



The Law on budget system of the Republic of Azerbaijan

Chapter I. General provisions

The Law specifies the institutional, legal and economic basis of the organization of the state budget, compilation, approval and implementation of budgets and supervision of their implementation, as well as the main principles of mutual relations between the state budget and extra-budgetary state funds, local budgets in the Republic of Azerbaijan.

Article 1. Key provisions in the Law

1.1. The following provisions are used for the purposes of the Law:

1.1.1. Budget — Essential financial document aimed at collection and use of the funds necessary for fulfillment of duties and functions belonging to the government and municipalities through relevant state authorities and self – governance bodies of the Republic of Azerbaijan;

1.1.2. Budget classification — classification of incomes, expenditures and financing sources of the state budget, the budget of Nakhchivan Autonomous Republic, local budgets and extra-budgetary state funds on functional, economic, *administrative* and other principles;

1.1.3. Budget year — a one – year period from December 31 to January 1;

1.1.4. Approved budget allocations — highest verge of funds approved with law which can be spent on the articles in the state budget, the budget of Nakhchivan Autonomous Republic and local budgets;

1.1.5. Extra-budgetary state funds — targeted state financial foundations with an independent budget out of the state budget that is established as a legal entity by the government in accordance with the law.

1.1.6. transactions *outside the state budget and the budget of Nakhchivan Autonomous Republic* — extra – budgetary financial transactions on incomes gained and expenditures performed by relevant executive power bodies and budget organizations;

1.1.7. Summary budget — financial statement describing incomes and expenditures of the state budget, the budget of Nakhchivan Autonomous Republic (including extra-budgetary operations) and extra-budgetary state funds at the level of paragraphs pursuant to the functional and economic classification;

1.1.8. Budget deficit — the amount of budget expenditures not provided with budget incomes;

1.1.9. Budget surplus — the amount of budget incomes in excess of budget expenditures;

1.1.10. Cash execution of the state budget — execution mechanism ensuring inflow of budget revenues to the budget and targeted use of budget expenditures through the treasury in compliance with the budget classification;

1.1.11. Budget incomes — taxes, duties, other payments and incomes inflowing to the state budget, the budget of Nakhchivan Autonomous Republic and local budgets in accordance with the relevant legislative acts of the Republic of Azerbaijan, Nakhchivan Autonomous Republic and self-governance bodies;

1.1.12. Budget expenditures — funds allocated from the state budget, the budget of Nakhchivan Autonomous Republic and local budgets to provide the demand specified with law;

1.1.12-1. centralized income — income formed after deducting local revenues from revenues of the state budget according to the norms specified at the state budget;

1.1.12-2. centralized expenditure — expenditures related to funding the events and activities of relevant bodies specified at the state budget according to the budget classification;

1.1.12-3. local income — incomes of individual cities and regions formed on the basis of the norms specified at the state budget;

1.1.12-4. local expenditure — expenditures financed at the expenditure of local incomes and centralized incomes according to the budget classification;

1.1.13. Budget loans — funds allocated from the centralized expenditures of the state budget to the budget of Nakhchivan Autonomous Republic, local budgets and legal entities, as well as from local budgets to municipal organizations with the condition of repaying in a certain period of time;

1.1.14. Donation — funds donated to the budget of Nakhchivan Autonomous Republic and local budgets to regulate their incomes and expenditures;

1.1.15. Grant — targeted funds donated at the expenditure of internal and external sources;

1.1.16. Subvention — funds allocated from the state budget to the budget of Nakhchivan Autonomous Republic and local budgets aiming at targeted financing, being repaid if not used for targeted purposes or in a certain period;

1.1.17. Subsidy — funds donated from the state budget to the budget of Nakhchivan Autonomous Republic and local budgets;

1.1.18. Targeted budget funds — funds formed and used for fulfillment of concrete measures of the state budget, the budget of Nakhchivan Autonomous Republic and local budgets;

1.1.19. Curtailment — specified reduction of expenditures of the rest of the budget year, except for justified provisions for expenditures, in case incomes of the state budget, the budget of Nakhchivan Autonomous Republic and local budgets, *and revenues of sources of finance of the state budget deficit* are not performed;

1.1.20. Justified provisions for expenditures — budget expenditures specified with law without curtailments applied during the budget year;

1.1.21. Public debt – debt subject to recovery for obligations of the contracts concluded on behalf of the Republic of Azerbaijan;

1.1.22. Consolidated financial statement — financial document including data on sources and use of funds in a certain period in the country.

1.1.23. Budget organization — agency and organization financed directly from the state budget of the Republic of Azerbaijan and the budget of Nakhchivan Autonomous Republic;

1.1.24. Organizations involved in the preparation of the budget — central and local executive power bodies and their structural units, organizations financed and/or subsidized from the state budget, extra-budgetary state funds and tax payers, if necessary, municipalities.

Article 2. The law on budget system

2.1. The law on budget system of the Republic of Azerbaijan consists of the Constitution of the Republic of Azerbaijan, this Law, the laws on every budget year adopted as appendixes to this Law, other laws and normative-legal acts, as well as international contracts adhered by the Republic of Azerbaijan.

2.2. It is prohibited to include any provisions on financial support at the expenditure of the state budget to other laws of the Republic of Azerbaijan, except for this law, international contracts adhered by the Republic of Azerbaijan, the state budget of each year, its execution and changes to it, laws on public debts.

Article 3. Budget system

3.1. The budget system of the Republic of Azerbaijan contains the state budget of the Republic of Azerbaijan (state budget hereinafter), the budget of Nakhchivan Autonomous Republic and local budgets.

3.2. Budget system is based on the operation of budgets included to this system on the principles of unity and their independence.

3.3. Unity of a budget system is based on mutual relations of budgets by using regulatory revenue sources, creating a targeted budget and distribution of financial resources among budgets of various levels.

Unity of a budget system is ensured by the same budget classification, use of budget documents and forms, preparation periodic statements and summary budget statements and their submission in compliance with law.

3.4. Independence of budgets is ensured with revenue sources in accordance with the current law and the right to finance directions of expenditure within the unified budget classification.

