



Support to Economic Initiatives Public Union

**Enhancing access to
budget information**
Policy paper



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The Policy Paper has been developed by the experts of Support to Economic Initiatives Public Union

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Introduction

The accepted position of international organizations (International Budget Partnership, the World Bank, the International Monetary Fund) and initiatives (Open Government Partnership) specialized in fiscal policy and transparency issues is that understanding the budget figures by civil society, and the society as whole is important in order to establish an effective control over the public funds.

Budget figures, which seem complicated at first glance, can become quite easy for ordinary people to understand, once the access to budget information is available for public. In any country where monitoring over public finances is weak, the efforts to ensure effective budget transparency and use of public resources are undermined. For that reason, transparency of public finance and openness of budget information has turned to a global issue in recent decades and hold an important place in the agenda of various international organizations. Openness of budget information is emphasized by International Budget Partnership Organization, International Monetary Fund, World Bank, and the Organization for Economic Cooperation and Development. In particular, the International Budget Partnership's mandate is to evaluate the national governments' efforts on budget transparency, make suggestions, and design and disseminate awareness raising materials, conduct expert studies to increase countries' budget transparency. The organization believes that the state budget is one of the key resources to ensure economic development. It is a valuable tool to meet the needs of people, particularly in poor countries. Based on rich experience acquired over many years, the experts of organization have arrived at such a general conclusion: there are benefits in terms of effective governance and combating poverty once the public is granted with access to budget information in a comprehensive and timely manner. Another important observation of International Budget Partnership is that it is hard to make budget information open when the civil society is weak and not well organized. At the same time, the organization deems it extremely important to establish and spread global standards of budget transparency among countries. The rapid development of information technologies in recent years has created new opportunities for the greater budget transparency; together with making budget information accessible to everyone through "e-budget" internet resources also enable public participation in budget process in online, through new forms of social media. Governments not only spread budget messages to the public and educate them through social networks, but also

collect lots of views of interest groups, to determine budget priorities and fix out fiscal policy gaps through the pressure from public.

Decreasing oil revenues in post-oil period makes effective use of resources even more important, thus requiring the government to increase budget transparency. As such, it is important to take advantage of the opportunities offered by new technologies. There is a dominant view among independent experts that declining oil revenues generate incentives for economic reforms leading to economic diversification, albeit its adverse impact on the country's overall finances.

1. The legal background for access to budget information in Azerbaijan

Ensuring unhindered public access to budget information is one of the most important tasks of effective government. First of all, it is difficult to increase government's responsibility for effective budget spending if there's not an access to important public finance information. On the other hand, with lack of access to budget information, civil society cannot establish public control over the government's budget performance. Whereas it is proven that only regular and professional scrutiny by civil society over public spending can force government to make necessary conclusions. Quality research and analysis by the civil society directly depends on accessibility of budget information.

The assessment of different country cases shows that one of the important conditions for ensuring transparency of budget information is presence of the necessary legal and institutional capacity. In other words, legislation and the extent to which institutions enable access to budget information are crucial factors. From this standpoint, the real situation in Azerbaijan can be assessed in two ways:

- *Requirements and standards of current regulations on disclosure of information*
- *Obligations, responsibilities and applied practices of all official bodies involved in set up and management of public finances to provide transparency of budget information.*

Access to information in Azerbaijan is guaranteed by the Constitution¹. Article 50 of the Constitution recognizes everyone's right to look for, acquire, transfer, prepare and distribute information as long as it is done in a legally acceptable way. Meanwhile, as per Article 5 on "Freedom of Information", the openness of information and the right to exchange it is one of the main principles of freedom of information and any information should be open unless it is considered as classified. According to legislation in force, information on military, foreign policy, economy, intelligence, counter-intelligence and operational-search activities and information that can cause damage the country's security, are considered a state secret².

¹ <http://www.e-qanun.az/framework/897>

² <http://www.e-qanun.az/framework/3420>

Another regulation on access to budget information is the Law³ on "Access to Information". According to Article 6 of this law, it is the main duty of the state institutions to disclose information and its maximum transparency should be ensured. The information holders are responsible for the violation of the right to obtain information. State agencies and municipalities, institutions responsible for public functions, as well as public institutions are considered holders of public information. According to Article 29 of the above-mentioned law, information holders are committed to disclose the information of public importance. Budget related information is considered as mandatory information for disclosure according to the law on "Access to information". Following information is to be disclosed:

- *Budget forecasts;*
- *Incomes and expenses of institutions carrying out public functions;*
- *Reports on the implementation of the state and consolidated budget;*
- *Information on state budget funds as well as use of property allocated to the private entities either established or operated by government agencies;*
- *Information about the current wage rates for salaries paid from the budget, bonus payment policies and special discounts;*
- *Information on the state budget funds and the use of property allocated to the non-profit organizations, extra-budgetary funds, as well as to the trade associations owned by the state either totally or partially (under its control), as well as to commercial unions where the state is a member or a participant.*

Under the current law, holders of the public information are to have a website to ensure the openness, and accessibility of information quickly and easily.

