



Monitoring of budget investments



Baku-2008

Budget investments for 2007: Research, monitoring and instructions for monitoring

By Public Association for Assistance to Free Economy

The report contains results of monitoring of 2007 budget investments. This edition is envisaged for civil society, government bodies, international financial institutions and for independent experts. The report can be useful for students as well.

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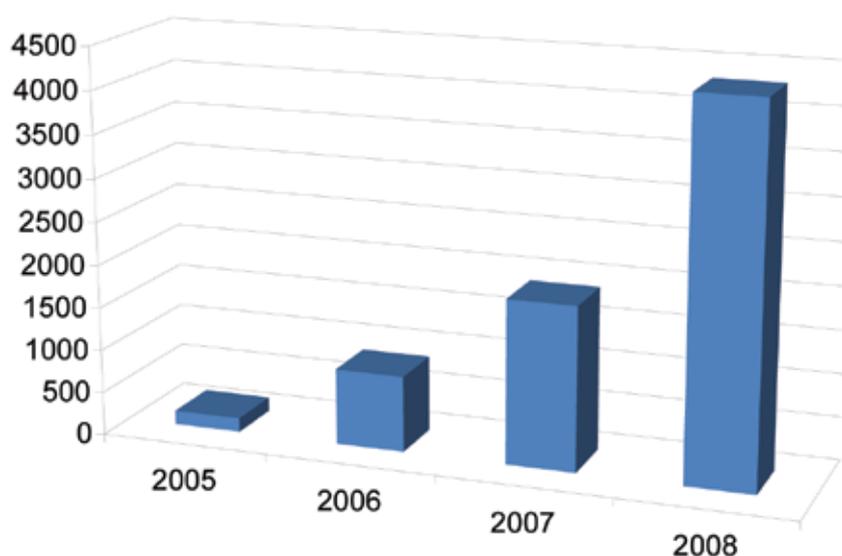
Introduction

The flow of big oil dollars to Azerbaijan is already reality and the government is spending these means via State Oil Fund of the Azerbaijan Republic and state budget. Oil profits are usually directed to state investment expenses. The 39% or 434 681 thousand AZN of SOFAR budget and 30% or 1 915 423 thousand AZN of state budget was divided for state investments in 2007.

In total, the state investment expenses are increasing since 2005 and the largest growth tempo observed in 2006 (for 5,5 times). The portion of these expenses in state budget was 31.4% in 2007 and 39.1% in 2008.

Table 1. The scope and dynamics of state budget investments for 2005-2008 years (million AZN)

Indicators	2005 (fulfilment)	2006 (fulfilment)	2007 (fulfilment)	2008 (prognosis)
State investment expenses	159,9	879,6	1902,2	4326,3
<i>The growth rate in comparison with previous year (%)</i>	70,8	450,1	116,3	127,4
<i>The portion of total budget expenses (%)</i>	7,5	23,2	31,3	39,1



Definitely, the high growth dynamics of state investment expenses cause some risks for the economy of the country. The severe growth of state expenses, also state investment expenses extend inflation trend. According to official information the rate of inflation was 16.7% although the forecast was 9% for 2007. The alternative estimation for 2007 shows 28% of inflation rate. The high inflation tempo in Azerbaijan was consequence of fuel price rising in internal market and expensive oil in foreign market, severe increase of groundless state and state investment expenses in 2007.

The means for state budget investment expenses was adopted by orders (February 19, 2007, № 42s) and June 25, 2007, № 168a) of the Cabinet of Ministers in 2007. The known and unknown projects which were identified in the orders surround a number of spheres and mostly consider different construction and repair works.

The increase of state investment projects quantity and growth of budget expenses do not have expected social-economic benefit. Because big sum of budget expenses cause inflation and irrational usage of budget means, nourish the corruption. The worst issue in this case is that the most of these projects have relation to infrastructure and do not give any positive changes in the sphere of economy. The growth of amount of state investment projects and volume of money spent on this sphere causes another important problem. This problem is transparency in the realization of these projects. The state

budget investment projects increased for 1000 during 2007. Of course in this condition protection of transparency for financial flow and provision of the public monitoring of both state organizations and community (NGO's, mass media etc.) in realization of these projects is rather complicated. Especially, if the state organizations have no interest in this issue it becomes more complicated to conduct the public monitoring. For example, 89.1 million AZN of the state budget was spent on realization of 300 investment projects only for the Ministry of Education of Azerbaijan Republic for 2007 year. The Ministry conducts construction of new schools and substantial repair and restoration in all regions of the country. In this case monitoring of projects in the sector of education is very difficult. The same can be said about 100 projects of the Azerbaijan Melioration and Water Economy Joint Stock Company which surrounds all regions.

The growth of number and volume of expenses of state investment projects shows the gap in the legislation. According to the current practice, state purchase with huge sum could be conducted without tender or the winner of it could be known before the tender. This trend is widely spread. Therefore there is need to improve the legislative basis of this sphere. In the condition of speedily increase of volume of state investment expenses the prioritization of these investments, to adjust them to necessity of functional spheres, identification of prepare principals and procedures of state investment projects, forming estimation mechanism of state investment projects, also establishment of monitoring mechanism for rational execution of projects according to identified aims are very important. It's important for state to show and classify budget investment projects in the budget project, to discuss in Milli Mejlis and to improve transparency in this sphere.

In the current time, there is no common normative-legal basis for regulation of planning and realization of state investments in Azerbaijan. Also preparation of Budget Code and establishment of normative-legal regulation basis for state investments are postponed every year. This trend in the turn causes a problem for planning of state investments, preparation of State Investment Program and regulation of the process. This legal gap interferes of influence of Milli Mejlis to state investment policy, planning of state investments, also hampers parlamential monitoring on realization of state investment projects. In the current time, there is a severe need for complex reforms of current normative-legislative basis and mechanisms for state investments.

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I. The management division of budget investments

The analysis of organization structure and comparison of "State investment expenses" for 2007 shows that this division is not adequate to social-economic determination of the country. The main part of investment relates to expenses for infrastructure projects, construction and repair of social objects and administrative buildings. The portion of means to the directly profitable spheres is only 6.8%. During 2007 the state budget investment projects of production and permanent employment facilities are following: Ganja Automobile Factory (the sum of the project 2 million AZN), the National Foundation of Assistance to Entrepreneurship (74 million AZN), "Agrolizing" Joint Stock Company (37,5 million AZN), State Agency on Agricultural Credits near the Ministry of Agriculture of the Azerbaijan Republic (16,7 million AZN) – total 130,2 million AZN (Table 2).

There are several projects in the list of projects financed by the state budget which are not clear at all. For example, 10 million AZN was transferred to restoration of "Saadat Palace" which is in the balance of the Ministry of Youth and Sport of the Azerbaijan Republic and it is situated in the center of Baku. Although the palace is used as a private house of delight it is still in the property of the state and budget means are spend on it. Also from investment budget of 2008 year for restoration of "Saadat Palace" 12 million AZN was again divided. For comparison, only 2 million AZN was transferred to repair-restoration works of "Nizami" cinema building which is in the balance of the same Ministry in 2007. But in 2007 there were no substantial repair works in "Nizami" cinema, so in 2008 3 million AZN again divided for the same purpose.

The following facts will show that the government does not consider the economic or social benefit of the investment projects while financing them. 8.8 million AZN was transferred to the Ministry of Foreign Affairs of the Azerbaijan Republic from the investment budget in 2007 (Table 2). 3 million of the sum was spent on construction of the park named after Haydar Aliyev in the capital of Romania. Of course, this project of "substantial investment" sector has neither economic nor social essence. 20 million AZN of state budget was spent on construction of Center of Haydar Aliyev in Baku in 2007. 70 million AZN again divided for this project in 2008. The expenses on the project will continue till 2009. There are already big palace and sport-concert complex named after H.Aliyev, so is there any social or economic need for this one? Of course the issue is irrational division of the state investment expenses.

The irrational division of the state investment expenses could be seen in hundreds of projects. 680 thousand AZN of the state budget was spent on the drying of the lake in Kurdakhani settlement of Sabunchu region (the project is conducted by the Ministry of Emergency Cases of the Azerbaijan Republic). But there are no evidences for rate decrease of the lake and the social and economic significance on the project also is not explained.

During 2007 several means was divided from the investment budget on local significant projects. For example, 770 thousand AZN was spent on construction of canalization system of Gushchulug living massive in Khirdalan city, 800 thousand AZN on improvement of water supply in Dashkesen city. Both of these projects are conducted by the "Azersu" Joint Stock Company (state water company). It is interesting, why such local significant projects are not conducted by the municipalities. In general the boom of the state investment has begun since 2006 and there none of the projects have been intrusted to municipalities.

It is hard to understand why 78.3 million AZN was transferred to the Ministry of Emergency Situations of the Azerbaijan Republic and 1.5 million AZN to the Ministry of Agriculture of the Azerbaijan Republic. The Ministry of Agriculture has more need for investments than the Ministry of Emergency Cases of the Azerbaijan Republic. At least, 2 million citizens are working in the agrarian sector and this sector has a lot of problems. Provision of the farmers with fuel, fertilizer, technical service and other issues demand huge means, although difference of means between the ministries is more than for 52 times.

Incomprehensibility in the structure of investment expenses is division of 3.2 million AZN for the Ministry of Communication and Information Technology of the Azerbaijan Republic which is one of the main donors of the state budget. This Ministry is on the second rate for its financial opportunities after SOCAR and it is very strange for this Ministry to receive portion from investment budget, because the current internal resources of the Ministry is enough to finance any investment project.

There are a lot of such contradictory cases in the division of investment expenses. During 2007 the healthcare sector (150 thousand employees) received only 58,4 million AZN of investment from the state budget. But the Ministry of Youth and Sport received 67,5 million AZN of investment. The prior sphere of the ministry is sport sector and it is financed by non-budget sources. Different sport federations are financed by its presidents or sponsors and the ministry does not deal with it.

In general, analysis of "state investment expenses" shows contradictory cases. The huge number of the investment projects it is difficult to explain economic feature and rationality of each of them. So it is better to analyze it by sphere, regional and other indicators.