Article 4. Budget classification

4.1. A unified budget is applied in the Republic of Azerbaijan in order to ensure the comparison of financial transactions of budgets included to the budget system of the Republic of Azerbaijan and budget organizations, as well as extra-budgetary state funds (including extra-budgetary transactions of budget organizations).

4.2. Budget classification consists of classification of budget incomes and classification of budget expenditures on functional, economic, *administrative* and other principles. Incomes of budget classification and its content on functional, economic, *administrative* and other principles are defined by relevant executive power body.

Article 5. Targeted budget funds

5.1. Targeted budget funds can be created as a part of the state budget, the budget of Nakhchivan Autonomous Republic and local budgets. Those funds can possess independent revenue sources.

5.2. Relevant financial transactions are performed by treasure, indicating revenues and expenditures of targeted budget funds separately in the income and expenditure part of budgets.

5.3. Financial means of targeted budget funds should be spent purposefully and their use for other purposes is not allowed.

5.4. *Funds remaining unused at the accounts of targeted budget funds at the end of a year are included to their incomes in the next budget year.*

5.5. *In case targeted budget funds do not possess independent income sources and are formed at the expenditure of allocations from the state budget, the budget of Nakhchivan Autonomous Republic and local budgets, such funds are reflected in the expenditures part and paid back funds remaining unused at their accounts to relevant budgets.*

Article 6. Reserve funds

6.1. *Expenditures not specified in the state budget, the budget of Nakhchivan Autonomous Republic and local budgets, as well as reserve funds of the state budget, the President of the Republic of Azerbaijan, the budget of Nakhchivan Autonomous Republic and local budgets can be created aiming at fulfillment of public and local events.*

6.2. *The volume of the Reserve Fund of the state budget is defined not more than 5 percent of the incomes of the state budget, taking into account the actual execution of this Fund in the previous year.*

6.3. *The volume of the Reserve Fund of the President of the Republic of Azerbaijan is defined not more than 2 percent of the incomes of the state budget. The Fund's assets are allocated to events of great importance in the socio-economic life of the country.*

The assets of the Reserve Fund of the President of the Republic of Azerbaijan cannot be used for holding elections and referendums in the country and promoting the activities of the President of the Republic of Azerbaijan.

6.4. *The assets of the Reserve Fund of the President of the Republic of Azerbaijan are spent to financing expenditures specified with decrees of relevant executive power body.*

6.5. *Terms of use of the assets of the Reserve Fund of the President of the Republic of Azerbaijan are defined by relevant executive power body, terms of use of the Reserve Fund of the budget of Nakhchivan Autonomous Republic are defined by the relevant executive power body of Nakhchivan Autonomous Republic and terms of use of the reserve funds of local budgets are defined by municipalities.*

6.6. In case the implementation of relevant socio-economic projects financed from the reserve funds specified in the provisions 6.2 and 6.3 of this Law requires a period longer than the current budget year, use of funds allocated from financing of those projects can be carried on the next budget year.

6.7. Deadline for the use of assets of reserve funds specified in the provisions 6.2 and 6.3 of this Law end at the end of relevant budget year, except for cases specified in the provisions 6.6 of this Law.

Article 7. Justified provisions for expenditures

7.1. Expenditures in the following items of economic classification are considered justified provisions for expenditures and curtailments are not applied to them, regardless of the status of revenues to budget:

7.1.1. Salary;

7.1.2. Salary supplements;

7.1.3. Pension, other social allowances and payments;

7.1.4. Expenditures of internal and foreign government liabilities;

7.1.5. Expenditures of other provisions to be justified in accordance with the law on the state budget of every year.

Chapter II. State budget

Article 8. Objective of the state budget

The objective of the state budget of the Republic of Azerbaijan is to solve economic, social and other programs and problems of the country, ensure collection and use of funds in accordance with the law for fulfillment of the government functions.

The state budget of the Republic of Azerbaijan consists of centralized incomes and expenditures, local incomes and expenditures.

Article 9. Incomes of the state budget

9.1. Incomes of the state budget include the followings:

9.1.1. State taxes;

9.1.2. Grants;

9.1.3. Other incomes;

9.1.4. daxili və xarici mənbələrdən alınan qrantlar və transfertlər;

9.1.5. Azərbaycan Respublikasının qanunvericiliyi ilə müəyyən edilən digər daxilolmalar.

9.2. Collection of incomes of the state budget is performed in compliance with the [Tax Code of the Republic of Azerbaijan](#) and other legislative acts. The highest verge of incomes is limited with the indicator of the state budget specified with law.

9.3. Return of taxes, duties, other payments and revenues exceeding the volume specified with law from the budget is referred to reduction of incomes of the state budget.

Article 10. Expenditures of the state budget

10.1. Expenditures of the state budget include the followings:

10.1.1. current expenditures, including salary, salary supplements, pension and other social allowances and payments; expenditures of procurement of goods and other services, interest rates payments, grants, subsidiaries and current transfers;

10.1.2. Capital expenditures, including receipt of basic funds, capital investments and purchase of shares;

10.1.3. Expenditures of service to debt on loans and interest rates, and share contributions of projects.

10.2. In accordance with the budget classification, budget expenditures are directed to financing the current, investment, innovation and other expenditures at the level of budget allocations.

10.3. *Allocations approved in the state budget of every year show the highest verge of expenditures of the same purposes. The amount of actual expenditures cannot exceed that verge during the year, according to the provisions 18.4 and 19.6 of this Law.*

10.4. The execution term of allocations approved in the state budget of every year ends at the end of the budget year, *except for the cases envisaged in the provision 6.6 of this Law.*

Article 11. The process of preparation of the state budget and budget calendar

11.1. Preparation process of the draft state budget starts 11 months from the beginning of the budget year till the day of submission of the draft budget to the Milli Majlis (Parliament) of the Republic of Azerbaijan.

11.2. The draft state budget of the next year is prepared on the forecasts of the economic and social development of the country, targeted programs, and assessment of fields of economy, administrative districts, financial and economic activities of all enterprises regardless of ownership in the current and next year.

