



Azerbaijan: Strengthening Tax Policy and Administration Capacity

Project Name	Strengthening Tax Policy and Administration Capacity	
Project Number	53105-001	
Country	Azerbaijan	
Project Status	Proposed	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA: Strengthening Tax Administration Capacity	
	Technical Assistance Special Fund	US\$ 100,000.00
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth Regional integration	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Public sector management - Public administration	
Gender Equity and Mainstreaming	Some gender elements	
Description	The proposed knowledge and support technical assistance (TA) will assist the Ministry of Taxes (MOT) and the Ministry of Finance (MOF) of the Republic of Azerbaijan to strengthen tax revenue administration and policy analysis capacity to mobilize domestic resources to lessen fiscal dependence on oil revenues. The TA will provide services and operational support to help both ministries design tax administration and policy reforms. The proposed coverage areas are: (i) tax risk assessment procedures; (ii) tax arrears management and collection; (iii) human resource development system; (iv) tax appeal system; and (v) tax policy analysis. The TA will also provide support on capacity development plans for tax policy and administration.	
Project Rationale and Linkage to Country/Regional Strategy	Recent tax revenue performance. Tax revenues in Azerbaijan as a percentage of gross domestic product fell to 9.3% in 2018 from 9.9% in 2017 and 11.6% in 2016 which is lower than that of comparative countries in the Central and West Asia 19.8% for Kyrgyz Republic and 25.7% for Georgia in 2017, 17.3% average for Asia and the Pacific, and 34.0% for Organization for Economic Co-operation and Development (OECD) countries in 2015. The state budget has become highly dependent on transfers from the State Oil Fund of the Republic of Azerbaijan (SOFAZ). In 2013, AZN11.35 billion (58.2% of state budget revenues) were transferred from SOFAZ to the state budget, and AZN6.10 billion (36.9% of state budget revenues) in 2017. Reliance on oil revenues to support the state budget has made the economy vulnerable to external shocks. Recognizing this problem, the government has focused on strengthening tax policy and administration capacity in non-oil sectors. Since 2016, the government has implemented several tax reforms including the introduction of an advance tax ruling concept, the concept of voluntary tax disclosure, modification of value-added tax rules, and promotion of cashless payments.	
Impact	Non-oil fiscal position improved (Strategic Roadmap of National Economic Perspectives)	
Outcome	Strengthened tax policy and compliance administration	
Outputs	Key policy reforms on tax policy and administration designed Tax administration information system, including tax appeal management and tax arrears management system, improved Capacity of MOT staff on tax administration and of MOF staff on tax policy analysis enhanced	
Geographical Location	Nation-wide	
Summary of Environmental and Social Aspects		
Environmental Aspects		
Involuntary Resettlement		
Indigenous Peoples		
Stakeholder Communication, Participation, and Consultation		
During Project Design		
During Project Implementation		
Responsible ADB Officer	Miyaki, Yuji	
Responsible ADB Department	Central and West Asia Department	
Responsible ADB Division	Public Management, Financial Sector and Trade Division, CWRD	
Executing Agencies	Ministry of Finance 83, Same Vurgun Street AZ1022 Baku, Azerbaijan Republic of Azerbaijan Azerbaijan The Ministry of Taxes of Azerbaijan Republic 16 Landau Street	

Timetable	
Concept Clearance	30 May 2019
Fact Finding	07 Feb 2019 to 07 Feb 2019
MRM	-
Approval	-
Last Review Mission	-
Last PDS Update	31 May 2019

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