Table 2. Division of budget investments among the organizations in 2005-2007 (thousand AZN)

No	The title of state organizations	2005	Special weight, %	2006	Special weight %	2007	Special weight %
1	The Ministry of Transport of the Azerbaijan Republic	17570,2	10,71	71856,0	8,14	309700,0	16,17
2	The Ministry of Environment and Natural Resources of the Azerbaijan Republic	875,6	0,53	584,0	0,07	5213,0	0,27
3	The Ministry of Agriculture of the Azerbaijan Republic	275,8	0,17	600,0	0,07	1500,0	0,08
4	State Veterinary Service near the Ministry of Agriculture of the Azerbaijan Republic					1000,0	0,05
5	State Phyto Sanitation Control Service near the Ministry of Agriculture of the Azerbaijan Republic					424,0	0,02
6	The Ministry of Culture and Tourism of the Azerbaijan Republic	1807,8	1,10	6054,0	0,69	60048,0	3,13
7	The Ministry of Health of Azerbaijan Republic	4060,0	2,48	20477,8	2,32	58390,0	3,05
8	The Ministry of Youth and Sport of the Azerbaijan Republic	3200,0	1,95	13050,0	1,48	67464,0	3,52
9	The Ministry of Economic Development of the Azerbaijan Republic	632,6	0,39	3000,0	0,34	15200,0	0,79
10	The Ministry of Finance of the Azerbaijan Republic	200,0	0,12	1338,0	0,15	9330,0	0,49
11	The Ministry of Tax of the Azerbaijan Republic				0,00	700,0	0,04
12	The Ministry of Foreign Affairs of the Azerbaijan Republic	3700,0	2,26	5000,0	0,57	8823,0	0,46
13	The Ministry of Population and Labor Protection of the Azerbaijan Republic	738,8	0,45	1385,0	0,16	12460,0	0,65
14	The Ministry of Communication and Information Technology of the Azerbaijan Republic					3185,0	0,17
15	The Ministry of Education of the Azerbaijan Republic	6811,8	4,15	34643,6	3,93	89100,0	4,65
16	The Ministry of Justice of the Azerbaijan Republic	340,0	0,21	2400,0	0,27	15957,0	0,83
17	The Ministry of National Security of the Azerbaijan Republic	250,0	0,15	2700,0	0,31	37000,0	1,93
18	The Ministry of Internal Affairs of the Azerbaijan Republic	300,0	0,18	2300,0	0,26	16500,0	0,86
19	The Ministry of Defense of the Azerbaijan Republic		0,00	1400,0	0,16	16500,0	0,86
20	The Ministry of Emergency Cases of the Azerbaijan Republic		0,00	3580,0	0,41	78280,0	4,09
21	The Ministry of Defense Industry of the Azerbaijan Republic		0,00		0,00	25204,0	1,32
22	State Frontier Service of the Azerbaijan Republic	600,0	0,37	4600,0	0,52	29000,0	1,51
24	Special State Protection Service of the Azerbaijan Republic	1700,0	1,04	3640,0	0,41	18100,0	0,94
25	Main Prosecutor Office of the Azerbaijan Republic	205,0	0,13	2000,0	0,23	2080,0	0,11
26	Supreme Court of Azerbaijan Republic			3000,0	0,34	14000,0	0,73
27	State Committee of the Azerbaijan Republic on Deals with Refugees and Internally Displaced Persons	372,8	0,23	2733,2	0,31	5597,0	0,29
28	State Statistic Committee of the Azerbaijan Republic	100,0	0,06	100,0	0,01	385,0	0,02

29	State Committee of the Azerbaijan Republic on Management of the State Property		0,00	2000,0	0,23	22656,0	1,18
30	State Committee of the Azerbaijan Republic on Religious Affairs		0,00		0,00	310,0	0,02
31	Administrative Office of the President of the Azerbaijan Republic	2000,0	1,22	10000,0	1,13	120900,0	6,31
32	Administrative Office of the Cabinet of Ministers of the Azerbaijan Republic	1400,0	0,85	3600,0	0,41	8100,0	0,42
33	Administrative Office of Milli Meclis of the Azerbaijan Republic	40,0	0,02	2400,0	0,27	14063,0	0,73
34	National Academy of Sciences of the Azerbaijan Republic	2800,0	1,71	1400,0	0,16	6041,0	0,32
35	State Committee on Students Admission		0,00		0,00	70,0	0,00
36	"Azerbaijan Airlines" State Concern	5000,0	3,05		0,00	25000,0	1,31
37	Agency on Rehabilitation and Reconstruction of territories of the Azerbaijan Republic liberated from occupation	6975,0	4,25	19700,0	2,23	32084,0	1,68
38	National Agency on Mine Cleaning of the territories of the Azerbaijan Republic	689,6	0,42	1080,0	0,12	1900,0	0,10
39	State Agency on Agricultural Credits near the Ministry of Agriculture of the Azerbaijan Republic	610,8	0,37	1292,0	0,15	16724,0	0,87
40	Baku Metro	1970,0	1,20	14444,2	1,64	48752,0	2,55
41	State Marine Administration near the Cabinet of Ministers of the Azerbaijan Republic		0,00		0,00	1043,0	0,05
42	Voluntary Military Patriotic Technical Sport Society		0,00		0,00	150,0	0,01
43	Oncology Scientific Center of the Ministry of Health of the Azerbaijan Republic		0,00		0,00	12650,0	0,66
44	Real estate State Register Service of the Azerbaijan Republic		0,00	1500,0	0,17	4500,0	0,23
45	State Agency of the Azerbaijan Republic on Standardization, Metrology and Patent		0,00	400,0	0,05	250,0	0,01
46	State Art Academy		0,00		0,00	150,0	0,01
47	Azerbaijan Architectural and Construction University		0,00	362,0	0,04	545,0	0,03
48	Baku State University		0,00	600,0	0,07	2500,0	0,13
49	Azerbaijan State Economic University		0,00	400,0	0,05	1500,0	0,08
50	Azerbaijan Technical University		0,00	600,0	0,07	600,0	0,03
51	Azerbaijan Medical University	120,0	0,07		0,00	600,0	0,03
52	Azerbaijan Literature Museum named after N. Genjevi		0,00		0,00	5000,0	0,26
53	"Azersu" Joint Stock Company (Water company)	15071,2	9,19	37333,0	4,23	67290,0	3,51
54	Azerbaijan Melioration and Water Economy Joint Stock Company	11249,0	6,86	18423,0	2,09	71703,0	3,74
55	"AZERENERGY" Joint Stock Company	6690,0	4,08	272500,0	30,89	116838,0	6,10
56	"Bakielektrikshebeke" Stock Company		0,00		0,00	57900,0	3,02
57	"Sumgayitelektrikshebeke Joint Stock Company		0,00		0,00	7000,0	0,37
58	"Azerigas" Stock Company	9850,0	6,01	1000,0	0,11	39053,0	2,04
59	"Azeristiliktechizat" Joint Stock Company		0,00	5000,0	0,57	17000,0	0,89

60	"Azertunelmetrotikinti" SC		0,00		0,00	500,0	0,03
61	"Azerbaijan TV Broadcasting" JSC		0,00		0,00	14000,0	0,73
62	"Agrolizing" Joint Stock Company		0,00		0,00	37500,0	1,96
63	The State Telegraph Agency	120,0	0,07		0,00		
64	National Archive Office	80,0	0,05		0,00		
65	The Cabinet of Ministries of Nakhichevan AR	13460,0	8,21		0,00		
66	Baku city executive administration	360,0	0,22	1800,0	0,20	63940,0	3,34
67	Other city executive administrations	998,0	0,61	2616,0	0,30	4463,0	0,23
68	Absheron region executive administration			560,0	0,06	2130,2	0,11
69	Other region executive administrations	1966,0	1,20	10256,0	1,16	20938,0	1,09
70	The Hypothec Fund under National Bank				0,00	20000,0	1,04
71	Azerbaijan International Bank				0,00	20060,0	1,05
72	Development of project documents				0,00	5000,0	0,26
73	Planning, reconstruction and repair of objects mentioned in "The plan of complex measures for improvement of environment in 2005-2010 years"				0,00	18500,0	0,97
74	National Foundation of Assistance to Entrepreneurship				0,00	74000,0	3,86
75	Execution of measures mentioned in "State Migration Program for 2006-2008 years"				0,00	3000,0	0,16
76	State Land and Mapping Committee			124,0	0,01		
77	Baku Clinic Hospital # 5+B35			40,0	0,00		
78	"Azon" factory			100,0	0,01		
79	Ganja Automobile Factory	50,0	0,03	50,0	0,01	2000,0	0,10
80	Baku Music Academy			100,0	0,01		0,00
81	State Custom Committee			3140,0	0,36	12000,0	0,63
82	State Committee on Azerbaijanis living in the foreign countries	60,0	0,04	100,0	0,01		
83	State Commission on Emergency Cases	4700,0	2,87	4000,0	0,45		
84	State Migration Service		0,00		0,00	1000,0	0,05
85	The Center of Seismic Services		0,00		0,00	47,0	0,00
86	Central Election Commission		0,00		0,00	4500,0	0,23
87	Reserve mean		0,00	7638,2	0,87	7833,0	0,41
88	Expenses with unexplained structure	34000,0	20,73	271300,0	30,75		
	Total	164000,0	100,00	882300,0	100,00	1915423,2	100,00

II. Division for spheres: what is the aim?

The big portion of state investment expenses relates to transportation sector. During 2007 projects of transportation sector received 389,5 million AZN from investment budget (Table 3). This figure is 20.3% of all state investment expenses. Besides the oil sector, there are two dynamic sectors in the republic: communication and transportation. Both of them are very profitable. But 15.3 million AZN were transferred to the most profitable branch of the sector - State Railway Office in 2007.

It is strange, but the law-security system is on the second rate for volume in the investment budget. 11.9% or 227.5 million AZN of total state investment was transferred to the system (Table 3). Of course, there is no use to talk about an economic benefit of money received by the law-security system.

The fuel and power engineering sector is on the third rate. 155,9 million AZN or 8.3% of state investments were received by this sector in 2007. After abolishment of contracts with "Barmek-Azerbaijan" and "Bayvo" companies, the management was given back to "Azerenergy" JSC, "Bakielektrikshebeke" JSC and other state companies the budget dependence of this sector increased. During 2007 27.9 million AZN of investment was transferred to "Bakielektrikshebeke" and 7 million AZN to "Sumqayitel ektrikshebeke". Also subsidies and state investment flow will continue for "Azerenergy" JSC. It will be discussed in the following chapters.