11.3. Preparation process of the draft state budget starts with the post of the decision of [relevant executive power body](#) at press during the third decade of January. In compliance with the decision, the medium-term *forecasts* of the economic and social development of the country issued by [relevant executive power body](#) are specified till the end of February.

11.4. *According to the specified medium-term forecasts of the economic and social development, relevant executive power body issues initial medium-term forecast (incomes, expenditures, deficit and financing) of the state and summary budgets of the next year and following three years till the March 31 of the current year.*

11.5. *Relevant executive power body presents initial draft of the state budget of the next year, basic fields of budget-tax policy, the highest verge of incomes and expenditures at the level of budget classification items, public debts, priority expenditures, forecast of summary budget of the next year and following three years, drafts of legislative acts necessary for preparation and execution process of the state budget, as well as relevant executive power body presents the initial draft of the state investment program to relevant executive power body till the April 15 of the current year.*

11.6. Till the May 1 of the current year, [relevant executive power body](#) prepares an instruction letter on the preparation of the indicators of the draft state budget of the next year and summary budgets of the following three years and sends to organizations involved in the preparation process of the budget. Alongside with related data, the instruction includes data on organizations and the highest verge of expenditures of every item, norms approved on the current expenditures, analysis (evaluation) of incomes and expenditures including auxiliary documents for submission of a detailed budget proposal to [relevant executive power body](#).

11.7. Extra-budgetary expenditures of budget organizations are taken into consideration whilst the definition of their *expenditures*.

11.8. Bodies ensuring the execution of incomes of the state budget and *organizations financed from the state budget of the Republic of Azerbaijan* submit the prepared draft budget to [relevant executive power body](#) till July 1 of the current year.

Regional and local branches of bodies ensuring the execution of incomes of the state budget submits draft forecasts on incomes of the state budget for the next year and following three years to relevant executive power body by the June 1 of the current year in accordance with the forms agreed by relevant executive power bodies and the instruction letter of relevant executive power body by the May 1 of the current year.

11.9. The followings are described in the draft budgets according to the provision 11.8 of this Law:

11.9.1. *The amount of budget expenditures actual in the previous year and expected by the end of the current year in the paragraphs of functional and economic classifications, the amount of budget revenues actual in the previous year and expected by the end of the current year in Nakhchivan Autonomous Republic, the cities and regions of the country, as well as the groups of tax payers specified by relevant executive power body, the balance of budget revenues actual in the previous year and expected by the end of the current year;*

11.9.2. The amount of extra-budgetary incomes and expenditures obtained in the previous year in the paragraphs of functional and economic classifications, Nakhchivan Autonomous Republic, the cities and regions of the country, the balance of incomes and expenditures for the end of the year, the amount of extra-budgetary incomes and expenditures in the current year and the next budget year;

11.9.3. The volume of budget incomes and expenditures proposed for the next year in the paragraphs of functional and economic classifications, Nakhchivan Autonomous Republic, the cities and regions of the country, as well as the groups of tax payers specified by [relevant executive power body](#), the amount of tax and payments to be settled, indicators on the evaluation of measures envisaged in the budget-tax policy;

11.9.4. The evaluation of incomes and expenditures for following three years in functional and economic classification, Nakhchivan Autonomous Republic, the cities and regions of the country, as well as the groups of tax payers specified by [relevant executive power body](#);

11.9.5. The amount of expenditures of investment *projects* for the next year and following three years in the paragraphs of functional and economic classifications by showing the financing source.

11.10. [Relevant executive power body](#) specifies *economic and social development forecasts and state investment program* of the next year and following three years by August 1.

11.11. [Relevant executive power body](#) re-calculates incomes and expenditures in the draft state budget according to *the specified economic and social development forecasts and* elaborated programs.

11.12. Referring to the specified indicators of the draft state budget, [relevant executive power body](#) conducts discussions on the draft budgets with *agencies ensuring the execution of incomes of the state budget and budget organizations*, as well as executive power bodies of Nakhchivan Autonomous Republic, and if necessary with municipalities and legal entities regardless of ownership in July and August.

11.13. [Relevant executive power body](#) is able to require confirming materials and counts necessary for the preparation of the state budget from central and local executive power bodies, as well as their structural units, *budget organizations* financed from the state budget, if necessary from other legal entities regardless of ownership legal entities regardless of ownership and legal-institutional form, municipalities and extra-budgetary state funds.

11.14. Municipalities requesting for financial support of the state budget should submit the following documents and materials to [relevant executive power body](#) by the May 1 of the current year:

11.14.1. Reference of the outcomes actual in the previous year and expected in the current year;

11.14.2. Incomes and expenditures of the state budget for the next budget year, substantiation of the volume of donations and other funds to be allocated from the state budget;

11.14.3. Auditor's opinion on the execution state of local budget in the previous year;

11.14.4. Other materials upon request [relevant executive power body](#).

11.15. The drafts of the state budget and *summary budget* for the next year and indicators of the summary budget for following three years should be submitted to [relevant executive power body](#) by the September 15 of the current year.

11.16. The drafts of the state budget and *summary budget* for the next year, indicators of the summary budget for following three years and other documents specified with this Law should be submitted to [relevant executive power body](#) by September 25.

11.17. In case organizations involved to preparation process of the drafts of the state budget and summary budget for the next year and indicators of the summary budget for following three years of not submit the documents specified with law to relevant executive power body which causes the violation of preparation process of the budget, officials of such organizations shall be liable with law.

