

**Open Budget Index - 2019:
Recommendations For Improvement Of Azerbaijan's
Position
(analytical paper)**

Summary

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AZ_OBI.pdf](http://eurasiahub.khazar.org/pdf/AZ_OBI.pdf)*

Open Budget Index - 2019:

Recommendations for improvement of Azerbaijan's position

At the end of January 2018, rating of the countries according to the budget transparency index for 2017 was announced. Azerbaijan has scored only 34 points out of 100 and has been ranked as 78th out of 115 countries which positioned it among the countries with lowest level of budget transparency. Azerbaijan's position has dropped by 17 points in comparison to the results of the index in 2015 (51 points).

The expert group of the Eurasia Knowledge Hub has analyzed the reasons of the declining position of Azerbaijan in the OBI-2017 and the country's rating in general (both on the general and composite scores). This work outlines recommendations for improving the results of Azerbaijan in the OBI-2019.

The research demonstrates that two factors played a major role in deterioration of Azerbaijan's position in the OBI-2017 rating: 1) in this assessment cycle OBI has referred to more specific requirements for disclosure of budget information (such as requirement of publication of budget documents on the official websites of responsible entities); ii) the delays in the budget process of Azerbaijan in 2016, a year when the assessment for the index was conducted (e.g. the "Citizen Budget" was published later than it was envisaged, the budget draft of the government for the year 2017 was submitted to the legislative branch late and etc.). In addition to that, the fact that out of eight budget documents two have not been yet prepared ("Pre-budget Statement" and "Mid-Year Review") had facilitated deterioration of the position in the index.

In order to provide relevant recommendations, the expert group has reviewed requirements for the eight budget documents that are the part of the assessment and analyzed details of OBI-2017 report on Azerbaijan. Moreover, the group has studied the legal framework of budget process in Azerbaijan and assessed existing challenges and opportunities for improvement of Azerbaijan's position in the index.

The following recommendations provide suggestions for increasing the transparency of the relevant budget documents and for enhancing space for the citizen participation in the budget process:

On the "Pre-budget Statement":

The presentation of the budget package on the website of the Ministry of Finance contains the required information outlined in the "Pre-Budget Statement". The amendment could be made to the Article 11 of the Law on "The State Budget of the Republic of Azerbaijan" on the Budgetary System in order to align content of the presentation with the requirements of the "Pre-budget Statement" and to publish it in a timely manner - before the 15th of September. This means the deadline for submission of the draft budget to the Cabinet of Ministers should be set to August 30 and to the President of the Republic of Azerbaijan to September 10. At the same time, the requirement that information about the main budget parameters (such as a presentation or a pre-budget statement) is to be published no later than September 15 should be added to the same article of the Law;

On " Executive Budget Proposal":

In accordance with Article 14 of the Law on "The State Budget of the Republic of Azerbaijan" ("Publication of law on the state budget"), the bill on the state budget for the next fiscal year, together with the supplementary documents (10 documents listed in the law), should be published in the media 10 days after it is received by the Parliament (no later than October 25 per se). Therefore, publishing these documents on the website of the Ministry of Finance within the period specified in the law could facilitate a significant improvement of Azerbaijan's position in the index;

On "In-Year Reports":

Preparation and publication of quarterly reports in full compliance with the requirements of Article 20.2 of the Law on "The State Budget of the Republic of Azerbaijan" should be ensured. According to the requirements of the index, following information needs to be added to the list of requirements for the quarterly reports: (i) information on actual public expenditure for

individual programs or projects with a significant state importance; ii) information on the amount of internal state debt, the amount of debt lent during the period of the reporting, total amount of all debts and the amount of interest rates.

On "Mid-Year Review":

An addition should be made to the Article 20 of the Law on "The State Budget of the Republic of Azerbaijan" that includes preparation of the mid-year review about execution of the state budget, specifies the content of the review, terms of its publication (no later than September 15 of the respective year) and assignment of the relevant executive authority responsible for the delivery (i.e. the Ministry of Finance);

On "Enacted Budget" :

In accordance with the requirements of Article 16.1.6 of the Law on "The State Budget of the Republic of Azerbaijan", the amount of expenses based on the economic classification should be included into the law on the state budget. Additionally, the following shall be added to the list of approved budget indicators specified in the article 16.1 of the same Law: i) the estimated amount of budget expenditures; ii) the amount of budget revenues classified by categories (tax and non-tax revenues, revenues from oil and non-oil sector, etc.).

On "Year-End Report":

In the article 20.6 of the Law "On the Budget System" of the Republic of Azerbaijan, the list of indicators to be approved by the Parliament regarding the year-end budget execution report should be expanded. Moreover, there should be an addition to the article 20.7 that publication of the year-end report in the media, on the website of the Ministry of Finance per se, should include details of the law on the execution of the budget and explanation of the budget implementation.

On "Audit Report":

- The report of the Chamber of Accounts should include review of recommendations on improvement of budget process and legislative framework made by the Chamber in previous years and the reaction of the government to the recommendations in the reporting year (changes made to the budget process and legal frameworks made in the reporting year based on those recommendations);
- The above mentioned should be included either into the annual report about activities of the government or to the file containing budget proposal or to the report about the implementation of the budget. This requirement should be added to the Article 24 of the Law on the Chamber of Accounts of the Republic of Azerbaijan.

On the expansion of space for public participation in the budget process:

- It would be efficient to establish working group of civil society members within the Ministry of Finance. Members of these working group should be actively involved into budgeting process, and they can be responsible for organizing discussions of the budget with different interest groups;
- Civil society working groups created within various ministries and executive offices may be involved in budget planning and organization of budget discussions;
- Participation of civil society representatives in the discussions of the budget package in the parliamentary committees should be ensured;
- An article requiring participation of civil society in independent monitoring of the budget execution, and organization of budget discussions with the participation of different interest groups should be added to Law of the Republic of Azerbaijan "On the Budget System".