief of Party
11:00 - 11:15	Coffee Break
11:15 - 11:45	Discussions
11:45 - 12:15	"Challenges for the 2007-2010 Macroeconomic, Budgetary and Public Investment Planning" Speakers Azer Bayramov, Deputy Minister of Finance and Shahin Sadigov, Ministry of Economic Development
12:15 - 12:40	Discussions
12:40 - 13:00	Summing up and the next steps by Avez Alekberov, Minister of Finance, Heydar Babayev Minister of Economic Development and Reno Harnish, The Ambassador of the United States of America

Coordination of Economic Management, the Budget and the Public Investment Program

World Bank
April 12, 2006

Coordination of Economic Management, the Budget, and the Public Investment Program

A. INTRODUCTION

2

BIG – 3: Results from a Good Budget System

1. Macroeconomic Stability
2. Allocating Funds to Highest Needs
3. Efficiency in Public Spending

3

In Azerbaijan we already have excellent building blocks for a good budget system ..

- **Legal infrastructure**: Good Budget Systems Law and Implementing Regulations
- **Vision, Investment & Structural Reform Needs**: SPPRED 2003-2005; LTORMS; State Program for the Economic Development of the Regions; SPPRED II 2006-2015
- **Capacity**: A lot of internal capacity at central ministries, and partner assistance available when needed

4

..which have produced good results

- Non-oil growth, averaging 11% for 2001-2005
- Poverty reduction, reaching 35% in 2004, from 45% in 2002
- Low inflation 2001-2003, averaging 2%, and increased to 7% in 2004.
- Stable exchange rate 2001-2004, AzM/$ 4873

5

But needs are changing..

- Higher levels of public spending have led to higher inflation and an appreciated currency
  - Inflation for 2005 was 9.5%
  - The AzM/$ appreciated to 4593 in 2005
- And pressures are bound to increase in the medium term
  - Consolidated budget increases (nominal) percent increases over previous year: 31% in 2005, and 66% in 2006.

6

.. Suggesting the budget system needs continued improvements

We shall discuss two improvements:

- In the short term, **strengthening the current budget system** by improving institutional and policy linkages, especially on macroeconomic policies
- In the medium term, introducing **greater strategic content** to the budget by adopting program based budgeting

7

Coordination of Economic Management, the Budget, and the Public Investment Program

B. PROPOSALS TO STRENGTHEN POLICY COORDINATION IN THE BUDGET

(ensuring the BIG-3)

8

The foundations for the "BIG-3" results are already in the Azeri budget calendar (BSL)

COM identifies budget agencies	Med. - term Economic and Social Dev. Prog. From MED to MOF	COM receives prelim. State Budget PIP proposals from MOF and MED	MOF sends circular to Budget agencies	Budget submissions to COM and MOF	MED sends adjusted indicators to MOF	MOF and MED discussions with budget agencies	Draft budget to COM Econ Dev and PIP to COM	COM sends budget to PO	PO submits budget to MM
Jan 20-30	Mar 1	Apr 15	May 1	Jul 1	Aug 1	Jul - Aug	By Sept 10	By Sept 25	By Oct 15

I. Mostly macro → I. Some macro →

II. Prioritization: ceilings, program identification, selection →

III. Efficiency: programs, PIP

9

B1. Macro stability

Primary challenge with the current calendar:

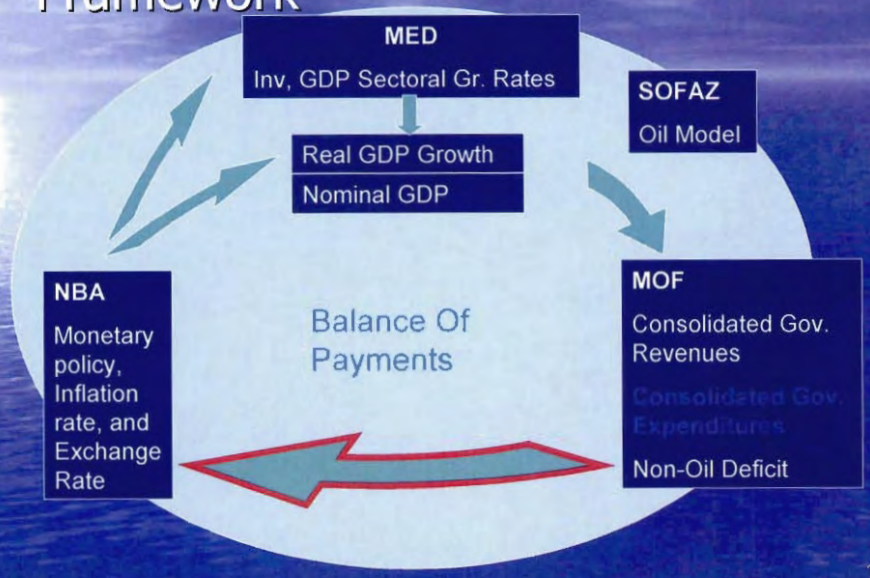
- Public spending, non-oil deficit, inflation, exchange rate for 4 year framework not always consistent with each other

Proposals:

- Improve quality of macro framework and get political support
  - Introduce **inter-agency working group** in preparation of macroeconomic framework (MOF, MED, NBA)
  - Set **internally consistent macroeconomic objectives**; resolve non-oil revenue issue and comprehensiveness of expenditures
  - High level buy-in on preparation and use of macro framework (**Presid Decree**)
- Results:
  - Obtain consolidated budget expenditure envelope within internally consistent macro framework (and an envelope that is sustainable).

10

Iterative Macroeconomic Framework



11

B2. Allocating Budgets to Highest Needs

Challenges with budget allocation:

- There are multiple sources of GOA policy and priorities, so a consensus building mechanism is necessary
- Initial allocations made mostly on Line Ministry needs, but are removed from political consultations which usually occur in September –January period
- Functional ceilings currently exclude the Public Investment Program
- Functional allocations revised at end of budget cycle

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B2. Resources linked to priorities: how to strengthen it

Proposals – short-term:

- Base budget prioritization and Line Ministry submissions on development objectives (SPPRED II)
- Divide the 4 year consolidated budget expenditure envelope according to priorities for each function, including PIP.
- **Adjust call circular** for the State Budget to refer to: SPPRED II objectives, recurrent and capital expenditure ceilings, and reference PIP call circular

Proposals – medium and long term:

- Strengthen high-level coordination process during April – August period, with a **Budget Council and technical working groups**
- Move to **Program-Based Budgeting**
- Base budget prioritization on SPPRED II (2006-2015)
- Issue Joint Call Circular (State Budget and PIP)

13

The foundations for the "BIG-3" results are already in the Azeri budget calendar

COM identifies budget agencies	Med.-term Economic and Social Dev. Prog. From MED to MOF	COM receives prelim. State Budget PIP proposals from MOF and MED	MOF sends circular to Budget agencies	Budget submissions to COM and MOF	MED sends adjusted indicators to MOF	MOF and MED discussions with budget agencies	Draft budget to COM Econ Dev and PIP to COM	COM sends budget to PO	PO submits budget to MM
Jan 20-30	Mar 1	Apr 15	May 1	Jul 1	Aug 1	Jul - Aug	By Sept 10	By Sept 25	By Oct 15

I. Mostly macro → I. Some macro →

II. Prioritization: ceilings, program identification, selection →

III. Efficiency: programs, PIP

14

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III. Efficiency: programs, PIP →

15

B3. Efficiency: How to increase impact of public expenditures?

Challenges with efficiency:

- Many sectoral strategies are in the process of being drafted, so results-based **monitoring indictors** not currently used
- PIP not yet subject to same evaluation and approval criteria as the rest of the budget
- Current norms are restrictive; as budget increases, increasingly large share of budget allocations will be based on restrictive norms
- Internal control strong, but internal audit limited. External audit limited.
- Performance audit not introduced yet

16

B3. Efficiency: How to get more out of it?

Short term proposals

- Review State Budget submissions relative to SPPRED II objectives
- Review the PIP submissions relative to draft SPPRED II
- Develop the PIP document and present to Milli Mejlis with rest of Budget

Medium term proposals

- Strengthen PIP appraisal capacity with proper financial analysis and fiscal implications
- Phase out Norms and
- Move to Program-based budgeting

17

Coordination of Economic Management, the Budget, and the Public Investment Program

C. CONCLUDING REMARKS

18

Proposals

	"UNFINISHED BUSINESS" Short term (5/1 or 8/1, 2006)	"NEW BUSINESS" Medium and Long Term
Macro Stability	•Revise macro methodology (iterative) •Create macro working group •Decree on Consolidated Envelope & Ceilings	•Budget Council & technical working groups
Allocation	•Improve Call Circular for State Budget •Use SPPRED II objectives as guide in SB and PIP strategic prioritization •Produce PIP and subm. to Milli Mejlis	•Joint Call Circular (SB and •Program-Based Budgeting •Subject all PIP projects to appraisal standards
Efficiency		•Internal control •Internal, External audit •Improve Procurement •Phase out norms
For All BIG-3	•Complete Budget Process Manual (BPM) •Capacity Building •Communication with budget agencies	•Evolving Web-Based BPM supporting Program Budg. •**Capacity Building** •**Communication** •PEFA Assessment

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AZERBAIJAN: PUBLIC INVESTMENT POLICY PROJECT

INTEGRATION OF PLANNING, BUDGETING AND INVESTMENT PROGRAMMING

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Coordination of Planning, Budgeting and Investment Programming in Azerbaijan

- Azerbaijan has all planning, budgeting and investment programming instruments for effective economic management:
  - ESDCFI, SPPRSD, SPSEDR and SSDP
  - MTBF, State Budget and Consolidated Budget
  - PIP
- Azerbaijan has adequate capacity to prepare the above documents.
- Further progress can still be made in effective macroeconomic management by improving the existing instruments and enhancing their linkages with each other.

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Main Improvement Requirements

- Improve their consistency and linkages with national and sectoral development objectives and strategies;
- Improve their consistency and feasibility in relation to the country's constraints (e.g. resource constraints, skilled labor shortages, limited management capacity, etc.);
- Improve their linkages with each other; and,
- Improve the monitoring and evaluation of their implementation results.

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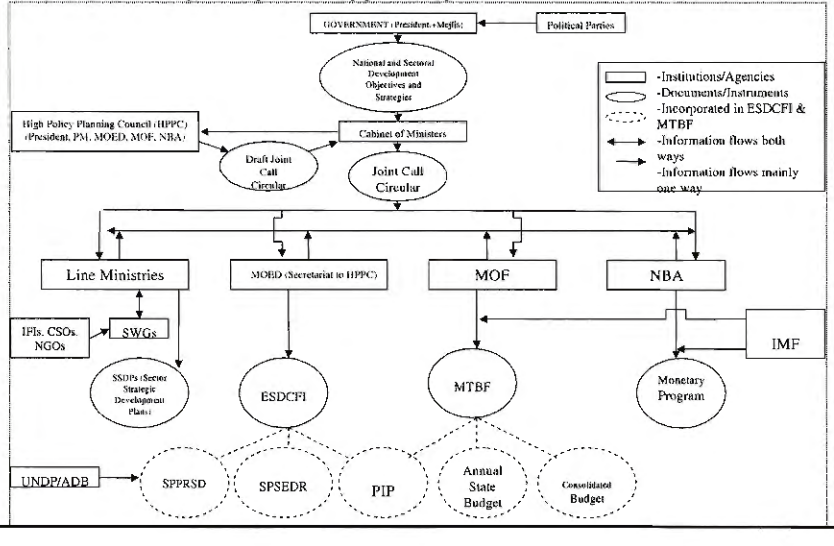
FLOW OF INFORMATION FOR PLANNING & BUDGETING PROCESSES (A Proposed Approach)



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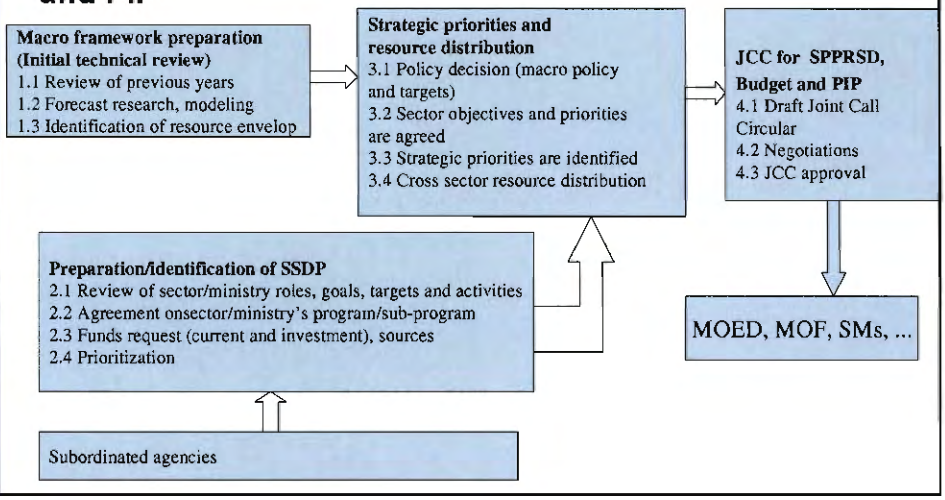
Linkages between planning (macro, sector), budgeting and PIP



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Joint Call Circular

- Medium term national and sectoral development goals and strategic priorities and intervention mechanism of the government;
- Medium term macroeconomic policy and projections (MTMF, MTBF, inflation and exchange rate targets);
- MTBF (calculation method, income, expenditure, deficit, adjusting to MTMF);
- Budget's sector spending ceilings;
- PIP sector ceilings, PIP total resource envelope;
- Budget classification guidelines and templates;
- PIP submission guidelines and templates;
- SPPRSD submission guidelines and templates.

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Proposed Organizational Scheme

- All the work involved in preparing the JCC will be led and supervised by a group of key economic ministers and the Chairman of the National Bank.
- The practice of having an Economic Cluster of the Cabinet of Ministers for key economic decisions is used by many countries.
- The proposed cabinet cluster in Azerbaijan can be called the High Policy Planning Council (HPPC), or any other name that may be considered more appropriate.
- HPPC will need substantial secretariat services of essentially economic planning nature, but also involving significant amount of work and expertise in fiscal and monetary areas.
- Therefore, Secretariat services to the HPPC will need to be provided by MOED jointly with MOF and NBA.

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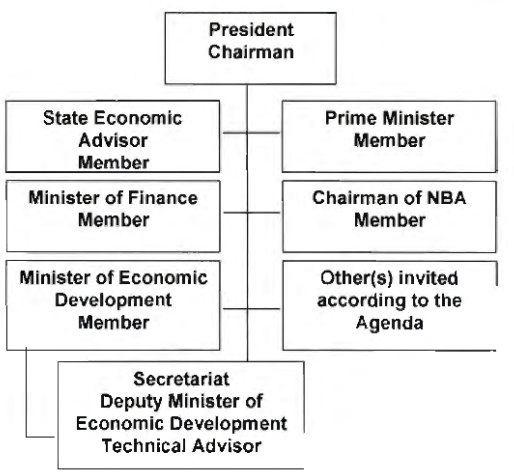
Azerbaijan Proposed Structure of the HPPC



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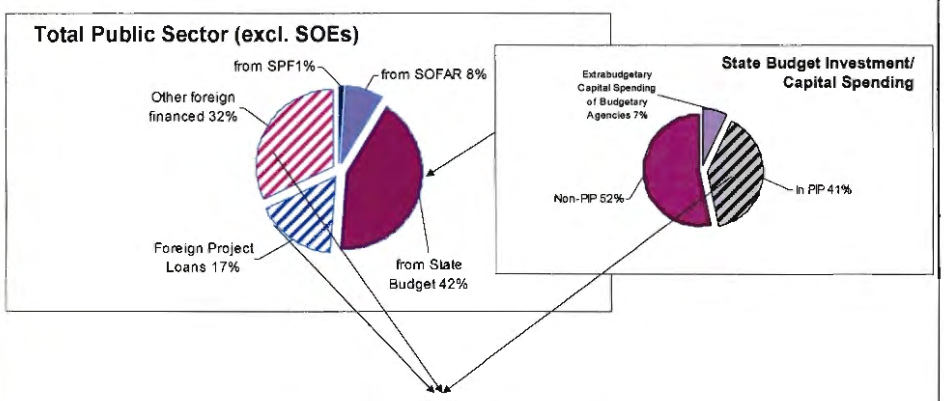
Public Sector Investment 2005 (Planned)



PIP
(66% of Total Public Investment)

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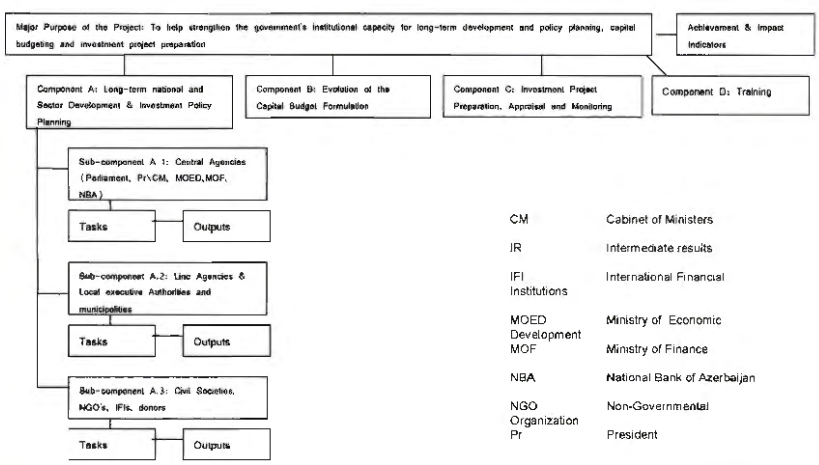
PIP Project Roadmap



CM	Cabinet of Ministers
IR	Intermediate results
IFI Institutions	International Financial
MOED Development	Ministry of Economic
MOF	Ministry of Finance
NBA	National Bank of Azerbaijan
NGO Organization	Non-Governmental
Pr	President

Attachment 2.

Minutes of the Meeting with Elman Rustamov, Chairman of the National Bank of Azerbaijan

DAI/PIPP Baku Office

Memo

To: Mete Durdağ – COP of PIP Project

From: Sevinj Hasanova

Date: May 13, 2006

Cc: Shahin Sadigov – Head of MPFD of MOED

Subject: Summary of the meeting of PIP Project staff with Mr. Elman Rustamov, Chairman of the National Bank of Azerbaijan

Mete bey,

Pursuant to your request please find below summary information on the meeting between PIP Project and Management of the National Bank of Azerbaijan (NBA) held on May 05, 2006.

Attachment: 2 pgs.

Regards,

Sevinj Hasanova
Public Finance and Social Sectors Economist
PIP Project
USAID

Summary of the meeting of PIP Project with Mr. Elman Rustamov, Chairman of the National Bank of Azerbaijan

On April 12, 2006 Public Investment Policy project, with support of US Embassy, USAID and the World Bank, hosted the "Integration of Planning, Budgeting and Investment Programming in Azerbaijan" workshop, which was attended by the high-level representatives from the Milli Mejlis, Cabinet of Ministers, central economic and sectoral ministries, IFIs, embassies and donors. The workshop fostered increased interest by economic agencies towards activities of the PIP Project. The workshop was followed by queries for additional information from NBA and President's Administration. Two significant technical notes ("Preparation of Sector Strategic Development Plans" and "Development of Macroeconomic and Sector Development Framework") were submitted to the NBA and also to the President's Office through NBA. These documents were carefully reviewed by the NBA management, including the Chairman himself. Recognizing importance of the issues raised by the reports for the sustainable economic development of the country and for the formulation of sound economic policies, the Chairman invited the COP of the PIP Project to a meeting for further discussion of these issues with NBA's Economic Management.

The meeting took place on May 05, 2006 at NBA. The PIP Project and NBA were represented respectively by Dr. Mete Durdag (COP), Sevinj Hasanova (Public Finance Expert) and Elman Rustamov (Chairman of NBA), Shakhmar Movsumov (advisor to the chairman), Aftandil Babayev (Director), and the heads of departments-Emin Huseynov, Khagani Abdullayev, Rufat Aslanov.

During the meeting, the Chairman emphasized the importance of the workshop in April and noted that he fully supported the ideas it conveyed. The Chairman described macroeconomic forecasting work performed in the bank in recent years; touched upon existing problems in linking policy, planning and budgeting; and stressed the importance of joint efforts by MOED, MOF and NBA in institutional and technical capacity building for sustainable development of economic policy in such an important phase in the country's history.