Article 12. Documents prepared and submitted in parallel with the state budget

12.1. [Relevant executive power body](#) submits the following documents related with the state budget of the next budget year to the Milli Majlis (Parliament) of the Republic of Azerbaijan:

12.1.1. Draft law on the state budget of the next budget year and its interpretation;

12.1.2. Social and economic development conception and forecast indicators of the Republic of Azerbaijan for the next year and following three years;

12.1.3. Key areas of budget-tax policy;

12.1.4. Targeted programs envisaged to be financed at the expense of the state budget funds;

12.1.5. Draft of incomes and expenditures at the level of the paragraphs of budget income classification and functional, economic and *administrative* classifications;

12.1.6. Data on public debt and other liabilities with the state guarantee;

12.1.7. Draft of the summary budget of the next year at the level of paragraphs pursuant to the functional, economic and administrative classification;

12.1.8. State investment program draft encompassing significant investment projects in compliance with the drafts of the state budget and summary budget for the next year, the summary budgets for the following three years;

12.1.9. Consolidated financial statement in the Republic of Azerbaijan;

12.1.10. Draft laws on the budgets of extra-budgetary state funds for the next budget year upon the approval of the Milli Majlis of the Republic of Azerbaijan in accordance with law;

12.1.11. Comparison of incomes and expenditures of the next year with the outcomes actual in the previous year and expected in the current year (by the classification incomes, at the level of the paragraphs of the functional, economic and administrative classification of expenditures);

~~12.1.12. funksional, iqtisadi və təşkilati təsnifatın paragrafları səviyyəsində cari ilin dövlət büdcəsinin gözlənilən icrasının vəziyyəti;~~

12.1.12. Data on the expected execution of the summary budget of the current year;

12.1.13. Consolidated report on extra-budgetary transactions;

12.1.14. Statement of financing sources of *state budget deficit* actual in the previous year and expected in the current year;

12.1.15. Other documents specified by [relevant executive power body](#).

Article 13. Submission of documents on the state budget of the next budget year to the Milli Majlis (parliament) of the Republic of Azerbaijan

Draft law on the state budget of the next year, alongside with other documents enclosed to it, should be submitted to the discussion and approval of the Milli Majlis (parliament) of the Republic of Azerbaijan not later than the October 15 of the current year in accordance with the provision 2 of the article 109 of the [Constitution of the Republic of Azerbaijan](#).

Article 14. Publication of the draft law on the state budget

The draft law on the state budget of the next budget year is published at press within 10 days of submitting to the Milli Majlis (parliament) of the Republic of Azerbaijan in concert with the documents specified in the provisions 12.1.1 and 12.1.10 of this Law.

Article 15. Discussion and approval of the draft state budget of the next year

15.1. Discussion and approval of the draft state budget of the next year is performed in compliance with the Internal Regulations of the Milli Majlis (parliament) of the Republic of Azerbaijan.

15.2. Executive power bodies attend the discussion of the draft state budget of the next year at the meeting of the Milli Majlis (parliament) of the Republic of Azerbaijan in the manner determined by [relevant executive power body](#).

The chairman of the Steering Board of the Central Bank of the Republic of Azerbaijan provides information to the Milli Majlis (parliament) of the Republic of Azerbaijan on the key areas of monetary policy of the next year during the discussion of the draft budget.

15.3. The *state budget* of the next budget year is approved with *law* not later than the December 20 of the current year in the Milli Majlis (parliament) of the Republic of Azerbaijan.

15.4. *If the draft state budget of the next year is not approved during the period determined, [relevant executive power body](#) specifies temporary rules of financing in the amount equal to one in twelfth of the expenditures of the previous year (justified provisions of expenditures in full) for each month until the state budget is approved. The same is referred to management and transaction expenditures of extra-budgetary state funds, as well.*

15.5. *A question on additions and changes to the Law on the state budget of the current year can be raised before the Milli Majlis (parliament) of the Republic of Azerbaijan as a legislative initiative taking into consideration the provision 2 of the article 109 of the Constitution of the Republic of Azerbaijan.*

In case additions and changes require review of the state budget, the provisions 23.2, 23.3 and 23.4 this Law are applied.

Article 16. Key indicators approved with the law on the state budget of the next year

16.1. The following indicators are approved with the law on the state budget of the next year:

16.1.1. Total amount of incomes and expenditures;

16.1.2. Tax rates;

16.1.3. Amount of revenues from income sources;

16.1.4. Grants and transfers;

16.1.5. Distribution of different incomes among budgets and allocation norms;

16.1.6. Amount of expenditures at the level paragraphs pursuant the functional and economic classification;

16.1.7. Amount of grants, donations, subsidiaries and subventions allocated to the budget of Nakhchivan Autonomous Republic and local budgets;

16.1.8. Total amount and directions of budget loans;

16.1.9. Interest rates of internal and external state debts and payments on basic amounts;

16.1.10. The highest verge of the government liability before the third party;

16.1.11. Amount of other international liabilities;

16.1.12. Amount of reserve funds;

16.1.13. Highest verges (limits) of internal and external state debts, government guarantee, including internal and external state debts involved during the budget year and received in previous years and planned to repaid by the end of the next budget year;

16.1.14. Consistency of financing expenditures;

16.1.15. Justified provisions of expenditures of the state budget;

16.1.16. Amount of the highest verge of *state budget* deficit;

16.1.17. Amount of the highest verge of summary budget deficit without consideration of the income of the State Oil Fund of the Republic of Azerbaijan;

16.1.18. Amount of the highest verge of summary budget expenditures;

16.1.19. Other indicators necessary to approve.

16.2. The amount of funds allocated to *budget organizations* financed from the state budget and fulfillment of activities by them is approved by [relevant executive power body](#) within provisions of expenditures approved with law in accordance with the *administrative* classification.

16.3. The state budget of the next year is published at press after being approved and signed in the manner specified with law.

Article 17. Delivery of approved indicators of the state budget of the next year to budget organizations

17.1. [Relevant executive power body](#) specifies a quarterly, if necessary a monthly distribution of incomes and expenditures of sources pursuant to budget classification on the basis of approved indicators of the state budget of the next budget year.

17.2. [Relevant executive power body](#) delivers approved indicators of the state budget and distribution of incomes and expenditures are delivered to budget organizations within a month.

17.3. Relevant executive power bodies consider the execution state of projects included to the state investment program and financed from the capital investment expenditures of the state budget by the

December 25 of the current year, thus, relevant executive power body performs distribution of funds envisaged for state capital investment expenditures in the state budget of the next year taking into account projects will be under implementation in the next year.