The Law on "Budget System" defines the scope of information that needs to be disclosed⁴. In accordance with Article 14 of the Law, the draft law on state budget for the next fiscal year shall be published within 10 days of its submission to Parliament, together with the following documents:

- *The draft law on the state budget for the next fiscal year and its explanation;*
- *Economic and social development concept and forecast indicators for the next fiscal year and next three years;*
- *Priorities for fiscal and tax policies;*
- *Targeted programs to be financed from the State budget;*

³ <http://www.e-qanun.az/framework/11142>

⁴ <http://www.e-qanun.az/framework/1126>

- *Forecast revenues and expenses with their functional, economic and administrative interpretations;*
- *Information on the state debt, guarantees and other liabilities;*
- *Next year's budget together with functional and economic classification paragraphs;*
- *State investment project that reflects important public investment programs to be financed from the state and consolidated budget, for the next year and next three years;*
- *Consolidated balance sheet for the area;*
- *the draft budgets of the extra-budgetary funds for the next fiscal year which the parliament is authorized to approve.*

In addition, in accordance with Article 20 of the law on "budget system", the quarterly budget reports shall be published no later than the end of the month following the end of the quarter. The report shall include comparative analysis of forecasted and actual figures of the budget. The law also stipulates the publication of information about implementation of the consolidated budget along with the state budget. The report shall include information about state budget revenues, expenses, public debt, loans and so on.

Two separate action plans that Azerbaijani government has adopted over the last 5 years in order to promote open government also stipulate certain mechanisms to enhance transparency and access to the budget information. For instance, the first action covering 2012-2015 specify the enhanced transparency of financial inspection authorities and publication of analytical and statistical reports on the results of financial inspections carried out by them. Similarly, the action plan stipulates the publication of reports on state budget implementation prior to their submission to the parliament⁵.

There are also commitments stipulated in current "National Action Plan on Open Government Initiative for 2016-2018" on improving fiscal transparency. The main commitments which are related with the direct access to and openness of budget information are the following:

⁵ <http://www.e-qanun.az/framework/24193>

- *Online publication of quarterly reports on implementation of State budget;*
- *Public disclosure of the annual report on state budget implementation and opinion of the Chamber of Accounts;*
- *Improvement of legislation for online publication of information on annual financial performance, including use of state budget funds and property allocated to legal entities state and budgetary organizations with state's controlling stake;*

Ministry of Finance, Chamber of Accounts and Ministry of Taxes are identified as main agencies responsible for implementation of the Action Plan commitments on increasing transparency of financial institutions⁶.

As study of the legal framework shows, the Azerbaijani legislation cannot be considered perfect from the point of view of ensuring access to budget information; existing legal norms fall short to adequately identify the full scope of budget information and responsibilities of authorities for refusing to disclose budget information.

⁶ <http://www.e-qanun.az/framework/32647>

2. Legal and institutional factors hindering budget transparency

Benefits of budget transparency for ordinary citizens, as well as for media and civil society are obvious: ensuring budget transparency allows the public to oversee government's budget performance. Informed public is a must to ensure demand for improvement.

The government also benefits from budget transparency. First of all, budget transparency motivates the government to use resources and combat poverty more efficiently. On the other hand, in case if society does get reliable information on the budget, there could be suspicions about the actions of government, which eventually can cause social discontent. Whereas open budget raises public trust in government as it is confident about transparent performance. In this respect, to what extent is the government of Azerbaijan interested in the openness of budget? The answer to this question becomes significantly obvious upon analysing the official institutions' work in openness of information.

There are number of institutions responsible for the regulation of fiscal system, the formulation and implementation of fiscal policy. Therefore, no single body is in charge of the processing, preparation and distribution of fiscal reports. There isn't budget portal in place to disseminate budget information as it is done in some countries. Therefore, it is in competence of different organizations to disclose budget information. At present, the authorities responsible for the distribution of the fiscal information are as follows:

- 1) *Ministry of Finance;*
- 2) *Ministry of Taxes;*
- 3) *State Customs Committee;*
- 4) *State Social Protection Fund;*
- 5) *State Oil Fund;*
- 6) *State Property Committee;*
- 7) *State body responsible for public procurement;*
- 8) *Chamber of Accounts*

The budget documents disseminated through the Ministry of Finance are as follows:

(I) A summary of the state and consolidated budgets – should be published 1 month prior to the date next year's state budget is introduced to the parliament. Through this document, public can obtain information about forecasts for the key macroeconomic indicators over next 4 years, major sources for budget revenues, including the projected size of transfers from the State Oil Fund, planned revenues from oil and non-oil sectors, budget expenditures across functional sections, income

and expenses of the consolidated budget, including those of the State Social Protection Fund, State Oil Fund and the Autonomous Republic of Nakhichevan, education and health sector budget expenses, total allocations to targeted budget funds, the size of public debt and budget expenses for debts for the next fiscal year, the amount of funds (subsidies) allocated to each of regions and cities, state and consolidated budget deficit, assumptions of risks and threats that may arise in relation to the state budget⁷;

(ii) Citizen's Budget Guide – should be published before the draft budget is submitted to the parliament. Through this publication, = general indicators of state and consolidated budgets, revenue sources and expenses of state budget associated with the main functional units are disseminated⁸;

(iii) The law and Decree On approval of the law on the state budget for the next fiscal year. In these documents, the paragraph-level revenues, expenses and their functional classifications, sub-sections and paragraphs, and organizational classifications are outlined. At the same time, through the laws and decrees, public can access to information on the total amount of revenues and expenditure of the state budget allocated to each of districts and cities, the amount of financial assistance (subsidy) allocated to each city and region, the amount of centralized and local expenditures, the total amount of targeted budget funds, the upper limits of consolidated budget expenditures, the upper limit of state budget deficit, internal and external public debt⁹.