The following place in the state investment expenses belongs to the repair of building of supreme organs of the government (The Administrative Offices of the President, The Cabinet of Ministers and Milli Mejlis). For this purpose 142 million AZN of state budget or 7.4% of state investment expenses was divided in 2007. This investment is more than total investments for science (6,04 million AZN), education (94,3 million AZN), social security (12,4 million AZN) and environmental protection (23,7 million AZN) (Table 3).

In general, the principal of investment expenses division among the spheres is not clear. For example, the prior spheres for the republic are ownership and agriculture, but only 6.8% of investments are transferred to these sectors (Table 3). For this aim the state divided 131,2 million AZN. It is less than transportation, fuel and power engineering sector and law-security system.

The science received the least portion of budget investment in 2007. The sum of investment to this sector was 6,04 million AZN or 0,3% of investment structure total sum. Most of the expenses in this sector belong to repair-construction.

Another sphere with the least portion of budget investment is social security system. The portion of this sector is 0,6% of the structure or 12,5 million AZN. Investments for the system are more than science and communication but less for several times than other ones. For example, investments for the building of supreme organs of the government (The Executive Office of the President, The Cabinet of Ministers and Milli Mejlis) are more for 12 times and investment for the law-security system is more for 18 times of it.

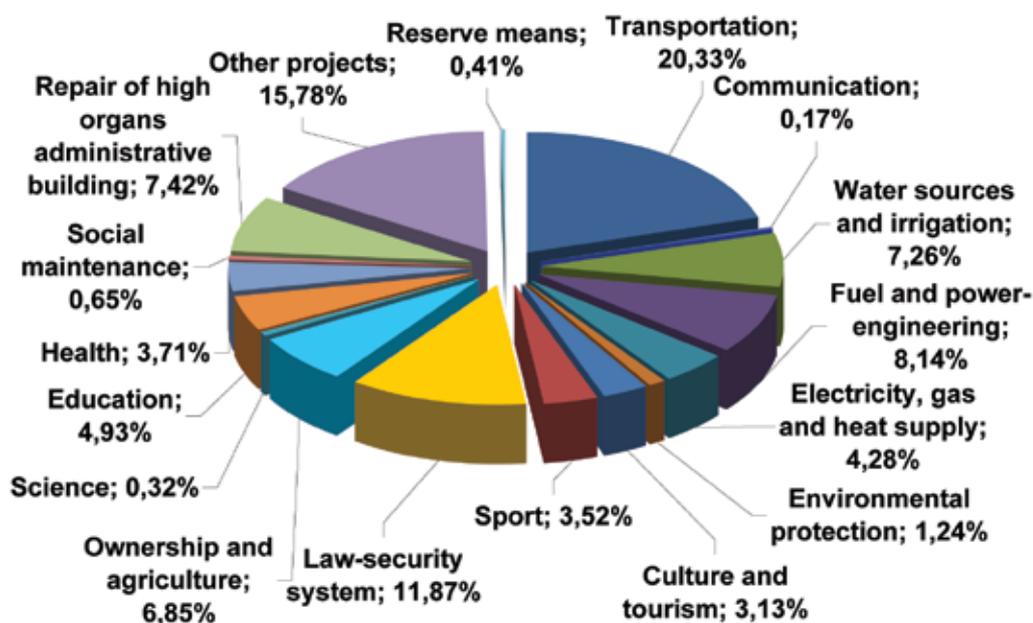
67.4 million AZN (3.5%) of the state investment expenses was transferred to sport. At the moment if we take under consideration the investments by the local federations this sector has very special high weight in the investment expenses.

The healthcare does not have a big portion in state investment expenses. The portion of this sector was only 71.04 million AZN (3.7%) in 2007.

In general, the analysis of the state investment division for spheres shows that sphere determination, state significance, internal financial opportunities and other criteria was not considered during identification of investment projects. Also, means in the frame State Investment Program were divided according to subjective populist principals. On the other hand there is a big risk of corruption for means of projects.

Table 3. Division of budget investments among the spheres in 2005-2007 (thousand AZN)

№	The title of spheres	2005	Special weight %	2006	Special weight %	2007	Special weight %	Dynamics 2007/2006, %
1	Transportation	24540,2	15,0	86300,0	9,8	389495,0	20,33	351,33
2	Communication					3185,0	0,17	
3	Water sources and irrigation	26320,0	16,0	55756,0	6,3	138993,0	7,26	149,29
4	Fuel and power-engineering	16540,0	10,1	272500,0	30,9	155891,0	8,14	-42,79
5	Electricity, gas and heat supply			600,0	0,1	81900,0	4,28	13550,00
6	Environmental protection	875,6	0,5	584,0	0,1	23713,0	1,24	3960,45
7	Culture and tourism	1807,8	1,1	6054,0	0,7	60048,0	3,13	891,87
8	Sport	3200,0	2,0	13050,0	1,5	67464,0	3,52	416,97
9	Law-security system	3395,0	2,1	25620,0	2,9	227417,0	11,87	787,65
10	Ownership and agriculture	886,6	0,5	1892,0	0,2	131148,0	6,85	6831,71
11	Science	2800,0	1,7	1400,0	0,2	6041,0	0,32	331,50
12	Education	6931,8	4,2	36706,0	4,2	94395,0	4,93	157,17
13	Health	4060,0	2,5	20518,0	2,3	71040,0	3,71	246,23
14	Social maintenance	738,8	0,5	1385,0	0,2	12460,0	0,65	799,64
15	Repair of high organs administrative building	3440,0	2,1	16000,0	1,8	142163,0	7,42	788,52
16	Other projects	34464,2	21,0	64996,8	7,4	302237,0	15,78	365,00
17	Reserve means			7638,2	0,9	7833,0	0,41	2,55
18	Expenses with unexplained structure	34000,0	20,7	271300,0	30,7			
	Total	164000,0	100,0	882300,0	100,0	1915423,0	100,00	117,09

Shares of budget investments among the spheres for 2007

III. Which of the ministries has more administrative buildings than other ones?

The division of state investment expenses according to construction and repair of administrative buildings identifies very interesting outcomes. During 2007 351.9 million AZN of state investment expenses was spent on construction or repair of buildings related to state organizations. Of course, this sum is great and it is 18.4% of all state investment expenses. In the most cases means divided for repair of one administrative building of state organization could be more than total means for finance of one sector. For example, the Ministry of National Security received 37 million AZN from state budget for repair and restoration works but 3 sectors – communication, science and system of social maintenance received only 21.5 million AZN (for 41.3% less). 40 million AZN were transferred to repair and restoration works of buildings belong to the Ministry of Emergency Situations, but environmental protection sector received only 23.7 million AZN (for 40% less).

It is possible to build a new building with the money spent on repair and restoration of buildings belong to several ministries and other state organizations. For example, 25 million AZN for administrative building of the Defense Industry Ministry, 22 million AZN for administrative building of the State Frontier Service of the Azerbaijan Republic, 10.8 million AZN for administrative building of the Special State Protection Service of the Azerbaijan Republic, 7.6 million AZN for administrative building of the Ministry of Finance is the result of division. Also sometimes the state spends less sum to repair and restoration works, for example, 600 thousand AZN for administrative building of the Ministry of Agriculture, 530 thousand AZN for building of the Ministry of Sport and Youth, 385 thousand AZN for administrative building of the State Committee of Statistics, 310 thousand AZN for building of State Committee of the Azerbaijan Republic on Religious Affairs, 250 thousand AZN for the State Agency of the Azerbaijan Republic on Standardization, Metrology and Patent .

We can gain some results via comparison. How it could be the repair and restoration works of one building of state organization received 40 million AZN, and another one get only 250 thousand AZN (160 times less). Is the reason size of the buildings? As we know the building of the State Committee of Statistics is bigger than the building of the Ministry of Defense Industry. But the State Committee received 385 thousand AZN and the Ministry of Defense Industry 65 times more - 25 million AZN. Another fact - 40 million AZN was divided to repair and restoration works of building belong to the Ministry of Emergency Cases but The Ministry of Agriculture received only 600 thousand AZN (67 times less). According to these facts, the influence of leader of the state organization is taking under consideration for division of means instead of scale of repair and restoration works.

There are several state organizations which receive millions of AZN every year for repair but there is not any result yet. For example, the Ministry of Foreign Affairs received 3.7 million AZN 2005, 4 million AZN in 2006, 5.8 million AZN in 2007. Other example, Special State Protection Service of the Azerbaijan Republic received 1.7 million AZN in 2005, 3.6 million AZN in 2006, 10.8 million AZN in 2007. We can say the same about the administrative buildings of the Ministries of National Security, Internal Affairs, Justice, State Frontier Service of the Azerbaijan Republic and Main Prosecutor Office of the Azerbaijan Republic. Every year millions of AZN is divided for the building of administrative buildings of these state organizations. Also there are several state buildings which receive insignificant means for repair works. For example, the Ministry of Environment and Natural Resources of the Azerbaijan Republic, the Ministry of Youth and Sport, the Ministry of Population and Labor Protection of the Azerbaijan Republic, the Ministry of Education, State Committee of the Azerbaijan Republic on Religious Affairs did not get any means for repair works of administrative buildings during 2005 and 2006 years. It is another evidence for subjective factor and personal interests while divisions of means for repair of administrative buildings.

The analysis of expenses structure shows that the Administrative Office of the President of the Azerbaijan Republic has the biggest project of repair and restoration work for administrative buildings. For this purpose 97.9 million AZN was transferred from state budget in 2007. According to some information 80 million AZN of this sum was directed to construction of President Resident in Zagulba. In general, the money received by the Executive Apparatus of President has no analogue for its sum and purpose. This mean is 120,9 million AZN (97,9 million AZN for construction and repair

of administrative buildings, 23 million AZN for transport) is more than the investments to 5 different sectors - communication, environmental protection, science, medicine and social maintenance (total 116 million AZN). The means of 120.9 million AZN for the Administrative Office of the President of the Azerbaijan Republic is more (for 94.4 million AZN) than the education sphere which has 300 thousand employees; also it is more for 82 million AZN transferred to the sphere of electricity, gas and heat supply.

