

Changing the Economy Without Changing Governance

written by Rovshan Aghayev

On February 2, the national priorities for the socio-economic development of Azerbaijan over the next 10 years were set by a presidential [decree](#). This document was developed as an analogue of the so-called *national development plans* well-known in the experience of developed countries and it establishes the government's long-term vision for the future of the country. For example, how would the current political managers like to see Azerbaijan in 2030? You could think of this document as a photo they took of the Azerbaijan they dream of in 10 years time and are now presenting to the public. It will be the main reference document setting priorities for all socio-economic programs and strategies that the government will develop over the next 10 years.

Regarding the need for a priorities document, any government should have a clear vision of its country's future, and professional planning should be based on a medium- and long-term view. In this respect, a priorities document should be considered as one of the important planning elements of modern governance. In terms of integrating government programs into the budget, the formulation of national development priorities and appropriate strategies is a necessary step, particularly while a result-oriented budget system is being created. In this regard, it is important to discuss not only how necessary the adoption of national socio-economic development priorities is in the current situation, but also the extent to which these priorities take into account the country's most urgent development needs.

Do the priorities fully take into account the needs of the economy?

One of the key questions to be asked is: do these priorities

and targets take into account all the needs and the full potential of the economy over the next 10 years?

It is important to remember that in governance *doing the right thing* and *doing the thing right* have very different consequences for society. This means that the wrong things can be done in the right way and with the right technique. But, of course, because it is the wrong thing to do, it not only does not benefit society, but actually harms society by wasting time and resources. What is important in this regard is to do the right thing.

The same approach can be applied to the choice of long-term economic priorities. Of course, it is not a question of choosing the right or wrong priorities, but whether the *most important ones* in terms of the hierarchy of needs of the economy are among the available options. The document approved by the president contains five priorities and 12 goals. The priorities include:

- A sustainable, growing, competitive economy
- A dynamic, inclusive society based on social justice
- A place of competitive human capital and modern innovations
- A return to the liberated territories
- A clean environment and a “green growth” country

The overall target for these priorities has been identified. These include sustainable and high economic growth, resilience in the face of internal and external influences, benefits from development for every citizen, balanced knowledge development, fair social security and an inclusive society, developed education, a healthy lifestyle, an innovative society, settlement in the liberated territories, the development of green energy, etc.

Effective and good governance is the priority that must come first in order to enable all of these other priorities to be realized as a group and individually. A government that strives to strengthen local self-government through administrative and financial decentralization, and that promotes efficiency in public spending and participation, transparency, and accountability in public administration can be considered a good government.

There are two other important strategic issues that prevent the economy from developing which should be recognized as the most important priorities of economic development, namely balanced regional development and the elimination of acute inequality in the distribution of wealth. It is true that the current document lists regional development as a priority, however this problem has become so acute and pervasive in Azerbaijan that it would be more appropriate within a professional management approach to declare it one of the main priorities, rather than listing it as one element within another priority. It is also important to recognize the elimination of the unequal distribution of wealth and income, which is a problem that hinders the development of Azerbaijan and even threatens national security, and the building of a corruption-free society as a separate priority.

In short, if one tried to describe the strategic priorities document, in its current format and approach, in a single sentence, one could only say that it aims to radically change the economy without changing the existing system of governance.

Two important strategic documents from the last 10 years: what are the outcomes?

Over the past 10 years, the Azerbaijani government has adopted two different documents to define its long-term strategic priorities: *Azerbaijan 2020: [Outlook for the Future](#)* adopted in 2012 and *Strategic Roadmaps for the National Economy and [Key](#)*

Sectors of the Economy adopted in 2016.

According to the former, the Azerbaijani economy was to grow by an average of 7% annually. However, without even taking into account the effects of the pandemic, according to official statistics the Azerbaijani economy grew by an average of 1.5% per year in [2014-2019](#). This document also called for balanced development of the regions, but an analysis of statistical data shows that the role of the capital, Baku, in the economy has not been reduced in the last 8 years. The GDP of Baku in 2012 amounted to AZN 43.8 billion, and in 2019 to AZN 63.9 billion. Given that the country's GDP in those same years amounted to AZN 54.7 billion and AZN 81.9 billion respectively, the capital city's share in the economy did not change significantly, remaining around 80% during the [entire period](#). The latter document aimed to increase the volume of non-oil exports per capita from USD 170 to USD 450 by 2025, reduce the dependence of the state budget on the Oil Fund to 15%, and implement a process of denationalization in a number of areas, especially in the communications sector. There has been no progress so far in achieving these goals.

The most fully developed program or strategy document, and the most perfect legal mechanisms are not a magic wand that can bring such countries out of a crisis. A professionally developed document is effective only if there is a government with the political will to be effective and fully implement the measures set out in that document. Program management contributes to economic development when it is developed with the participation of all stakeholders, including civil society and business, when society's needs are fully taken into account, when it has measurable indicators to gauge outcomes, and when it is based on an independent monitoring mechanism to evaluate the results. Results can be expected only from a strategy document aimed at increasing the effectiveness of governance. If it were possible to revive the economy without altering the system of governance merely with the help of documents, any country could develop simply by preparing

perfect documents with the involvement of experts from the world's leading think tanks. But in real life it does not work that way. Sometimes, good governance can lead to greater success even with programs and strategies that are not ideal.