(if) The law on approval of the report on budget implementation for previous fiscal year. The last year for which the Ministry of Finance's website published the budget implementation report was 2014¹⁰ and the law on implemented budget for 2015 can be found in the government' official legislation portal (www.e-qanun.az)¹¹. The revenue data is given only in paragraphs, and expenditures are in functional classification.

(v) References on the implementation of the state budget. These references are published quarterly, bi-annually, every nine months and annually¹². The public can access to the following information by using them: total incomes and expenditures, and their implementation rate vis-à-vis the approved forecast figures, State Oil Fund transfers to the budget, Ministry of Taxes and Customs Committee payments to the budget, payments from oil and non-oil sectors, the amount of extra payments of the budget entities, the amount of current and capital expenditures, the amount of the budget deficit.

(vi) Information on external public debt. This information only includes the total amount of loans.

⁷ <http://maliyye.gov.az/sites/default/files/Budce-16-11-2016.pdf>

⁸ <http://maliyye.gov.az/sites/default/files/Binder1.compressed.protected.pdf>

⁹ <http://maliyye.gov.az/node/964>

¹⁰ <http://maliyye.gov.az/node/966>

¹¹ <http://www.e-qanun.az/framework/33023>

¹² <http://maliyye.gov.az/node/1551>

The Ministry of Taxes releases data only about the total amount of collected taxes on a monthly, quarterly and annual basis. It is obligation of the State Social Protection Fund to publish information on social charges, yet the last time the Fund did was 2 years ago - in the 1st quarter of 2015¹³. The State Customs Committee publishes information on various taxes and fees paid to budget on a monthly, quarterly, and annual basis on its website¹⁴. Quarterly and annual reports on budget of the State Oil Fund are accessible to the public. The Fund reports contain information on income sources, expenditure directions, the end-of-the reporting-period value of assets and level of profitability¹⁵. Fund's budget approved for the next fiscal year is also available to the public and this budget document contains projected incomes and their sources, as well as the amount and detailed breakdown of the projected expenses¹⁶.

Although State Property Committee is a responsible agency to share information about the budget incomes from the lease and privatization of state property, it never published such information on a monthly or quarterly basis.

The State Antimonopoly Service under the Ministry of Economy, which is responsible state body for public procurement, publishes information on use of budget funds for procurement purposes¹⁷. The data includes procurement plans of budgetary entities, procurement bids and the amount of funds spent on each, contractors' names, signed contracts and their values. Published information has two key shortcomings when compared with the best practices: (1) no information is made public on owners of business entities getting orders financed from the state budget. While such information needs to be open to ensure public control to avoid any conflict of interest when the public funds are at stake. Accepted practice of some world countries is publication of procurement agreements in order to ensure the conditions of those agreements are in line with public interests and that budget funds are utilized in a transparent and effective way.

The Chamber of Accounts has recently started to publish most comprehensive and detailed budget information. Since 2014, this entity has started to publish comprehensive review on the state budget and the draft budget of the State Social Protection Fund for the next fiscal year, as well as review of amendments made to the state budget and the budget of the State Social Protection Fund throughout a year, and review on implementation of the previous year's state budget in its website¹⁸. Following information on Chamber's reviews on state budget for the next fiscal year¹⁹ and the budget²⁰ of the State Social Protection Fund are available online:

¹³ <http://www.sspf.gov.az/view.php?lang=az&menu=396>

¹⁴ <http://customs.gov.az/az/faydali/budce-daxilolmalari/>

¹⁵ http://www.oilfund.az/index.php?page=hesabat-arxivi&hl=az_AZ

¹⁶ http://www.oilfund.az/az_AZ/hesabatlar-ve-statistika/buedce-melumatlari.asp

¹⁷ <http://tender.gov.az/new/>

¹⁸ <http://sai.gov.az/1/revler/>

¹⁹ http://sai.gov.az/upload/files/r_LAYIH%C6%8F-2017-R%C6%8FY-FINAL.pdf

²⁰ http://sai.gov.az/upload/files/r_DSMF2016_FINAL.pdf

- *the projected macroeconomic indicators of the economy for the next 4 years;*
- *the revenues and expenditures of the consolidated budget, the breakdown of revenues and expenses of the consolidated budget;*
- *the total amount of projected incomes and expenses of the state budget for the next fiscal year, their comparison with the similar figures of previous two years;*
- *the structural presentation of budget revenues by sections, sub-sections and paragraphs, as well as by tax and non-tax revenues, and oil and non-oil sectors;*
- *Functional sections, sub-sections and paragraphs of the budget expenditures;*
- *Institutional classification of budget expenses;*
- *The economic classification of aggregated budget expenditures, along with limited functional sections;*
- *The functional structure of centralized expenses;*
- *the functional structure of local expenditures;*
- *The extra-budgetary expenses for various functional sections;*
- *State budget deficit or surplus;*
- *Consolidated budget deficit or surplus;*
- *Non-oil budget balance;*
- *Upper limits of external and internal public debt;*
- *Internal and external public debt, debt structure and debt-repayment costs;*
- *The projected total income of State Social Protection Fund, its comparison to figures of previous two fiscal years;*
- *The (budget and non-budget) sources of the Fund's projected revenues;*
- *The projected total expense directions of the Fund;*