Table 4. Division of budget investments repair and restoration of state administrative buildings in 2005-2007 (thousand AZN)

№	The title of state organizations	2005	2006	2007	sum 2005-2007
1	The Ministry of Environment and Natural Resources of the Azerbaijan Republic			4417,5	4417,5
2	The Ministry of Agriculture of the Azerbaijan Republic		600,0	600,0	1200,0
3	State Veterinary Service near the Ministry of Agriculture of the Azerbaijan Republic			1000,0	1000,0
4	State Phyto Sanitation Control Service near the Ministry of Agriculture of the Azerbaijan Republic			334,0	334,0
5	The Ministry of Youth and Sport of the Azerbaijan Republic			530,0	530,0
6	The Ministry of Economic Development of the Azerbaijan Republic	140,0	3000,0	4372,2	7512,2
7	The Ministry of Finance of the Azerbaijan Republic	200,0	1300,0	7610,0	9110,0
8	The Ministry of Foreign Affairs of the Azerbaijan Republic	3700,0	4000,0	5823,0	13523,0
9	The Ministry of Population and Labor Protection of the Azerbaijan Republic			2000,0	2000,0
10	The Ministry of Education of the Azerbaijan Republic			2000,0	2000,0
11	The Ministry of Justice of the Azerbaijan Republic	340,0	2400,0	1651,0	4391,0
12	The Ministry of National Security of the Azerbaijan Republic	250,0	2700,0	37000,0	39950,0
13	The Ministry of Internal Affairs of the Azerbaijan Republic	300,0	2300,0	7000,0	9600,0
14	The Ministry of Defense of the Azerbaijan Republic			1500,0	1500,0
15	The Ministry of Emergency Cases of the Azerbaijan Republic		1000,0	40000,0	41000,0
16	The Ministry of Defense Industry of the Azerbaijan Republic			25000,0	25000,0
17	State Frontier Service of the Azerbaijan Republic	600,0	4600,0	22000,0	27200,0
18	Special State Protection Service of the Azerbaijan Republic	1700,0	3640,0	10800,0	16140,0
19	Main Prosecutor Office of the Azerbaijan Republic	205,0	2000,0	2080,0	4285,0
20	The Supreme Court		3000,0	14000,0	17000,0
21	State Committee of the Azerbaijan Republic on Deals with Refugees and Internally Displaced Persons		384,0		384,0
22	State Statistic Committee of the Azerbaijan Republic	100,0	100,0	385,0	585,0
23	State Committee of the Azerbaijan Republic on Management of the State Property		2000,0	460,0	2460,0
24	State Committee of the Azerbaijan Republic on Religious Affairs			310,0	310,0
25	Administrative Office of the President of the Azerbaijan Republic	2000,0	10000,0	97900,0	109900,0
26	Administrative Office of the Cabinet of Ministers of the Azerbaijan Republic	1400,0	3600,0	8100,0	13100,0

27	Administrative Office of Milli Meclis of the Azerbaijan Republic	40,0	2400,0	14063,0	16503,0
28	The National Academy of Sciences		938,0	4500,0	5438,0
29	Voluntary Military Patriotic Technical Sport Society			150,0	150,0
30	Real estate State Register Service of the Azerbaijan Republic		1500,0	3000,0	4500,0
31	State Agency of the Azerbaijan Republic on Standardization, Metrology and Patent		400,0	250,0	650,0
32	"Azerbaijan TV Broadcasting" JSC			4500,0	4500,0
33	The State Telegraph Agency	120,0			120,0
34	State Land and Mapping Committee		124,0		124,0
35	State Committee on Azerbaijanis living in the foreign countries	60,0	100,0		160,0
36	State Migration Service			1000,0	1000,0
37	Central Election Commission			4500,0	4500,0
	Total	11155,0	52086,0	328835,7	392076,7

IV. The highway – projects without perspectives

146 million 662 thousand AZN was divided for road reconstruction of Azerbaijan from the state budget in 2007. 20 projects in this sphere were conducted or must be conducted in different regions of republic by the Ministry of Transport.

The projects of road reconstruction planned for 2007 are the followings:

1. "The project of Baku round automobile road construction" (21.5 km) the portion of the Azerbaijani side is 12 million AZN;
2. "Highways - II" the portion of the Azerbaijani side is 20 million AZN;
3. The projection and reconstruction of the road from "Azizbayov" metrostation circle to Airport named after H.Aliyev (14 km) – 19 million AZN;
4. "The project on reconstruction of Ujar-Yevlakh road" (53 km) the portion of Azerbaijani side – 7 million AZN;
5. "The project on reconstruction of Ganja-Gazakh road" (73 km) the portion of Azerbaijani side – 5 million AZN;
6. "The project of rehabilitation of "Yevlakh-Ganja" and "Gazakh-Georgia border" (total 88 km) the portion of Azerbaijani side – 7 million AZN;
7. "The project of reconstruction of Baku-Guba-Russia state border road" portion of Azerbaijani side – 12 million AZN;
8. Baku-Alat (22-69 km) road (47 km) – 4 million AZN;
9. Guba-Ispik-Khinalig road – 8 million AZN;
10. The construction of Shamakha-Pirgulu road (25 km) – 2 million 400 thousand AZN;
11. The construction of Muganni-Ismayilli-Gabala road (76 km) – 21 million 22 thousand AZN;
12. The project of "Hajigabul-Kurdamir road reconstruction" (85.6 km) – 20 million AZN;
13. The reconstruction of Shamkir-Gadabay road (45 km) – 4 million AZN;
14. The construction of Agstafa-Poylu-Georgia road – 100 thousand AZN;
15. The construction of Davachi-Galaalti road – 100 thousand AZN;
16. The construction of Oguz-Khaldan road – 1 million AZN;
17. The construction of Sabirabad-Padar road – 100 thousand AZN;
18. The construction of Galaqayin-Agrobaza road – 200 thousand AZN;
19. The construction of Tovuz-Boyuk Gishlag-Alibayli road – 740 thousand AZN;
20. The construction of Gusar-Anik-Leze-Suvar road – 3 million AZN.

The total cost of following 8 projects is 74 million AZN and it has been constructed since 2006:

1. "The project of Baku round automobile road construction" portion of Azerbaijan;
2. The road from "Azizbayov" metrostation circle to Airport named after H.Aliyev;
3. "The project on reconstruction of Ujar-Yevlakh road" portion of Azerbaijan;
4. "The project on reconstruction of Ganja-Gazakh road" the portion of Azerbaijan;
5. The project of rehabilitation of "Yevlakh-Ganja" and "Gazakh-Georgia border" the portion of Azerbaijan;
6. "The project reconstruction of Baku-Guba-Russia state border road" portion of Azerbaijani side;
7. Baku-Alat (22-69 km) road;
8. Guba-Ispik-Khinalig road.

23 million 866 thousand AZN of state budget was spent on realization of these 8 projects in 2006.

11 projects on road financed by the state budget for 128 million 400 thousand AZN in 2007 were not completed and they will receive means from the budget of 2008. These projects are followings:

1. "The project of Baku round automobile road construction" (21.5 km) the portion of the Azerbaijani side;
2. "Highways - II" the portion of the Azerbaijani side;
3. The projection and reconstruction of the road from "Azizbayov" metrostation circle to Airport named after H.Aliyev (14 km);
4. "The project on reconstruction of Ujar-Yevlakh road" (53 km) the portion of Azerbaijani side;
5. The project of rehabilitation of "Yevlakh-Ganja" and "Gazakh-Georgia border" the portion of Azerbaijani side;

6. "The project of reconstruction of Baku-Guba-Russia state border road" portion of Azerbaijani side;
7. Baku-Alat (22-69 km) road;
8. The construction of Shamakha-Pirgulu road;
9. The construction of Muganni-Ismayilli-Gabala road;
10. The project of "Hajigabul-Kurdamir road reconstruction";
11. The reconstruction of Shamkir-Gadabay road (45 km) – 4 million AZN;

225 million 620 thousand AZN of state budget in 2008 was transferred to finance 11 projects.

6 projects on reconstruction of roads are being conducted since 2006. During these years total budget means for this 6 projects is 243 million 130 thousand AZN.

As we see prolongation of the projects in time is time and money consumption. For example, 18.1 million AZN was divided for Baku-Alat road (47 km) construction which is being continued for 3 year. It means more than 385 thousand AZN per km. The same fact is similar to road construction of Shamakha-Pirgulu, Muganni-Ismayilli-Gabala and restoration of Shamkir-Gadabay.

Another example is reconstruction of the road from "Azizbayov" to airport (14 km). This project received 120 million AZN of budget investment during 3 years. If this work will end this year and there will be no need for additional means, it will cost 8.5 (10) million AZN per km.

Also, we must note, the road projects are financed by state budget and credits from international finance institutes. According to official data, 467 million AZN of credit was received for road and transport needs in 2007 and most of this sum was spent on reconstruction of roads.

Table 5. Division of budget investments for the same roads in 2006-2008 (thousand AZN)

The title of the projects	2006	2007	2008	Sum 2006-2008
"Baku round automobile road construction" the portion of Azerbaijan	2210	12000	15140	29350
"Highways - II" the portion of the Azerbaijani side		20000	26500	46500
The road from "Azizbayov" metrostation circle to Airport named after H.Aliyev	1000	19000	100000	120000
"The project on reconstruction of Ujar-Yevlakh road" the portion of Azerbaijani side "	1100	7000	13380	21480
"The project on reconstruction of Ganja-Gazakh road" the portion of Azerbaijani side	1730	5000		6730
The project of rehabilitation of "Yevlakh-Ganja" and "Gazakh-Georgia border" the portion of Azerbaijani side	3800	7000	7900	18700
"The project on reconstruction of Baku-Guba-Russia state border road" portion of the Azerbaijani side	5000	12000	18500	35500
Baku-Alat (22-69 km) road	5600	4000	8500	18100
Guba-Ispik-Khinalig road	4000	8000		12000
The construction of Shamakha-Pirgulu road		2400	4700	7100
The construction of Muganni-Ismayilli-Gabala road		21000	2000	13000
The project of "Hajigabul-Kurdamir road reconstruction"		20000	19000	39000
The reconstruction of Shamkir-Gadabay road		4000	10000	14000
Total	24440	141400	225620	381460

V. The regional view of investment budget

The division of state investments among the economic regions is also very interesting. Because the state program on regional development is one of the prior components of official propaganda. Also, according to economic development Baku is a leader. It is only 3% of all territory of republic and is not very wealth with natural resources (besides oil resources), although 90% of tax payments belong to the capital. This is the clear indicator of weak development of other regions. Taking all of these conditions under consideration, state investment expenses must be spent on regions.

