

# Strengthening Impact of Public Spending in Azerbaijan

*Capacity Building in the Field of Medium-Term Expenditure*

**WORLD BANK MISSION OCTOBER 3-11, 2022 | Baku, Azerbaijan**

## OBJECTIVE

The World Bank conducted a mission to Baku, Azerbaijan from October 3-11, 2022, as part of the implementation of the Swiss funded Medium-Term Expenditure Framework Capacity Building Program (MTEF CBP). The overall objectives of the mission were: a) Continue supporting the strengthening of the medium-term macroeconomic forecasting capacity and related models; b) Continue supporting the development of key performance indicators and baselines, the preparation of an updated budget calendar, and the enhancement of the public investment management system; c) Discuss and validate the MTEF draft action plan, including the implementation arrangements and linkages to the new Azerbaijan Socio-Economic Development Strategy for 2022-2026; and d) Undertake targeted technical assistance and trainings with a particular emphasis on the issues outlined above.

The mission team was led by Ian Halvdan Ross Hawkesworth, (Sr. Governance Specialist and Task Team Leader) and Nadir Ramazanov (Sr. Economist and Co-Task Team Leader), and was comprised of Robin Van Kippersluis (Sr. Governance Specialist), Arvind Nair (Sr. Economist), Marco Cangiano (Consultant, MTEF reform strategy), Benedikt Braumann (Consultant, Macroeconomics), Martin Darcy (Consultant, Capital investment), Marc Robinson (Consultant, PFM), Jordi Baños (Consultant, PFM), Ana Palacio (Consultant, Public Sector Specialist), and Samira Gasimova (Consultant, Economics). Representatives from the Swiss Embassy in Baku also joined for selected meetings.

## KEY OUTCOMES

A key outcome of the mission was a meeting with the Minister of Finance, Mr. Samir Sharifov, who highlighted the importance of the MTEF CB Program and expressed MoF's gratitude and satisfaction with the expert support provided by the Bank team and the Swiss Embassy's key role in financing the work. In terms of the next step, the Minister will seek endorsement by the Cabinet of Ministers of the draft Action Plan that was jointly developed by the MoF and the WB during the previous mission, signaling an important step forward.

Overall, the mission noted considerable progress on achieving closer involvement and commitment of key stakeholders into project preparation and implementation, such as MoF's Budget Department and Treasury, the PPP Development Center and the Economic Policy, Industries and Enterprising Committee of the Parliament. Significant progress still needs to be made on discussing and defining the governance structure of the project to guarantee ownership and leadership of the MTEF reform agenda.



Meeting with the Minister of Finance, Mr. Samir Sharifov

## ENGAGEMENT

During the mission, the team met with counterparts from the Ministry of Finance, specifically the MTEF Center and the Budget Department, Public Investment Department of Ministry of Economy and Macroeconomic Forecasting and Analysis Department in the Ministry of Economy, Chamber of Accounts, Parliament's Committee on Economic Policy, Industries and Enterprising, PPP Development Center and the Central Bank. Teams exchanged views on the current situation regarding the MTEF reform implementation and discussed potential activities for the beneficiary agencies in the future under the MTEF CBP.

On Pillar 1 and 3 the WB team delivered a series of trainings to staff members of the MTEF Center, the Budget Department and Treasury within MoF on (i) macroeconomic framework and macro-fiscal risks, (ii) baseline expenditure projections, (iii) principles for good indicator selection, and (iv) budget classification. On Pillar 2, the WB team continued the discussion on the Public Investment Program (PIP) rules and selection criteria with the Public Investment Department of the MoE and conducted a workshop on prioritization and rationalization of investment projects. The WB team also met with the PPP development center under Small and Medium Business Development Agency to discuss potential areas of collaboration after the draft PPP law passes through the Parliament. On Pillar 4, significant progress was achieved, as the WB had two meetings with members from the Economic Policy, Industries and Enterprising Committee of the Parliament and depending on its content, who expressed their interest in receiving the Bank's support on enhancing current standards for budget preparation and strengthening their supervision and audit capacities.



Workshop on "Prioritization of the Public Investment Projects"



Discussion on knowledge exchange with the MTFF Center



Meeting with the Head of the Parliament's Committee on Economic Policy, Industries and Enterprising and Committee members.



Workshop on "Principles for Good Indicator Selection" with the MTFF Center

## NEXT STEPS

The World Bank team will conduct the next mission to Baku, tentatively scheduled for the third week of January 2023.