17.4. Heads of [relevant executive power bodies](#) are liable in the manner specified with the legislation of the Republic of Azerbaijan for delivery of allocations envisaged in distribution of the state budget expenditures among organizations to budget organizations within a certain period of time.

Article 18. The execution of the state budget

18.1. The state budget is executed by [relevant executive power bodies](#) and their subordinates.

18.2. Officials of organizations financed from the state budget are liable if their subordinate organizations do not follow financial transactions, expenditure norms and relevant financial rules. Measures specified with law can be applied to budget organizations that do not follow those rules, including submission of data on flow and use of funds and change of purpose of funds.

18.3. *Agencies ensuring the execution of the state budget, their regional and local units submit to relevant executive power body and its local units quarterly, monthly and cumulative statements of incomes classification pursuant to forms agreed with relevant executive power bodies.*

18.3-1. Budget organizations and organizations receiving financial support of the state budget submit to relevant executive power body quarterly, monthly and cumulative statements of functional, economic and administrative classification.

18.4. *If necessary, [relevant executive power body](#) can make changes at budget allocation limits, within sections of functional classification, among the sections, sub-sections, paragraphs, items and subtotals of economic classification.*

18.5. In case incomes and funds envisaged for financing of deficit are less than the approved amount in the process of state budget execution, expenditures of functional and economic classification (excluding justified provisions of expenditures) can be reduced proportionally, while expenditures of administrative classification can be reduced in the manner specified by relevant executive power body.

18.6. The amount of funds envisaged in the state budget of the next year can be increased by 20 percent or reduced in the amount of additional funds entered in comparison with the forecast of local incomes by relevant executive power body in order to regulate local incomes and expenditures of the state budget in the process of state budget execution.

Article 19. Cash execution of the state budget

19.1. The cash execution of the state budget is fulfilled by the state treasury. The state treasury keeps records of financial transactions of all institutions, enterprises and organizations financed from the state budget in accordance with relevant accounting rules to ensure transparency in use of state funds.

19.2. All revenues and payments of the state budget, extra-budgetary payments, extra-budgetary state funds (excluding incomes and transaction expenditures of the State Oil Fund of the Republic of Azerbaijan, expenditures on allocation funds in international banks and other financial institutions), transactions on debts received with the government guarantee to cover the state budget deficit and other financial transactions are executed by the state treasury in accordance with the rules specified with law.

Balance of the funds (free balance) of the unified treasury account can be managed by or given to management of [relevant executive power body](#) during the budget year. The rules for giving free balance to management are specified by [relevant executive power body](#).

Execution of expenditures financed from the state budget and to be paid with foreign currency of the part of incomes of the state budget entered with foreign currency without conversion is fulfilled in the manner specified by [relevant executive power body](#).

Revenues of the state budget in foreign currency are reevaluated with the official rate of manat specified by the Central Bank of the Republic of Azerbaijan compared to foreign currencies at the end of every reporting month.

Gain or loss occurred as a result of change in the rate of manat in comparison with foreign currencies is reflected in incomes or expenditures of the state budget for the end of relevant reporting period of the state budget as a result of reevaluation, and taken into consideration in the balance of the state treasury account of the state budget.

Gain or loss occurred as a result of reevaluation is not referred to the cash execution of the state budget and not accepted as a deviation from indicators approved according to the provisions 16.1.1, 16.1.16 and 16.1.18 of this Law.

19.3. The state treasury assumes advance government (budget) liabilities for goods procured and services received by budget organizations and repays loan debts caused by procurements within the liabilities.

19.4. Transactions on the liabilities assumed in the execution process of the state budget cannot be fulfilled after the completion of the budget year, *except for cases specified with the provision 6.6 this Law*. Payments on such liabilities are ensured at the expense of allocations of the next budget year.

19.5. *Balances of all treasury accounts for the yearend are transferred to the unified treasury account of the state budget (excluding targeted financings). A part of the funds nearly amounted to one in twelfth of state budget expenditures of the next year is directed to settlement of relevant budget expenditures and financing of the state budget deficit in the same year, and managed in the manner specified with the provision 19.2 this Law, the rest is transferred to the State Oil Fund of the Republic of Azerbaijan.*

19.6. *Savings on single-purpose funds specified in relevant sections, sub-sections, paragraphs, items and subtotals of economic classification can be directed to the reserve fund of the state budget and spent to financing of other activities in the manner agreed with [relevant executive power body](#) during the execution process of the state budget.*

19.7. Cash funds charged to the state treasury are saved at its unified account in authorized banks defined by [relevant executive power body](#).

19.8. The exceptional authority of management of the unified treasury account and giving order to write off funds from the account belongs to the state treasury. It is prohibited to transfer or receive funds from this account anyway without the agreement of the state treasury.

19.9. Budget organizations should transfer budgetary and extra-budgetary revenues to the unified treasury account *within two bank days, in case involvement of those revenues to taxes is determined, in its full volume after those taxes are settled and except for cases specified with law.*

19.10. Draft statement on the execution of the state budget and summary statement are prepared by [relevant executive power body](#).

19.11. Procurement of goods and services by budget organizations is regulated with relevant law of the Republic of Azerbaijan.

19.12. Organizations financed from the state budget and the budget of Nakhchivan Autonomous Republic cannot open a bank account and use it without written agreement of the state treasury. The state treasury can repeal the permission given before in cases and the manner specified with law.

Article 20. State on the execution of the state budget

20.1. Monthly report on the execution of the state budget is prepared and submitted to [relevant executive power bodies](#) by 25th of the month after the reporting month. The execution of the state budget is described cumulatively on the basis of functional and economic classification.

20.2. Quarterly report on the execution of the state budget is submitted to the Milli Majlis (parliament) of the Republic of Azerbaijan and [relevant executive power bodies](#) by the end of the first month of the next quarter. The report is published at press. Quarterly report reflects comparative analysis of the execution of incomes and expenditures alongside with other indicators. In case differences occur between actual indicators and approved figures in financing of expenditures, the report also covers explanation on the differences and data on projects of national significance.