None of fiscal or tax authorities publish information in their websites²¹ about the review of the Chamber of Accounts on the report of implemented budget prepared by the government. Like the review on the draft budget for the next fiscal year, this review contains information about the budget revenues and expenditures, as well as structure of expenditures as per budget classification, the actual volume of internal and external debts, list of business entities that have internal borrowings with a state guarantee and so on. The Chamber of Accounts alone has de facto a bigger role than any other body in charge of fiscal and tax sector budget when it comes to satisfying the society's demand for budget information.

Current research shows that even though public access to budget information has been significantly increased in past few years, the government still needs to take critical measures to improve this access. The list of budget information that is impossible to obtain publicly is one example. The investigation of web sites and published reports of all state agencies, including the Chamber of Accounts shows that the following information is not publicly accessible:

²¹ http://sai.gov.az/upload/files/REY_ICRA-2015.pdf

- The economic classification of expenses for all functional sections, sub-sections and paragraphs;
- The economic classification of the expenditures for budget funded orders;
- The economic classification of expenditures for various budget programs;
- The special weight of oil and non-oil sector commodity goods contributing to budget revenues;
- The share of private and public sector in total budget revenues;
- The special weight of private and public sector commodity goods contributing to budget revenues;
- The shares of leading sectors of the economy (industry, including processing and extractive industries, transport, communications, trade, etc.) in generating budget revenues;
- the amount of extra-budgetary revenues of the state budget by each extra-budgetary operation;
- The amount of the state budget and extra-budgetary revenues separately for each organization;
- The amount of the state budget and extra-budgetary expenditures separately for each organization;
- Economic classification of state budget and extra-budgetary expenditures;
- Complete list of investment projects and relevant budget funds;
- Organizational and economic structure of capital expenditures of the budget;
- The regional structure of capital expenditures of the budget;
- The amount of equity funds for each of investment projects, as well as the amount of internal and external debt;
- A full list and amounts of state-guaranteed foreign loans;
- The structure of financial statement analysis of Targeted Budget Funds;
- Assignments of Targeted budget funds;
- Financial statement structure of each individual district or city's accumulated budget revenues by type of payment;
- Individual district or city budget expenditures (education, health, social protection, investment and so on);
- The structure of tax revenues generated in regions by property types f;
- Local budget revenues by types property and fields of the economy;
- Structure of compulsory social contributions collected in Social Security Fund by property types, spheres of the economy and regions.

The studies and evaluations show that poor access to budget information, as well as the considerable number of publicly available information is due to insufficient interest of responsible bodies in openness and transparency. Even though the law on the income and property declaration by official figures was enacted 12 years ago, the fact that no such practice was yet recorded leads to

thinking that officials are not interested in information disclosure because of own corruption interests.

One of the important reasons of such behaviour related to budget information, including e-budget information is that no standards of preparing and publishing of such information were identified. Requirements on budget information disclosure in budget legislation are not clear whereas no framework and deadlines to publish particular information have been identified. The responsibility of authorities is reduced by the absence of the list of mandatory budget information to be disclosed, concrete ealines for the dissemination of this information, dissemination templates (print or online or both). The legislation does not set out requirements for the structure, content and quality of the budget reports.

One of the shortcomings of the legislation is that publicizing monthly budget reports is not stipulated as the legal norm. Thus, budgets of State Oil Funds and the State Social Protection Fund, and state budget information are published quarterly at best.

Another problem is lack of strong and professional media and civil society with continuous work on budget issues. Especially, following the government shrinking the civic space, there are serious problems for civil society working on budget and transparency issues.

The absence of mechanisms to ensure public participation in the budget process and the fact that the government is not interested in applying participatory mechanisms are another reasons for limited information dissemination. With broad range of participatory mechanisms in place and budget hearings, the necessary information is revealed and publicized. In case such environment exists, concealment of the budget information becomes impossible.

3. Openness of budget information: international standards and case studies

There are number of requirements for fiscal transparency at were international level. "Open Budget Index²²" of International Budget Partnership is mostly referred source to measure countries' fiscal transparency rate., It is published every two years. This index is calculated based upon a number of indicators; budget transparency is one of most important among them. While evaluating this indicator, the structure of budget documents in a given country is assessed. There are 8 documents identified by International Budget Partnership and countries should achieve their full openness in order to get a high rank for their budget transparency. For instance, the pre-budget statement, citizen's budget guide, an audit report on budget, and report on implemented budget are among the required documents²³. Another requirement is for the parliament to hold public hearings with the participation of non-governmental organizations, and media to have opportunities to disseminate information on these hearings so that a large public is prior to Parliament's approval²⁴. According to the latest report of the organization for 2015, 78 out of 102 evaluated countries face problems with publicizing budget information²⁵. In particular, 17 countries either do not publish information or provide very limited access to it thus scoring 0-20 out of 100-point scale. Another 17 countries were assessed to have "minimum" openness for budget information with 21-40 points. Those with 41-60 scores are 44 countries with "relatively limited" information transparency. 19 countries have the significant level of information openness at 61-80 points and only 5 countries had the highest level of openness with 81-100 points. Those are the group of countries with comprehensive budget reporting.

