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PUBLIC INVESTMENT POLICY PROJECT

Annual Performance Monitoring Plan

Period: September 2006 – December 2007

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PUBLIC INVESTMENT POLICY PROJECT

THE PERFORMANCE MONITORING PLAN FOR THE PROJECT ACTIVITY FOR YEARS 2006-2007

Purpose

As a part of its Work Plan, the PIP project has identified four Aggregate Performance Indicators (API) to measure the progress made towards its main objective: to help the GOAZ strengthen its institutional and technical capacity to formulate a sound public investment policy with an efficient investment program.

Project Indicators

The APIs, as shown below, purport to represent the progress made in the implementation of one of the four pillars of the PIPE Project:

API 1: Improved capacity in long-term development planning and investment policy formulation, both at the national and sector level.

API 2: Improved capital budgeting as an effective tool for macroeconomic management, development planning, and efficient resource use.

API 3: Improved investment project preparation, appraisal and monitoring.

API 4: Increased knowledge and proficiency of government officials involved in the design and implementation of the public investment policy and program.

All four APIs are qualitative; hence, it is difficult to measure them. The corresponding components of the PIPE Work Plan, however, consist of 23 specific tasks, also each with several concrete and easily identifiable outputs. Considering the need to have a limited number of indicators for effective monitoring and evaluation, only one or two of all outputs relating to a particular API have been selected as Progress Indicators (PIs, 19 altogether) to represent the progress made in the corresponding pillar in a given quarter. In this context, the present PIPP's Annual Performance Monitoring Plan (PMP) gives all APIs and PIs by quarter for the September 1, 2006 – December 31, 2007 period.

The PIP Project was also pleased to prepare progress indicators for the overall PIP activity which is projected to last through at least Year 2009 to ensure full-fledged success with implementation of effective and efficient Public Investment Planning and Programming in Azerbaijan. These indicators provide a "bigger picture" of the necessary outcomes and performance measures that GOAZ needs to achieve to make its PIP Policy and Programming efficient, based on sound economic rationale and sector development priorities, as well as budget limitations.

Each API is related to the big picture – USAID's relevant strategic objectives and intermediate results, namely: SO 1.3 - Economic Growth (specifically, IR 1.3.1 – Improved Economic Policy Planning Governance and Regulatory Reform, IR 1.3.1.3 – Improved Efficiency and Effectiveness of Policy Implementation); and SO 2 – Democracy and Governance (specifically, IR 2.1.1: Increased Capacity and Demand of Citizens to Engage in Policy and Decision making; and IR 2.1.2: Strengthened Institutions and Opportunities for Citizen Participation in Decision Making). The PIP Project staff will evaluate the quarterly

progress toward the Project's goals in terms of the Performance Monitoring Plan and will report on this in each Quarterly Progress Report.

Limitations of the Contractor's Responsibilities

The PIPE Project (1) defines the specific results it aims to achieve during the implementation of the task order, and (2) shows how these results lead to specific capacity improvements for the formulation of sound public investment policies and programs in support of USAID's SO 1.3 and SO 2. The progress towards the fulfillment of the Task Order objectives is to be assured by the Performance Monitoring Plan (PMP). In this connection, however, it is in order to make two reservations as follows:

1. During implementation, as a result of changing circumstances, the specific activities/tasks may need to be adjusted, resources realigned, and planned results/outputs replaced, revised or dropped in consultation with USAID and the PIP prime counterpart organizations (MOED, MOF, and selected line ministries).
2. Both the actual delivery of policy/reform results and the timeframe in which they are scheduled for delivery are the responsibility of the host government institutions – PIP Project counterparts. The contractual obligations of the contractor, however competent and tactful, are deliverable only if the Government of Azerbaijan shows adequate political commitment to implement the reforms that generally go against personal interests of some key members of the existing "establishment".

Reporting

The Aggregate Performance and specific Progress Indicators for the period of September 2006 – December 2007 are presented in the attached chart. Progress made toward the aforementioned programmatic objectives and tasks will be monitored and evaluated on a quarterly basis and submitted to USAID as a part of the Quarterly Performance Report, which is due 30 days after the close of the reporting period.