PIP Project's COP in turn informed the Chairman and other participants of the activities of the project and shared with them the project's future plans, particularly preparation of PIP Guidelines; developing the necessary capacity at MOED for simple (consistency) economic modeling; and assisting the central and sector ministries for capacity building to prepare sector development programs and evaluate investment projects in line with the new guidelines. Dr. Durdag also stated that the main objective of the project is not to assist the GoAz in making policy decisions and to present ready results of the economic model. The objective is to establish and strengthen institutional and technical capacity in relevant agencies of the central government to enable them make these decisions properly. This is the only way for GoAz to build up an adequate and sustainable capacity for sound economic policy formulation and successful management of the economy.

The Chairman of NBA expressed high opinion of PIP Project's work and noted that he was fully supporting the project's analyses and proposals, which were fully coinciding with their

views. He also emphasized that PIPP's putting particular attention and efforts on institutional and technical capacity building rather than policy issues is a very correct decision.

The Chairman shared with the participants his opinion on economic reforms needed in the nearest future and emphasized particularly three directions/modules:

1. Preparation of a National Economic Development Program;
2. Formulation of macroeconomic framework and mid-term expenditure framework on its basis;
3. Ratification of Guildelines for Preparation of Sector Development Plans and Public Investment Program.

The Chairman noted that they would step up their efforts in 2nd direction over the next 6-8 months, and proposed to cooperate with the PIP Project on this issue. He also recommended that the Project's cooperation with GoAz should not be limited to MOED only, but extended to cover the whole Government structure.

As the next step Mr. Rustamov proposed to organize a meeting at the earliest convenience to be attended by the Ministers of Finance and Economic Development, himself, and the COP of the PIP Project to further discuss these issues.

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Attachment 3.

PUBLIC INVESTMENT POLICY PROJECT

AZERBAIJAN: PARTICIPATORY PROCESSES IN PUBLIC INVESTMENTS

ASSESSMENT AND RECOMMENDATIONS

MAY 15, 2006

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

AZERBAIJAN: PARTICIPATORY PROCESSES IN PUBLIC INVESTMENTS
ASSESSMENT AND RECOMMENDATIONS

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I. Introduction

1. Azerbaijan's dynamically growing economy is on the verge of receiving a rushed and very large income from oil exports. The country's internal state of affairs is dramatically different from that of the early and mid-1990s. At the time, a strong central authority with a singular purpose to overcome the political and economic turmoil caused by the war with Armenia was urgently implemented. Now, in the current domestic environment of accelerating economic growth and continued strength the country may be ready to go forward by more encompassing methods of economic management and of governance.

2. The accession of Azerbaijan to the Council of Europe, the looming incentives of membership in the World Trade Organization, the urgent need for strategic diversification into the non-oil sectors of the economy, and other new factors call for complex partnerships in the country's affairs. More fundamentally, because the influx of oil revenues in the next two decades will characterize Azerbaijan's economic growth path for a much longer time, the responsibility of the society's participation in its own affairs becomes vital. The Azerbaijani society, as it consumes some of the new income, will also be saving and investing some of the income towards establishing a strong and diversified economy for the future of Azerbaijani society. The current decisions of all Azerbaijanis about how productively they invest their limited-term income will strongly influence how richly all future generation of Azerbaijanis will live.

3. An effective relationship between the Government of Azerbaijan Republic (GOAR) and the people of Azerbaijan would give the best opportunity to Azerbaijan in maximizing the chances for prosperity and in minimizing the chances for being wasteful. If citizens knew that their opinions and proposals were listened to and taken into account by the Government, they would support the public investment policies and economic development programs. The GOAR would obtain important feedbacks on public policy proposals from all interested stakeholders inside and outside of the public sector. Public feedback is especially important in investment planning and budget management processes. In well functioning participatory societies, citizens expect a degree of accountability through relevant information on how budgetary funds are utilized and what socio-economic results are achieved. The role of an active and participating society in public investments planning and management can make the difference between prosperity and wastefulness.

4. One of the objectives of the Public Investment Policy (PIP) Project is to help to build and strengthen appropriate communication channels and structural mechanisms among the decision-makers on Azerbaijan's public investments. Cooperative and informed consultations and extensive feedbacks on national, regional and sectoral development strategies and implementations is a first-best practice. A proper level of stakeholder participation in public investment decision-making and implementation would maximize the positive outcomes of national, regional, and sectoral development and investment strategies. This initial report analyzes the current legislations and practices of stakeholder participation in the public investments process in Azerbaijan as a whole and also in a number of economic sectors. The report makes recommendations to the Government of Azerbaijan Republic and stakeholders for establishing proper levels communication and public participation in making decisions on public investments.

II. Current Practices in Participatory Processes

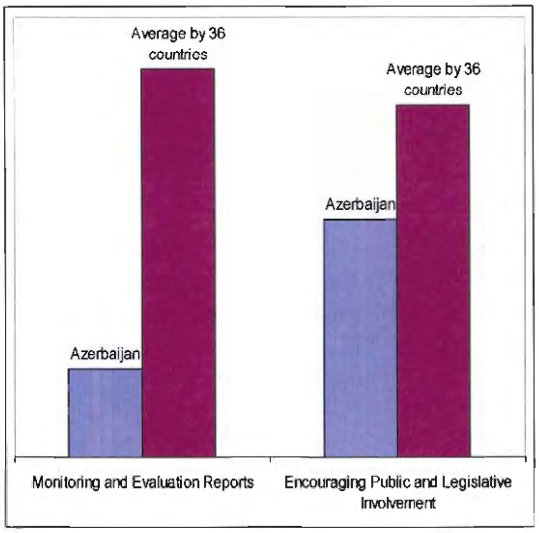
1. LEGISLATION AND PROCEDURES FOR PARTICIPATION

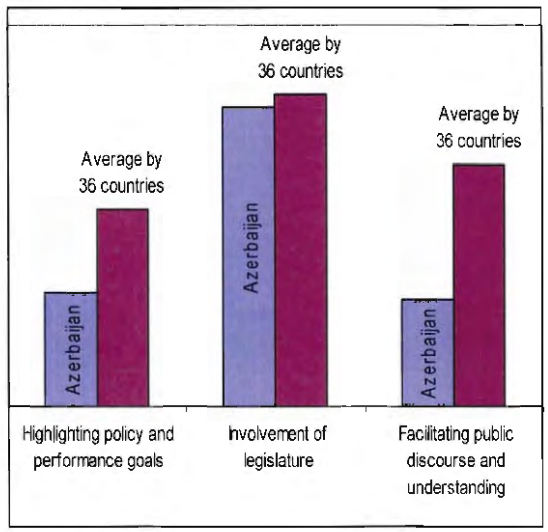
5. In recent years, the Government of Azerbaijan has taken a number of formal steps toward encouraging public participation, although these do not yet appear to be sufficient to comply with the best practices. There have been a number of improvements in the crucial area of national budget transparency. In 2001, one of the conditions for the accession of Azerbaijan to the Council of Europe introduced the basic accountability of the executive branch to the legislative branch. The Cabinet of Ministers (COM) is now obliged to report annually on its performance and results at the plenary sessions of Milli Mejlis. A Chamber of Accounts was created, which established the legal control over public expenditures by the Milli Mejlis. The adoption of the Law "On Budget System" in 2002, allowed the public to view not only the total amount of state funds allocated to each sector, but also the institutional recipients of public funds. The Law also enabled to get details on expenditure items of such as salaries, school renovations, vehicle purchases, and others.

6. Towards more government transparency, the public information services and government sources are improving the quality and accessibility of available information. The government agencies now have more numerous public relations offices and Internet websites than they did several years ago. The Internet websites of the key ministries are usually bilingual or trilingual (Azerbaijani/English/ Russian), which allow international as well as the local stakeholders, to obtain information and to communicate with the GOAR agencies. A few of these services and resource centers provide feedback mechanisms, which over time should further enhance their content and interactive qualities. For now, however, the level of feedback accessibility is quite inadequate to secure that the public opinion is voiced or is heard or has any capacity to be held accountable to.

7. The establishment of the Entrepreneurship Council under the Office of the President of Azerbaijan Republic in May 2003 was a promising move toward building channels of communication between the President and the business community. The Council has membership of private sector and media sector leaders and is chaired by the Minister of Economic Development. The Council has a broad mandate, which has so far been unused. According to the Minister of Economic Development the Government is restructuring the functions and the composition of the Council. The current functions of the Council include: i) submit proposals to the President of Azerbaijan Republic on the improvement of business climate and business development, including prompt problem solving and legislative actions; ii) suggest directions and mechanisms for the state assistance to entrepreneurship initiatives, including financial assistance; iii) select regions where development of entrepreneurship requires measures of state support; and iv) promote technological improvements, cooperation between national companies, and development of professional cadres and international business contacts.

Box 1. Participation in the Azerbaijan budget process.





Source: International Budget Process (IBI
www.internationalbudget.org

As the charts above indicate, Azerbaijan's budget system is more closed than open. Although it has some practices that have positive aspects, such as providing basic budget information on expenditure, revenue, and debt information, most other practices are much weaker. In particular, there is almost a total absence of information that public may use to monitor a budget during its execution and evaluate it after the fiscal year ended.

According to IBP, GOAR provides almost no information to the public that highlights policy and performance goals, making it difficult to assess how budgetary figures relate to the desired outcomes. Further, it does not provide supplementary materials — such as preliminary budget report, or a non-technical "citizens budget" — that can help facilitate a better understanding of the budget and its policies by grassroots.

8. The Milli Mejlis has representatives of the ruling party, of the opposition parties, and of independent allegiances. It is, therefore, well-suited to undertake diverse parliamentary participatory practices for the public investment decisions. There are opposition party representatives in the Mejlis's Permanent Commission for Economic Policy. Theoretically, this gives them good opportunities to make inputs into public investment policies and projects for the benefit of their constituencies. However, the PIP Project learned from the Secretariat of the Milli Mejlis that opposition party members are very inactive in the work of the Commission. The overall political weakness of the legislative power and the internal workings of the Milli Mejlis do not encourage active consultations with and promotion of the interests of diverse stakeholders.

9. The current status of elected local governments, as provided by law, is a "non-state system" of self-governance. The President's appointed local representatives have significantly more political authority and influence than the elected local officials. Local governments, which operate with small budgets, have very weak authority over local affairs. Municipalities can impose their own taxes and may implement local economic development programs but any potential role that local governments can play in the public investment

processes remains unused. In many instances, the individual local officials are unskilled to take the leading role in the local economic development process. Collectively, the local government representatives are not organized. They do not belong and make use of any country-wide networking or political process. Azerbaijan is one of three sovereign entities in the forty-six member Council of Europe (COE) that does not have a national association of local and regional authorities. San-Marino and Monaco, solely based on their tiny geography, are the other two entities. An Azerbaijan delegation has participated in the COE Congress of Local and Regional Authorities. But these activities were never publicized and made known to the public.

10. The formal organizational structure of Azerbaijan Trade Unions is the same as it was in the Soviet Union period. The Confederation of Trade Unions of Azerbaijan (CTUA) brings together about forty sectoral trade unions. The Chairman of the CTUA, is also a member of the Permanent Committee for Economic Policy of the Milli Mejlis. In theory, each position should have influence, separately, in public investment spending. In reality, both positions are ineffectual. Article 10 of the "Trade Unions Law" authorizes trade unions to participate in preparation of "labor, social and economic legislation." The Government is required to discuss all draft legislation, which concerns "labor, social and economic rights" of employees, with the trade unions. Moreover, Government executive decisions that concern such issues have to be consulted with trade unions fifteen days before the adoption by Milli Mejlis. The Law also allows the trade unions to monitor labor conditions at enterprises. The trade unions can under the Law submit to the Government their own estimates of minimum consumer basket, average wage, and etc. Finally, the trade unions should have easy access to any "non-confidential" Government document. But, in today's economic and political environment, the legal bases for policy participation by trade unions are archaic and obsolete to have any influence.

2. STAKEHOLDER PARTICIPATORY PRACTICES IN PUBLIC INVESTMENTS

11. The establishment of press offices and websites has considerably improved the situation of basic access to public information about the GOAR. Nevertheless, information provided by these resources is too general and outdated for stakeholders to be informed substantively and to participate meaningfully in any ongoing planning and monitoring of the public investments process. Many ministries, even the Milli Mejlis, do not pay enough attention either to informing the public or the interested stakeholders about activities that influence public investment programs. Further, no reasonable level of their institutionalized access to key documents and procedures is in place. For example, the Ministry of Transport did not permit the PIP Project, a donor-funded TA project working officially with the GOAR, to see the Ministry's draft Sector Strategic Development Plan (SSDP) on the grounds that "it was not yet signed by the President." This refusal for access appears to be mostly discretionary without an easy legal recourse. By the same token, access to the same kind of document from another ministry can be relatively easy. On the practical level, all the draft documents on the SSDPs could be obtained with the help of other more cooperative organizations, which may share them because all agencies receive copies of all such documents. Therefore, it appears that the difficulty lies in the lack of clear rules of access and openness, which puts officials in an uncertain procedural situation. In this institutional environment, an official is more apt to turn to the security of not disclosing and not giving access to information.

12. On the whole, all civil society groups, except the media, emphasize that communication with the ministries as difficult and chaotic. The local associations, which have links to foreign investors, have better means to communicate with the Government

than local associations without these links. The associations with 'links' are important partners for the Government, because they are strengthened by their political access to foreign embassies. Some associations occasionally raise issues even with the President. Curiously, their access to the Milli Mejlis remains highly limited (see parag. 15). The local NGO community suffers the most from isolation in this environment.

13. Some Government agencies conduct regular consultations with a limited number of stakeholders. Public investments are rarely the topics of these discussions and transactions. The consultations usually involve amendments to legislation. For example, every year in August, the Ministry of Taxes initiates a routine process of receiving feedback in writing from the stakeholders about the needed changes to the Tax Code. In another example, the Ministry of Communications and Information Technology (MOCIT) provided the interested companies and NGOs with its draft Sector Strategic Development Plan, held round-table conferences with these stakeholders, and arranged working groups to discuss issues. Ideas and figures from these sessions were then incorporated into the Ministry SSDP. The MOCIT drafted the Telecommunications Law with a similar mechanism of consultations. However, as far as any aspect of budgeting was concerned, none of the potentially interested parties was involved. All the investment projects were identified only on the basis of the proposals submitted by the lower level ministry structures and the Ministry's Central Office.

14. Sometimes, public investment needs are identified with the use of opinion polls, or interviews with focus groups. For example, the Ministry of Youth and Sports (MOYS) hires local pollsters to do surveys. Usually, other needs-assessment tasks are done by the scientific centers and institutes, which are within the organizational structure of the ministries. The primary motivation of such centers remains unclear. Are they truly impartial scientific research agencies or simply quasi-academic establishments to support the investment decisions already made by the governing ministry? As a rare alternative, investment project ideas at the Ministry of Ecology and Natural Resources (MOENR) were formulated by a broad *kollegiya* (an executive board) that comprised of academic institutions, NGOs, and government agencies. Sometimes, the participation of foreign stakeholders opens new channels in policy formulation process. In 2005, MOYS and MOCIT received grants from the US Trade and Development Agency to develop new SSDPs. These ministries then hired a US company through a tendering process to draft their first SSDPs. The drafts serve as bases for the 2006-2015 SSDPs.

15. Relative to the ministries, the Milli Mejlis behaves even less accessible towards the stakeholders. The Mejlis' Secretariat staff told the PIP Project that it usually invites business community to the sessions of Mejlis Commissions and circulates draft laws for comments. In early 2006, the Mejlis will open an Internet website for public use for legal database and other search tools. Currently, the website of the Milli Mejlis contains only rudimentary information about the Mejlis. The website should be developed to become more interactive to receive feedback. The Secretariat staff informed the PIP Project also that there is usually no interest by the non-business NGO community on general economic issues and on public investments. Otherwise, the Secretariat assured that they would send invitations of the hearings by the Standing Commission for the Economic Policy. The statutes of the Milli Mejlis direct it to be accessible in its deliberative work to all civil society members. But this is not the case. Even a large and powerful business association as the American Chamber of Commerce (AMCHAM), which consists of 162 American and Azerbaijani companies and represents 80 percent of foreign direct investments in Azerbaijan is not allowed to contribute to the legislative process of the Milli Mejlis. The AMCHAM complains that it learns about new legislation from various Government executive bodies, and usually after the fact. Not

surprisingly, the AMCHAM emphasizes the importance of improved access to the legislative process as its Number 1 recommendation:

> "Draft legislation before the Milli Mejlis should be made available to the public or, at least, representatives of the business community, business and legal consultants, etc. The draft of each piece of legislation, as amended and passed at the first, second and third readings in the Milli Mejlis, should be made available as in the preceding recommendation. A contact person, perhaps both in the Milli Mejlis Secretariat and in the President's Office, should be designated to whom comments and recommendations can be made and who will be responsible for ensuring that these reach the appropriate people, including Milli Mejlis members." [1]

16. As in all heated atmospheres of election campaigns, the political parties and candidates in Azerbaijan make many attractive policy statements. However, the mechanisms to realize the potential benefits of these statements into proper public policy debates do not exist. During the recent election campaign period, fifteen business associations, which was led by the Azerbaijani-Turkish Business Union, held a public event in support of the ruling New Azerbaijan Party. This group of associations decided to create a Coordination Council and to discuss every month issues of business climate and economic policies. Such initiatives are promising starting points for the development of mechanisms of interaction between the electoral processes and realizing public investment programs.

17. Business associations and NGOs conduct occasional and regular round-table events as fora to discuss various public issues, including public investments. The generally positive outcomes of these events are usually weakened by two interrelated characteristics: a) ministries are usually reluctant to attend these fora; b) the impact of such gatherings diminishes in direct relation to the level of participation of the officials. As a result, the participants try alternative communication channels and arrange for smaller (one-on-one) meetings with decision-makers within the Government in order to raise their own issues. Because of the extremely centralized authority in decision-making processes, the stakeholders do not seek engagement with the mid-level Government employees and try to make contacts with the personal assistants of the ministers in order to draw a particular minister's attention to their issues of interest. One of the large business associations told the PIP Project that most of the necessary information they collect comes from *informal* meetings with the government officials. That information usually turns out to be inadequate and incomplete. Further, these alternative attempts to communicate and to collect information may become futile exercises. The same business association source told the PIP Project that its official letters sometimes do not reach Ministers and even the President.

18. Capacities of different civil society organizations to participate in public processes differ both across and within these institutions.

- The effectiveness of the NGO sector in Azerbaijan has been growing at a slow pace. Among the NGOs, a very small number operate in the area of economic issues. Some of them have been able to establish themselves as faithful promoters of

[1] "Observations and Recommendations for Improving Azerbaijan's Business Climate", AMCHAM, Baku, Azerbaijan, (November 2005).

transparency in public finance.[2] Several organizations have been successful in monitoring petroleum extraction industry, social programs of Baku-Tbilisi-Ceyhan pipeline construction, and evaluation of performance of the State Program for Poverty Reduction and Sustainable Development (SPPRSD).[3] The major weakness of the monitoring and evaluation programs is that local funding of such organizations is very small. Therefore, it is appropriate to conclude that the existence of only few NGO activities in Azerbaijan points to the presence of limited potential and desire for getting involved in promoting public good and awareness. Some associations of farmers, of customers, and of small entrepreneurs raise current issues in the media. However, their influence does not reach far because these associations exist and operate in an environment that is not particularly hospitable to any extensive public participation. For instance, industry associations practically never bring publicly to the Mejlis members their concerns for their industries or in the area of economic policies. They choose to work with the executing agencies and the ministries. If, instead, a growing number of civil society institutions were to petition and to interact on an ongoing basis with the legislators as well as the executing bodies, the Mejlis would become a nominal counter-weight to the current impasse of lack of diverse inputs into policy making.

- In a situation of extremely high unemployment, trade unions are not in a position to successfully work or even to claim their legally guaranteed rights. For example, a basic regulation such as providing a fifteen day advance notice about forthcoming executive orders is not observed by the GOAR. The trade unions are preoccupied mostly with retaining outdated minor social assistance programs. The CTUA organization is feeble and does not attempt to engage in politically charged issues of public investments and economic development. The Trade Unions also do not have the trust and the support of the public to be an influential lobbying group.

- In September 2005, Eurasia Foundation sponsored a forum, where representatives from local governments, officials from various ministries, members of Milli Mejlis, and civil society groups discussed possible inputs of self-governing entities in the preparation of 2006-2015 State Program for Poverty Reduction and Sustainable Development. This initiative remains a rare event and the Government itself does not initiate such productive and information-sharing public platforms. The central government should seek ways to more actively involve the local governments in the economic development issues.