20.3. Annual report on the execution of the state budget and related draft laws are submitted to the approval of the Milli Majlis (parliament) of the Republic of Azerbaijan by [relevant executive power body](#) not later than the May 15 of the next year. The report includes information on *public debts received during the year, including government securities issued and government guarantees, as well as use of funds of the Reserve Fund of the state budget and the Reserve Fund of the president of the Republic of Azerbaijan during the year.*

20.4. Report on the execution of the state budget is prepared by agencies ensuring the *execution of the state budget incomes* on quarterly, monthly and cumulative statements of incomes classification in the forms specified by [relevant executive power body](#).

20.5. The Chamber of Accounts of the Republic of Azerbaijan gives opinion on reports on the execution of the state budget and related draft laws in accordance with its charter.

20.6. The Milli Majlis (parliament) of the Republic of Azerbaijan discusses documents submitted and *approves* the law on the execution of the state budget of relevant target year (*including the following key indicators*):

20.6.1. Total amount of the execution of incomes and expenditures correspondingly;

20.6.2. Amount of the execution of revenue sources of incomes;

20.6.3. Gain or loss as a result of changes in the rate of manat compared to foreign currencies;

20.6.4. Amount of the execution of expenditures at the level of paragraphs pursuant to functional classification;

20.6.5. Amount of the highest verge of the budget deficit and profit;

20.6.6. *Balance of the state budget in the unified treasury account for the January 1 of the current year.*

20.7. Quarterly and annual reports on the execution of summary budget (including incomes and expenditures of the budget, amount of the public debt, loans and other data) are published at press.

Article 21. Supervision of the execution of the state budget

21.1. Supervision of the execution of the state budget is performed by the Milli Majlis (parliament) of the Republic of Azerbaijan and its Chamber of Accounts.

21.2. *Supervision of the execution of the state budget is performed by [relevant executive power body](#) within its authority.*

21.3. Heads of *budget organizations* financed from the state budget are liable in the manner specified with law for keeping records of incomes and expenditures in specified order and purposeful use of funds at their subordinate organizations.

21.4. *In case financial rules are violated financial and economic activities of organizations financed from the state budget, relevant executive power body takes measures in the manner specified with law.*

Article 22. Audit of the state budget and summary budget

Audit of incomes and expenditures of the state budget and summary budget, including extra-budgetary state funds is conducted by the Chamber of Accounts of the Republic of Azerbaijan.

Article 23. Review of the state budget and application of curtailment to expenditures

23.1. *Balancing between incomes and expenditures of the state budget is a principle condition of its preparation and execution, as well as review of the state budget regarding to changing the amount of incomes and expenditures.*

23.2. *In case a necessity arises for review of the state budget in the execution process of the state budget and it was impossible to consider the necessity during the preparation and approval of the state budget of the current year, a question can be raised before the Milli Majlis (parliament) of the Republic of Azerbaijan in the manner of legislative initiative and in accordance with the provision 2 of the article 109 of the Constitution of the Republic of Azerbaijan.*

23.3. *In case the state budget incomes and actual revenues of financing of its deficit are deviated from specified quarterly indicators pursuant to the provision 17.1 of this Law, a risk arises relating to violation of harmony in the execution of the state budget and balance between its incomes and expenditures, elimination of such cases through changes specified in the provisions 18.5, 18.6 and 19.6 of this Law in the execution process of the state budget, a question can be raised before the Milli Majlis (parliament) of the Republic of Azerbaijan on the review of the state budget of the current year not earlier than May 15 and later than October 15 in the manner of legislative initiative and taking into consideration the provision 2 of the article 109 of the Constitution of the Republic of Azerbaijan.*

23.4. *In case the state budget incomes and actual revenues of financing of its deficit are less than specified indicators pursuant to the provision 17.1 of this Law by 30 percent according to the outputs*

of the first 6 months of the current year, a question can be raised before the Milli Majlis (parliament) of the Republic of Azerbaijan on the review of and application of curtailment to the state budget of the current year not earlier than May 15 and later than October 15 in the manner of legislative initiative and taking into consideration the provision 2 of the article 109 of the Constitution of the Republic of Azerbaijan.

23.5. In case actual revenues of the state budget incomes are less than specified indicators of the period by 20 percent in quarterly statements on the execution process of the state budget, the statements are discussed in relevant committees of the Milli Majlis (parliament) of the Republic of Azerbaijan.

23.6. There should be the opinion of the Chamber of Accounts of the Republic of Azerbaijan on the execution state of the state budget in relation with the application of the provisions 23.2, 23.3 and 23.4 of this Law.

23.7. According to the provisions 23.2, 23.3 and 23.4 of this Law, if it is considered to make changes to the amount of incomes and expenditures of the state budget at the level of paragraphs of the budget incomes classification and functional, economic and administrative classifications of the budget expenditures whilst its review, the following documents are submitted to the Milli Majlis (parliament) of the Republic of Azerbaijan in the manner of legislative initiative and taking into consideration the provision 2 of the article 109 of the Constitution of the Republic of Azerbaijan:

23.7.1. Related to changes in the budget incomes:

23.7.1.1. Draft law and comment on the draft law on additions and changes to the Law of the Republic of Azerbaijan on the state budget of current year;

23.7.1.2. Draft of the state budget incomes at the level of paragraphs of the state budget classification;

23.7.1.3. Data on the execution of the state budget incomes for the last period of the current year;

23.7.2. Related to changes in the budget expenditures:

23.7.2.1. Draft law and comment on the draft law on additions and changes to the Law of the Republic of Azerbaijan on the state budget of current year;

23.7.2.2. Draft of the state budget expenditures at the level of paragraphs of functional, economic and administrative classifications of the budget expenditures;

23.7.2.3. Data on other liabilities with public debts and government guarantees;

23.7.2.4. Draft of summary budget of the current year at the level of paragraphs pursuant to functional, economic and administrative classifications;

23.7.2.5. Data on the execution of the state budget expenditures for the last period of the current year.

23.8. According to the provisions 23.2, 23.3 and 23.4 of this Law, if it is considered to make changes to at the level of sections of the budget income classification and functional classification of the budget expenditures in the framework of approved incomes and expenditures of the state budget,

relevant executive power body submits the following documents to the Milli Majlis (parliament) of the Republic of Azerbaijan:

23.8.1. Draft law and comment on the draft law on additions and changes to the Law of the Republic of Azerbaijan on the state budget of current year;

23.8.2. Data on the execution of the state budget for the last period of the current year;

23.8.3. Other documents determined by relevant executive power body.

23.9. Draft law on additions and changes to the Law of the Republic of Azerbaijan on the state budget of current year specified in the provisions 23.2, 23.3 and 23.4 of this Law is discussed and put to the vote within 20 days from the date of its entry by the Milli Majlis (parliament) of the Republic of Azerbaijan, submitting to the Milli Majlis (parliament) of the Republic of Azerbaijan in compliance with the provision 5 of the article 96 of the Constitution of the Republic of Azerbaijan.