USAID SO 1.3 -- Economic Growth, IR:1.3.1.3. -- Improved Efficiency and Effectiveness of Policy Implementation

Period: Q3 2006 - Q4 2007

| Description | Benchmarks (X) | | | | | | |
|--|---|---------|---------|-------------------|-----------|---------|---------|
| | Baseline: Q2 2006 | Q3 2006 | Q4 2006 | Q1 2007 | Q2 2007 | Q3 2007 | Q4 2007 |
| Key stakeholder organizations | Ministry of Economic Development, line ministries, Ministry of Finance, Cabinet of Ministers, President's Administration, Parliament, NGOs, other stakeholders | | | | | | |
| Aggregate Performance Indicator 1. | Improved capacity of GOAZ in the areas of long-term national and sector development, and investment policy planning | | | | | | |
| Counterpart organizations' capacity indicator | Improved capacity for long-term national and sector development objectives, strategies and investment policies for medium-term planning and budgeting purposes at both macro and sector level. | | | | | | |
| Progress indicators | | | | | | | |
| PIPP Input | 1.1. The Manual for Public Investment Policy and Project Management (PIPP Manual) produced and submitted to GOAZ for comments and approval (WP Task A.1.1.a.) . | | X | X | | | |
| GOAZ output | GOAZ approves the PIPP Manual and the PIP Project further assists with preparation of the necessary legislature in support of the PIPP Reform. | | | | X | X | |
| PIPP Input | 1.2. Draft organizational responsibilities on the procedures for coordinating the technical support work and services for the High Planning Policy Committee (HPPC) functions produced and submitted for GOAZ for comments and approval (WP Task A.1.2.) | | | | X | | |
| GOAZ output | GOAZ establishes procedures for establishing of HPPC on the basis of the existing executive authorities (e.g. COM) or as a new organ | | | | | X | X |
| PIPP Input | 1.3. Conducted a Functional and Institutional Review of the MOED with special emphases on enhancing capacity in macroeconomic policy making, investment policy determination and PIP management. The appraisal document along with recommendations submitted for MOED acceptance and action (WP Task A.1.2.b.). | | | X - Initial Draft | X - Final | | |
| GOAZ output | MOED establishes plans to reorganize its functions to better address macroeconomic policy making, investment policy determination and PIP management | | | | | X | X |
| PIPP Input | 1.4. Draft "Cabinet Decree on Instructions for Planning and Budgeting over 2008-11 as a joint SPPRED/RDP/Budget/PIP Call Circular, including indicative sectoral expenditure ceilings prepared. The document submitted for the GOAZ consideration and approval (WP Task A.1.3.b.). | | | X | | | |
| GOAZ output | Joint 2007-10 SPPRED/RDP/Budget/PIP Call Circular, including indicative sectoral expenditure ceilings prepared and issued | | | | | X | X |
| PIPP Input | 1.6. A macroeconomic and fiscal database and library prepared and is operational at MOED (WP Task A.1.3.d.). | | | | | X | |
| GOAZ output | MOED benefits from the macroeconomic and fiscal database and library for macroeconomic and sectoral planning work and PIP formulation | | | | | | X |
| Aggregate Performance Indicator 2. | Improved capital budgeting formulation | | | | | | |
| Counterpart organizations' capacity indicator | Improved Public Sector Capital Budget Formulation (PIP component) resulting from sound macroeconomic planning, sector development planning and MTEF | | | | | | |
| Progress indicators | | | | | | | |