[2] Public Finance Monitoring Center (PFMC) promotes transparency and works on Extractive Industries Transparency Initiative. (http://www.pfmc.az)
[3] Economic Research Center (ERC) promotes governance and works with local and municipal budget participation processes. (http://www.erc-az.org)

Box 2. Major forms of participation in SPPRSD process

Both SPPRSD formulation and implementation have been characterized by previously unknown lively participatory approach by GOAR. A SPPRSD progress report published by UN in 2005 describes the following four major forms of participation:

1. Sixteen regional workshops (6 in 2003 and 10 in 2004) with participation of various strata of civil society held in 10 different regions of the Republic;
2. Dissemination of information on the SPPRSD implementation process through media;
3. Series of activities aimed at acceleration of community building process and increasing the potential of local communities to play an active role in the poverty reduction measures. These included training initiatives, conferences, workshops and round-table discussions with certain target groups, often in partnership with NGOs and active community members; and
4. SPPRSD information resources in the regions were expanded to presentations, competitions, and public debates.

- During the program design stage of the State Program for Socio-Economic Development of Regions (SPSEDR) the local NGOs and municipalities were never consulted. The SPSEDR representatives told the PIP Project that the capacity for participation of farmers associations, NGOs, and provincial municipalities is very low. On the other hand, the SPSEDR performance reports prepared by nine regional offices have been receiving valuable feedback and ideas from the local level NGOs and municipalities even though there is no built-in monitoring mechanism within the SPSEDR.[4] This practice reflects very positively for the potential participation mechanisms. It appears that the concerns of the civil society for the SPSEDR may be stronger in the regions than in Baku, where the core of the Program was developed exclusively at the Government ministries.

- The levels of participatory activities by men and women influence differently the needs and priorities of SPPRRD, SPSEDR and SSDPs. Therefore, understanding of gender issues in poverty reduction programs and economic development objectives influences public policies and investment decisions. Inequalities in gender issues are costly to the process of economic development. When gender specific targets and performance criteria are built into the national, regional, and sectoral objectives, the impacts and outcomes on economic development are much greater. Such targeting and criteria are at their nascent stages in the formulation and implementation of all state programs and development plans in Azerbaijan.

19. Almost all the key agencies of the GOAR have media relations departments. The departments function in line with the current internal statutes of the agencies. Accordingly, their main roles are seen as: i) preparation of press releases, and ii) serving as a switchboard between a journalist calling with an inquiry and a relevant official who would answer the query. There is not an innovative nor even a standard government policy or guideline for the work of departmental media offices. The departmental media offices rarely communicate or coordinate work with other agency departments. In some cases, these offices analyze press reports and send them to the "relevant departments" within their

[4] One of the consequences of this has been that the costs of investment programs is not balanced or justified across districts.

agency. There is no systemic information flow in the opposite direction. A system of press feedback and analysis has yet to be thought of and developed for any government agency.

- During 2002-2004, the Government used to conduct press conferences regularly in its Party Central Office. Every Friday, one of the key ministers used to make a broad presentation on the sectoral policy and its implementation. Then he/she would answer questions. This practice was discontinued in 2005.

- The media department of the Ministry of Economic Development (MOED) is not in charge of preparation to public events such as press conferences. The press events are handled by the Secretariat of the Ministry. The Internet website of the MOED is maintained by the Department of Analysis. The duplication and dispersion of responsibilities within one government agency would cause losing the focused messages of the agency. This may merely be a reflection of the lack of singular agenda of MOED as well as the lack of singular guidance of the public investments policy and programs, which results in an ineffective PIP composition. On the positive side, at the beginning of every year MOED conduct their kollegiya publicly and invite press simply to observe it.

- Some other ministries also hold kollegiya publicly and invite also some civil society associations to attend. In addition, most of the sectoral ministries such as MOCIT, Ministry of Transport (MOT), and MOYS publish newspapers once a week or a fortnight in which official information is provided.

20. All participatory practices do not necessarily lead to adopting good decisions. Some groups in the population lobby for public investment projects that benefit only them even at the cost of undermining long-term national objectives. In the absence of alternative groups, which can argue the case for the benefits of the long-term national objectives, the results are characteristically biased. The ultimate intention of participation by varied and considerate interests is not about securing perfect outcomes. Public participation is a process, which reduces the possibilities of repeating wrong decisions, willfully or inadvertently, by narrow interest groups and by self-serving unscrupulous officials. The process brings a degree of accountability to the decisions and the actions of people who have access to spending the public funds.

21. In December 2005, the President established by decree two new ministries – the Ministry of Defense Industry, and the Ministry for Emergency Situations. These two decrees highlighted the existing conflict between legitimate confidentiality and open public access to information. The Government prefers, in the defense-related public spending decisions, only the very limited participation of select Mejlis Commissions to any wide involvement by general public. The total lack of participation in the decisions of the defense industry spending has generated rumors about corruption and inefficiency. The debate on the question of confidentiality in the national security area may be quelled, if the Government, instead, acquiesced for broader access of civil society to participate in other public spending decisions.

22. Currently, establishing participative activities of political parties in the development of public investment policies is an extremely difficult task. Many political parties have representation in the Milli Mejlis and among the elected local representatives. However, in a situation of acute political rivalry good project ideas originating from the opposition parties may be suppressed by the ruling party. Or, the opposition parties may create a controversial public image for an excellent project proposed by the Government. In unsettled political

situations, it is difficult to find simple solutions. However, the Government can, from a position of relative strength, choose to propagate goodwill on the part of political players out of its sense of responsibility towards the wider electorate.

23. The GOAR is undertaking measures to stem the growing costs of corruption and monopolistic activities. In 2005, the Government introduced a new Anti-corruption Law, established a permanent high-level Commission for Fight Against Corruption, and ratified the Conventions Against Corruption of Council of Europe and the United Nations. The President in his public speeches regularly criticizes monopolistic practices. However, corruption and monopolistic practices still continue to impact negatively the entire process of public investments. The current public asset ownership structure and the non-competitive economic environment give opportunities for public investment procedures to be easily badly exploited. There are many "natural" (mostly state-owned) monopolies in water supply, power-supply, extraction industries and others. These enterprises justify many expensive public investments on the grounds of trying to alleviate the 'social hardships' of segments of the population. Once the project funding is approved, most of the stages of project implementation remain outside of any public scrutiny. Making financial information and quality of implementation information available to independent evaluators or to important stakeholders would stem some of the costs of corruption. In the new environment of rapidly growing oil revenue inflows, public investment proposals are likely to grow in number and in scope. In the meantime, establishing proper mechanism for investment planning, project implementation and management that could improve sectoral investment projects/programs into a more efficient national development program are lagging. Ministries and state monopolies play the role of lobbyists for their own projects, and often leave final decision to the President. This puts undue political pressure on the President who has to balance the demands between the national development priorities and the narrow interest groups. A broader participation by a better informed society can transfer some of the political burden of public investment decisions away from the President. The narrow political nature of public investments would somewhat diminish if the Government followed standards of rigorous technical and economic analyses of public investments for benchmarks for well-publicized decisions.

24. Understanding the substance of public participation is not the same across government agencies. Most GOAR agencies try to use a variety of well-known tools for dissemination of information to public. On the whole, all ministries are open to the mass media, and frequently answer questions during the improvised briefings. National and local workshops, surveys, sector working groups are also among the frequently used instruments of communication with the public. Some agencies allow for limited but mostly for loyal participation. Such participation is often by the academia only and excludes the rest of the civil society. For instance, MOYS, MOENR, and Baku Executive Authority conduct regular consultations with academic circles in the process of preparation of projects and budgets. It is very uncommon to allow monitoring of the implementation and outcomes by a wider selection of civil society groups. The GOAR is either unaware of or is avoiding the more varied and standard procedures for civil society participation.

3. PARTICIPATORY PRACTICES IN SELECTED SECTOR MINISTRIES

25. The PIP Project has chosen initially to work with five sector ministries in implementing its medium-term objectives. The report is providing summary participatory practices with respect to public investment decision-making in these ministries.

3.1. Environmental Sector: Ministry of Ecology and Natural Resources

26. The investment project ideas within the Ministry of Ecology and Natural Resources are considered and taken under advice by a Commission. The Commission is initiated on an ad-hoc basis by a ministerial order when broad public investment decisions are needed. The Commission comprises of members of sector scientific/research institutions, Academy of Sciences, relevant ministries, MOENR's departments, NGO's and civil society (business interests). As far as practical budgeting of programs is concerned, however, none of the interested outside parties are involved, and the investment needs are identified on the basis of the proposals submitted only by the lower level ministry structures, local executive power and the Ministry's Central Office.

27. Sometimes, public investment needs in the sector are identified with the use of opinion polls, or interviews with focus groups. The MOENR conducts regular surveys in rayons to identify possible investment projects. The Ministry's large number of staff and level of penetration into rayons make such work very grassroots-based. The extent of participation by NGOs remains at the stage of identification of project needs. The NGOs do not have inputs in any discussions on budget allocations or project readjustments. There is an impression that the NGOs typically represent and articulate their own narrow interests. An NGO, especially an international one with strong backing may influence local decisions in an unbalanced way in the absence of counterweighing organizations.

28. In the MOENR, the necessary institutional framework to inform the public and other grassroots organizations on plans and implementation of investment programs within the sector exists. There is a fully operational media services department at the central office, which is entrusted to carry out all public relation functions. Nine new regional offices are expected to become operational soon. A Department of Experts, which does environmental-impact studies, is also partially responsible for public awareness of investment programs. The Department conducts "public hearings," in which the proposed projects are discussed in round-table settings. At the end of these round-table meetings, protocols are prepared, which summarize the requests and recommendations expressed by the interested parties. These protocols are used by MOENR for adjusting projects' parameters and quality. A few years ago, Azerbaijan became a member of the Aarhus Convention. Now, in the central MOENR offices there is an Aarhus Information Center. The Center provides free-of-charge information on MOENR's activities, standards and sector developments to any visitors (students, NGOs, mass-media, etc.). It is equipped with IT facilities, Internet access and provides numerous hard-copy informational materials.

29. The Internet website of the MOENR is one of the better functioning websites among Azerbaijan's ministries. It is updated regularly. Information on any project in the Sector Development Program (six in the environment sector) can be downloaded in two languages (Azerbaijani, English). Other website information includes some the World Bank's implementation reports on on-going environmental projects and other sector related information.

30. Conclusions and recommendations

- The MOENR conducts regular consultations with academic circles in the process of preparation of projects and budgets. National and local workshops, surveys, and sector working groups are among the instruments to communicate with the public. However, a degree of participation is often limited to academia and local executive powers only, and excludes the rest of the civil society;

- There is need for institutional framework (i.e. at the regional level) and sufficient capacity to undertake the proper public information campaign on preparation and use of the public investments through the sector budget spending;
- All the project consultations with stakeholders are irregular and on ad-hoc basis, depending on the current instructions from top management. Thus, clear sector-wide guidelines for the regular (at all project administration phases) and timely public awareness and discussion activities with regard to the public investment projects should be determined;
- Expand existing sector and subsector libraries and available electronic databases in the Aarhus Information Center and ministry's website to include the separate sections on SSDPs, investment projects and budgeting;
- Establish the mechanisms for possible readjustment of the investment projects in order to take into account the preferences of the stakeholders;

3.2. Tourism Sector: Ministry of Culture and Tourism

31. The GOAR considers, according to the national economic development objectives, the success of the tourism industry an important factor in the development of the rural sectors and in the diversification of the non-oil based economic sectors. The GOAR, therefore, has been increasing its attention to tourism sector investment programs and to public awareness of them. In conjunction with this, the Department of Tourism (DOT) of the Ministry of Youth, Sport and Tourism was transferred into the newly established Ministry of Culture and Tourism (30 January, 2006).

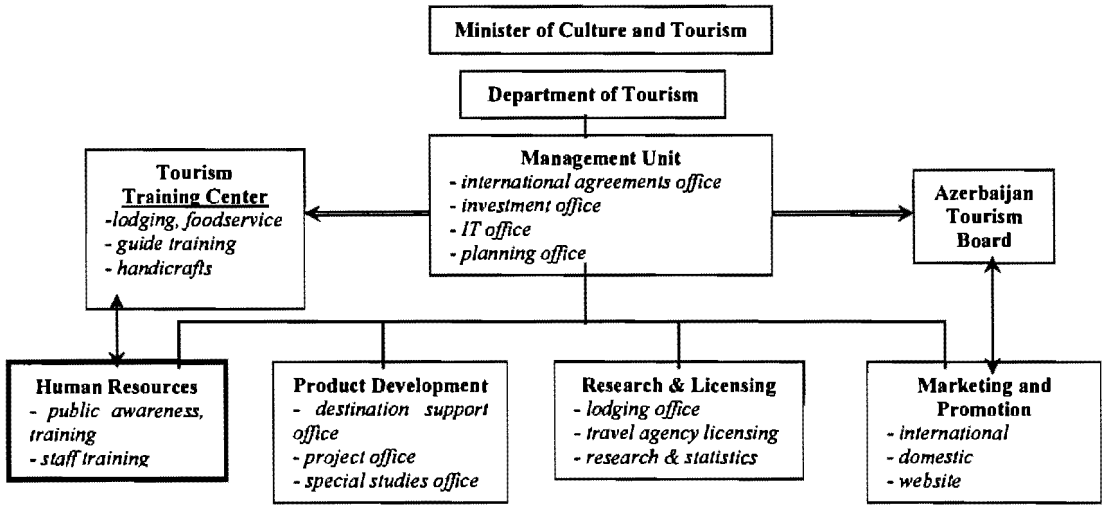
32. Currently, the Department of Tourism in the MOCT is completing a new Tourism Strategy, which will be the basis for the *Tourism Sector Development Program 2006-2010.* The master plan of the Tourism Strategy was prepared by the Caspian Consulting Group and PA Consulting Group under external donor funding.[5]

33. According to the DOT, the proper public participatory process is extremely important at this stage, while the new Tourism Strategy is under preparation and is being discussed at all levels of the society. Recently, the DOT employees were assigned to the regions to discuss the draft public investment projects in the action plan of the new *SSDP 2006-2010.* The proposed regional stakeholders to be consulted included the local executives, municipalities, entrepreneurs, NGOs and others. There is good opportunity for the DOT to have public discussions at regional level through recently established network of regional tourism centers, of which four (Baku, Khachmaz, Shamakha and Sheki) are already operational and the other five are under construction (funded by the UNDP). However, the DOT officials stressed the fact that the Department did not have enough manpower to assume the increased workload. Currently, the Department has seventeen employees in its central apparatus, which makes very difficult to undertake even its basic functions (i.e. public awareness of its investment intentions) in a proper and timely manner. The new DOT organizational structure, which was proposed in the draft Tourism Strategy, will fully support the new functional requirements (Figure 1.). The draft document to restructure the DOT has been submitted to the Government for approval.

34. The Human Resources Department, in the draft structure will serve as the main unit to carry out the public information functions.

[5] The PIP Project's sector experts have attended the presentation workshop and received the draft master plan of new Tourism Strategy.

Figure 1. Proposed structure of the new DOT in MOCT



35. Currently MOCT conducts periodic surveys of different regions to identify their tourism potential and needs, through meetings with NGOs, rayon administrators, community leaders, etc. A different region is surveyed for ideas and new initiatives every one or two months so as to cover each region once a year. Furthermore, the DOT screens projects from entrepreneurs that come to the Department for advocacy (i) to identify infrastructure development support needed from other line agencies, or (ii) to identify from other government bodies improvements needed for tourism sector development, or (iii) to endorse specific tourism facility projects for funding from the Entrepreneurial Support Fund or for other support.

36. The DOT has a public library, which gives information and hard-copy materials on tourism business opportunities and sector trends in Azerbaijan. The DOT also regularly publishes brochures and bulletins on regional tourism activities and prospective tourism routes, and disseminates them among entrepreneur circles, local executive bodies and other involved grassroots level organizations. The DOT does not have an Internet website. There are, however, various good quality commercial websites on tourism opportunities (providing data on major tourism companies, visa procedures, routes, country overview and etc) These websites, of course, do not have any official information on DOT's activities (i.e. sector development or investment plans). The MOCT founded a new Institute on Tourism Studies. This institute can serve educational purposes in sector participatory practices.

37. A statutory or formal structure for a participatory process in the tourism sector would not be recommended because the numbers of participants are large and the interest groups are diverse. Any effort to formalize such interactions and the free-form dialogues that currently exist would become exclusive and rent-seeking. These dialogues naturally emerge in rayons on the basis of market forces and perceived needs and are fashioned after local customs that suit best the participants in each location.

38. Conclusions and recommendations

- The DOT holds regular national, regional and rayon workshops and surveys in the process of preparation of projects and budgets. However, a degree of participation is often limited to academia and local executive power only, and excludes the rest of the civil society;
- All the project consultations with stakeholders take place irregularly and on ad-hoc basis, depending on the current instructions from top management;
- All project awareness actions are limited to the project preparation and approval stages. No efforts are made in providing stakeholders with adequate mid-term and final implementation progress reports or information, which would provide feedback for possible adjustments;
- Clear sector-wide guidelines for the regular (at all project administration phases) and timely public awareness and discussion activities with regard to the public investment projects should be determined;
- The Institute on Tourism Studies may offer to its students and existing DOT's officials concrete subject-oriented courses on participatory approaches and techniques;
- The DOT should establish and keep up to date a fully operational Internet website, which would contain bilingual information on SSDPs, investment projects, sector budget, sector strategies, and public statements on the sector made by senior officials of GOAR;
- Establish country-wide institutional framework for the public awareness campaign utilizing existing regional tourism centers;
- Expand upon brochures and bulletins, which provide information on regional cultural and tourism opportunities, to include information on the on-going tourism investment projects or programs and DOT's policy intentions with regard to certain regions;
- The DOT officials should involve in the round-table meetings on SSDP, investment or budgeting issues all donor agencies, which provide TA to the sector, in order to disseminate GOAR's sector intentions in medium and long-term run and to avoid duplication of TA's. For instance, USTDA and USAID are both supporting capacity building in the preparation of Tourism SSDP, however, there were not any informal or formal meetings or agreements on the coordination of TA's efforts.

3.3. Energy Sector: Ministry of Industry and Energy

39. The Ministry of Industry and Energy (MOIE) has been recently established (2005). The GOAR expects the MOIE to contribute significantly to Azerbaijan's economic and social development. For MOIE to become successful in its functional responsibilities and to gain the support of the citizens it is critical to develop a system of public awareness of its sectoral long-term goals and medium-term objectives in the medium-term (4 years) horizon. To increase the overall public awareness of the sectoral development plans, the MOIE will need to advise the communities they serve of the status of the most recent sector programs.

40. The MOIE is in charge for the country's industrial and energy sector policy and infrastructure development. The Ministry also oversees operations of many capital-intensive sector state-owned enterprises (SOE). To the civil society entities outside of the MOIE, specific information on its sector development plans and on its sector operations remains largely unknown. The public energy sectors, in general, do not offer opportunities and occasions for individuals or civil society organizations to participate in the decision-making of investment processes. This is true of other infrastructure public sectors (i.e. transport sector) in contrast to broad civil society participation opportunities in the social sectors.

41. As a way forward to responsive and transparent governance, the MOIE and the SOEs need to ensure a degree of popular participation in the development of expansion/rehabilitation programs and projects. A thorough explanation of the expansion/rehabilitation plans on the socio-economic benefits that will be gained from programs/projects' implementation as well as disadvantages from deferring such undertakings can be provided. Even giving a simple notice or a pamphlet on an unbiased and reliable cost-benefit analysis of a project would positively influence the public opinion on the expected benefits and the qualitative changes the investments would bring to their lives.

42. In more developed industrialized countries public agencies seeking investment financing may outsource the task of conducting a benefit-cost analysis for projects to independent specialized institutions. In Azerbaijan this function is routinely performed by the branch institutes of the same public agencies. In case the investment project is donor-funded, the donor conducts the feasibility study and economic analysis. While recognizing individual merits of different evaluation approaches, it is still advisable that independent (domestic- or foreign-managed) expert companies conduct such studies and provide MOIE with the most cost-effective solution.