In the International Budget Partnership's "Open Budget Index" for 2015, 33 countries could not get points above the necessary level (60 points) for any of four important elements in the calculation of the index, and Azerbaijan was one of those countries. "Open Budget Index" is based on the following 4 elements: (1) *budget transparency (openness and accessibility of information)*; (2) *Public participation in budget process*; (3) *effective oversight of the supreme audit body*; (4) *effectiveness of parliamentary control of the budget*. Average scores and rankings of countries are based of their points for each of these elements. For example, according to the latest report, Azerbaijan did not provide public access to 2 out of 8 budget documents. These documents include pre-budget statement and an overview of the implementation of semi-annual budget. Azerbaijan has 51 points for budget transparency, 19 for public participation, 37 for accountability, and 50 for the effectiveness of supervision by the supreme audit body. The

²² <http://www.internationalbudget.org/wp-content/uploads/OBS2015-Report-English.pdf>

²³ <http://www.opengovguide.com/commitments/publish-all-eight-key-budget-reports/>

²⁴ <http://www.opengovguide.com/commitments/budget-hearings/>

²⁵ <http://www.internationalbudget.org/wp-content/uploads/OBS2015-Report-Russian.pdf>

country average was 51 points and Azerbaijan was ranked 42nd among 102 countries. The highest place among the former USSR countries hold Russia (74 points, 11th place) and Georgia (66 points, 16th). The top 5 countries with the highest level of budget transparency are New Zealand, Sweden, Norway, the US and South Africa, while 5 countries with the lowest level are Saudi Arabia, Qatar, Myanmar, Iraq and Lebanon. According to the "Open Budget Index" for 2012, Azerbaijan hold 58th place among 100 countries, and 42nd among 102 countries in 2015, with the main reason for the improvement being the publication of "Citizen's Budget Guide" by the Ministry of Finance since 2014.

Organization for Economic Cooperation and Development (OECD)"Good Practices on Fiscal Transparency"²⁶ is an international standard adopted by national governments in the field of transparency of budget information. OECD considers budget as the government's main policy tool and states that the budget should be a comprehensive document covering all incomes and expenses. Such a comprehensive budget allows for comparative analysis of different policy options and explains necessary compromises among policy options. The organization's approach is that the budget document should be sent for parliamentary discussion at least 3 months prior to the start of the new fiscal year in order to ensure it is discussed at the parliament with participation of interested parties. Detailed explanations on all sources of income and expenditure programs should be included in the budget document, with the outcome indicators identified for the targets of all programs financed from the budget and explanations provided for all the important variations from the budget forecasts and detailed calculations carried out for tax expenses. According to the OECD's document, the government is to disclose the initial, monthly, quarterly, semi-annual and annual budget reports.

The initial budget report is released at least one month prior to its dissemination in order to stimulate public debate around budget. The report should contain general indicators and their adjustment with overall macroeconomic indicators, the government's fiscal and economic policy objectives for the next period (at least, for the next 2 fiscal years).

It is recommended that monthly, quarterly and semi-annual reports contain information on revenues and expenditures for given period, the comparison of forecast and actual budget implementation, functional, economic and administrative classification of expenses, along with a brief explanation on the implementation of revenues and expenses.

The annual report is the main document for the government's budget accountability. This document shall be evaluated by the supreme audit body no later than the first month of the next year. It is important that the final report

²⁶ <https://www.oecd.org/gov/budgeting/Best%20Practices%20Budget%20Transparency%20-%20complete%20with%20cover%20page.pdf>

contains more detailed explanation of the budget information, as well as explanations on the implementation of revenues and expenses.

Finally, financial assets and liabilities, and information on non-financial assets of the government should be included in budget documents. From the perspective of practical application of the open government principles, the availability of texts of contracts for public procurements and orders financed through public funds is very important in terms of ensuring budget transparency²⁷. The transparency of procurement agreements not only guarantees the efficient use of resources, but also reduces the risk of corruption. It also ensures fair and favourable conditions for the competitive environment for business by using budget policy.

According to recent information, governments spend around 15% of global GDP on infrastructure and the acquisition of public goods and services on contractual basis. According to information of Open Data Barometer for 2015, only 6% of 86 monitored countries publish and publicize public procurement contracts. This not only is an undesirable situation for taxpayers and business environment, but also undermines open and transparent public management initiatives.

OECD, European Commission, leading international institutions, including UN's Department for Crimes and Drug consider 57% squandering cases bribery transactions between foreign partners, and negative facts of poor public management relate to implementation of public contracts. The risk of low quality school construction, medicines and medical equipment that put an end to the lives of sick people or Olympic buildings with no social benefits for the country is always high, once state procurement agreements lack transparency. According to OECD figures for 2015, the effective e-procurement system in South Korea's saved 1.4 billion USD in public sector.