But there are different results in classification of state investments among the economic regions. 1.55 billion AZN of the state budget is divided for Baku in 2007. This is 55.2% of all state investment expenses. Also, during 2007 529.1 million AZN or 27.6% of state investment expenses was transferred to republic significant project. So, only 329 million AZN or 17.2% of investments is planning to be divided for rest 10 regions (Absheron, Ganja-Gzakh, Shaki-Zagatala, Lenkaran-Astara, Guba-Khachmaz, Aran, Yukhari Garabag, Kalbajar-Lachin, Daglig Shirvan and Nakhichevan economic regions).

Of course, trend of unequal division of state investment would strengthen the condition of capital. This is distinctive for 2007, 2005 and 2006 years. The problem is continuation of this trend year by year. During 2005 only 33% or 43.9 million AZN, in 2006 only 27% or 167 million, in 2007 only 329 million AZN or 17,2 % of total investment was transferred to these economic regions. It is clear that the quantity of money is growing year by year but its special weight in the structure is decreasing.

The comparative analysis of state investment volume for different economic regions shows that, there is not any interest in state investment policy to develop rivalry among economic regions. For example, only 12.7 million AZN of the state budget was divided for Daglig Shirvan economic region (Agsu, Ismailli, Gobustan and Shamakha regions) in 2007. Imagine, investment for one economic region is less for 2 times than investment for a state organization, for example, expenses for repair and restoration of State Border Service administrative building (22 million AZN). During 2007 Ganja-Gazakh (15-20% of republic population) economic region (Agstafa, Dashkasa, Gadabay, Goranboy, Khanlar, Gazakh, Samukh, Shamkir and Tovuz regions, Ganja and cities) received 57,3 million AZN. This figure was 9.4 in 2005, 18.2 million AZN in 2006. We can see growth in the indicators but it is still less for several times than construction of only one road in Baku.

The biggest investment is transferred to Aran economic region which includes 18 regions (Agjabedi, Agdash, Beyleqan, Barda, Bilasuvar, Goychay, Hajigabul, Imishli, Kurdamir, Neftchala, Saatli, Sabirabad, Salyan, Ujar and Zardab regions, Ali Bayramli, Mingachevir and Yevlakh cities). This investment was 7.9 million AZN in 2005, 22.3 million AZN in 2006. 102 million AZN or 5.3% of state budget is planned to transferred to this economic region in 2007. As we see approximately 5.67 million AZN will be used by per administrative unit and this is also less than one construction in Baku.

The investment portion of Absheron economic region with dense population (Asheron and Khizi regions, Sumqait city) was 31.7 million AZN (1.6%) in 2007, 6.9 million AZN in 2005, 9.5 million AZN in 2006.

The investment portion of Yukhari Garabag economic region in 2007 (Agdam, Terter, Khojavend, Khojali, Shusha, Jabrail, Fuzuli regions and Khankendi city) is 3,7 million AZN. During 2005 there was no investment at all. But the region received 1.3 million AZN of investment in 2006.

There are interesting cases in the division of state investments among regions. For example, 180 thousand AZN was divided for administrative building construction of executive authority for Lachin region in 2007 which is under occupation. It is interesting how can be conducted construction on the occupied land. In general 680 thousand AZN was transferred to occupied Kalbajar-Lachin economic region (Kalbajar, Lachin, Gubadli and Zangilan regions). This is also strange expenses.

The least portion of state investment belongs to Nakhichevan AR. This economic region has no direct link with other regions of Azerbaijan and it is already 16 year in the blockade. The autonomous republic received 600 thousand AZN of budget investment in 2007 and it was spent on construction of sport complex in Sharur region instead of serious social or productive project. Also, Nakhichevan AR is the only one place which has decrease rate of state investment expenses year by year. State investment was 724 thousand AZN in 2006 and 13.5 million AZN in 2005.

Table 6. Division of budget investments among the economic regions in 2005-2007 (thousand AZN)

No	The title of economic regions	2005	Special weight %	2006	Special weight %	2007	Special weight %	Dynamics 2007/2006, %-
1	Baku	43453,0	26,50	436044,0	49,42	1057223,0	55,20	142,46
2	Absheron economic region	6918,0	4,22	9519,0	1,08	31711,0	1,66	233,13
3	Ganja-Gazakh economic region	9419,0	5,74	18277,0	2,07	57235,0	2,99	213,15
4	Shaki-Zagatala economic region	1390,0	0,85	11336,0	1,28	42271,0	2,21	272,89
5	Lenkaran economic region	3230,0	1,97	14875,0	1,69	41793,0	2,18	180,96
6	Guba-Khachmaz economic region	670,0	0,41	11789,0	1,34	35965,0	1,88	205,07
7	Aran economic region	7976,0	4,86	22360,0	2,53	102531,0	5,35	358,55
8	Yukhari Garabag economic region			1327,0	0,15	3764,0	0,20	183,65
9	Kalbajar-Lachin economic region			250,0	0,03	680,0	0,04	172,00
10	Daglig Shirvan economic region	797,0	0,49	4932,0	0,56	12701,0	0,66	157,52
11	Nakhchevan economic region	13560,0	8,27	724,0	0,08	600,0	0,03	-17,13
12	Republic significant projects	42587,0	25,97	71928,8	8,15	521116,0	27,21	624,49
13	Reserve means			7638,2	0,87	7833,0	0,41	
14	Expenses with unexplained structure	34000,0	20,73	271300,0	30,75			
	Total	164000,0	100,00	882300,0	100,00	1915423,0	100,00	117,09

VI. Additional investments for state organization with big debts for the budget

Another investigation on state investment expenses considers state budget debts and budget investments of huge state tax payers (“Azerenergy” Joint Stock Company, “Azerkimya” State Company, “Azersu” JSC, “AzAL” State Concern, Khazar Sea Navigation, State Railway Office, the Ministry of Communication and Information Technology of the Azerbaijan Republic, SOCAR and “Azerigas” Stock Company). According to reference of Estimation Chamber on state budget execution for 2005 and 2006 years, debt of 9 the biggest state taxpayers was 568,8 million AZN in 2005, 1 billion 439.2 million AZN in 2006. These state giants, besides SOCAR and “Azerkimya”, received 36.3 million AZN in 2005, 311.3 million AZN in 2006 and 256.8 million AZN in 2007 from state budget (Table 6). Although these companies have not paid their state budget debts during the last 3 years, they still continue to receive investments from state budget in amount of 604.2 million AZN.

It means 7 of 9 huge state companies gain big profits and internal investment opportunities also use state budget investments. Especially, the Ministry of Communication and Information technologies, “AZAL” State Concern, Khazar Sea Navigation, State Railway Office receive groundless investments. As we know, during the last years 3 spheres (communication, construction and transportation) have intensive development. The leader among these spheres is communication sector. Communication is the most profitable and dynamically developing sector. The investments to this sphere are also rather enough – internal and foreign sources and this sphere is the only one that needs minimum investment. But in 2007 the sector received 3.185 million AZN of investment. According to results of 2006, the Ministry of Communication and Information technology had 10,3 million AZN of debt to state budget. “AZAL” State Concern conducts international cargo and passenger transportation and it has profitable activity. Although according to results of 2006 it had 82.8 million AZN of debt to state budget and in 2007 it received 25 million AZN of investment. Also, according to results of 2006 railway system had 35.8 million AZN of debt and received 15.3 million AZN in 2007.

Both are in 2007 and previous years the investment policy of the state remains invariable: state companies receive big means not depending on efficiency and perspectives. Most of these companies were prepared for privatization but now it seems that they are strengthen their “places” in state sector. Big taxpayers, for example state investments increasing year by year to such companies as “Azersu” Joint Stock Company (Water company), “Azerigas” Stock Company and “Azerenergy” JSC could be senseless and can detain normalization of these state companies. Although these facilities are working with huge turnover and profits, they do not perform their duties for state budget and receive means in the frame of investment expenses. In the last 2 years tariff in “Azerigas” increased for 6,8 times, in “Azerenergy” and “Azersu” for 3 times. But the service quality of these companies is still the same.

Customer or state organizations and companies financed by state investment must be a factor of state hegemony in economy. Because, in the last 4 years there are neither municipal nor private facility in realized state investment projects. Of course, private sector has opportunity to use these means as contractor, subcontractor, also via credits for ownership and agriculture. But if we take into consideration that contractors and subcontractor are identified without tender and there is not transparency in ownership and agriculture credit giving, this opportunity is very little. Municipal organizations are out of this process at all and it shows that government is not interested in development of local self-management institutions.

Table 7. Tax debts of big taxpayers and amount obtained by them in the framework of 2005-2007 budget investments (thousands AZN)

No	Names of big taxpayers	Tax debts in 2005	Amount obtained over SIP in 2005	Tax debts in 2006	Amount obtained over SIP in 2006	Amount obtained over SIP in 2007
1	"Azerenerji" Joint Stock Company	111700	6690	247212	272500	106838
2	"Azerkimya" State Company	37440		38838		
3	"Azersu" Joint Stock Company	9480	15071,2	38502	37333	67290
4	"Azal" State Concern	27900	5000	82805		25000
5	Caspian Sea Navigation	5000		6565		
6	State Railway Office	8180		35833	400	15350
7	The Ministry of Communication and Information Technology of the Azerbaijan Republic	2240		10316		3185
8	SOCAR	351920		852350		
9	"Azerigas" Stock Company	15020	9580	126696	1000	39053
	Total	568880	36341,2	1439118	311233	256716

VII. Implementation of state investment expenses

Main state capital investments for 2007 made up 1902,2 million AZN having been implemented by 99,1% which is 2,2 times more as compared to the previous year. Out of the utilized funds 49,2% falls to the share of infrastructure projects, 21,3% to the construction, renovation and reconstruction of social objects, 10,2% to legal defence projects and 19,3% to the share of other projects.

As for the dynamics of state investment expenses on different fields in comparison with 2006 the indicators greatly differ from each other. For instance, capital investments to infrastructure projects on household economy have increased by 45%, investments on ecological projects by 15 times, whereas investments to power engineering and industry have decreased by 23%. The same non-proportional dynamics can be observed in repair and construction expenses of social objects. The state investments on health objects have increased by 2,9 times, whereas those on cultural objects have become 6,4 times more than the expenses in 2006. Here is another comparison: only 79,9% of funds allocated to ecological projects and 96% of funds allocated to agriculture had been utilized, whereas the same figure for legal-defense projects was 104,7%.