43. In industrialized countries with longer traditions of public participation, people at all levels of society are aware of the quality standards of goods and services, fair prices to be charged for the services received (e.g., electricity, gas, other), the trust in their consumer rights to demand these. At present, in Azerbaijan, documented performance standards for providing utility services are not linked to recourse or a penalty regime. The consumers, who pay for the services and goods, should have the right to seek protection from the State and the courts and receive compensation from any breach in the quality of goods and services provided. While consumers (business and individual) may, theoretically, address to a court the claim for reimbursement for goods (e.g. electric quality sensitive appliances and equipment) malfunctioning or broken due to improper electricity supply (poor voltage and frequency), there is no full consumer awareness of and demand for high quality standards of service and no well-established mechanism of consumer satisfaction. In this respect, it will probably be a longtime coming and a very difficult task to make all service providers to be responsible and to be accountable for the quality output control. In this context, experience of consumer protection laws and practices used in the USA or in the countries of the EU could be good examples that may gradually be adopted in Azerbaijan.

44. Conclusions and recommendations

- Project selection criteria different than the current formal and technical MOIE parameters should be required when MOIE scrutinizes its sectoral PIP. The final draft sector PIP needs to be publicly discussed during series of round-table meetings. Independent experts and stakeholders need to be provided with the appropriate documents of the proposed PIP for review and comments. The MOIE should take account of these inputs and try to make reasonable adjustments to the project proposals before the final PIP documentation is submitted to MOED and Ministry of Finance (MoF) for approval.

- To facilitate this process, the MOIE should establish a continuous dialogue with the grassroots to ensure their awareness and support[6]. A sectoral PIP needs to be

[6] For detailed recommendations on formulation of the macroeconomic framework underlying preparation of SSDP and public investment programs refer to the subject technical notes produced by the PIP Project in October and December 2005.

developed in coordination with the grassroots and with the involvement of independent expert groups. Presentations need to be prepared and conducted so that the public is aware of the public investment plans, their rationale, and options selected and evaluated in order to provide solutions to problem issues, increasing the quality of life, or economic development.

- In Azerbaijan, the public needs to be informed of the allocative efficiency resulting from invested public funds. The MOIE and the SOEs can produce and share on Internet websites and in paper publications their Annual Reports, Performance Reports (with statements against the established development benchmarks), and their Development Framework with attainable SMART[7] results in the medium-term horizon. The MOIE may elect to publish performance reports to provide information on the positive results achieved from utilization of public funds for sector development, cross-sectoral development impact, and the overall effect for the economy-at-large and customer satisfaction. Project implementer agencies, along with the proposed prioritized projects, need to develop and explain the established Performance Benchmarks[8] to track outcomes from implementation of investment programs or projects. Such monitoring and evaluation can be another aspect of broad public participation, improvement of the effectiveness of public investments, and governance.

- The MOIE does not have a separate administrative unit charged with tasks of promoting public education and awareness of the industry and energy sectors' problems in the context of the MOIE's strategic goals, medium-term objectives and development programs. A Public Information/Community Service Department with specialized tasks can address community education in service areas and help to exchange sector-related information with the communities. The Department can employ the following methods of work in its liaison with the stakeholders:

  i. organize regular speeches for the Minister of MOIE on the strategic and medium-term sector development, both on the TV and other mass media means;
  ii. organize and conduct regular round-table discussions on sector development, programs/projects planned for implementation in the medium-tem, inviting independent experts, journalists, NGOs and all interested groups to discuss socio-economic benefits to the citizenry from public expenditures for new projects;
  iii. publish annual reports of MOIE with detailed information on measurable results achieved for the benefit of the society and the industry;
  iv. maintain a website with the reference materials and reports for the public and potential investors, with links to individual SOE websites;
  v. coordinate information-sharing and publication of financial annual reports by the SOEs in the sector;
  vi. advise on the regulatory structure and system of price and tariff formation for the end-users including public input in the functioning of the system;
  vii. produce thematic brochures on quality service standards and feedback mechanism to respond and enforce the standards; and

[7] SMART = Strategic, Measurable, Achievable, Resource- and Time-bound.
[8] IMF and World Bank recommend using at least four Performance Benchmarks to assess implementation of a development program or project: input (resources used), output, efficiency (input/output), and benefit (outcomes).

viii. organize and conduct conferences for strategic investors to participate and express their vision on institutional sector needs.

Figure 2. Proposed key functions of the Public Information/Community Service Department of MOIE

3.4. Transport Sector: Ministry of Transport

45. At the present time, the Ministry of Transport does not involve participation of any non-governmental stakeholders in the identification, appraisal, review or evaluation of its public investment programs. The Policy and Financial Departments of the Ministry indicated that in the preparation of their recent sector development programs, neither any civil society organization nor any donor was informed or consulted. Currently, there are no institutional arrangements for including civil society, cooperating partners and other stakeholders in the policy formulation and program evaluation processes. Instead, within the sector, there is very close coordination and cooperation between the Ministry and the State Operating Companies. When asked, the officials of the Ministry acknowledged the added value of involving in the sector investments processes civil society stakeholders.

46. Recently, the Ministry has prepared drafts and received first approvals by the Cabinet of Ministers of two sector development programs: the *Transport Sector Development Program, 2006-2015* and *Development Program for the Road Network Reconstruction and Rehabilitation, 2006-2015.* Both draft programs are waiting for the President's signature for final confirmation. In the meantime, however, the State Operating Companies have already starting implementing many of the ongoing projects, which are in the current PIP.

47. The MOT did not officially comment on the reasons of why the two draft sector development programs have not yet been signed by the President. One non-officially stated reason is that, currently, the MOT, with the assistance of the Asian Development Bank (ADB) is drafting a *Transport Sector Development Strategy* (TSDS). The other two draft sector development programs will be approved following the completion of the TSDS document. Draft TSDS is expected to be completed by May 2006 and to be approved by the President in summer 2006.

48. The ADB financed TSDS Project has already involved the MOT officials to work with NGOs and other stakeholders in the sector investments policy-making process. The effectiveness of sector investments would continue and increase if, after the end of the preparation of the draft TSDP Project, the Ministry adopted the participatory experiences gained into its future sector development planning and management.

49. Conclusions and Recommendations

- The effectiveness of transport sector public investments would improve with increased inputs in the policy formulation, program approval, implementation review and evaluation from civil society organizations. By their nature, the opportunities and occasions for individuals or civil society organizations to participate in the decision-making of the infrastructure sectors are much more limited than they are in social sectors. Therefore, the attempts to make transport sector investments more responsive to Azerbaijani public opinion and input would require more targeted and specific approaches. To introduce transparency in governance, accountability in public spending and providing meaningful consultations, the GOAR and the Ministry will have to take the lead in the participatory process. As a start, the Ministry can undertake information sharing, which is a key component of participation process. This can be done throughout the sectoral strategy planning, and project planning, implementation, and evaluation stages.

- The Ministry may consider using its organizational set up and more transparent approaches to investment development programs to support the participatory process. In the current barren participatory environment, all stakeholders would gain from learning about simple but specialized methods of increased participation in the infrastructure sector. The process can begin by learning the essential function of consultations and how participation of the public might be mobilized with the different operation levels in the transport sector, especially in the regions. A sectoral PIP needs to be developed in coordination with grassroots and with the involvement of independent expert groups. Presentations need to be prepared and conducted so that the public is aware of the public investment plans, their rationale, and options selected and evaluated in order to provide solutions to problem issues, increasing the quality of life, or economic development.

3.5. Education Sector: Ministry of Education

50. Importance of education for every member of the Azerbaijani society makes the participatory process in this sector extremely important. Education sector lends itself easily and with synergy to participatory practices. Collective decision-making in the education sector by the GOAR, education experts, teachers, parents and students can be a highly productive endeavor. A broad and deep stakeholder participation in the development of the educational system will meet best the current and future needs of Azerbaijani society: inputs of diversity and creativity will assure the coming generations' better integration in the globalization of human capital and will help establish deeper roots in the maturing of democratic practices.

51. The "Education Law" approved by the Milli Mejlis does not prevent public participation and public requests for accountability in education sector. The Ministry of Education (MOE) tries to provide for policy and methodological guidance in the sector mainly based on the Law. The Ministry's quarterly kollegiya provides frequent reviews, discussions and some involvement in decision-making with regard to sector development

issues. The MOE's Department of Public Relations is responsible for informing the media, civil society, and stakeholders on on-going developments in the sector. The SPPRSD preparation and monitoring process contributed to the GOAR paying more attention to the participatory processes in all sectors and especially in education. But having the legal bases or gaining experience in donor assisted projects do not fulfill potential benefits from deeper public involvement in the development and the management of the sector, particularly in public investment process.

52. Currently, education programs and public investment projects are prepared with the participation of local executive authorities, municipalities, local branches of MOE, school principals, and other departments of the MOE. The MOE departments draft program proposals based on SSDPs. The list of possible public investment program proposals in the education sector is prepared by the MOED and approved finally by the COM. The final beneficiaries of teachers, parents, and students, are not involved in any stage during this process. The President of the Teachers and Parents Association, a donor funded NGO, which has managed to establish its branches in one hundred schools, informed the PIP Project that even the well-organized civil society entities have no access to public investment planning, implementation and monitoring processes in the sector. Furthermore, no organizations are involved in the development of any education sector program, which noticeably included the SPPRSD process. This state of affairs is the outcome of both the absence of procedures in the MOE, MOED, and GOAR and the low levels of NGO performance and of NGO credibility in the Azerbaijani society.

53. There are some stakeholder organizations in the sector. These are mainly the Parents' Committees and Pedagogical Boards in the schools and the education boards in the regional education offices. These organizations have a degree of formal standing and can potentially be platforms in the future for wider participation for all stakeholders. So, the current situation may be upgraded by building on existing institutional structures and making them work more efficiently. A broad public awareness about the functions and rights of Parents' Committees, Pedagogical Boards, and Teachers and Parents Association can initiate the process.

54. Conclusions and Recommendations

- Ensure public/stakeholder participation in the decision-making and policy and strategy formulation via stakeholder meetings in the SSDP development process. At the same time provide for participation of stakeholders in monitoring and evaluation of SSDP implementation.
- Ensure regular consultation with main stakeholders (parents, students, and teachers), in the process of sector investment projects development, and in the implementation and monitoring.
- Ensure involvement of the Teacher-Parents Associations in the preparation of SSDPs, in the SPPRSD and its review process, and in the investment program formulation.
- Strengthen the role of Parents' Committees in the schools in particular school investment program development and monitoring.
- Institutionalize the involvement in regional investment decision-making and monitoring by the municipalities.
- Improve existing Internet site of the MOE for better public/stakeholder access to the education sector information (publicize all approved and draft SSDPs, sector budget and investment expenditures with the full breakdown of expenditures of all institutions).

- Develop regular radio/television programs on education sector issues.

4. CONCLUSIONS ON PARTICIPATORY PROCESSES IN PUBLIC INVESTMENTS

55. Azerbaijan has the legal bases, which would allow reasonably open and wide public participatory activities including the area of public investments. However, in practice, the enabling environment is poor. Funding and creativity for public initiatives to organize and to participate are meager. The laws governing public participation are dormant. In an environment of weak political signals and uncertain rules for public participation, the bureaucracy tends to interpret the existing procedures on discretion and prefers disenfranchising.

56. The Law "On Budget System" was a sincere move to ensure better public participatory practices through the institution of the House of the People: Milli Mejlis. In theory, Milli Mejlis should play the role of the flagship for transparency and civil society involvement in public affairs. However, currently, with its own restrictive procedures, the Mejlis is nowhere near a position to assume that role. In fact, the Mejlis is equally or even less open to the civil society involvement than some segments of the executive branch.

57. Elected local governments have the legal right both to contribute to the central government's investment planning and to encourage local public participation. Poverty in the regions with accompanying weak fiscal base gives the local governments a weak political status. They are absolutely dependent on the central executive administration and thus subservient in governance decisions.

58. In Azerbaijan, as a rule, citizens, civic associations, and business alliances promote and protect their interests by dealing directly with the executive agencies instead of working through the legislature. This is a measure of what actually works and what does not work. It is also an indication that the public and civic organizations do not yet believe in their own rights or believe that these rights are currently beyond their power to exercise. Thus, NGOs and other civil society associations play a very limited role in questioning and chastising the actions of the Government officials. Despite the sizable foreign technical assistance to the civil society the scope of projects aimed at increasing public participation has remained narrow and short-termed. These projects have not provided a common methodological base. At the same time, the foreign assistance realizes to remain prudent lest it prompts the domestic NGOs for actions beyond any self-motivated home-grown ideas. Azerbaijan's own economic foundations for civil society associations remain feeble and uncreative. The Government, on the hand, does not encourage any change in the status quo.

59. In an informed democratic system competitive political rivalry should result in openness and transparency. The uncooperative rivalry between political parties in Azerbaijan leads to restrictive access to information in general and in specifically in the sensitive area of public investments. Under the current governance practices, Azerbaijan's public investment decisions are made by several key executive agencies: MOED, MoF, Cabinet of Ministers, and the Presidential Administration. The public is excluded from this process in a fundamental way. The opposition parties in the Mejlis are not allowed to engage in budgetary and public investment discussions. The ruling party suspects with some justification that the discussions would be disruptive and unhelpful for the public investments process. It is also true that the Mejlis does not have the adequate capacity to evaluate the merits of the technical discussions. However, the Mejlis is a political institution and it is supposed to be the place for the first instance of public participation.

60. The channels of communication between the Government and civil society organizations are mostly one-way. The Government disseminates very selective categories of information to various stakeholders and to the society in general. The media representatives need to boost their competency and to be more vigilant in questioning the integrity of information they purvey. The communication in the reverse direction works in a worse manner. There is a discretionary and an ad hoc nature to the operations where, some agencies are more willing to hear outside considerations than other agencies. Within agencies, the bottom-up flow of the ideas and information is nonfunctional, which forces the public petitioners to seek direct access to the higher levels of the Government officials.

61. The capacity of potential civil society elements to participate varies both across and within the groups of such institutions. Except for several notable exceptions, in general, i) domestic NGOs have weak roots and represent mostly the good intentions of foreign assistance; ii) local elected governments need skills to engage fully in the governance process, and opportunity for more balanced dialogue with the Center, which may depend on local fiscal viability and, iii) Trade Unions' capacity is largely hampered by the high unemployment rate.

62. The media policy of the Government needs consolidation, consistency, and greater openness. In particular, the GOAR has to find a good balance between legitimate confidentiality and transparency in the public investment programs. This balance is necessary not only for media-GOAR relationship, but for the process of civil participation in general.

63. The media department officials in GOAR need to boost their competencies. The officials do not use the full extent of media and communication outlets that are available. Targeting the educated as well as the not-so-well educated, rural versus urban populations, and using local languages require different skills. Communication methods to disseminate information should be complementary. Newspaper articles, radio, television, newsletters, graphic posters and advertisements, quarterly reports, formal reports can be successfully used in addition to the simplistically reflexive solution of 'opening websites.' Currently, the penetration of Internet use is not functionally deep in information sharing and participatory modes.

64. The hemorrhaging wastefulness of public resources due to corruption in the public sector and due to inefficient operations of state-owned monopolies is a serious and legitimate concern within the Azerbaijani society. The GOAR needs to determine enforceable rules and procedures to balance the priorities of national economic development and the demands of narrow and powerful interest groups. Meaningful public participation in public investments may allay the results of corruption and waste that public sees and resents.

65. Understanding the essence of public participation varies through each segment of stakeholders. Some stakeholders work for freedom of public access to information on public investments, some care solely about their inputs in the investment decisions, and others are interested in monitoring of implementation and outcomes of investments. Therefore, along with the uniform public participation guidelines, the GOAR needs to allow for minimally fettered competitive environment to satisfy the public participation needs of all stakeholder groups.

III. Recommendations[9]

1. PRINCIPLES FOR PARTICIPATION

66. Channels and opportunities between the GOAR and non-government stakeholders for consultations and feedbacks on public investment policies have been developing over a number of years. At present, they encompass a number of forums and instruments, such as information dissemination, collaboration in implementing programs, and participatory monitoring/evaluation. However, the fragmented character of participation, across time and across agencies, results in weak articulation of participatory needs of GOAR. Therefore, a new statute/decree is needed to reaffirm at the highest level the policy of participation, and approve coherent procedures and practices of participation. (Appendix I). We also describe some of the guiding principles for using a Public Participation Toolkit.

67. **Outcome-based participation.** GOAR policy thus far has been an open-ended participation versus an outcome-based one. That is why the SPPRSD, although a very comprehensive program prepared with relatively broad participatory process, is too general and its recommendations are mostly vague. SPSEDR preparation was less inclusive, and thus, despite more concrete benchmarks of implementation, resulted in even more obscurity in terms of matching the national development strategy. Open-ended participation implies that concrete inputs of public in reference to the capital investment programs have to satisfy the national development strategy in the first place. A disconnect between the national development strategy and the public investment programs is apparent. The former exists in its own in the political dimension, while public investment programs are mostly adopted in the context of ministerial perceptions of their sectoral needs.
Recommendation: Participatory interactions between the stakeholder groups and government processes should be strengthened to repair the separation between the strategies and implementation.

- Information dissemination
- Participatory research
- Consultations – informal and structured
- Formation of committees and working groups
- Donor role of the GOAR in building participatory capacity for the civil society groups

68. **Inclusion.** Application of all the above mechanisms has to be inclusive. Development of the communication technology makes access to information generally easy. The websites and press offices of the GOAR agencies play an important role in that process. However, specific information needs to be available to the interested parties not only from those resources, but also from the bureaus and officials directly involved in decision-making. A more inclusive process of consultations with public will increase a mutual trust between the GOAR and civil society. The low level of trust, reversely, may feed public with rumors and perceptions that undermine credibility of the government.
Recommendation: The GOAR agencies need to create and timely update various lists of stakeholder groups so that to be able to reach them when necessary. Separate databases of press, business associations, trade unions, academia, and etc., shall be used at different

[9] The recommendations below are produced with consideration of the methodological outline for public participation presented in the World Bank PRSP Sourcebook (A Sourcebook for Poverty Reduction Strategies. Edited by Jeni Klugman. October 2002, World Bank publication).

stages of consultations and information dissemination to achieve that goal. In a way, such institutions should feel almost formally accredited with the relevant GOAR agencies.

69. **Transparency.** Greater transparency can block very efficiently the spread of negative political speculations that may surround a public financial activity. For instance, shortage of power-supply prompted the GOAR to purchase 52 small electric generating modules for the provinces. This decision was never discussed and/or consulted with public and civil society organizations in advance. Afterwards some experts criticized the procurement contract as hasty, unwise and of questionable merit. Transparency in decision-making process would stop such ambiguous questioning, while public monitoring and evaluation of implementation would create the setting for efficient allocation of funds. The improved professionalism and increased administrative capacity of government officials are not enough to compensate the lack of transparency. As noted before in this review, the capacity of civil society organizations to engage the authorities for transparency in the process of decision-making on public investments remains mostly unsatisfactory and inconsistent.
Recommendation: The government should develop assistance programs for civil society groups to improve - and often build from the scratch - their competence for professional monitoring.

70. **Sustainability.** Proper participatory process will strengthen the capacity and the popular support of the existing government and political system. This view stands behind the entire idea of participation. Dramatic remodeling of the state is too radical and not a guaranteed way for improving public investment programs. In fact, it can only delay the improvement in this area. Thus the GOAR is expected to act as the most interested party in promoting and expanding a public participation.
Recommendation: GOAR should publicly advocate for and encourage a dialogue with the political opposition in the Milli Mejlis in order to gain political support for the justifiable public investment policies and projects. This would also allow the GOAR to include ideas from the opposition into investment programming. By doing so, the GOAR would share the tributes from successful improvements as well as the responsibility of difficult decisions. In this way, it may strengthen the broader public feeling of ownership of the public investment programs.

71. **Cost of participation.** As the institutionalization of the participatory process deepens, it will take less and less time and resources to exchange information and collaborate between the government and non-government stakeholders.
Recommendation: Once the participatory process becomes measurable due to institutionalization, the GOAR should periodically quantify the benefits of civil society participation in investment projects formulation. The obvious effectiveness and efficiency in utilization of scarce budget resources will strengthen the case for participation even more.

72. **Perceptions of participation** are different. Some stakeholders mostly expect public access to information, some care more about their input to investment decisions, while others are interested in monitoring of implementation, and outcomes.
Recommendation: alongside with the uniform participation guidelines, the GOAR needs to offer tools of participation to satisfy the demands of the broader stakeholder groups.