Article 24. The state budget deficit

24.1. The amount of the state budget deficit is defined with the law on the state budget of the next budget year.

24.2. Financing of the state budget is performed at the expense of public debt and other sources.

Article 25. Public debt and its maintenance

25.1. *State borrowings are aimed at ensuring fulfillment of programs targeted to the social and economic development of the country, covering the state budget deficit, financing state investments and solving other issues financed under the law of the Republic of Azerbaijan.*

25.2. *Public debts are managed by [relevant executive power body](#).*

25.3. *Expenditures related to the amount, use and maintenance of public debt received during the budget year and directly maintained at the expense of funds of the state budget.*

25.4. Maintenance (*basic amount and interest rates*) of public debts should be completely and timely performed regardless of the volume of the budget incomes and level of allocations. *Basic amount and interest rates* should be repaid timely in accordance with loan agreement or terms and conditions of government securities.

25.5. The highest verge of internal and external public debts is determined with the law on the state budget of the next year. *The highest verge (limit) of public debt can be increased or reduced only by changes to the Law of the Republic of Azerbaijan on the state budget of relevant year.*

25.6. [Relevant executive power body](#) keeps record of debts in compliance with documents on public debts and publishes information on them at press. *Transparency is ensured in processes related to public debts and government guarantee in the manner specified with law.*

Article 26. Mutual relations between the state budget and the budget of Nakhchivan Autonomous Republic, local budgets

Mutual relations of the state budget with the budget of Nakhchivan Autonomous Republic and local budgets is realized by distribution of incomes sources and incomes in the form of donations, subventions and budget loans.

Article 27. Mutual relations between the state budget and extra-budgetary state funds

27.1. Preparation and execution of the state budget and budgets of extra-budgetary state funds, as well as coordination of operations related with supervision of their execution is performed by means of an action plan jointly elaborated and approved by [relevant executive power body](#) and extra-budgetary state funds. Action plan is published at press.

27.2. All expenditures of extra-budgetary state funds (excluding operational expenditures of the State Oil Fund of the Republic of Azerbaijan and expenditures on allocation funds in international banks and other financial institutions) are included to expenditures of summary budget. Their capital expenditures are directed only to financing of projects included to the State Investment Program.

27.3. Funds allocated from extra-budgetary state funds to financing of projects covered by local budget are used by relevant local budget.

27.4. Extra-budgetary state funds do not invest to domestic commercial activity and provide loans and debt guarantees. The State Oil Fund of the Republic of Azerbaijan performs purchase of shares only by high ranking professional managers of international markets.

27.5. Forms of statements on incomes and expenditures of extra-budgetary state funds and periodicity of their submission is determined by [relevant executive power body](#) taking into consideration opinions of the Chamber of Accounts of the Republic of Azerbaijan and extra-budgetary state funds. Extra-budgetary state funds submit the statements to [relevant executive power bodies](#) and the Chamber of Accounts of the Republic of Azerbaijan, and have them published at press once a quarter.

III Chapter. The preparation, approval, execution and supervision of the execution of the budget of Nakhchivan Autonomous Republic

Article 28. The budget of Nakhchivan Autonomous Republic

28.1. The budget of Nakhchivan Autonomous Republic is determined with the [Constitutions of the Republic of Azerbaijan](#) and [Nakhchivan Autonomous Republic](#), this Law and other legislative acts.

28.2. The budget of Nakhchivan Autonomous Republic is formed at the expense of state taxes specified with the [Tax Code of the Republic of Azerbaijan](#), sanctions and interest rates counted by those taxes and payments, as well as revenues.

28.3. Funds of the budget of Nakhchivan Autonomous Republic are used to financing of activities aimed at social and economic development of Nakhchivan Autonomous Republic and improvement of the welfare of people.

Article 29. The preparation, approval, execution and supervision of the execution of the budget of Nakhchivan Autonomous Republic

29.1. Draft of the budget of Nakhchivan Autonomous Republic is prepared in compliance with the state budget calendar specified with this Law and law of Nakhchivan Autonomous Republic.

29.2. The budget of Nakhchivan Autonomous Republic for the next year is approved by the Supreme Council of Nakhchivan Autonomous Republic and published at the press of Nakhchivan Autonomous Republic not later than the December 25 of the current year.

29.3. The execution of the budget of Nakhchivan Autonomous Republic is performed in accordance with this Law and law of Nakhchivan Autonomous Republic.

29.4. The cash execution of the budget of Nakhchivan Autonomous Republic is performed through the state treasury.

29.5. The supervision of the execution of the budget of Nakhchivan Autonomous Republic is performed by the Chamber of Accounting of the Republic of Azerbaijan and the Supreme Council of Nakhchivan Autonomous Republic.

IV chapter. The preparation, approval, execution and supervision of the execution of local budgets

Article 30. Local budget

30.1. Local budget is financial means formed and used for realization of the principles of self-government pursuant to municipality status and fulfillment of the authorities of municipalities specified with the [Constitution](#) and laws of the Republic of Azerbaijan.

30.2. The preparation and execution of local budget is performed on the general principles specified with law in accordance with the budget classification applied in Azerbaijan.