140,5 million AZN of 2007 budget investments had been directed to production, 28,1 million to service, 75,5 million to the increase of charter capital in state enterprises (12,8% in total). The rest of the funds (87,2%) had been spent on fields with non-financial benefit which indicates to the low level of multiplicative effect of state investments.

Another problem in the realization of budget investments is the lack of programs for the main parts of the projects. Only 509 million AZN (26,8%) out of total funds of state capital investments in 2007 had been directed to program-base projects. The fact that the rest 73,2% had been spent on projects with no program basis leads to the ineffective utilization of these funds and to corruption. Besides, the inclusion of restoration-construction activities with no program basis (i.e. objective) into budget investments' plan is contrary to budget legislation. In addition, this causes serious problems in the implementation of non-program base projects and part of them remain unfinished.

Alongside with abovementioned, the following shortcomings and legal breaches were observed during the utilization of state investment expenses in 2007:

- Funds allocated from budget had been transferred to the accounts of contracting companies without having cost estimation documents ready or without making an examination of cost-estimate documents of the project;
- The client state institutions had carried out the construction and restoration works, as well as the procurement of equipments without any tender, which is against the Law on "State Procurements";
- Costs of most of the projects had been stated high prior to the allocation of funds, which has lead to the exaggerated project value;
- Several of client state institutions had paid additional funds to the contractors having stated higher value of goods and services and have incurred some debts. For instance, 14,7% of investments allocated to the Ministry of Health and 29,3% of investments on State Border Service had been directed to contractors under the name of debtor debts. In total, 183,9 million AZN had been transferred to the accounts of contractors in the form of debtor debts.

Table 8. Field structure of 2007 budget investments and their level of implementation (in thousand AZN)

Main Fields	2006, implementation	2007, Law	2007, implementation	Special weight, in %	Implementation level, in %
I. Infrastructure	578 402,7	952 505,0	935 447,2	49,2	98,2
Transportation	215 423,1	418 360,0	422 345,5	22,2	101,0
Public utilities	56 783,2	85 580,0	82 102,8	4,3	95,9
Water reserves	25 473,9	71 423,0	70 203,0	3,7	98,3
Power engineering and Industry	277 810,0	222 791,0	213 794,4	11,2	96,0
Ecology	1 250,1	23 713,0	18 949,0	1,0	79,9
Agriculture	1 662,4	56 648,0	54 397,1	2,9	96,0
Entrepreneurship	-	74 000,0	73 655,4	3,9	99,5
II. Social projects (repair-construction, restoration and reconstruction)	121 999,2	402 081,0	404 954,4	21,3	100,7
Educational objects	43 387,7	98 775,0	92 729,0	4,9	93,9
Health objects	24 172,6	58 790,0	72 018,5	3,8	122,5
Objects for disabled and martyrs' families	11 345,0	19 521,0	18 723,6	1,0	95,9
Cultural objects	12 004,0	72 598,0	77 879,5	4,1	107,3
Sports objects	14 360,0	57 964,0	57 487,6	3,0	99,2
Projects on the improvement of living conditions of refugees and IDPs	1 284,2	5 597,0	3 976,7	0,2	71,1
Other social fields	15 445,7	88 836,0	82 139,5	4,3	92,5
III. Defense and legal-protective bodies	56 330,0	185 741,0	194 481,1	10,2	104,7
IV. Projects on restoration, reconstruction and elimination of extraordinary situations	73 785,7	108 364,0	107 236,9	5,6	99,0
V. Other projects	47 720,6	266 732,0	260 108,5	13,7	97,5
Total	879 638,2	1 915 423,0	1 902 228,1	100,0	99,3

VIII. Monitoring of Projects on Construction of Crossroads and Passages in Baku

The construction of crossroads and passages in the capital is carried out on the basis of Presidential decree (February 2, 2006) on the "Approval of 2006-2007 Activities Plan for the Improvement of Transportation System in Baku". In accordance with the stated decree the construction of 9 crossroads and 7 underground passages has already given a start. The total project value of these constructions is 148,9 million AZN. 18 million AZN; 119,026 million AZN and 164,4 million AZN have been allocated from the budgets of years 2006, 2007 and 2008 accordingly within state investment expenses of state budget for this purpose. Besides, some additional funds had been allocated for the construction of crossroads and passages following the additional incomes to the state budget in mid-2006. No information has been acquired in regard to the amount of these funds. It should also be noted that the amount of funds allocated from the budget on the construction of crossroads and passages is expected to be 3 times more than the originally estimated cost. Another surprising fact is that certain funds have been allocated within the frame of 2008 state investment expenses for the construction of crossroads and passages, as well as engineering lines in 2006 and 2007, whereas their construction have already been completed.

The monitoring covers 9 crossroads and 5 underground passages that have been under construction since 2006-2007. The monitoring has been carried out in 2 directions:

- 1) Monitoring of the compliance of crossroads and passages with the project and project assessment;
- 2) Monitoring of the effectiveness of completed crossroad and passages projects and their assessment;

Project data on crossroads and passages within first monitoring direction have been collected and compared with implementation indicators. The methods applied within this direction are research, surveys, observations and photographing. Conclusions have been drawn on the basis of comparisons and outcomes. The main attention in the conclusions was directed to the allocation and utilization of funds (Tables 9 and 10).

For the second monitoring, 2 related crossroads and 1 passage had been selected and rated for the evaluation of the effectiveness of the projects. Following the rating, the utilization level of crossroads and passages by vehicles and passanges accordingly has been determined (Tables 11 and 12).

Table 9. Outcomes of Monitoring on the Project Compliance of Crossroads constructed in Baku in 2006-2007

Name of the Project	General information about the project	Outcomes of the comparison of the project and implementation data	Conclusions
1. Crossing of H. Aliyev and Z. Bunyadov avenues (Azizbeyov circle)	<p>Total length of the flyover – 2600 m; of which:</p> <ul style="list-style-type: none"> - for 4-line movement – 500 m; - for 2-line movement – 460 m; - for 1-line movement – 1640 m; <p>Reference wall – 540 m; 4-storeyed bus terminal and trade center – 1 pcs; Enclosed bus stop – 4 pcs. Project carried out by: “Technomost” LM; Constructor - “Azerkorpu” JSC Project cost estimation – 30,8 million AZN Actual cost – appx. 108,4 million AZN Construction period – Mar 15 2006 – Nov 2007 Not delivered for employment yet. The flyover will connect Z. Bunyadov Avenue with Bina Airport and with roads leading to 8th km residential community</p>	<p>As of Jan 1, 2008 information 78% of the project had been completed. However, 77,584 million AZN has been allocated for the continuation of the project in 2008. Project implementation halted.</p>	<ol style="list-style-type: none"> 1. The scope and scale of project activities have been extended. Certain amendments have been made to the project and the project purpose is not clear. 2. Serious damage to infrastructure and economy in the area. A trade fair, express train station, gas station and dozens of trade units have been destroyed. 3. Despite the fact that the cost estimation of the project was 30,8 million AZN, 77,6 million AZN has been additionally allocated in 2008 only.
2. Crossing of A. Salamzade Street and Tbilisi Avenue (in front of Transportation Ministry)	<p>Total length of the flyover – 329 m; of which:</p> <ul style="list-style-type: none"> - for 4-line movement – 329 m; <p>2-line entry roads at all directions; - 4-line freeways – 1505 m; - 4-line local roads – 1600 m; - Reference walls – 586 m; 4 pcs ground passages, each 196 m; 4 enclosed bus stops Project carried out by: “Techmost” LM Contractor: “Azerkorpu” JSC Project cost estimation – 15,2 million AZN Actual cost – 18,8 million AZN Construction period – 15 Mar 2006 – Aug 2007 Delivered for employment: Dec 22, 2006.</p>	<p>A couple of variations arose during project implementation. The length of entry roads was 1300 m, which was less than projected. Besides, the projected passenger passages and bus terminals haven't been constructed. The cost of the project however was 3,6 million AZN more expensive than the original estimations. The deadline of the project construction was August 2007. However, the crossroad was delivered for employment 8 months earlier. 2,4 million AZN additional funds have been used in 2007. Additional 781,4 thousand AZN allocated for the project in 2008.</p>	<ol style="list-style-type: none"> 1. An additional fund of 3,4 million AZN was allocated to the project. 2. Some of the projected activities, as well as the construction of flyover passages and bus terminals haven't been carried out. 3. Overpass is fully effective and seems efficient. 4. Despite the fact that the road has already been delivered for employment, additional 781,4 thousand AZN has been allocation to the project in 2008.