73. **Intergovernmental participation**. Very little of coordination of public investment is carried out between the local elected governments and the central government. Inadequate level of capacity and authority of the municipalities is just one of the reasons. Local governments demonstrate no collective effort to engage with the central government

decisions. The nationwide association of municipalities is at an embryonic stage of its development.
Recommendations: The GOAR should encourage Mejlis members to link to the regions so that they can talk to their constituents and bring local inputs into the national policy formulation process. Regional workshops organized by central government could discuss priorities and make necessary tradeoff decisions concerning public investment. In addition, such workshops are less expensive compared to the national ones, and are more concrete in their agenda and potential inputs. Draft public investment projects should be circulated not only to the local executive authorities, but also to the elected municipalities so that they could respond with comments in writing. In the regions, the local MOED offices can facilitate information and technical know-how dissemination on public investment programs. The national association of local governments should be supported by all means, including those which would allow it to improve the capacity of municipalities to engage in the investment planning. Local governments should find and allocate funds from their budgets for public participation. In case a local budget is insufficient to afford that, the central government then needs to allocate funds, but within a policy that makes the effect of such allocations measurable.

74. **National level civic engagement** is more common currently for GOAR, and should undergo continuous improvement in the future. Civil society groups in the capital city are significantly more capable technically of contributing in the public investment planning. They look at the national investment policies issues rather than the local interest groups.
Recommendation: GOAR needs to facilitate organization and work of the national farmers associations, industrial associations, chambers of commerce, trade unions, and etc. These organizations do not only bring up ideas from their members to the GOAR, but potentially may serve as messengers of the GOAR information for particular constituencies, and thus contribute to reaching a consensus between the government and population. The more attention the GOAR pays to the voice of local civil society institutions, the less will be the need for activities of foreign NGOs, which do not necessarily speak for the Azerbaijani people.

75. **Publicity.** The existing positive experience of public participation is not adequately publicized in the media outlets. In particular, the one-way flow of information going from the government to general public is noticeable. However, the opposite flow is not exhibited.
Recommendation: It is vital for the participatory process – current and the improved future one - to be publicized, because publicity strengthens and spreads participation as an integral mechanism of the decision making. Public information strategy needs to include translating and posting the ongoing processes and discussions in print and electronic media, as well as publishing an investment policy or project brochures available to everyone through key government offices.

76. **Implementation.** In many cases the necessary legislative grounds for public participation exist. For instance, the Trade Unions Law provides such unions with a broad variety of rights, implementation of which would mean their active participation in public investment affairs. However, since the Unions are too weak politically they cannot effectively absorb all of the formal authority.
Recommendation: The improvement of participation practices can become less costly and less time consuming if the relevant agencies successfully employ the already existing legislative potential for public participation.

2. *PUBLIC PARTICIPATION TOOLKIT*

Tool	Main Participants	Purpose
Central Government Budget Hearings	Standing Committees of Milli Mejlis; Ministries; National Association of Local Governments; Confederation of Trade Unions; Entrepreneurship Council; NGO sector (e.g. think tanks; environmental groups, community development programs, and etc.); media.	Demystification of budgets through simple summaries and presentations. Timely information to stakeholders about the public investment intentions of the GOAR. In Azerbaijan's democratic process citizens make one input in five years, whereas budget hearings would help the GOAR to correct its investment policies annually and thus reduce the impact of electoral cycles on them. Moreover, since the adoption of the new law "On Budget System" in 2002, the volume of materials submitted to Milli Mejlis increased 10 times (www.pfmc.az), while the deadline for submission of the budget package to the parliament remained unchanged – October 15. There is little time between then and the end of the year for careful review of the package by Mejlis members. Therefore, such public hearings would promote a deeper analysis of the draft budget.
Local Budget Hearings	Elected local governments; local executive authority; central government representatives; local NGOs (including gender-issues focused), business associations; media.	Town hall meetings, assemblies usually held in a recreation building, school, or other facility could discuss status reports on public investment programs, and produce recommendations on the current and future programs. They should not, however, copy the overly formal style of the former Soviet *partkhozaktiv* because the purpose is to encourage open discussion.
Public Information Strategy	Press and public relations departments of the GOAR agencies; media; NGO sector; local authorities	The strategy should lead to coordination of activities of the GOAR media and public relations offices with the aim of a GOAR achieving consistency of the government information. GOAR then can avoid excessive secrecy, and ensure no criticism of legitimate confidentiality. Such interagency cooperation will multiply the public relations skills of the involved officials.
Open-door Program (accessibility)	GOAR; Milli Mejlis; local authorities	A method to encourage citizens to visit government institutions on a walk-in basis. This is most typical for local government, where people may demand immediate action from officials. However, central government agencies should also be able to provide people with maximum

		information through, for example, libraries, public relations offices, hot line telephone, website, and etc.
Strengthening Role of Multi-party Legislature	GOAR; political parties, business associations, NGOs, citizens	Stronger legislature would enable parties and politicians representing their constituencies to translate their election promises into public investment policies. Both in terms of efficiency and compliance with democratic theory this is the best form of public participation. Such policy could also reduce social tensions that emerge at times of elections or other key social developments.
Measuring Participation	GOAR; local authorities; NGOs	Develop quantitative and qualitative parameters for measuring the level of participation. They are useful for planning civic engagement, and for emphasizing the government's interest in it.
Early Ministerial Consultations	GOAR ministries; all stakeholder organizations	Sector Strategic Development Plans and Public Investment Programs need to be prepared not only through interagency formal correspondence, but also through early discussion with broad spectrum of public stakeholders in order to strengthen the bottom-top flow of opinions and initiatives. GOAR agencies need to engage with stakeholders at the mid-level of professionals first, and not leave decisions upon discretion of the top officials. Working groups, ad hoc committees, standing boards and other assemblies provide best format and best advice.
Opinion Surveys	GOAR ministries; academia; think tanks; media; citizens	Through opinion polls and focus groups the GOAR may investigate the public reaction to particular investment projects at the stage of its preparation, implementation, and accomplishment. Depending on the particular situation, such research can help both correcting the project if necessary, and defending it against groundless criticisms.
Capacity Building	GOAR agencies; NGO sector; academia	In addition to the cumulative effect of regular engagement on the capacity of civil society to participate in the public investment planning and monitoring, the GOAR needs to develop specific training programs. The focus of this training should be on the provincial institutions, and encouragement of new civic associations.

Stakeholder Analysis	GOAR agencies; local authorities; NGOs; academia, other interest groups	Environmental activists, trade unions, and other similar institutions have specific concerns about social impact of a particular project. Consultations on the social aspects of investment programs should embrace not only academic circles, but also the action groups that can potentially interfere negatively at the implementation stage.
Develop Agenda for Participation	Milli Mejlis; GOAR; local authorities; municipalities; NGOs; civic associations;	The government can successfully manage civic participation if it acquires the leading position in setting up the agenda for participation. Issues of corruption, transparency, efficiency, and etc. can be of varied value for the government at different times. Therefore, by taking the lead in articulation of priorities, the government can better protect itself politically.
Explanatory Report by Minister	GOAR; Milli Mejlis; media	"Citizen's budget" - Annual report by one of the key economic ministers describing and justifying in very simple terms the investment projects included in the consolidated budget would be useful for building public trust in the project package.
End-of-term Reports by Elected Bodies	President; Milli Mejlis; local MPs; municipal councils; individual members of municipalities	Policy papers in a form of comprehensive and simple performance report produced by these bodies in the end of each term would allow people to evaluate their work against their campaign promises. This is the best tool for translation of campaign promises into government investment policy. It also encourages competent debates on the economic issues between candidates for office, and over time discredits populist spending attitude of politicians. Moreover, while some foreign stakeholders care mostly about their own interests, such participation and debate would democratize the economic management so that it reflects the people's will in the first place.

Appendix I

Draft Decree of the President of Azerbaijan Republic "On Urgent Measures to Improve Public Participation and Awareness in Economic Policy Formulation and Implementation"

[Importance of the Participation, i.e. Policy Statement]

The current situation of dynamic economic development and political stability necessitates new approaches to the government decision-making process. In the early and mid-1990-s, when the strong government authority was required to overcome the political and economic turmoil, President Heydar Aliyev successfully disciplined the state, and built a powerful administrative structure. However, the accession of Azerbaijan to the Council of Europe, prospects for membership in WTO, urgent need for strategic decisions about development of non-oil sector of the economy, and many other new positive factors demand greater participation of civil society in the government affairs. Public involvement is especially important in budget and economic planning processes. In a democratic state, citizens should be safeguarded a right to obtain free and regular information on the ways of utilization of budgetary funds and socio-economic results (effects) of public investment policy.

[Policy Areas]

Given these new challenges, I order the Cabinet of Ministers of Azerbaijan Republic to develop within [three/six months] in consultation with the academic, non-government, international, and other civic stakeholder groups a set of practical measures and standards to ensure coherent, uniform and broad participation policy of the government of Azerbaijan. These measures and standards should address:

- Information dissemination
- Participatory research
- GOAR -stakeholders consultations on policy issues
- Donor role of GOAR in building participatory capacity for the civil society groups

[Outline Policy Measures]

In the area of information dissemination, the future practical measures and standards should lead to a better coordination of activities of the GOAR press and public relations offices, better access of public to government information, regular GOAR reports on economic and social priorities, modernization of public communication instruments, and improved public relations skills of government officials.

In the area of participatory research, the improved practices should promote cooperation between GOAR and civil society stakeholders in preparation, implementation, and evaluation of capital investment/economic development programs. Such cooperation at the national and local level should involve ministries, Milli Mejlis, and local executive and elected offices.

GOAR agencies - legislative and executive - should possess assorted mechanisms for formal and informal consultations with public stakeholders. These mechanisms, such as budget hearings, should be known to the general public, have timeline, responsible officials, venue, and other necessary measurable features.

Practical measures and standards for participation should envision the donor role of the central government in improving the capacity of civil society stakeholders – especially in provinces - to engage with government affairs.

[Next steps]

The Cabinet of Ministers should issue a Regulation prescribing detailed procedures for public participation, and ensure that their implementation does not lead to superfluous reorganization within the government agencies. The Cabinet of Ministers is ordered to prepare annual reports about implementation and outcomes of new policies of public participation.

Appendix II

Persons contacted during the preparation of the report:

Name	Position	Agency
Agajan Ahmadov	Head of the Secretariat, Regional Development Program	Ministry of Economic Development
Abbas Aliyev	Chief of Press Office	Ministry of Economic Development
Faig Gurbatov	Chief of Department of Internal Tourism	Ministry of Youth, Sports, and Tourism
Bakhtiyar Mammadov	Head of Legal and Human Resources Department	Ministry of Communication and Information Technology
Rauf Hajiyev	Chief of Economic Legislation Department	Secretariat of Milli Mejlis
Islam Rafibeyli	Deputy Chief of Economic Legislation Department	Secretariat of Milli Mejlis
Vidadi Hasanov	Head of Electric Energy Department	Ministry of Industry and Energy
Vagif Aliyev	Head of Projects Departments	Ministry of Industry and Energy
Ilyas Aliyev	1st Vice-Chairman	Confederation of Trade Unions of Azerbaijan
Hasan Jafarov	Chief of Staff	Confederation of Trade Unions of Azerbaijan
Chingiz Tagiyev	Economic Department	Confederation of Trade Unions of Azerbaijan
Ingilab Ahmadov	Director	Public Finance Monitoring Center (PFMC)
Nargiz Nasrullayeva-Muduroglu	Executive Director	American Chamber of Commerce in Azerbaijan (AMCHAM)
Jamal Shahverdiyev	Country Director	The Eurasia Foundation
Mirvari Gahramanli	Chairwoman	Committee for Protection of Oilers' Rights, NGO

Attachment 4.

Comments on *SPPRSD 2006-2010* Document by the USAID Public Investment Policy Project June 21, 2006 Baku, Azerbaijan

GENERAL COMMENTS (Main Text and Appendix 2):

1. Poverty reduction is the overall strategic goal of SPPRSD. But poverty reduction has also been made one of the targets. The goals, objectives, and targets (indicators) should be conceptually cascaded from broad to narrow definitions and linked with each other.
2. The Goals and Targets in the new SPPRSD document have been better formulated than the previous SPPRSD documents. But Goals and Targets still remain diffuse, not interlinked and not concretely defined for easy action and application.
3. The SPPRSD does not suggest any clear direction about the role and size of the public sector in the Azerbaijan economy. The State should determine, in a public sector versus private sector framework, what economic-social activities to regulate and what economic-social activities to administer. For example, privatization measures should be broadly guided by the decision in what areas the State ought to be present in the economy. Also, major gains in competitiveness and diversified export growth will come from correct and consistent monetary, fiscal, and balance of payment policies and not from a multitude of piecemeal policy measures. Managing many policy measures to maximize an objective is inherently inefficient and sometimes internally counterproductive compared to managing a single measure to achieve a single objective.
4. Overwhelming number of basic indicators in the Action Plan are 'input' and 'output' indicators. Including more 'outcome' and 'impact' indicators would improve the monitoring and evaluation of the State Program.
5. Targets need to be better justified. (For example, in the main text, Page 12, Target 6, why is 2% unemployment rate in 2015 a desirable target?)
6. Basic indicators need to be better quantified and better justified. How does the number of international consulting companies involved in privatization process determine better outcomes? What does the basic indicator 'public investment programs approved' (in Appendix 2, Page 15, item 1.2) measure?
7. Many basic indicators are monitoring exercises. Monitoring in itself does not serve any purpose. Monitoring results should be used in evaluations with strong linkages to decision-makers and stakeholders in order achieve the goals rapidly and also to know if the goals have been achieved as they were intended.
8. The emphasis by SPPRSD on long-term sustainable economic development in Azerbaijan should be on "broad-based" economic development rather than on "non-oil sector" development.
9. At the end of Chapter 4 one short sentence makes reference to expenditures under public investment program in utility infrastructure sectors. To endorse so pointedly in a SPPRSD document selected infrastructure sectors with officially unapproved

amounts and with a cursory Appendix is an indiscreet throwback to "material output" practices.[1]

SPECIFIC COMMENTS:

Main Text:

1. The Goals and Targets should be directly linked to each other. Each Goal should have its own Target(s) listed under it in a prioritized manner. Listing Goals and Targets separately diffuses the focus of strategic policy arguments.
2. Targets need to be quantified (Page 13, Target 14. "Reduce the gap in the indicators for women's and men's employment by 2015"). By how much?
3. Page 14. Indicators for energy savings are not very innovative (#22 fuel use/kw; #23 emissions level). Better energy saving/conservation measures, which the EU countries have adopted can be used. Also, there are no indicators to measure improvement in service quality (system reliability; no power cut-offs; and reduced voltage fluctuations).
4. Page 19. It is stated that officially 98% of work age population is employed. On page 12 the baseline unemployment rate in 2003 is given as 10.7%. Differences in the definitions should be explained.
5. Page 21. Under fiscal policy measures only institutional development issues are highlighted. Maintaining an appropriate level of inflation and preventing rigid real effective exchange rate are exclusively placed under monetary policy measures. However, it is widely recognized that during the impending oil revenue boom there are not, as of now in Azerbaijan, enough monetary instruments to curb inflation and to prevent exchange rate appreciation at the same time. In such circumstances, fiscal policy can play a crucial role. So, there is a need to state more clearly fiscal policy measures with regard to dealing with Dutch Disease when targeting annual non-oil deficit.
6. Page 24. A one sentence paragraph at the end of Chapter 4 mentions expected medium-term expenditures in selected infrastructure sectors and makes reference to Appendix 2. The text is contextually inappropriate because SPPRSD policies are borne by the whole set of sectors and activities. If the paragraph remains in the text, then the Appendix 2 should be a small table within the body of the document. Also the Appendix 2 table footnote refers to *PIP 2006-2010* which does not exist. The current PIP is for 2006-2009.
7. Page 70. There are 2,754 municipalities not 2,667.

Appendix 2 (Action Plan):

1. Many basic indicators are "New legal and regulatory acts in force." There should be distinction between amending existing legislation, enforcing existing legislation and drafting new legislation.
2. Page 3 under Fiscal Policy:
    a. Page 3. Item 1.1. "Improving the budget legislation" in Fiscal Policy section could be made more specific as "Improving the budgetary legislation with the aim of strengthening the link between planning, programming and budgeting instruments".

[1] See below. (Specific Comments, Main Text, 6).

b. Page 5. Item 6.4. "Reducing compulsory social insurance fees from employers" could be specified and justified that the reduction will not create any danger for future pension payments.
c. Page 5. Item 8. "Rationalizing state budget spending" can include measures to consolidate 2,754 local/municipal budgets.
d. Page 6, item 8.3 should ask for the "number of programs" rather than the "list of programs."
e. Page 6. Item 9.2. A basic indicator of "Use of financial planning by the Treasury" can be introduced.
f. Page 6. Item 9.3. An alternative basic indicator of "percent reduction of budget misappropriation cases" can be introduced instead of "number of audits."
g. Page 7 Item 11 is redundant in the presence of Page 5 Item 8.
h. Page 7, Item 12.4 could be improved by replacing it with more specific action as "increasing transparency in foreign financed government expenditure by full incorporation of them into the State Budget by the year of ___". A basic output indicator would be "Annual State Budget, incorporating percent of foreign financed expenditures approved by the Milli Mejlis."

3. Page 28. Item 3. The Public Investment Company activity is listed under Industry and Energy Policy. It belongs more appropriately under Investment Policy (page 15).
4. Page 44. Item 1.1. "Free textbooks provision" is an ongoing activity from 2003-2005 SPPRED implementation.
5. Page 103. All the activities under Participatory Process refer only to monitoring and public awareness of SPPRSD. The Action Plan should indicate other participatory activities in the implementation processes, which should elaborate on monitoring, evaluation and feedback mechanisms included.

Attachment 5.

Report on the Analysis of the Capital Expenditure Profile for Azerbaijan (2006-2015)

Comments

- Report provides useful information on the pattern of capital investment needs over the 2006-2015 for the main infrastructure sectors: information and communications technologies, transport sector (with almost all transport modes), energy (gas and power), irrigation, flood control and water resource management, water and wastewater.
- Results of the report confirms in numbers/figures the PIP Project diagnostic review findings about weaknesses of the capital budgeting in Azerbaijan, as well as stresses the timeliness of PIP Project SSDP discussions with central and line ministries, focusing on the importance of program - budget relation in the sector strategies development.
- Main infrastructure sector's investment profile projections might be useful for MOED Economic Policy Department's sector policy and PIP divisions, as well as Macroeconomic Forecasting and Analysis Division as a reference in sector development, sector investment as well as macro projections. However, partial coverage of the public investment sectors and absence of recurrent expenditure analysis in the report limits the importance for the latter.
- There are some discrepancies with the budget figures for 2005-2008 in the Table 2 of the report: as per the official information in 2005 only first time approved State Budget amounted to more than USD 2000 mln. and amended budget made up to USD 2300 mln., while in the report they are 1500 and 1600 USD millions respectively, while capital investment expenditures for 2005 are pretty close to the State Budget investment expenditures. Also in government capital expenditure projections for 2005-2008 amount of foreign financed investments were not taken into account (they were planned to be around USD 130 mln. in 2005).
- Comparison of projected public investment profile, which includes investments of SOEs (in ICT, AZAL) , with Public Capital Investments (Table 2), which in turn represents only State Budget investment expenditure and does not count for relevant foreign financing and SOEs investments, gives the partial picture, however overall direction of analysis rightly emphasizes the problem in program – budget relations.

Suggestions

- More analysis on fiscal constrains could complete and more clearly define the results of the study : calculation of total public expenditure limited by the share of non-oil fiscal deficit in non-oil GDP, projecting overall capital budget envelope

with this constrain and recommending appropriate policy action (follow constrains on deficit ceilings or use more oil revenues...).

- Analysis and projections of total public investment expenditures, including state budget capital expenditure, foreign financing (with separation to committed, and pipeline) and SOEs investments, would be useful to see the gap in public investment financing.
- As it is understood, the report was written prior to 2006 state budget approval, so it does not reflect an unexpected record in investment expenditure growth of about 4 times in 2006 State Budget, so it is worth to revise 2006-2008 investment expenditure in the Table 2 for more meaningful comparison.
- Inclusion of the remaining sectors investments profile projections could also contribute to the quality of the report.
- At the same time, to complete the overall budgetary consequences of the proposed sector programs and projects, recurrent expenditure implication of the proposed investments needs to be analyzed and projected.

As per the proposals of TOR for Recurrent Expenditure profiling (2006-20015), it might be appropriate if TOR could incorporate above said suggestions, as well as PIP Project Work Plan Task 13 a and b – review and evaluate the existing practice of analysis of recurrent expenditure implication of the capital spending proposals and propose improved procedures and practices, due to our involvement in coming PIP Project Training Program.

Attachment 6.