The general approach is that disclosure of information about the technical specifications of procurement plans and products (goods and services), the evaluation criteria for selection of participants, the list of participants (including subcontractors along with the contracted main partners) and announcing the final results of selection process, the entire set of procurement contracts (appendix, graphs, tables), and publicizing the changes in procurement contracts on regular base should be applied as standards to ensure openness of procurement contracts.

International Monetary Fund's "Recommendations for ensuring budget transparency" is adopted by different countries as an important international standard. According to the document, the government should inform public on fiscal activities for past, current and future in full and comprehensive manner. The organization recommends that all the budget reports, and other related reports on the fiscal performance of the government, as well as the data on all

²⁷ <http://www.opengovguide.com/topics/public-contracting/>

extra-budget transactions, quasi-fiscal expenses, and information on extra-budgetary funds should be open to public. According to the recommendations, the information on central government's debt and its structure, financial assets, and information on quasi-fiscal operations should be made accessible to public, and the schedule for fiscal data disclosure shall be announced in advance²⁸.

Transparency and access to information on government activities is among basic principles and priorities of Open Government Partnership global platform. One of the working groups created by the platform is "Fiscal Openness" led by Global Initiative on Fiscal Transparency (GIFT) and the Governments of Brazil and Philippines.²⁹ The group's main task is to keep the focus on the implementation of commitments of fiscal transparency by member states, and to promote international standards and best practices among member countries.

In recent years, the rapid development of Internet, has significantly expanded the opportunities for online dissemination of budget information and equal access for all citizens. Also, the "Digital Budget" initiative of the International Budget Partnership intends dissemination of budget information through Internet resources³⁰. The organization states that the practice of sharing the fiscal information over web pages and specialized portals is increasingly enhancing around the world. Portals also play an important role in terms of updating and making budget information accessible to the entire society. In addition, portals offer opportunities for people to with share their opinions and feedback. The 2 best examples of Budget information portals in the world, considered as "best practices" are the following:

(i) the US federal government's portal on the spending of public funds - <https://www.usaspending.gov/Pages/Default.aspx> . The Portal has a lot of information on budget expenditures, grants, loans and other financial assistance separately by federal authorities, states and regions;

*(ii) "Transparency portal" - <http://www.portaltransparencia.gov.br/#> created at the initiative of the Brazilian Supreme Control Office to ensure the openness of information of state budget and control over public spending. According to the latest updates, the site is visited by an average of 900 000 people each month. The website is important tool for citizens to track of the status of implementation of state programs adopted at the federal level, and their funding. Currently, the portal provides access to detailed information in 4 directions: **(i) expenses of the state agencies by contracts and tenders; (ii) the government transfers to all municipalities and the federal constituencies; (iii)***

²⁸ <https://www.imf.org/external/np/fad/trans/rus/manualr.pdf>

²⁹ http://www.fiscaltransparency.net/ft_principles/

³⁰ <http://www.internationalbudget.org/wp-content/uploads/ibp-budget-brief-digital-budgets-2016.pdf>

expenses on social programs; (iv) the administrative expenses of state agencies, including payroll, travel, communications and office expenses.

In some countries, the Ministry of Finance's official websites play a key role in improving the access of budget information, and publicizing extensive budget information. For example, Norway, which is a resource-rich country, or the experience of Ministries of Finance in Georgia and Moldova sharing the same background of political system may be interesting cases for Azerbaijan.

Citizens of Norway can become familiar with, distribute, print and save a set of budget documents submitted to the parliament by the government, through the website of the Ministry of Finance. For instance, the information package presented in online on 2017 budget includes the following documents³¹:

(1) The national budget policy document³². This paper includes the sections on the analysis of current situation of the economy, long-term growth opportunities, monetary policy, tax policy, regulations for financial markets, public debt management, state of oil-sector, international economic relations, effectiveness of public sector, regional policy and state of municipalities.

(2) The State budget document³³. This document includes government's budget priorities, consolidated budget, revenue and expenditure breakdown, oil revenues, oil sector expenses and borrowing, detailed information on the expenses of each ministry and agency, budget transfers, public debts, revenues and expenditures from social insurance, budget forecasts for next 3 years, and non-oil budget structure.

These documents include quite a lot of information and 2 electronic publications are more than 400 pages.

Moldova is also quite active in publishing budget information through official website of the Ministry of Finance. First of all, information in law on state budget is quite comprehensive and detailed³⁴. For example, the approved law separately stipulates the current and capital expenditures for each budget superintendent, the costs are differentiated by their sources of funding (budget funds, external funding sources etc.), and expenses on financial and non-financial assets are reflected. At the same time, the draft budget includes investment projects for the central and local governments, and the cost for each project. The budget law for the next fiscal year is approved along with numerous annexes to it, which are

³¹ <http://www.statsbudsjettet.no/Statsbudsjettet-2017/Dokumenter1/>

³² http://www.statsbudsjettet.no/upload/Statsbudsjett_2017/dokumenter/pdf/stm.pdf

³³ http://www.statsbudsjettet.no/upload/Statsbudsjett_2017/dokumenter/pdf/gulbok.pdf

³⁴

<http://www.mf.gov.md/files/files/Acte%20Legislative%20si%20Normative/Bugetare/legi%20bs%20an/2017/Legea%20bugetului%20de%20stat%20pe%20anul%202017%20ru.pdf>

publicized at the Ministry of Finance website³⁵. These annexes include expenses allocated to every judicial authority, total expenses and revenues, and aggregate information on sources to cover the budget deficit, financial information about budget programs, investment projects, a minimum amount for leasing state property, and amount of transfers to every local government unit.