Article 31. Independence of local budget

31.1. Independence of local budget is ensured with own income sources and the exceptional right of municipality to dispose of the funds of local budgets.

31.2. Intervention of legislative and executive power bodies with the budget activity of municipalities is prohibited, except for the appeal of municipalities and cases specified law.

31.3. Municipalities independently dispose of free balances of budget for the end of fiscal year.

Article 32. Budget relations between municipalities and public authorities

32.1. Municipalities are independent in the preparation, approval and execution of local budgets.

32.2. Financial support of the government to local budgets is performed through the following ways:

32.2.1. Creating opportunities to the development of manufacturing and service sectors by improving investment climate and implementing an effective economic policy;

32.2.2. In case it is impossible to finance local social and economic programs at the expense of the funds of local budgets, allocation of donations and subventions from the state budget.

32.3. Legislative and executive power bodies provide funds necessary for fulfillment of authorities entrusted to municipalities.

32.4. In case incomes of local budgets reduce or expenditures of local budgets increase as a result of decisions made by executive power bodies, relevant increase and reduction amounts are compensated by decision-making bodies.

32.5. Municipality submits data on the execution of local budget to statistical bodies and [relevant executive power body](#).

32.6. the government is not liable for expenditure commitments of municipalities, except for cases specified with law.

Article 33. Incomes of local budgets

33.1. Incomes of local budgets include taxes and other payments specified with relevant laws of the Republic of Azerbaijan, as well as sanctions and interest rates counted by those taxes and payments.

33.2. Rules for count and payment of local taxes and payments, provision of discounts, as well as the highest verge of their rates are specified with law, while rules of their application are determined with the decisions of municipalities.

33.3. Municipalities can make decisions on optional lump-sum payments for financing of events of local importance in the manner specified with law. Optional lump-sum payments are spent only for targeted appointments.

Article 34. Expenditures of local budgets

34.1. The volume and directions of expenditures of local budgets are determined by municipalities in accordance with the budget classification.

34.2. Part of expenditures of local budgets not secured by revenues (local budget deficit) can be covered with donations from the state budget.

34.3. The norms applied in computation of expenditures of local budgets receiving donations, subventions and loans of the state budget should not exceed the norms of expenditures applied in computation of expenditures of state budget.

34.4. During the computation of the highest verge of donation, the number of people settled in the territory of municipality, its share in the formation of financial resources of the country and other factors can be taken into account.

34.5. Financing of expenditures at the expense of targeted funds, including subventions allocated by legislative and executive power bodies aiming at fulfillment of additional authorities are shown in a separate line in the expenditures of local budget.

Article 35. The preparation of local budget

35.1. Draft local budget is formed on the evaluation of economic activities of municipal institutions and other legal enterprises operating in the territory of the municipality, as well as individuals and socio-economic forecasts and targeted programs.

35.2. In case provision of donations from the state budget is envisaged, draft local budget in concert with other documents and data specified with the provision 11.14 of this Law is submitted to [relevant executive power body](#) by May 1.

35.3. The preparation process of draft local budget starts 11 months before the next budget year and continues till the day of submission of draft budget to municipal meeting. Chairman of municipality is in charge of preparation and submission of draft local budget to municipality workshop, therefore, he (she) can involve permanent and other municipal commissions, municipal servants and specialists.

Article 36. The discussion and approval of local budget

36.1. Draft decision on local budget of the next budget year is submitted to discussion and approval of municipal meeting not later than the October 15 of the current year. Draft local budget is published for introduction to local population within 10 days from the date of submission to municipal meeting.

36.2. Draft decision on local budget of the next budget year is approved with the decision of municipality not later than the December 25 of the current year.

Article 37. The execution of local budget

37.1. The cash execution of local budget can be performed through the state treasury under the appeal of municipality or other methods specified with law.

37.2. In case income and expenditure transactions of municipalities are performed through the state treasury under their appeal, technical maintenance of accounting-report is ensured by the state treasury. In cases financial transactions of municipalities are not performed through the state treasury, conduction of payment and accounting-report issues of such transactions is specified with law.

37.3. Municipalities can refuse the performance of transactions on incomes and expenditures through the state treasury on the first working day of the year after the budget year.

37.4. Municipalities can make decisions on the elaboration of budget and amendments in the approved allocation limit of the budget classification in income and expenditure provisions, except for targeted funds allocate from the state budget.

37.5. Transactions on liabilities assumed in the duration of the execution of local budgets are completed at the end of the budget year and unused funds remain at the disposal of municipalities.

37.6. Municipalities are liable for ensuring compliance with all financial regulations in financial transactions and purposeful use of funds.

37.7. Annual report on the execution of local budget is approved in the manner specified in the charters of municipalities and people settled in the territories of municipalities are informed about this.

Article 38. Balancing of local budget

In case funds entered from income sources reduce and cause the budget deficit exceed its limit in the process of the execution of local budgets, curtailment is applied to other expenditures, except for justified provisions of expenditures.

Article 39. Supervision of the execution local budgets

39.1. Municipality supervises the execution of local budget and suitability of approved budget indicators of funds spent and regarding this, independent auditors are involved not less than once a year.

39.2. Supervision of the use of funds allocated to fulfillment of authorities attached to municipalities with law and by executive power bodies is performed by the latter.

Article 40. Final provisions

40.1. The Law enters into force from the January 1 of 2003.

40.2. Law on «[Budget system](#)» of the Republic of Azerbaijan (Information of the Supreme Soviet of the Republic of Azerbaijan, 1992, No. 23, article 998), The Decision of the Milli Majlis (parliament) of the Republic of Azerbaijan on [Order of entry into force of the Law on «Budget system» of the Republic of Azerbaijan](#) (Information of the Supreme Soviet of the Republic of Azerbaijan, 1992, No. 23, article 999) and the Law on «[Budget system](#)» of the Republic of Azerbaijan (Legislation Collection of the Republic of Azerbaijan, 1999, No. 7, article 391) are considered out of force from the day this Law enters into force.

President of the Republic of Azerbaijan

Haydar ALIYEV

Baku city, July 2, 2002

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