Azerbaijan Republic
Public Investment Program and Policy

MANUAL OUTLINES

1. Introduction

1.1. Objectives/purpose of the Manual

1.2. Essential Definitions

Technical details on project cycle, particularly details of cost-benefit analyses, project appraisal techniques, monitoring and evaluation technical details will not be provided by this Manual. However separate reference Manual will be developed for those technical details with appropriate examples and case studies on the bases of training materials to be developed as part of the PIP Project formal training program.

In this section definitions of the public investment policy, public investment programs and projects will be given. Coverage and the period of the PIPP and PIP will be defined. Project cycle elements and other investment project related definitions will be described.

2. Strategic planning and public investment policy

2.1. Strategic planning process: national and sectoral strategic development planning

2.2. Public investment policy

2.3. Linking planning, budgeting and investment policy and program

This section will describe proposed stages of the strategic planning (macro, sector and project planning) and their interrelations with more emphasis on the general public investment policy; relations with the recently developing State Program on Poverty Reduction and Sustainable Development and Regional Development Program. PIP Project technical notes on HPPC and SSDP could be used as a starting point. Idea and process of linking strategic plans, medium term budget and investment program needs to be described here as well.

3. Public Investment Program

3.1. Coverage of the PIP

3.2. PIP Classification[1]

3.3. PIP Preparation process

3.4. PIP Prioritization process and criteria

3.5. PIP discussion procedures

3.6. PIP approval

3.7. PIP implementation, monitoring and evaluation

3.8. Stakeholder participation in the PIP preparation

4. Public Investment Project Cycle

4.1. Overview of the project cycle

4.2. Project identification

4.3. Project preparation and negotiation

4.4. Project appraisal and approval

4.5. Project implementation

4.6. Project monitoring

4.7. Project evaluation (ex-post)

4.8. Stakeholders participation

Attachments[2]

Attachment 1: PIP timeframe

Attachment 2: Forms/examples of documents to be presented to MoED by LMs

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[1] For the purpose of integration with the budget, economic and functional classification of the budget could be applied in the PIP preparation, with expansion of the relevant items if necessary.

[2] Other attachments could be developed as needed.

QUARTERLY PROGRESS PLAN FOR THE PIPP MANUAL DEVELOPMENT

PIP Manual Sections/ Modules	Relevant Work Plan's Task	Q3/05	Q4/05	Q1/06	Q2/06	Responsible person
1. Introduction					X?	Durdag?
2. Strategic planning and public investment policy						
Proposal on the appropriate organizational and procedural arrangements to develop and update the sector development objectives, strategies and public investment policies within a SSDP	Task 5	X				Parinov
Procedural rules and regulations for the review and evaluation of sector development programs and sector MTEFs by MOED	Task 10d				X	Durdag
Organizational and procedural rules and regulations for the review and evaluation of sector capital spending programs and investment projects by MOED	Task 11d				X	Durdag
Proposal on the procedures for the cooperation between MOED and MOF on the overall formulation of capital spending	Task 12b		X			Durdag
Proposal on the procedures of recurrent expenditure implication of the capital spending proposals	Task 13			X		Hasanova
3. Public Investment Program						
Proposal on the procedures for monitoring and evaluation of the Public Investment Programs and Projects	Tasks 14b,c and 26b,c				X	Hasanova
Proposal on the procedures for identification, formulation	Task 15b,c			X		Parinov

and prioritization of the capital spending (investment) policies and projects						
Guidelines on the Participatory process	Tasks 7,17		X			Parinov, Hasanova
4. Public Investment Project Cycle (or alternatively: Public Investment Projects preparation, appraisal, implementation, monitoring and evaluation procedures)						
Project appraisal, preparation and negotiations procedures	Task 19, 23			X	X	Parinov
Proposal on the procedures for monitoring and evaluation of the Public Investment Programs and Projects in Central and Line Ministries	Tasks 14b,c and 26b,c				X	Hasanova
Guidelines on the Participatory process	Tasks 7,17		X			Parinov, Hasanova
Guidelines on the unit costs and user fees in the projects	Task 21			X		Durdag
First Draft PIPP Manual					X	Durdag
Final Draft PIPP Manual					Q3/06	Durdag

Attachment 7.

Draft 2007-2010 PIP Call Circular

Azerbaijan Republic
Minister of_____

Mr. _____

Pursuant to "Budget System Law", "Guidelines for Preparation and Implementation of State Budget" approved under the decree of Cabinet of Ministers (decree No.75, dated may 24, 2004), as well as Cabinet of Ministers' Decree No.18 S dated January 31 on "Timely Submission of 2007 draft state budget, along with socio-economic development concept and forecast indicators to the President of Azerbaijan Republic" (this decree was issued in relation with implementation of the Presidential Decree No.809 in 2002 on Application of Budget System Law), work on preparation of Draft 2007-2010 Public Investment Program (PIP) has started. To this end, please provide your comments and information pursuant to the explanatory notes and templates attached hereto, no later than April 20, 2006. These templates and explanations can be found on the official web-site of Ministry of Economic Development (www.economy.gov.az).

In addition, it should also be noted that Ministry of Economic development is continuously working towards improving PIP and making it an efficient policy instrument for identifying and implementing national and sectoral development goals and priorities, as well as ensuring compliance of the quality of investment projects to best international standards. This process is expected to be implemented in phases and as the first step, requirements on submissions for 2007-2010 PIP have been expanded. With the purpose of explaining these requirements and answering questions that might arise in various ministries, we would like to invite authorized staff of your ministry responsible for PIP and state budget projections to participate in a meeting at 10 a.m. on April 6, 2006 at MOED.

Attachments:

Attachment 1: Explanatory notes on Preparation of Draft 2007-2010 Public Investment Program (3 pages).

Template 1. Information on the Sector and Public Investment in the Sector (1 page).

Template 2. Public Investment Project Evaluation Form (5 pages).

Template 3. Information on capital expenditure items and expense items related to purchase of non-material (intangible) assets for 2006-2010 in State (1 page).

Template 4. List of projects to be constructed in 2007-2010 on funding from capital expenditure of state budget (1 page)

Sincerely,

H. Babayev

Appendix 1

Explanatory notes on Preparation of Draft 2007-2010 Public Investment Program

1. National, sectoral, regional and inter-project priorities of 2007-2010 PIP

This year Ministry of Economic Development is planning to further improve PIP and use it as an effective policy instrument for identifying and achieving National and Sectoral development goals and priorities for 2007-2010. To this end, all state enterprises are requested to submit following:

- Information on **all** capital investment expenditure requests for 2007-2010, irrespective of their funding sources (Template 1 part 2, Template 2);
- **Justification** of a request pursuant to medium and long term state development goals and priorities (Template 1 part 5);
- Copy of feasibility study for each project, if not submitted to MOED up to now;
- Copy of each project's approved cost estimate documents, if not submitted to MOED up to now;
- Copies of experts' opinion for each project.

Attached templates are expected to assist in preparation of submissions. In the event where the abovementioned information on projects is not presented, they **will not be considered** for inclusion in 2007-2010 Public Investment Program.

Submitted projects should be justified in accordance with following national, sectoral, regional priorities:

National Priorities for 2007-2010 Public Investment Policy and Program: in accordance with approved and pending National Programs GoAz considers advisable to direct investment to following spheres in 2007-2010:

- Projects supporting social sectors' development,
- Infrastructure projects supporting non-oil sector and fostering private sector investments,
- Regional and cross-regional projects eliminating inter-regional social-economic inequality,
- Projects creating new work places (fostering employment).

GoAz also is trying to pertain from investment in commercial sectors, attempting to attract private investors to such.

Cross sector priorities: 2007-2010 Public Investment Program will give preference to projects in following sectors:

- Education

- Health
- Infrastructure
- Irrigation

At the same time each sector should submit, with proper justification, five priority regions of Azerbaijan to the Ministry of Economic Development.

Priorities for pending projects: 2007-2010 Public Investment Program shall give preference to project particularly meeting following criteria:

- Project to be completed or which are close to completion (i.e. projects completed by 75% or more) in 2007;
- Project completed by 50%-75% or those meeting the abovementioned national, sectoral and regional priorities;
- Projects considered essential for implementation of other pending projects supporting above national, sectoral and regional priorities.

New public investment projects: New projects shall be selected to 2007-2010 Public Investment Program based on their technical, financial and economic analyses among those meeting national, sectoral and regional priorities.

2. Macroeconomic indicators used in public investment project assessment

Indictor	Measure unit	2006 expected	2007 forecast	2008 forecast	2009 forecast	2010 forecast
Nominal GDP	Mln. New AZM					
Actual GDP increase	%					
GDP deflator	%					
Average annual exchange rate	New AZM/US dollar					
Discount rate *	Annual %	12	12	12	12	12
Consumer rate index	Annual % variation/change					

*Rate used by the World Bank and ADB for projects funded in Azerbaijan.

3. Explanation regarding Template 1 (Public Investment Project Assessment)

External Funding Annual Disbursement scheduled by the Funding Agreement	Give the yearly disbursement plan if there is such a plan in the agreement. Otherwise, state the disbursement conditions given in the funding agreement.
Annual Utilization	Give the actual total utilization by the end of 2005 and the expected annual utilization in 2006 and beyond.
Project Analysis: Main objectives and anticipated results, outcome	The Project's expected contribution to Azerbaijan's development may have already been discussed in the Sector Development Program, and the Project's Feasibility and Appraisal Reports. If such reports do not exist or do not discuss all the required indicators, please provide your best estimates and comments on the listed indicators.
Project's Status	Indicate at what stage of the project cycle is the Project in. The

	project cycle is composed of the current following stages:
Project Analysis: Indicators	Net Present Value (NPV) is calculated through the formula: $\sum_{t=0}^{T} (Bt - Ct) \frac{1}{(1+i)t}$ where B and C represent the Project's benefits and costs, respectively, in a given year (t) during a period of a number of years (T=0.....n), equal to the project's construction time plus its economic life. "i" represents the discount rate used in transforming the future benefits and costs to their present equivalent values. Internal Rate of Return (IRR) is the particular rate of discount that equates the present value of the flow of net benefits during the economic life of the project to the present value of the total investment costs. It is calculated through the formula: $\sum_{t=0}^{T} \frac{Bt - Ct}{(1+r)t} = \sum_{t=0}^{T} \frac{Kt}{(1+r)t}$ where Kt represents investments in year and r the particular rate of discount (IRR) under which the equation holds true. Cost effectiveness aims at identifying the least cost alternative among a number of projects that will all produce the same outcome. Conversion ratio Other Financial/Economic Analysis: the above named indicators of the results of project analysis can be calculated by using market prices (financial analysis) or economic prices (economic analysis). It will be preferable to have calculated through both financial and economic analysis.

TEMPLATE 1

..... sector

Information on the Sector and Public Investment in the Sector

1. SECTOR OVERVIEW AND INFORMATION ON MAJOR PARTICIPANTS

1.1. Sector overview and the role of the sector in country's economic development;
1.2. Sector structure and major organization;
1.3. Sector's major goals and objectives and their linkage with SPPRED, RDP (2004-2008) and other State Programs;
1.4. Main government activities and service in the sector, and actual increase in their indicators for 2000-2005.

2. MAJOR IMPLEMENTED AND EXPECTED REFORMS AND EXISTING PROBLEMS AND EXPECTED REFORMS

3. MEDIUM TERM (2007-2010) SECTOR GOALSAND STRATEGIES AND INVESTMENT PROJECTS PROPOSED FOR ACHIEVING THESE GOALS:

Sector/sub-sector/goal	Strategies/ activities	Investment projects	Required funding					Outcome/results
			total	2007	2008	2009	2010	

4. USE OF PUBLIC INVESTMENT

4.1. sources and uses of investment funds attracted from external sources for 2000-2006 (according to Template 1.3);
4.2. Volume of investment expenditure from state budget to the sector for 2000-2006;
4.3. Sector's funding priorities and major funding sources of public investment (for 2000-2006);
4.4. final minutes and agreements of tenders held in 2005-2006;
4.5. list of crucial state projects suspended in past years (if any), their list, reasons for suspension and percent implemenated:

Project name	Total project cost	Amount paid	Resources needed for completion	Reasons for suspending implementation

TEMPLATE 2

PUBLIC INVESTMENT PROJECTS EVALUATION FORM

2.1 Project background information

Sector	
Agency	
Name	
Number	
Location	
Inception/Completion date	Start: End:
Goods/services	
Capacity	
Project staff responsible for following: -Preparation -Approval -Contact person	Name: Position: Telephone Email: Date:
Priority level of the project	1. Urgent 2. Necessary 3. Required Priority justification:

PUBLIC INVESTMENT PROJECT EVALUATION FORM

2.2 Funding projection for 2007-2010 by sources (capital expenditure/investment demand)

(AZN)

Funding source	Total project cost	Actual Payment amount by end 2005	2006 approved/ identified amount	2007 estimate	2008 estimate	2009 estimate	2010 estimate
State budget							
Own funds							
Foreign loan							
Other*							
Total							
Exchange rate of AZN/USD							

* If any, other funding sources of the project (e.g. internal bank loan, grant) should be indicated in detail.

PUBLIC INVESTMENT PROJECT EVALUATION FORM

2.3 Foreign funding projection of the project for 2007-2010

(USD)

Country/Institution Providing External Funding*							
Date of Effectiveness							
Type (Grant, Loan, Equity)							
Total Amount							
Repayment/Grace Period							
Interest Rate							
Annual amount payable per funding agreement Total GoAz's share Foreign funding	Cumulative	As of 2005	2006	2007	2008	2009	2010
Annual utilization Total GoAz's share Foreign funding	Cumulative	Used as of 2005	2006-expected	2007	2008	2009	2010
Average annual exchange rate of other foreign currency received in relation with US dollar**		As of 2005	2006	2007	2008	2009	2010

* If there is more than one external funding please fill in additional parts of this form.

** Please fill for funds received in foreign currency other than US dollar (euro, japanese yen)

PUBLIC INVESTMENT PROJECT EVALUATION FORM

2.4 Pending/recurring project implementation report

(Current/Project price)

YEAR*	Planned resources			PIP approved resources			Revised PIP appropriation			Actual paid amount under PIP			Actual project costs			Realization %**
	Internal	External	Total	Internal	External	Total	Internal	External	Total	Internal	External	Total	Internal	External	Total	
2000																
2001																
2002																
2003																
2004																
2005																
2006 (expected)																
TOTAL																

*Please add rows if necessary

** Realization (%) = (Actual project expenditure/Planned project resources) X 100

PUBLIC INVESTMENT PROJECT EVALUATION FORM

2.5 Project justification and analysis summary

Strategic Context of Project*	-Linkages/relations to SSDP, SPPRSD and SPSEDR; -Contribution to Production in non-oil sectors; -Contribution to Employment in non-oil sectors; -Contribution to new technology; -Environmental impact and related investment; -Economic Life of the Project.
Project's Current Status *	
Current and Anticipated Issues, Problems and Proposed Measures*	
Major project analysis indicators**	Financial Economic -Net Present Value (NPV) -Internal Rate of Return (IRR) -Cost effectiveness analysis (particularly, for social sector projects)

* Please expand the row as much as needed

**Submit the supporting documentation

TEMPLATE 3

Information on Capital Expenditure and Intangible Asset Purchase Items of State Budget for 2006-2010*

SECTOR:

AGENCY: at prices

ACTIVITY OVERVIEW (annual)	BUDGET FUNDED	EXPECTED OUTCOME
2000 (implementation)		
2001 (implementation)		
2002 (implementation)		
2003 (implementation)		
2004 (implementation)		
2005 (implementation)		
2006 (EXPECTED)		
2007 (projection)		
2008 (projection)		
2009 (projection)		
2010 (projection)		

* This table should include information on expenditure related to items 282200 and 310000 of "Economic Classification of Budget Expenditure" under Single/Unified Budget Classification

TEMPLATE 4

List of objects to be constructed with investment from state budget in 2007-2010

(AZN)

No.	Project name	Project capacity	Total project cost					realization as of 01.03.2006			residue expected as of 01.01.2007			2007 program			demand at 2008-2010 contractual prices			Contractor agency	Note
			Basis price*	Conversion factor*	Estimate price*	Contractual price, total	Construction work at contractual prices**	Capacity	Basis price	Contractual price	Capacity	Basis price	Contractual price	Capacity	Basis price	Contractual price	2008	2009	2010		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22

* Foreign funded projects are excluded

** Construction works

Attachment 8.

Preliminary List of Participants of the Study Tour in Ankara, Turkey June 26-30, 2006

No	Names	Positions	Agencies
1	Ogtay Hagverdiyev	Head of Economic and Financial-Credit Policy Dept.	Cabinet of Ministers
2	Ilgar Fatizade	Deputy Minister	Ministry of Finance
3	Rafig Huseynov	Acting Head of Projects' Financial Appraisal Dept.	Ministry of Finance
4	Mikayil Jabbarov	Deputy Minister	Ministry of Economic Development
5	Shahin Sadigov	Head of Economic Policy and Forecast Dept.	Ministry of Economic Development
6	Khagani Abdullayev	Monetary Policy Dept. Director	National Bank of Azerbaijan
7	Firdovsi Aliyev	Deputy Minister	Ministry of Ecology and Natural Resources
8	Fizuli Ismayilov	Head of Finance and Accounting Division	Ministry of Ecology and Natural Resources
9	Hafiz Humbatov	Head of Financial Department -Chief Accountant	Ministry of Industry and Energy
10	Ruslan Abdulalimov	Head of Investment and Technical Programs Dept.	Ministry of Culture and Tourism
11	Mete Durdag	COP	PIP Project
12	Sevinj Hasanova	Public Finance Expert	PIP Project
13	Linda Decker	Resident Budget Advisor, MOF	US Department of Treasury/ Budget Project
14	Farida Babayeva	Project Assistant	US Department of Treasury/ Budget Project

Attachment 9.

Program Materials on the Training of Trainers
April 3-6, 2006

Course Objectives

General Objective of the Course:

Provide training design and delivery skills to current local PIPP trainers to enhance their capacity to deliver current PIPP curriculum.

Specific Objectives:

At the end of the session, participants will be in capacity to:

1. Describe effective adult learning techniques and explore ways to apply them in current PIPP courses
2. Describe the elements and value of the Experiential Learning Cycle and apply these elements in current PIPP training sessions
3. Define specific training skills required to successfully deliver PIPP training and discuss ways to use facilitation skills to:
    - Conduct effective interactive meeting s and sessions,
    - Elicit participation when delivering interactive presentations/lecturettes;
    - Generate interaction among participants;
    - Guide learners through an experiential session.
    - Choose experiential learning methods appropriate for the content to be learned.

PIPP TOT Agenda

Hours	April 3 3:30 to 6:00 p.m.	April 4 3:30 to 6:00 p.m.	April 5 1:30 to 3:30	April 6 9:00 a.m. – 12 m.
2.5 hour	Welcome & Getting Started Course Objectives, Schedule & Guidelines Reflection on adult learners and their characteristics The Experiential Learning Cycle/ practice 8 Design Components of an Experiential Module	Applying the 8 components of an Experiential Module to a PIPP training module Facilitation Skills Presenting Content Interactively Co-training Practice preparation	Practice Preparation Practice 2 groups Feedback and learning from practice	Practice 2 groups Feedback and learning from practice Loose Ends and Unanswered Questions Course evaluation Closing

List of TOT Participants

No.	Names	Positions
1.	Bagish Ahmadov	Head of Analytical Department, CER/MOED
2.	Elvin Afandi	Senior Specialist, CER/MOED
3.	Faig Jamalov	Leading Specialist, CER/MOED
4.	Firdovsi Rzayev	Head of Education Department, CER/MOED
5.	Rauf Rzayev	Leading Specialist, CER/MOED
6.	Shovgi Guliyev	Senior scientific Researcher, CER/MOED
7.	Yashar Mammadov	Advanced Researcher, CER/MOED

Getting Started Activity

- Help participants make the transition from their daily routine and behaviors into a positive learning environment
- Provide us an opportunity to get to know one another better
- Begin the process of reflecting upon and discussing the themes of the training program
- Reinforce the participatory methods to be used in the program
- Provide a chance to be creative and have fun while learning

Individual Task:

Think about your role in delivering effective training events/ experiences or in teaching.

- What have helped you to be effective?
- What are your biggest challenges in being effective?

Effective Adult Learning

- Makes explicit links between real world and content.
- Is participatory – provides opportunities to share or contribute ideas.
- Includes practice in the use of skills or of frameworks.
- Integrates and makes links between sessions/topics.
- Uses a mix of methodologies.
- Matches method to content in ways appropriate for the learning you are trying to achieve.
- Challenges participants to be analytical.
- Helps participants identify the relevance/importance/applicability to their work.
- Balances individual and group context for learning.
- Supports theoretical frameworks with concrete examples.
- Provides materials/resources that eliminate obstacles to learning.