<p>3. Crossing of Z. Bunyadov and Ataturk avenues (close to A. Sultanova's monument)</p>	<p>Total length of the flyover – 340 m; of which: - for 4-line movement – 340 m; Entry roads – 480 m; Reference walls – 960 m; Project carried out by – “Technomost” LM Contractor – “Ganjakorputikinti-2” JSC Project cost estimation – 10,5 million AZN Actual cost – 19,7 million AZN Construction period – Mar 15 2006 – July 2007 Delivered for employment – Dec 22, 2006</p>	<p>Certain activities are different from the projected ones. For instance, the reference walls are 240 m longer than the projected length. The second stage of the project includes the construction of 2 ground passages with total length of 170 meters and 4 enclosed bus stops. Another 350 thousand AZN has been allocated to the project again in 2008. It should be noted that this flyover is similar to the one close to the Transportation Ministry according to certain parameters, as well as to the amount of its actual cost. However, the cost estimates of the two projects differ.</p>	<p>1. An additional fund of 9,2 million AZN has been used for the project. 2. Overpass is fully effective and seems efficient.</p>
<p>4. Crossing of Z. Bunyadov Street and Azadlig Avenue (ex Marx circle)</p>	<p>1) Total lengths of the bridges – 548 m; of which: - for 6-line movement – 448 m; - for 1-line movement – 100 m; Entry roads – 1100 m; Reference walls – 2037 m; Project carried out by: “Technomost” LM Contractor: “Yapilar” company (Turkey) Project cost estimation – 15,3 million AZN Actual cost – 33,6 million AZN Construction period – Jul 2006 - Oct 2007 Part of the road junctions has been delivered to employment on Sept 29, 2007</p>	<p>Activities on the second stage of the project are still going on. 22,1 million AZN has been spent for the first stage. However, the projected 6-line flyover has been replaced by a 4-line one. Besides, no 1-line flyover has been construction for connecting Azadlig Avenue with the road leading to “Khutor” residential community. Despite this, 6,8 million AZN was spent in addition to the estimated cost of the project. Project related excavation activities have been carried out at Azadlig Avenue for almost 2 years and a tunnel is said to be constructed at that site. The cost estimate of this project is AZN 10,3 million AZN. However, 16,9 million AZN had already been spent by the beginning of 2008. No actual work on the construction of the tunnel had been carried out by that time though. Another 5,524 million AZN has been allocated to the project in 2008 again.</p>	<p>1. Certain amendments have been made to the project and the scope of work has been reduced. Despite this, the fund spent on these activities was 2,2 times more than the estimated cost. 2. The section of the project at Azadlig Avenue is being unreasonably extended. 3. An additional fund of 5,524 million AZN has been allocated to the project in 2008 again.</p>
<p>5. Crossing of Javadkhan A. Mustafayev streets (3rd microdistrict circle)</p>	<p>Total length of the flyovers – 848 m; of which: - for 4-line movement – 562 m; - for 1-line movement – 286 m; Entry roads – 1200 m; Reference walls – 1000 m; Project carried out by: “Technomost” LM; Contractor: “Korpubinatikinti” Ltd. Project cost estimation: 14,2 million AZN Actual cost: 32 million AZN Construction period: Jul 25 2006 - Nov 2007 Delivered: Dec 29, 2007</p>	<p>The actual cost of the project is 2,25 times more than the estimated one. However, certain projected activities have not been carried out. These include 5 ground passages with total length of 220 m and 5 enclosed bus stations. An additional fund of 11,106 million AZN has been allocated to the project in 2008. The sections of the flyover with 1-line movement, especially the one going into the Military Hospital are rarely used.</p>	<p>1. The actual cost of the project is 2,25 times more than the estimated one. However, certain projected activities – the construction of ground passages and enclosed bus stations - have not been carried out. 2. Despite the fact that most of the project activities had already been completed and the overpasses are already under utilization, additional 11,106 million AZN has been allocated to the project in 2008. 3. The 1-line section of the flyover that goes into the Military Hospital is very rarely used.</p>

<p>6. Crossing of Tbilisi Avenue and Zardabi Street (20th January circle)</p>	<p>Total length of the flyover – 277 m; Of which: For 4-line movement – 277 m; Length of the tunnel – 620 m; Entry roads – 523 m; Reference walls – 1046 m; Project carried out by: “Technomost” LM Contractor: “Azerkorpu” JSC Project cost estimation: 19,4 million AZN Actual cost: 24,1 million AZN Construction period: Apr 20 2006 – Oct 2007 Delivered for employment: Mar 22, 2007.</p>	<p>The actual cost of the project was 4,7 million AZN more than the estimated cost. However, the projected 620 m long tunnel, 4 flyover passages with total length of 190 m and 4 enclosed bus stations haven’t been constructed. According to the information from the contractor the following expenses have been incurred: 11,5 million AZN on the construction of overpass, 6,7 million AZN on approach roads; 1,1 million on illumination and renovation; 2,3 million on for communications and 2,5 million AZN for other. Part of the asphalt covering was destroyed in summer 2007 and new renovation works were carried out on the flyover delivered for employment only 3 months before. A hallow has appeared in the newly reconstructed asphalt cover in “20th January circle” in early June in 2007. The asphalt has crushed and a huge, deep hallow has appeared on the road. Additional 4,252 million AZN has been allocated to the project in 2008 again.</p>	<ol style="list-style-type: none"> 1. The actual cost of the project turned out to be 4,7 million AZN more than the estimated cost. 2. The projected 620-m long tunnel, 4 flyover passages with total length of 190 m and 4 enclosed bus stations haven’t been constructed. 3. Though the overpass has been delivered for employment, the 20 January circle has been covered with untidy and poor quality asphalt. 4. Though the overpass was delivered for employment in 2007, additional 4,525 million AZN has been allocated to the project in 2008.
<p>7. Crossing of Tbilisi avenue and 20 Yanvar street (in front of Alov plant)</p>	<p>Total length of the tunnel – 300 m; Of which: For 6-line movement – 300 m; Tunnel entry roads – 750 m; Reference walls – 1350 m; Project carried out by: “Technomost” LM; Contractor: “Kolin Inshaat” Ltd. Project cost estimation: 14,8 million AZN Actual cost: 26,5 million AZN; Construction period: May 12 2006 – November 2007 Delivered for employment: Mar 22, 2007</p>	<p>The actual project cost is 11,7 million AZN more than the estimated one. Certain changes were made to the project after the projected works had started. Certain constructed parts have been destroyed and reconstructed. The ceiling of the flyover collapsed shortly after the delivery, on May 9 2007. Though the works on the project had been completed, an additional fund of AZN 4,473 million has been allocated to it in 2008.</p>	<ol style="list-style-type: none"> 1. The project’s actual cost was 11,7 million more than the projected one. 2. Though the tunnel is operating effectively, an additional fund of 4,473 million AZN has been allocated to the project in 2008.

<p>8. Front of “Excelsior” hotel (“Ramstore” circle)</p>	<p>Total length of the flyovers – 480 m; Of which: - for 4-line movement – 280 m; - for 1-line movement – 200 m; Entry roads – 3300 m; Reference roads – 200 m; Lengths of the tunnels: 460 m; Of which: 2 line one direction – 260 m; 2 line various direction – 200 m; Reconstruction of 2 flyovers for railways, 76 m each; Project carried out by: “Technomost” LM; Contractor: “Akkord” Group of Companies; Project cost estimation: 25 million AZN Actual cost: appx. 76,283 million AZN Construction period: Aug 4, 2006 – Dec 2007 Not delivered for employment yet</p>	<p>The actually carried out works differ from the projected ones. New elements have been added to the project. For instance, 2 meter long green strip is being laid and also heating system is being set. 75-80% of project activities are said to have been completed by the beginning of 2008. Despite this, an additional fund of 51,283 million AZN has been allocated to the project in 2008. The crossroad was expected to be delivered for employment in May 2008.</p>	<p>1. The actual cost of the project is expected to be 3 times more than the estimated one. 2. The construction of the overpass is being extended, which hinders the movement of traffic in both “Ramstore” circle and at the entry of Babak Avenue, as well as in front of “Excelsior” hotel.</p>
<p>9. Crossing of Babak avenue and M. Hadi street (“Khalglar Dostlugu” circle)</p>	<p>Total length of the flyover – 129 m; Of which: - for 4-line movement – 129 m; - Entry roads – 1408 m; Reference walls – 3224 m; Project cost estimation: 7,7 mln AZN Actual cost – unclear Project carried out by: “Technomost” LM; Contractor: “Ganjakorputikinti-2” JSC Construction period – May 3, 2006 – Oct 2007 Not delivered for employment yet</p>	<p>The works carried out at the crossroad differ from the projected ones. The crossroad includes 2 flyovers and 6 underground vehicle passages. Total length of the flyovers is 196 m. The amount of funds allocated to the project is not clear. Besides, no funds have been allocated to the project in 2008. This is the only project with no funds allocated in 2008. The crossroad is expected to be delivered for employment in april 2008.</p>	<p>1. Certain changes have been made to the project and the scope of work has been increased. 2. No information is provided about the total expenditures on the project by the beginning of 2008. Works on the project are still going on in 2008. However, no funds have been allocated to the project in 2008.</p>

Table 10. Outcomes of Monitoring on the Project Compliance of certain passages constructed in Baku in 2006-2007

№	Project implementation site	Length (in meters)		Contractor	Estimated cost (in thousand AZN)	Actual cost (in thousand AZN)	Status quo
		Projected	Actual				
1	Crossing of Bulbul avenue and Fuzuli Street	53,4		"Akkord" Group of Companies	1 000	3 500	Delivered for employment
2	Crossing of S. Vurghun and Nizami Streets	40,13		"Saako" company	1 245	1 300	Delivered for employment
3	S. Vurghun Street (in front of Teze bazar)	58,5		"AS Inshaat" Ltd	1 000	1 400*	Delivered for employment
4	Crossing of R. Behbudov and Fuzuli Streets			"Akkord" Group of Companies	1 000	1 000*	Delivered for employment
5	Crossing of Bulbul and Nizami Streets	44,99	36	"Saako" company	1 245	3 300	Delivered for employment
6	Crossing of Bulbul and U. Hajibeyov Streets			"Saridaghlar Muhandislik ve Inshaat" company	1 050		Not constructed
7	Crossing of S. Vurghun and Bakikhanov streets			"AS Inshaat" Ltd	1 000		Not constructed

Conclusions:

- The actual cost of all the completed passages was more than their estimated costs. This difference was 3,5 times sometimes;
- 2 of the underground passages with certain funds allocated to their projection and construction and with contractors selected in 2006, have not been constructed at all;
- Additional funds have been allocated from 2008 state investment expenses for the 2 underground passages the constructions of which were completed in 2007. The funds allocated made up AZN 90 thousand for the underground passage in S. Vurghun Street (in front of Teze Bazar) and additional AZN 7 million for the underground passage at the crossing of R. Behbudov and Fuzuli streets. Thus, the total expenses on the first project will make up 1,49 million AZN, whereas on the second it will be AZN 8 million accordingly. This means that the actual cost of the underground passage constructed by "Akkord" Group of Companies at the crossing of R. Behbudov and Fuzuli Streets will be 8 times more than its estimated cost.