Each year, the "Citizen's Budget Guide" is published in a simple and understandable way³⁶.

The Ministry of Finance of Georgia has created a successful experience by publishing budget information online, ensuring access to information over the internet. Budget documents posted on the Ministry's website are in 3 versions³⁷: the first version as presented it is to the parliament, the revised version as result of discussions and the final enacted document. The List of budget documents at Ministry of Finance's website include:

- **Budget Law for the year;**
- **Key economic and fiscal indicators;**
- **The document on "The key data and trends for the fiscal year and the next 3 years";**
- **Key economic and fiscal indicators - the baseline scenario;**
- **Budget programs, expected outcomes and evaluation indicators;**
- **Investment projects to be carried out during the fiscal year (together with expenses)**
- **Economic, functional and organizational classification of budget expenditures;**
- **Public Debt information;**
- **Macroeconomic risk analysis of fiscal sector for next 5 years;**
- **Risk analysis of the government's solvency for the next 8 years;**
- **Citizen's budget guide.**

With a total of more than 500 pages, the budget law is the most comprehensive among these documents. The law consists of 9 chapters and explanatory notes; "The state budget's basic indicators", "State budget", "Budget revenues", "Budget expenditures", "Non-financial assets and their classification", "State budget balance, financial assets and liabilities," "Budget priorities and budget programs," " Transfers to autonomous republics and local governments" and so on. The Ministry of Finance includes a separate set of documents for "other expenses", the planned activities and purchase of goods and services in order to raise the level of budget transparency.

³⁵ <http://www.mf.gov.md/ru/actnorm/budget/law/lowbudget1>

³⁶ <http://www.mf.gov.md/files/files/Transparenta/transpbuget/BC2017.pdf>

³⁷ <http://mof.ge/5027>

The Ministry of Finance of Georgia publishes the full text of the report on the implementation of the budget at its website. It is also prepares comprehensive budget report in accordance with the budget law approved by parliament. Recommendations and best practices of various countries and international organizations and their comparative analysis with existing legislative mechanisms in Azerbaijan are presented in the appendix (see *Appendix*)

4. Opportunities for publication of budget information

In absence of mechanisms to ensure transparent use of budget funds, risks of corruption and inefficient use of resources increase. Main way for reducing these risks is availability of public control opportunities. No doubt, the public cannot have effective control over processes in case it is not well informed. In world experience, budget transparency and public access to budget information are basic mechanisms to ensure budget transparency. At present, transparent and effective spending is accepted as one of important means for fighting a global-level poverty, addressing environmental problems and eliminating the resource deficit. Given that Azerbaijan has already entered the stage of decline of oil revenues, and the need to ensure budget transparency becomes more important. In that respect, the following mechanisms are suggested to improve access to budget information and budget transparency in Azerbaijan; these mechanisms base on reviewed international standards for budget transparency, world best practices and existing problems in Azerbaijan:

1) To take and implement appropriate measures according to International Budget Partnership recommendations to the government of Azerbaijan³⁸. These proposals include preparation of pre-budget statement, review on implementation of the semi-annual budget, preparation of informative and comprehensive annual budget report, more comprehensive budget proposals including performance indicators of executive authorities, enhancing public participation in budget process, establishing parliamentary unit to study budget issues and organization of public hearings in collaboration with relevant ministries. Worth to mention that the consideration of just one of IBP recommendations (citizens budget guide), improved country's position at OBI for 16 points in 2015.

2) The specific requirements on dissemination of budget information should be ascertained by law. There are 2 possible options to ensure this: To include precise legal norms for the dissemination of budget information to the Law on "Budget System", or to issue separate presidential decree on general framework, standards and principles on specific mechanisms and specific measures for information dissemination. An example for such a decree could be list of budget information for mandatory disclosure and timeframes for for disclosure;

3) Publication of monthly reports on implementation of state budget and extra-budgetary funds should be included in the legislation as mandatory legal norm. The current legislation considers publication of only quarterly reports on the implementation of budget as a compulsory norm. It is important to publish comparison numbers of forecasted and actual performance of budget figures in

³⁸ <http://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-Azerbaijan-Russian.pdf>

monthly budget reports. Relevant executive authorities should provide reasonable explanations on the deviations from forecasts once they exist;

4) To prepare and publicize separate reports on expenses of the president's and government's reserve funds. Currently, the annual budget report gives limited information in this respect. However, to ensure budget transparency it is recommended to prepare and publicize the breakdown of funds for separate projects, events and regions. The amount of funds spent through mentioned Funds is quite significant. For example, in 2015 alone, AZN450 million was spent through these 2 funds; the total amount of funds allocated from state budget to mentioned 2 foundations in the period of 2005-2015 was AZN3 billion;

5) The list of investment projects, state budget allocations and borrowed funds for each project should be made available to the public. At present, it is not possible to obtain this information from any open source;

6) The public should have access to budget envelope submitted to the parliament in online. These documents can either be published through web sites of the Ministry of Finance or the Parliament, or through a specialized budget portal created by government.