Teaching and Training

- What are the main similarities between teaching and training?
- What are the main differences?
- You have 10 min.
- Be ready to report out.

Teaching and Training

Similarities: Teaching and training both required good presentation skills. There are lectures in both with different approaches.	
Differences	
Teaching • Teacher oriented • Knowledge is mostly delivered by teacher. • Look for measurable behavior • Knowledge acquisition is emphasized • Objectives are measured in terms of knowledge given • Structure of content directed towards the subject • Delivery is based on methods to achieve measurable results	**Training** • Learner oriented. • Knowledge is discovered by the learner with support from the trainer. • Look for attitudes and behavior • Interpersonal and self directing competencies are emphasized • Objectives are measured in terms of learning required • Structure of content directed towards the learners and the situation • Delivery is based on methods to enhance analysis, judgment, and problem solving skills

Teaching versus Training

	Teaching	**Training**
Underlying Philosophy	1. Knowledge is passed from the teacher to the learner. 2, Organizations are improved through technical advances. 3. Instruction is teacher oriented.	1. Knowledge is discovered through mutual investigation of problems and issues. 2. Organizations are improved by developing the resources and allowing learners to direct their own capabilities. 3. Instruction is learner oriented.
Assessment of Needs for and Results of Instruction	1. Observable, measurable behavior is examined.	1. Attitudes as well as behavior are examined.
Learning Objectives	1. Measurable and precise behavioral objective are required. 2. The acquisition of information is emphasized.	1. Degree of precision in objectives is tailored to what is being learned. 2. Interpersonal and self-directing competencies are emphasized.
Content	1. Technical knowledge and skills, psychomotor skills, languages, mathematics, and science are appropriate content for teaching.	1. Interpersonal and other kinds of skills requiring some degree of analysis and judgment, managerial skills, and the arts and humanities are appropriate content for training.
Learning Methods	1. The structure of the content is oriented toward the subject. 2. Programmed learning, lecture, and audiovisual	1. The structure of the content is oriented toward the learners and the situation. 2. Discovery learning methods are used.

	methods are primarily used. 3. Delivery is based on presentation and participative methods that are designed to produce the prescribed, measurable result.	3. Delivery is based on presentation and participative methods that are designed to enhance skills of analysis, judgment, and problem solving.

From Margolis & Bell, ***Instructing for Results***

The Experiential Approach to Training [1]
By: James A. McCaffery

Introduction

Experiential learning is exactly what the name implies -- learning from experience. The experiential approach is learner-centered and allows the individual trainees to manage and share responsibility for their own learning with their teachers. Effective training strategies which incorporate experiential learning approaches provide opportunities for a person to engage in an activity, review this activity critically, abstract some useful insight from the analysis, and apply the result in a practical situation. (Gudykunst and Hammer, 1983, provide a brief historical review of the experiential approach.)

A graphic representation of the model is presented below and may be applied to cross-cultural training in the following ways:

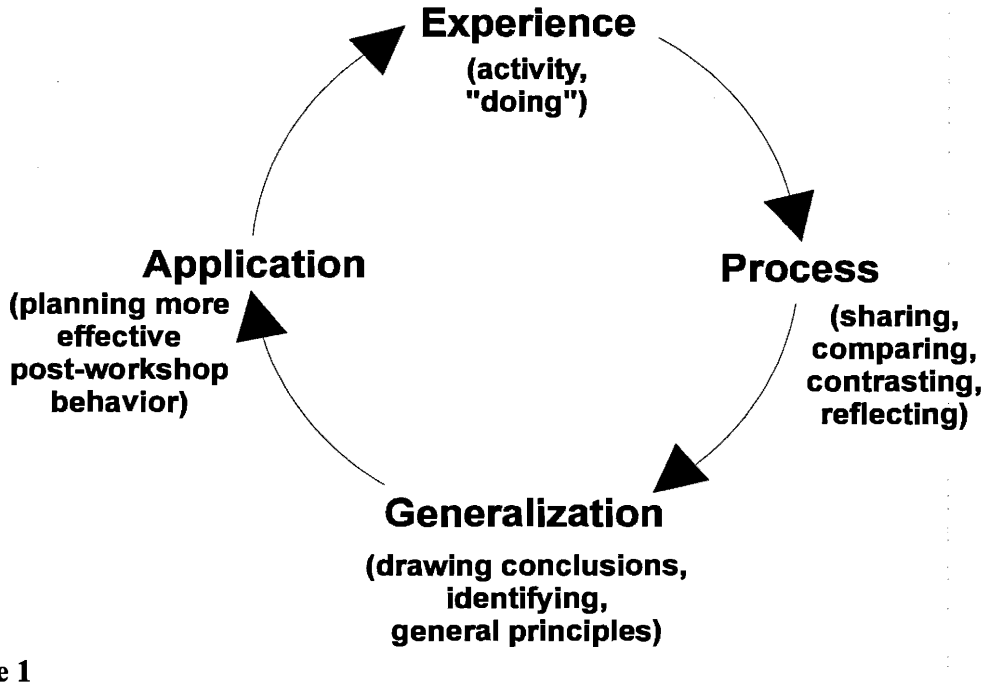

Figure 1

The Experiential Model

[1] This is an excerpt from a paper entitled, "Independent Effectiveness: A Reconsideration of Cross-Cultural Orientation and Training." *International Journal of Intercultural Relations* Vol. 10 (1986): 159-178.

Experience

The experience phase is the initial activity and the data-producing part of the experiential learning cycle. This phase is structured to enable participants to become actively involved in "doing" something. Doing, in this instance, has a rather broad definition, and includes a range of activities like the following:

case studies
role plays
simulations
games
lecturettes
films and slide shows
skill practice
completing an instrument
living with a family from another country

This sample list indicates that the range of training techniques varies from the more passive and artificial (lecturette) to the more active and real (living with a family). Exactly which technique one chooses as an educational activity would depend largely on the session goals.

Process

Once the experience stage is completed, the trainer or instructor would guide the group into the process part of the cycle. During this phase, participants reflect on the activity undertaken during the experience phase, and they share their reactions in a structured way with the whole group. This may happen on an individual basis, in small work groups, or in a full training group. Individuals share both their cognitive and affective reactions to the activities in which they have engaged. In addition, with trainer assistance, they try to link these thoughts and feelings together in order to derive some meaning from the experience.

The trainer's role as facilitator is very important during each phase of the cycle. During the process phase, he/she should be prepared to help the participants think critically about the experience and to help the participants verbalize their feelings and perceptions, as well as draw attention to any recurrent themes or patterns which appear in the participants' reactions to the experience. The trainer's role involves helping the participants to conceptualize their reflections on the experience so that they can move toward drawing conclusions.

Generalization

The generalization stage is that part of the experiential learning cycle in which the participants extract conclusions and generalizations which might be derived from, or stimulated by, the first two phases of the cycle. During this phase, participants are helped to "take a step back" from the immediate experience and discussion, and to think critically in order to draw conclusions that might be generalizable to "real life" or to a particular theoretical construct. This stage is perhaps best symbolized by the following questions:

- What did you learn from all this?
- What more general meaning does this have for you?

The trainer or instructor structures this part of the experiential learning model so that participants work alone first, and then guides them into sharing conclusions with each other so that they may serve as catalysts to one another. In addition, the trainer helps to facilitate this step by:

- Asking and helping individuals to summarize what they have learned into concise statements or generalizations.
- "Pushing back" at people to help make their thinking more rigorous.
- Relating the conclusions reached and integrating them into a theoretical model.
- Making sure, within reasonable time boundaries, that everyone who wishes to share significant insights gets a chance to contribute.
- Helping the group compare and contrast different conclusions, identifying patterns where they exist, and identifying legitimate areas of disagreement.

Application

After participants have done some focused work generating generalizations, they are guided into the application stage. Drawing upon insights and conclusions they have reached during the previous phase (and other phases), participants incorporate what they have learned into their lives by developing plans for more effective behavior in the future. In an ideal educational or training event, participants would be able to apply what they have learned immediately after the workshop ends. The applications that they plan may relate to their profession, their personal life, or their student efforts, depending on the background and needs of specific participant groups.

Techniques used to facilitate the application stage include the following:

- Individual work to develop a thoughtful action plan which puts "thought into action".
- Participants review each other's plans, and provide consultation and help as appropriate to each other.
- Some parts of individual plans might be shared with the whole group in order to create a sense of synergy.
- Participants identify other learning needs.

One of the ways the trainer assists during this process is by helping participants be as specific as possible in developing their application plans.

Conclusion

It is important to stress one other point about the experiential model. The exact nature of each phase of the model is driven by the goals of the training or orientation session/program. Once the goals are defined, then the session can be designed using the model as the framework.

In order for this model to be effective, it needs to be rigorously applied, both in the design and delivery stages. "Experiential training or learning" is a phrase often heard in the educational and training world; yet, it is frequently misused in practice where it seems to mean letting people participate in a presentation, having a question and answer session after a lecture, or a role play or case study *by itself* without the subsequent steps in the model. Most frequently, the generalizing and application stages are simply left out of the design or the program; as a result, the power of experiential learning is significantly diminished or is negated altogether.

Although the model, when correctly explained, looks very clear, the way it works out in practice is not always as clear. There are transitions between phases, and occasionally (especially if the trainer is going too fast), the group will return to a phase until it is "finished." Also, individuals in the group may not approach the learning process in such a linear fashion, and that is perfectly legitimate. The model is meant to serve as a guide for the trainer or instructor who is trying to design and carry out an educational experience for a group.

Task

Using the ELC as a reference:

- Identify these 4 elements in one of the PIPP sessions
- Take 10 minutes
- Be ready to share your responses

Design Components of an Experiential Session

1. Climate Setting

Stimulates interest, curiosity, induces participants to begin thinking about the subject at hand. Provides a basis for the presentation of session objectives by drawing out reasons for the need to explore the subject and how it will be useful to them. It also produces valuable data about the participants' experiences or viewpoints on a given subject, generating examples to which the trainer can refer during the rest of the session:

- Greet people as appropriate, putting people at ease.
- Ask questions related to the subject, and particularly to participants' experiences related to the subject.
- Link this training session to previous ones and place it into the overall framework of the workshop.

2. Objective Clarification

Presents to the participants statements that describe the intent, aim or purpose of the training activity. "Sells" the session to participants by linking to points discussed in the climate setting activity and in pre-course needs assessment conversations so that they see the relevance to their work or other real-life situation. Provides opportunity for participants to seek clarity on objectives, add additional issues or raise concerns:

- Write legibly, explain clearly with a rationale, and keep in view during the entire session.
- State in the objectives what the learner will be able to do or say using action verbs and make sure they are measurable, realistic and time-bound.

3. Interactive Presentation

Provides a framework, either a theory or a model, which becomes a basis for the experience that follows:

- Make a short, concise presentation centered around a few key points using examples to which participants can relate, ending with a summary.
- Pose questions to the group.
- Supplement the presentation with visual aids and handouts.

4. Experience

Provides opportunities for participants to "experience" a situation that simulates a real life situation. It is aligned with the objectives of the training session and usually builds on the interactive presentation. This "experience" becomes the data producing event from which participants can extract and analyze as they complete the learning cycle:

- Use "experiences" such as case study, critical incident, skit/drama, role play, skill practice, demonstration, small group task, team challenge, site/field visit, exercise, simulation, paper and pencil instrument, etc.
- Structure the experience with a road map that follows an appropriate delivery sequence.
- Give clear task instructions, related to the objectives of the session, which will guide the processing phase.

5. Processing

Causes participants to reflect on the experience, to think critically about it, and to share their reactions in a structured way with the whole group. It usually starts by looking at the task given for the experience, focusing on the content, the result. Then it continues with the comparing and contrasting of different approaches or ideas, guided by carefully prepared questions. It is also a time to help participants explore what happened when they tried to do the task, what was easy, difficult, and why. Finally it is also an opportunity to challenge participants to think about other ways they might have approached the task, and what the impact might have been on the result:

- Structure a report out discussion that focuses on the content.
- Lead a discussion in which the experience is analyzed and reflected on thoughtfully by the group.
- Help people share their individual experiences and reactions to the experience on an affective level.
- Challenge people to think of alternative approaches or results.
- Make a transition away from the experience so that participants are ready to generalize.

6. Generalizing

Extracts conclusions and generalizations derived from or stimulated by the previous phases of the cycle, linked to the objectives of the session. Helps participants step back from the

experience and discussion, identifying patterns related to everyday life or to a theoretical construct.

- Ask open-ended questions that help participants think critically in order to draw generalizable conclusions.
- Help individuals summarize what they learned into concise statements.
- "Push back" to help make their thinking more rigorous.
- Record responses both to generate further discussion and to give people material they can use in application planning.

7. Applying

Draws upon insights and conclusions they have reached during the previous phases to incorporate into their lives for more effective behavior in the future:

- Ask questions that encourage participants to place themselves in their everyday life situations and identify what they will do better/differently as a result of what they have learned.
- Help people establish a time line for their application plan and identify people who can help support and monitor their progress.

8. Closure

Briefly summarizes the events of the training session. Links back to objectives and seeks to determine if they have been met. Wraps up training session and gives a sense of completion. Links session to rest of program especially upcoming sessions:

- Summarize the main points and learning of the session.
- Review the objectives.
- Conclude, or provide a bridge to the next session.

Examples of Processing Questions:

- What are your observations about _____?
- Where did you have difficulties?
- What surprised you?
- What worked?
- What strategies were used?
- What were turning points?
- How does what you said relate to ... or differ from...?
- What would have been a different way of looking at_____?
- What are some similarities that you notice in what people have said?
- What were your reactions?
- How did you feel about?

Some Sample Generalization Questions

- What have you learned about...?
- What conclusions about _____can we draw from this?
- What general advice could we give about _____?
- What principles can we develop from this?
- What are some significant points to remember from this section of the course On _____ ?
- From this session, the readings and the discussions we have had all week, what insights do you now have about _____?
- If you were to synthesize all that we have been addressing in this unit, what would you say are the two most important conclusions you have reached about _____?

Some Sample Application Questions

- How can you apply _____?
- How can you use _____?
- As a result of our work on _____, what will/can you now do differently when you return to your job?

- Identify at least three "ways" that you will/can become more effective at _____?
- What do you still need to work on during the rest of the course?
- What are some ways that you can change your approach at work?

Choose two things you will work on when you return to your job...identify how you will undertake these activities...how you will know if you are being successful at them (in whatever ways you are currently defining success).

Reflection Day One

- What has been one important learning of the day?
- Thinking on the upcoming training program, what is one thing you would like to do different as a result of this day?

Co-Training/Facilitation, Team Teaching...
What Is It?[2]

Co-training is where two or more (usually two) trainers work together to design and conduct a training session; however, it is much more involved than taking turns. It is two trainers who are merging their skills, expertise and experience to design, plan, and conduct a training session or program jointly, allowing the synergistic effect to contribute to a better product than either would have done alone.

The two trainers work collaboratively to design the training session, combining the thoughts of both to determine what they want this session to accomplish and what would be the best methods to use. Once the design is prepared, the trainers then plan who takes the lead for delivering which parts of the session.

Taking lead responsibility means that one trainer has responsibility for leading the group through that particular part of the session. While one trainer carries lead responsibility, the co-trainer supports the lead trainer in many of the following ways:

- adding relevant points to augment discussion;
- stepping in to clarify points;
- asking probing questions the lead trainer might have overlooked;
- monitoring small group tasks;
- writing participant contributions on flipchart;
- helping respond to participant needs or requests;
- listening for points to which he/she can refer later when in lead trainer role;
- preparing for a smooth transition from one trainer to the next.

Typically, lead responsibility would shift from trainer to trainer during the course of a workshop. This is a good way to establish with the group the co-equal status of the two trainers.

[2] Copyright 1995. All rights reserved. Adapted from McCaffery, J. and Gormley, W. "Guide to Co-Training". 1988: Training Resources Group. Alexandria, VA

When two trainers work well together, the interchange of roles and the timing and pacing of their interventions happens in a way that is fluid and almost unnoticed by participants.

A Co-Trainers' Guide

Preparing

1. Discuss and share any knowledge or expectations you have about the participant group.

2. Discuss who will take lead responsibility for delivering particular pieces of the workshop.

3. Decide where the co-trainer will be when the lead trainer is up-front.

4. Agree on ways you can intervene if time is getting tight.

5. Decide how you will handle the following as a team...

    (a) over-talkative participants

    (b) late-comers

    (c) times when one trainer misses an instruction or makes a design error

    (d) silent participant

    (e) "housekeeping" problems

    (f) co-trainer interventions (i.e., when lead trainer is up front and co-trainer intervenes)

    (g) design problems that crop up during a session

    (h) disagreements between trainers in front of group

    (i) the amount of time you expect to spend each evening preparing for the next day.

6. Identify any specific items around which you would like feedback from your co-trainer

Participant's Resource Manual

Reviewing the 8 components in the PIPP materials

- Review the module you picked from the PIPP training.
- Construct a demonstration design that will cover all 8 components (do it in outline form). If you are unsure or have any questions, please raise your hand so we can help.
- Prepare to describe the steps using a flipchart.
- You have 15 minutes.

Processing questions:

- What was it like to do the design using the PIP materials?
- What components are easier to identify?
- What components are the most difficult to identify?

Facilitation Skills For Trainers [3]

By James A. McCaffery

Introduction

Facilitation skills are important for everyone, but are especially critical for trainers. Communication may appear to be simple, but it is one of the more complex things that human beings do. Many things can go wrong in this process. For example, we may send a message that we think is clear, while the person receiving it may not understand it in the way it was intended. Sometimes we have things on our mind, we are distracted and do not "hear" or listen very carefully.

Although the range of communication activities and the skills involved encompass most of human interchange, there are four very important facilitation skills that a trainer can learn or enhance in a relatively short time: question asking, summarizing, paraphrasing and encouraging. With continued practice one may become very adept in their use.

Question Asking

Question asking is a critical trainer skill. Questions can be asked in two ways □ as closed questions and as open-ended questions.

Closed Questions

Closed questions generally result in yes/no or other one-word answers. They should only be used when you want precise, short answers. Otherwise, they inhibit discussion. The closed question can be answered with one word.

Example:

Trainer: *Do you think that recommendation will work?*
Participant: *No.*

Open-ended Questions

The open-ended question requires elaboration. "Tell me what you liked about that recommendation" seeks information. "How? What? Why?" are words that begin open-ended questions.

Trainer: *What did you like about that recommendation?*
Participant: *I think it is a good strategy for resolving the issue, one that can be Implemented without expending a lot of resources.*

Trainer: *What kinds of goals did the group set?*

Participant: *They set a wide range of goals. The first was...*

Summarizing

The purpose of summarizing is to:

- Pull important ideas, facts, or data together.
- Establish a basis for further discussion or to make a transition.
- Review progress.
- Check for clarity; check for agreement.

By using summarizing in a conversation, you can encourage people to be more reflective about their positions as they listen for accuracy and emphasis.

Summarizing requires you to listen carefully, in order to organize and present information systematically. Summarized information ensures that everyone in the discussion is clear about what transpired in the just-completed portion of the discussion.

For example, a trainer may summarize to ensure that participants remember what has been said or to emphasize key points made during a group discussion. In these instances summarizing is very useful. Some starter phrases to help you begin a summary are:

- *There seem to be some key ideas expressed here...*
- *If I understand you, you feel this way about the situation...*
- *I think we agree on this decision. What we are saying is that we intend to....*

A real value of summarizing is that it gives you the opportunity to check for agreement. If people do not agree, it is better for you to know during the discussion than to find out later when a task is not completed or a deadline is missed. One of the most common complaints is that some participants think an agreement has been reached; yet things do not occur as planned afterwards. In many instances, that is because there was not really agreement during the discussion.

As an example of summarizing, assume that someone named Joan has talked for 3 or 4 minutes, and you summarize as follows:

> *Let me see if I have it straight, Joan. First, you say the work is boring, not carefully scheduled, and finally, you are concerned about the number of hours people are expected to work, correct?*

As another example, the discussion has gone on for several minutes and you summarize as follows:

In talking about this issue, we have come up with three main points. . .

In summary, this communication skill is a deliberate effort on the part of a trainer to pull together the main points made by the person or persons involved in the discussion.

Paraphrasing

Paraphrasing is simply restating what the other person has said in your own words. The prefix para means along side, as in the word parallel.