| | | Benchmarks (X) | | | | | |
|---|---|----------------|--|--|---|---|---|
| PIPP Input | 2.1. Conducted a series of educational seminars on PIPP Manual Provisions at MOED, MOF and LMs with the objective for gradual implementation of its provisions (WP Task B.1.6.a). | | | | X | X | X |
| GOAZ output | Authorities in the counterpart agencies (MOED, MOF, LM, CoM) recognize importance of sound PIPP planning and management and become proficient in topics of PIPP Manual. | | | | | | |
| PIPP Input | 2.2. PIP Project identified the required organizational and procedural rules for coordination of work in review and evaluations of SDPs (WP task B.9.a). | | | | X | X | |
| GOAZ output | Authorities in the cooperating LMs become proficient in preparation of PIP program, project concept papers and pre-feasibility studies | | | | | | |
| PIPP Input | 2.3. The PIP 2007-2010 process and Call Circular format were appraised with view to increase the impact of Call Circular on the PIP 2008-2011 and with reference to alternative public investment strategies and policies for Azerbaijan (WP Task B.9.b). | | | | X | X | |
| GOAZ output | Authorities at MOED and MOF as well as LMs realize shortcomings of the past PIP Call Circular and cooperate to improve the next year's Call Circular | | | | | | |
| PIPP Input | 2.4. A Technical Note on "Prioritization in SPDs and of Projects" was prepared and discussed with GOAZ (WP Task B.9.d). | | | | | | X |
| GOAZ output | Authorities in cooperating LMs improve thir sectoral PIP programs and projects' preparation | | | | | | |
| PIPP Input | 2.5. Evaluated sector plans and investment programs for FY2008-11 for the selected LMs with respect to linking programming and spending between SPPRSD-SDP-Budget (WP Task B.11.b). | | | | | X | |
| GOAZ output | Selected LMs investment programs and projects improved in FY 2008-11 through adjustments and corrections per PIP Project comments | | | | | | |
| PIPP Input | 2.6. Proposals for improvement in the current practice of recurrent costs estimates of investment projects in PIP drafted and discussed with GOAZ (WP Task B.12.b). | | | | | X | X |
| GOAZ output | The impact of reccurent expenditures from the State Budget becomes considered and evaluated as a part of PIP project pre-feasibility study | | | | | | |
| Aggregate Performance Indicator 3. Improved investment project preparation, appraisal and monitoring | | | | | | | |
| Counterpart organizations' capacity indicator | Increased professional capacity of the staff of the cooperating GOAZ organizations to prepare and evaluate public investment projects. | | | | | | |
| Progress indicators | | | | | | | |
| PIPP Input | 3.1. A prototype set of "National Economic Parameters" (shadow or accounting prices) to be used for social and economic analysis of public capital spending programs and projects developed for economic impact analysis and feasibility studies (WP Task C.15.c). | | | | X | X | X |
| GOAZ output | GOAZ jointly participates in the development of shadow/accounting prices, establishes standardized commodities' economic values and requires their use in PIP project feasibility studies. Experts from the Azerbaijan Center of Economic Reforms become fully involved in shadow/accounting prices reserach works. | | | | | | X |
| PIPP Input | 3.2. MOED is provided with assistance with definition of qualifications for staff recruitment for improved PIP process (WP Task C.15.d). | | | | X | X | X |
| GOAZ output | MOED introduces ne recruitment practices hence involving higly-qualified professionals in public service work for PIP preparation and management | | | | | | X |
| PIPP Input | 3.3. Promote the necessary awareness and recognition at the line Minister/Deputy Minister level of the importance of involving grassroots and independent experts in development of social, economic and financial criteria to the preparation of its PIP (WP Task C.17.a). | | | | | X | X |

| | | Benchmarks (X) | | | | | | |
|---|---|----------------|---|-----|---|-----|---|-----|
| GOAZ output | GOAZ becomes more transparent and accountable for the results of PIP program and reports to the society. Grassroots and independent experts are encouraged to participate in GOAZ economic planning works. | | | | | | X | X |
| Aggregate Performance Indicator 4. | Increased proficiency and knowledge of GOAZ counterpart organizations in public investment policy and efficiency | | | | | | | |
| Counterpart organizations' capacity indicator | Increased professional capacity and skills of the staff of the cooperating GOAZ organizations to prepare and evaluate public investment projects. | | | | | | | |
| Progress indicators | | | | | | | | |
| PIPP Input | 4.1. Organized study tours to countries with PIPP sound planning and management (Turkey, Norway and Kazakhstan) for high-level staff in central Government bodies, MOED, MOF, and the selected line ministries (WP Task D.20.c). | | X | | X | X | | |
| GOAZ output | GOAZ executives learned of the international experience in sound PIPP planning and management and promote PIP Reform in Azerbaijan | | | | | X | X | X |
| PIPP Input | 4.2. Provide effective PIPP Training Program courses. The course materials and structure of training program from Rounds 1 and 2 are reviewed, revised, and contextualized into Azerbaijani case studies (WP Task D.20.a, b, d; Task D.21.b). | | | X | | X | X | |
| GOAZ output | Number of employees involved in PIP formal and on-the-job Training Program. Indicator: cumulative number of GOAZ employees directly involved. | 84 | | 140 | | 190 | | 240 |
| PIPP Input | 4.3. The training of trainers (TOT) program to build local training institute's capacity (CER) was conducted with an objective to prepare cadre of experts to conduct trainings in Integrated Project Analysis (WP Task D.21.a). | | | | X | X | X | X |
| GOAZ output | Experts from the Azerbaijan Center of Economic Reforms become fully capable to conduct follow-on training program in Integrated Project Analysis | | | X | | | | |
| PIPP Input | 4.4. The PIP Project specialists prepared Azerbaijan-specific case studies for productive and social sectors to be used for operational (PIP preparations) and educational purposes (WP Task D.21.b). | | | | X | | X | |
| GOAZ output | LMs and training participants significantly benefit from Azerbaijan PIP-specific case studies in project preparation and leaning of PIP preparation sequence | | | | | X | X | X |

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