Table 11. Outcomes of the monitoring on the effectiveness of overpasses in Shamakhi and 20 Yanvar circles

Movement direction of vehicles	Week days, 09.00-10.00 AM (pcs)	In %	Weekends, 09.00-10.00 AM (pcs)	In %
From Sumgayit road towards Shamakhi circle	1214	34,04	1092	35,27
From Sumgayit road towards the tunnel	2352	65,96	2004	64,73
Total	3566	100,00	3096	100,00
From Shamakhi circle towards 20 Yanvar circle	1870	68,78	1056	64,71
From the tunnel towards 20 Yanvar circle	1034		924	
From the tunnel towards the flyover	1318	31,22	1080	35,29
Total	4222	100,00	3060	100,00
From Shamakhi circle towards Sumgayit road and Bilajari	1794	48,47	1524	52,70
From the tunnel towards Sumgayit road	1907	51,53	1368	47,30
Total	3701	100,00	2892	100,00
From 20 Yanvar circle towards the downtown	1825	58,07	1345	55,46
From the flyover towards the downtown	1318	41,93	1080	44,54
Total	3143	100,00	2425	100,00
From downtown towards the flyover	1321	35,39	1012	33,15
From downtown towards 20 Yanvar circle	1308	64,61	1095	66,85
From Bus Terminal towards 20 Yanvar circle	1104		946	
Total	3733	100,00	3053	100,00

Conclusions:

- 66% of the vehicles entering Baku through Sumgayit road use the underpass (tunnel) constructed at Shamakhi circle and 31% use the overpass (flyover) at 20 Yanvar circle. Thus, 69% of vehicles entering the city from this direction drive through 20 Yanvar circle as usual and this leads to traffic jams continuing for hours and to the tight movement of vehicles.
- The overpass (flyover) constructed at 20 Yanvar circle does not achieve the targeted purpose (elimination of traffic jams at the circle).

Table 12. Outcomes of the monitoring on the effectiveness of underground passage in Samad Vurghun Street in front of Teze Bazar

Movement of passengers	Weekdays, 14.00-15.00 PM (in person)	In %	Weekends, 10.00-11.00 AM (in person)	In %
From Teze Bazar towards AF Center through the underground passage	18	4,25	38	5,85
From Teze Bazar towards AF Center crossing the road	406	95,75	612	94,15
Total	424	100,00	650	100,00
From AF Center towards Teze Bazar through the underground passage	11	3,57	16	4,55
From AF Center towards Teze Bazar crossing the road	297	96,43	336	95,45
Total	308	100,00	352	100,00

Conclusion:

- Only 5% of passengers crossing the roads to both sides in front of Teze Bazar use the underground passage constructed here.



*New bridge failed to solve old problems:
The traffic jam at "January 20" circle still remains.*



*Bridges stretched like roads. The road junction at "Azizbekov" circle is
the most expensive project of this kind.*



3rd micro rayon circle: the road junction is used from time to time.



*The passage near the National bank is given for use,
but it still "takes money"*

IX. Module on monitoring of transparency and effectiveness of state investment projects

The current monitoring module is prepared in the framework of project “Monitoring of use of finances allocated from state budget for investment programs and establishment of specialized NGO group in this area”. The project is being implemented with support of Assistance Foundation of Open Society Institute as well as of Oxfam Novib. It is based on experience.

1. Purpose of monitoring

The purpose of monitoring of transparency and effectiveness of investment projects financed from state budget is to clarify to what extent budget funds allocated for this area have been expended for purpose and what social or material benefit they have brought.

2. Methods of monitoring

1. Research
2. Information poll
3. Observation
4. Photo session
5. Time-keeping

3. Direction and evaluation indicators of monitoring

Depending on type of state investment project and character every state chooses monitoring direction. Alongside with that it would be useful to pay attention on a range of directions while monitoring such projects. Among them are transparency, and correctness while using finances as well as effectiveness of projects (material or social benefit brought by project). For instance, let us choose “Monitoring and evaluation of compliance to project the use of funds for investment projects”. The objective of this direction is to clarify how transparently, correctly and by purpose funds for state investments projects have been expended.

Possible evaluation indicators of this monitoring direction could be the following:

- transparency level of tender conditions as well as of tender process;
- implementation level of components envisaged by the project;
- level of compliance between the value of estimate and actual expended sums;
- transparency level of purchases;
- project’s compliance with quality standards.

Another direction “Monitoring and evaluation of effectiveness of amounts allocated for investment projects”. This direction intends how much the objectives have been reached after the completion of investment project. Below are possible evaluation indicators of this direction:

- level of project’s material or social effectiveness;
- achievement level of project objectives.

4. Sources of information

Validity of information collected in the process of monitoring of budget finances use is of special importance and depends on the source of information. The following can be the sources of information on finances for state investment projects, use of finances, and purchases:

1) Documents:

- Budget package
- State Investment Program
- The Opinion of Chamber of Accounts on Budget Project;
- The corresponding Order of the Cabinet of Ministers;

- Report of the Cabinet of Ministers on its annual activity;
- The report of the Cabinet of Ministers on the implementation of past year's budget;
- The annual report on the activity of Chamber of Accounts;
- The Opinion of Chamber of Accounts on the implementation of last year's budget;
- Reports and press-releases of government institutions that are the clients of investment projects (ministry, committee, chief office, government company and other institutions)
- Reports and press-releases of contractors of State Investment Projects
- Annual reports of SOFAZ
- Reports of international financial institutions.

2) Institutions

- The Ministry of Finance;
- The Ministry of Economic Development;
- Economic, Political Permanent Commission of Milli Mejlis;
- Chamber of Accounts;
- Customer government bodies (ministry, committee, chief office, Government Company and other institutions);
- Contractors of investment projects;
- SOFAZ;
- International financial institutions.

3) Other sources*

- Information on internet resources of clients and contractors (organizations/institutions) of state investment projects;
- Interviews of official representatives of clients and contractors of state investment projects;
- Information provided by information agencies;
- information from mass media;
- Information obtained from clients and contractors of state investment projects through personal relationships.

Other sources*: Resources noted here cannot be considered as confident for monitoring process. This information can only assist monitoring process in access of confident information. Therefore, official confirmation of information obtained from other sources should be achieved. At the same time if information has been given in reports and press-releases in various internet sources it has to be considered confident.

5. Access to information

During the monitoring process for access to information needed it is necessary to cooperate with corresponding organs, media (journalists), use internet, and apply legislation. Usually information and reports publicized by official bodies are general in character. However apart from official reports information poll is very important for obtaining detailed information on monitoring subject.

Sample 5.1. Information poll

Mr. Ziya Mammadov
Minister of Transport of
Azerbaijan Republic

Written information poll

You are kindly asked to answer the question below during 7 days as envisaged in article 24.1 of the **Law of AR on “Obtaining information”**.

Please reply separately to each question given in the questionnaire. Please, also reply separately to questions by years indicated.

Please send your information to the organization’s address given below:

AZ1000, Baku.

Public Association for Free Economy

Organization’s telephone №:

E-mail:

With regards,
Signature and seal
Name, Surname,
Post

6. Systematization and analysis of results obtained

Results of monitoring are being systematized separately by monitoring methods as well as indicators. While systematizing results on monitoring direction, method or indicators tables can be used. This helps easily systematize results obtained and present them in clear, understandable form.

Sample 6.1. Monitoring direction: results of compliance of implementation in relation to project

Project’s name	General information about project	Results of comparison	Conclusion
1.			
2.			

7. Evaluation of results

Evaluation of results is a separate stage in monitoring process. Depending on type and character of monitoring project evaluation is considered on the basis of indicators prepared.

Sample 7.1. Indicator of effectiveness: Level of automobiles use from project

Indicator	Week days Time interval	%	Week-ends Time interval	%
Number of automobiles using the project				
Number of automobiles not using the project				
Total		100,0		100,0

Sample 7.2. Indicator of effectiveness: Level of project's impact on reduction of accidents

Posts	Pre-implementation period year, quarter or month	%	Post-implementation period, year, quarter or month	%
In post A (Number of accidents)				
In post B (Number of accidents)				
Total		100,0		100,0

About organization

Public Association for Assistance to Free Economy was established on January, 2004 and was registered at the Ministry of Justice on May, 2006. PAAFE is non-governmental organization and it activates unprofitable. The aim of the organization is to unite the efforts of the community for spending the public resources transparent and efficient, to defend social freedoms and to struggle against corruption.

The spheres of activities of the organization are following:

- 1) Public control over the use of public resources;
- 2) To organize the defense of economic freedoms and rights;
- 3) To liberalize the economy and to support private sector;
- 4) Struggle against corruption;

The organization has participated in the creation of the coalition of NGO according to the NGO Alliance of the National Budget Group and increasing of the Transparency in the Mine Industry and now it is active participation of these initiatives. At the same time the organization is the member of the international coalition of Publish What You Pay and of the NGO forum according to the Asian Democratic Bank. Besides, PAAFE co-operates with International Fond of Currency, World Bank and USAID. Among the donors of the organizations there are Open Society Institute – Assistance Foundation, the Organization of Oxfam Novib and German Marshal Found.

Up to now PAAFE has realized 4 grant projects, and it has participated as partner organization in 3 projects. Now the organization realizes 2 grant projects.

The projects that PAAFE realizes are following:

- 1) The monitoring of the resources which were selected from the state budget for the monitoring of the highway, 17000 USD, Open Society Institute – Assistance Foundation, April-December, 2006;
- 2) Public discussion transparency in activities of SOCAR and delay of company's audit, 7686 USD, Open Society Institute - Assistance Foundation, May-December, 2006;
- 3) Monitoring of investment programs' funds allocated from State Budget and establishing of specialized NGO group for monitoring of investment allocations, 42071 USD, Open Society Institute – Assistance Foundation and Oxfam Novib (Netherlands), Mart, 2007 - July, 2008;
- 4) Monitoring of SOCAR financial flows, evaluation of transparency and public discussion of result, 21505 USD, German Marshal Found, from July, 2008;
- 5) Observe public investment expenditure, research on corruption risks and preparation and advocacy of Packet of Recommendations, 19784 USD, Open Society Institute – Assistance Foundation, from August, 2008.

PAAFE co-operates with free media groups, also with the radio of Azadlig and Free Europe. Such as the weekly transmission "Transparency" about the project "to organize NGO group which will realize the public control over the state investment expenses" has been prepared and put on the air together with Azadlig radio in February-may, 2007. Now this transmission is being continued at the result of the volunteer activity of the organization and radio.

It is possible to get detailed information about the activity of PAAFE and it's the projects in the websites www.freeeconomy.az, www.nbg.az, www.eiti-az.org.

The decisions are received in the PAAFE by the Board Staff, are executed by the chief of the Board Staff and his assistant. The Board Staff consists of 5 persons.

The organization has its constant office in the city of Baku, it has sufficient technical resources, constant worker staff and expert potential.

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