The process of paraphrasing is very much like catching a ball and throwing one back; except the ball you throw back is your own and perhaps a bit different from the original ball. Nonetheless, it is still a ball. You can throw back the other person's ideas by using such beginning phrases as:

You are saying...

In other words...

I gather that...

If I understood what you are saying...

The best way to paraphrase is to listen very intently to what the other is saying. If, while the other person is talking, we worry about what we are going to say next or are making mental evaluations and critical comments, we are not likely to hear enough of the message to paraphrase it accurately.

It is helpful to paraphrase fairly often, so that you develop a habit of doing so. You can even interrupt to do so, since people generally don't mind interruptions that communicate understanding. For example, "Pardon my interruption, but let me see if I understand what you are saying..."

Example:

Participant: *It seems the basic problem is that some of the people don't know how to use the management information system,*

Trainer: *In other words, you see the problem as lack of know-how.*

Another example:

Participant: *I think the most important thing is to tell the staff member clearly and directly how he is contributing to the problem.*

Trainer: *So you are saying it's important to tell the staff member directly what kind of impact he is having on the problem.*

Encouraging

In order for the above facilitation skills to be successful they need to be supported by a number of other encouraging facilitation skills, some verbal, some non-verbal. The trainer, through facial expressions, body language, and comments, encourages the speaker to say more about the situation. Examples are:

- Nodding one's head.
- Picking up on the last word or two of someone else's sentence.
- Repeating a sentence, or part of a sentence.
- Asking someone to say more about that.
- Saying: "That's good -- who else has something to add?"
- Maintaining eye contact, open body position.
- Saying "Uh huh."

Suggested Open-ended Questions - Clarifying and Exploring

1. **Background**
- What led up to _____?
- What have you tried so far?
- How did it happen?
- What do you make of it all?

2. **Identification of Problems**
- What seems to be the trouble?
- What seems to be the main obstacle?
- What worries you the most about ?
- What do you consider the most troublesome part?

3. **Example**
- What examples can you give us?
- For instance?
- Like what?
- What is an illustration you can give us?

4. **Description**
- What was it like?
- Tell me about it.
- What happened?
- How might you describe it in your own words?

5. **Appraisal**
- How do you feel about it?
- How does it look to you?
- What do you make of it all?
- What do you think is best?

6. **Clarification**
- What if this doesn't make sense to you?
- What seems to confuse you?
- What do you mean by _____?
- What do you make of it all?

7. **Alternatives**
- What are the possibilities?
- If you had your choice what would you do?
- What are the possible solutions?
- What if you do and what if you don't?

8. **Exploration**
- How about going into that a little deeper?
- What are other angles you can think of?

9. **Extension**
- What more can you tell me about it?
- Anything else?
- What more you would like to discuss?
- What other ideas do you have about it?

10. **Planning**
- How could you improve the situation?
- What do you plan to do about it?
- What could you do in a case like this?
- What plans will you need to make?

11. **Predictions and Outcomes**
- How do you suppose it will all work out?
- Where will this lead?
- What if you do - or what if you don't?
- What are the chances of success?

12. **Reasons**
- Why do you suppose you feel this way?
- How do you account for this?
- What reasons have you come up with?
- What is the logical solution to this?

13. **Failures, Preparation for**
- What if it doesn't work out the way you wish?
- What if that doesn't work?
- And if that fails, what will you do?

- What are some alternatives?

14. Relation

- How does this fit in with your plans?
- How does this affect your work?
- How does this stack up with your picture of yourself?
- How do the two plans relate?

15. Evaluation

- In what way?
- How is this for you?
- According to your own standards, how does it look?
- How would you evaluate all of this?

Presenting Content Interactively
Making Interactive Presentations

Adults prefer short, concise presentations when acquiring new information or when learning a new theory or framework. Their prime listening time ranges from 10 to 20 minutes; therefore it is best to make the most out of that period of time, and that does not mean dumping as much information as possible in a few minutes. It means making a careful selection of what will truly add value from the learner's perspective and distilling the essence from the material in order to generate the greatest possible impact.

Adults have a need to interact quickly with new material in order to relate what they are learning to their life experiences; therefore, they appreciate the opportunity to respond to questions that help them draw on their experience. Furthermore, adults benefit greatly from listening to the responses of their fellow learners. They also want to hear examples to which they can relate, that help them make comparisons with their own situation and to begin visualizing and internalizing the material. In order to absorb and retain information, adults need to see the material summarized in a way that is clear, simple, brief, and attractively presented.

These needs present challenges to trainers, who are often confronted with the pressure of conveying a large amount of information in a short period of time. There always seems to be too much and the decisions are not easy about what to present and how.

What you need to think about as you prepare your presentation

1. Determine how the presentation fits with overall session objectives:

- Why the presentation is important to this group of participants.
- How it builds toward the experiential activity that follows.
- The learners level and experience with the subject matter.

2. Organize the content and structure the presentation:

- Identify the key points of the presentation.
- Decide what visual aids you plan to use and how to present them.
- Devise a plan for starting the presentation.
- Choose examples that will enrich the content.
- Prepare questions to ask participants.
- Anticipate questions or issues participants may raise.
- Plan how you will conclude and make a transition to the next part of the session.
- Practice and check the timing to make sure the presentation is not too long.

What you need to think about during your presentation

- Make sure everyone can hear you and see you - show your interest in the material by varying your voice tone and using open gestures.
- Monitor how much you are talking and how much time you are giving the participants to interact.
- Use all of the facilitation skills including asking questions, paraphrasing, summarizing, and encouraging.
- Keep track of your visual aids and keep the principal ones accessible and visible throughout the presentation.
- Pace yourself so that the presentation does not use up the time you want to devote to the experiential activity that follows.

Some techniques for making your presentations more interactive

1. Pose questions to the group. Facilitate the group to answer the question rather than answering it yourself.
2. Create discussion points in your presentation. Pick something that is an important learning point; ask the group their opinion. Get part of the group to analyze it from one direction and another part of the group from the opposite. Facilitate participants as they present their views to one another. You can then give your opinion.
3. Give problems to solve. Have the participants work out the problem individually. Then ask for answers. Take several. Add your input to theirs.
4. Occasionally give participants short (one, two or three pages) content pieces to read and then discuss it.
5. Have participants turn to the person they are sitting next to and think through a problem or an issue. Then ask for several responses. Add your input to theirs.
6. Ask the participants questions, draw points out of them. Let this make up the basic content of your presentation.

Facilitating Plenary Discussions

In delivering effective training, there are a number of occasions when it is important to draw upon facilitation skills. One such occasion is in facilitating plenary discussions. Plenary discussions are discussions that the trainer leads with the whole training group. They can occur during a presentation or experience, when processing and generalizing experiences, and when a decision needs to be made by the group. Facilitating a plenary discussion can be challenging because the trainer needs to make sure that everyone is participating, that the necessary points are being made or drawn out of participants, and that the discussion stays focused and is appropriately timed – all at the same time. The following outlines some tips for facilitating effective plenary discussions.

A. Planning and Preparation

Although you cannot predict what people are going to say during a plenary discussion and the exact flow of the conversation, it is still very critical that you do some preparation for the discussion. The kinds of things you want to pay attention to in planning include:

- Timing: Consider how much time you can allot to the discussion given where you are in your training program.

- A clear idea of the kinds of points you want to be made: This links back to your objectives for your module or program. If it is a processing segment, what do you want them to discuss about the experience? If it is a discussion of content, what is the focus of the subject area? How far can you let the topic go off subject in the case that it does?

- Creating open-ended questions to keep the discussion going: Once you have a clear idea of the points you want to be made, create some open-ended questions that will help your participants get there. Have a number of probing questions prepared based on different directions the discussion may take. Anticipate responses and difficulties: Assume that because people are not robots and are filled with differences, there will probably be points in the discussion where it does not go where you want it to go, and/or there is some disagreement. Think through what these scenarios might be, and how you would handle them.

B. During the discussion

If you have done some thoughtful planning and preparation, the discussion is sure to go more smoothly. In addition, there are certain things you need to pay attention to during the discussion.

- Using your facilitation skills: We discussed the use of open-ended questions above – weave them into the conversation where appropriate. In addition, paraphrase comments that are made throughout the discussion to ensure that everyone understands, people feel heard, and to keep a person from talking too much. Finally, your encouraging behaviors will help people to speak up – especially those who are less comfortable speaking in the larger group.

- Calling on a number of people: As the facilitator, it is your job to make sure everyone has the opportunity to participate. If there are some people dominating the discussion, make sure you say 'let's hear from someone who hasn't spoken yet' and, where necessary, call on different people directly.

- Linking participant comments: Oftentimes during a plenary discussion, people raise issues and questions and a number of sub-topics or ideas are being discussed. It is easy to lose threads of conversations, or for someone to feel like their point was not acknowledged as the conversation moves to something else. As the facilitator, you need to link comments to one another or bring up a previous comment and link it to the current conversation. An effective technique is to use people's names. For example, "Thank you Robert for that reaction. It is similar to what Carol was saying about her experience…"

C. At the end of the discussion

In order to close down a plenary discussion, you need to make sure that everyone has said whatever he or she wants to say. Asking a close-ended question such as 'any more comments' or 'is there anything else you want to add' is a good way to check on this. If people want to make additional points but time is running short, it is often effective to say 'two more comments then we must move on. If you have to cut some people off, sometimes it is effective to ask 'is it OK if I move this along?' or, say 'hold their thought – we can check in with you later but right now we really need to move along.'

Finally, it is very important that the facilitator summarize the results of the discussion. Oftentimes plenary discussions do not follow a plan or a flipchart – therefore, participants may not have followed all of the points that were made. Therefore, providing a summary for everyone before transitioning to the next step is critical. You may want to capture the summary on flipchart.

Preparation for Practice

- You will be working with teams as co-trainers
- You will be training a 30 minute module Selected from PIPP Training materials
- You will need to adjust the module based on the time you have

Your design should probably follow this sequence

• Climate Setter	2 min
• Presentation	5 min
• Small Group Task	10 min
• Processing	5 min
• Generalizing	3 min
• Application/Closure	2 min

Preparation Task

- Find a co-trainer to work with and choose a module
- Review your module in your PIPP Manual. Make sure you are both clear on the key points the module is making.
- Create a 30-minute mini-design selected from the module using the guide above. Highlight key points from the presentation, and choose one small group activity to practice.
- Using the guidelines for co-training, divide up the module equally between the co-trainers to prepare for delivery.

Presentations Feedback

Individually, take 2 minutes to respond:

- What did presenters did well?
- What can they improve?
- How was the co-training process?

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- What did presenters did well?
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- How was the co-training process?

PIP Training of Trainers
Course Evaluation

Please rate the achievement of the following workshop goals on a scale of 1 (low) to 5 (high) by circling the number that corresponds to your opinion of how well these goals were met.

A. Goal Achievement

1. Describe effective adult learning techniques and explore ways to apply them in current PIPP courses

1	2	3	4	5

2. Describe the elements and value of the Experiential Learning Cycle and apply these elements in current PIPP training sessions

1	2	3	4	5

3. Define specific training skills required to successfully deliver PIPP training and discuss ways to use facilitation skills to:
   - Conduct effective interactive meeting s and sessions,
   - Elicit participation when delivering interactive presentations/lecturettes;
   - Generate interaction among participants;
   - Guide learners through an experiential session.

1	2	3	4	5

4. Choose experiential learning methods appropriate for the content to be learned

1	2	3	4	5

REACCIONS AND OBSERVATIONS

1. What are the specific skills and abilities that you have improved as a result of this workshop?

- Interactive performance, systematic methodology of training, knowledge and experience of working as a trainer;

- I understood that as a trainer I have to improve my understanding of training, to be more restrained and attractive speaker.

2. What was the most important thing you have learned?

- The rules of working as a trainer with concrete methodology;
- Applying of methodology;
- Training must be organizing very effective and in advanced level;
- The most important thing is that information must be given very detailed and concrete;
- Training is not just knowledge, it is also organizing.

3. What suggestions do you have for improving the delivery and results of this workshop?

- Tests must be constant;
- The results of the training must be applied;
- More attention must be paid to the applying of studied issues on the examples;
- More methodological materials must be provided;
- Trainer must share with participants all his knowledge and experience

4. What other training skills or topics will be important to enhance your training skills delivering the PIP Workshop?

- Which improve professionalism.

5. What other observations do you have?

- Based on general methodology, everyone must determine his own style.

ENGLISH LANGUAGE TRAINING FOR MOED
SCHEDULE JULY - AUGUST 2006

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
08:30 - 10:00	Upper Intermediate	Elementary	Upper Intermediate	Elementary		Elementary
	Native Speaker	Native Speaker	Native Speaker	Native Speaker		Native Speaker
10:00-11:30						Upper Intermediate
						Native Speaker
10:30 - 12:00		Complete Beginners 1		Complete Beginners 1		Complete Beginners 1
		Local Teacher		Local Teacher		Local Teacher
		(MOED office)		(MOED office)		(MOED office)
17:30 - 19:30		Pre-Intermediate	Complete Beginners 2	Pre-Intermediate		Complete Beginners 2
		Native Speaker	Local Teacher	Native Speaker		Local Teacher

GROUPS & NAMES				
Complete Beginners 1	**Complete Beginners 2**	**Elementary**	**Pre-Intermediate**	**Upper Intermediate**
Kerim Ramazanov	Nurlana Mammedova	Shahin Sadigov	Sabuhi Aslanov	Gunay Mammadova
Natig Pashayev	Firdousi Rzayev	Jamaletdin Guliyev	Zaur Gasimov	Amin Charkazov
Agajan Ahmedov	Rashad Daiyev	Elshan Mamedzadeh	Farida Akhmedova	Lala Ahmadova
Nizami Gassymov	Faig Abbasov	Elchin Ismaylov	Gunel Abdinova	Adalet Muradov
	Arzu Aliyev	Yashar Mamedov	Nigyar Aliyeva	
		Fuad Eyvazov		
		Abbas Aliyev		

Attachment 10

PIPP Monthly Calendar: Period April- June 2006

April 2006

April 03, 2006

1.	15. 00-18.00	Training of Trainers by Patricia Garcia
2.	09.00-15.00	Training Workshop for Technical Group, Round II

April 04, 2006

3.	15. 00-18.00	Training of Trainers by Patricia Garcia
4.	09.00-15.00	Training Workshop for Technical Group, Round II
5.	16.00	Meeting with Montague Lord, SPPRED Evaluation Project, ADB, MD

April 05, 2005

6.	14.00	Meeting with Raif Kutluk, Program Coordinator, TIKA Turkish Cooperation and Development Agency, MD
7.	15. 00-18.00	Training of Trainers by Patricia Garcia

April 06, 2005

8.	15. 00-18.00	Training of Trainers by Patricia Garcia

April 07, 2006

9.	09.00	Call Circular Presentation at the MOED, MD, SH, AP, SC, HH, NR, SSh

April 10, 2006

10.	10.00	Meeting on Call Circular, MOED, MD, SC, AP, SH, GA
11.	12.00	Meeting at the MOF, MD, SH

April 12, 2006

12.	09.30-13.00	High Level Workshop on Integration of Planning, Budgeting and Investment Programming in Azerbaijan

April 13, 2006

13.	15.00	Follow-up Meeting with Mr. Shahin Sadigov, Head of DEPF, MOED, reg. High-Level Workshop and JCC, MD, SH

April 17, 2006

14.	15.00	Meeting at the MOED reg. CC follow-up and PIP Preparation, MD, SH, SC, HH, NR

April 19, 2006

15.	15.00	Meeting at the MOED with the representatives of Transport Division, MOED and MOT, reg. the PIP Preparation, MD, SH, SC, HH, NR, SSh
16.	15.00	MOED, Certification of Round II Training Participants, MD, SH, SSh, HH, NR

April 20, 2006

17.	16.00	Meeting with Mr. Natig Pashayev, PIP Division, DEPF, MOED, HH

April 21, 2006

18.	15.00	Budget Training for PIP Division, DEFP, MOED, HH, NR, SC

April 26, 2006

19.	14.30	Budget Structure Training for Dept. of Investment and Intl. Economic Relations, MOED, HH, NR. SSh

April 27, 2006

20.	11. 00	Budget Management Group, Opening Ceremony, Park Inn Hotel, MD, SH,
21.	16.00	Meeting with Mr. Niyazi Safarov, Deputy Minister of Economic Development, MD

April 28, 2006

22.	11.00	Meeting with Mr. Igbal Ibadoglu, Head of Economic Research Center (ERC), MD

May 2006

May 02, 2006

1.	17.00	Meeting with Mr. Lutfi Elvan, Deputy Undersecretary of Turkish Planning State Organization, Mr. Raif Kutluk, TIKA Program Coordinator, MD, SSh

May 05, 2006

2.	12.15	Meeting with Mr. Elman Rustamov, Chairman of National Bank of Azerbaijan, MD, SH

May 10, 2006

3.	17.00	Meeting with Mrs. Yesim Elhan-Kayalar, Mr. Montague Lord, Mr. Mushvig Bashirov, ADB, SC, Sh, AP

May 11, 2006

4.	13.30	USAID, AP, SH

May 23, 2006

5.	14.30	Meeting with Mr. Shahin Sadigov, Head of DEPF, MOED, MD, SC, SH

May 31, 2006

6.	15.00	Meeting on PIP submission, PIP Division, MOT, HH

June 2006

June 01, 2006

1.	15.00	Meeting with Mr. Shahin Sadigov, Head of DPEF, MOED, SSh

June 02, 2006

2.	17.30	Meeting with Mr. Christos Kostopoulos, Senior Country Economist for Azerbaijan, Poverty Reduction and Economic Management, Europe and Central Asia, World

		Bank, MD, SC, SH
June 06, 2006		
3.	14.00	Meeting with BP Team, MD, SH, SC
4.	14.30	Meeting with Mr. Jim Goggin, Geoff Minott, Mrs. Livia Mimica, USAID, Mr. Michael Kunz, Counterpart, and Mr. Timothy Madigan CHF, AP, SC Subject: Discuss DAI Note on "Public Participatory Practices in PIP" (and link PIP Project activities with other USAID Community Development Activities)
June 07, 2006		
5.	15.00	Meeting with Mr. Mehman Abbas, Head of SPPRED Secretariat, MOED, MD, SC, HH
June 09, 2006		
6.	16.00	MOED, MD, SH
7.	17.30	Meeting with Mr. Christos Kostopoulos, Senior Country Economist for Azerbaijan, Poverty Reduction and Economic Management, Europe and Central Asia, World Bank, Mr. Ranjan Ganguli, Financial Management, World Bank, Mr. Jonathan Hooper, Financial Management, World Bank, Mr. Geoff Minott, Economic Policy Advisor, USAID, Mrs. Linda Decker, Resident/Budget Advisor, US Treasury, MD, SC
June 13, 2006		
8.	12.00	Meeting with Mr. Ingilab Ahmadov, Director of PFMC, AP, HH
9.	16.30	Meeting with TIKA representatives reg. Study Tour to Ankara, MD, SSh
June 16, 2006		
10.	13.00	Meeting with Mr. Elshan Iskenderov, Head of Division on Consolidating the State Budget, Mr. Elnur Veliyev, Senior Expert, Local Budgets Division, MOF, AP, HH
June 20, 2006		
11.	13.30	Meeting with Mr. Geoffrey Minott, Economic Policy Advisor, USAID, Mrs. Livia Mimica, USAID, Mr. Michael

		Kunz Counterpart, Mr. Timothy Madigan, CHF International, AP, SC Subject: Discuss PIP Project presentation at USAID Community Development Activity Conference in Sheki
June 22, 2006		
12.	11.00	Meeting with Mr. Davit Kirvalidze, Senior Advisor, Kathleen Dunkle, Program Officer, CNFA, MD, AP
13.	16.00	Meeting with Study Tour Participants, MD, SH, SSh
June 26, 2006		
14.	All Day Event	Study Tour, Ankara, Turkey, MD
June 27, 2006		
15.	All Day Event	Study Tour, Ankara, Turkey, MD
June 28, 2006		
16.	All Day Event	Study Tour, Ankara, Turkey, MD
17.	All Day Event	Regional Conference on Community Development in Sheki, AP, SC, HH
June 29, 2006		
18.	All Day Event	Study Tour, Ankara, Turkey, MD
June 30, 2006		
19.	All Day Event	Study Tour, Ankara, Turkey, MD
20.	17.00	Meeting with ETI representatives re English Language Training for MOED, SSh

Abbreviations for PIP Project staff: MD (Mete Durdag), AP (Andrei Parinov), SC (Samim Cilem), SH (Sevinj Hasanova), HH (Hadji Husseynov), SSh (Sabira Shihaliyeva).