7) Information on f budget revenues sources by property and economic sectors should be open. This information should also be prepared for each payment . For example, share of private and public sectors in total state budget revenues , or revenues from industrial or transport and communication sectors should be available to the public.

8) The full text of the annual budget reports should be open to the public. At present, this report is not accessible.. Also, the report on the budget implementation should be prepared based on approved budget format. The current practice is as follows: a set of budget documents submitted to parliament for the next fiscal year includes more than 1,000 pages. The draft law on implemented budget presented to the Parliament by government however, contains 8 or 10 pages only. Under such circumstances, the legislature is not well informed about the level of compliance with budget forecasts, any deviations from expenditures within the economic and institutional breakdown and reasons of such deviations;

9) Comprehensive information on all revenue types and functional, organizational and economic classification of expenses for each city and region should be included to the budget package. Currently, the only available information for the public is the amount of revenues and expenses for regions and cities;

10) A separate report on use of extra-budgetary revenues and expenses should be prepared and publicized. Currently, only total amount of incomes and expenses, amount of expenses by functional sections are shared with public. But it is recommended that report includes the the amount of revenues by non-budgetary transactions and agencies, and the breakdown of expenses by agencies and destinations;

11) Preparation and dissemination of a separate report on activities of targeted budget funds. The current practice is just dissemination of general information on revenues and expenses of these funds. Whereas a report containing information on sources of these funds, economic structure of expenses, expenses on specific projects and events, and amounts per each region, would be very important in terms of transparency.

12) The online publication of complete text of procurement contracts of budgetary agencies. The current practice = only provides information about list of contracts and agreements and their total amounts;

13) Regular dissemination of budget information through social networks and organization of public discussions by agencies responsible for fiscal and budgetary policy. At present, these agencies are not active in internet, and social media and are not interested in public debate.

Recommendations on increased access to budget information

An International Organizations making recommendation (IBP, OECD, IMF,GIFT) or countries applying best practices	Content of recommendation or best practice	The status of the reflection of recommendations in Azerbaijan's legislation	Practical implementation in Azerbaijan	Actions suggested to bring the current practice in Azerbaijan into compliance with the recommendations and best practices
IBP	Pre-Budget Statement	No requirement on pre-budget statement	Not applied in practice	Preparation and inclusion of Pre-budget statement by Supreme Governance Body should be included into budget law.
IBP	Consolidated semi-annual report on implementation of the budget is prepared and published.	Requirement in law on preparation of this report	No semi-annual consolidated report in practice; only limited information on budget implementation	The Budget law should clearly stipulate responsibilities and commitments for development of monthly, quarterly, semi-annual budget reports, as well as the scope of information to be included in these reports.
IBP	Annual report on implementation of the budget is prepared and published.	Requirement in law on preparation of this report	No annual report on the budget implementation in practice; only the draft law on the implemented budget, containing small amount of information, is disclosed to public.	Budget legislation should identify precise regulations and norms, and the budget implementation report should be prepared in line with and disclosed to the public in the format as approved by the Parliament.

IBP	Budget information should be shared through specialized budget portals, web pages, and feedback mechanisms should be in place for public use	No requirement in law on creation of specialized budget portals and dissemination of comprehensive budget information over them	In practice, all the institutions responsible for budget and fiscal policy have websites and publish information they consider reasonable through these websites.	It is suggested that the government creates budget portal and the budget information is shared through that portal. The portal could also become an interactive online platform to discuss budget.
OECD	The draft budget should be widely discussed in the parliament at least 90 days before the start of fiscal year, so that public is able to get all necessary information about the budget.	According to the legislation of Azerbaijan, the draft budget shall be submitted to the parliament at least 75 days prior to the start of fiscal year. However, the legislation does not precisely appoints the exact latest dates for budget discussions at parliament's plenary sessions.	In practice, the start dates of parliamentary budget discussions vary. For instance, the discussions of draft budget for the year 2016 started 77 days before the start of the new fiscal year, while it was 25 days in the case of the discussions of draft budget for the year 2017.	The legislation should not only specify timeframes to submit budget documents to the Parliament, but also an exact schedule for the dissemination of those documents to lawmakers and the date for plenary discussions.
Turkey, Georgia	Monthly budget implementation reports are published.	No requirement on disclosing (publication) reports on budget implementation on a monthly basis	In practice, such report is not published.	The legislation should include a requirements for publishing report on budget implementation on monthly basis.
GIFT	The texts of procurement contracts financed through budget funds should be open to the public.	No requirement on disclosing the texts of procurement contracts.	In practice, texts of procurement contracts are not published.	The legislation should include publication of the full texts of procurement contracts.

BVF	Extra-budgetary operations should be open.	No requirement to make extra-budgetary operations publicly available.	In practice, detailed information on such operations is not published.	The legislation should include publication of quarterly and annual reports on government's extra-budgetary operations for each agency and operation separately.
IMF	Information of tax expenses and their calculation method should be open.	No term of "tax expenditures" in legislation of Azerbaijan.	In practice, such information has never been published.	Publication of information on revenue loss as result of tax concessions to various entities
IMF	All state debts and their structure should be open.	No requirement on publishing detailed information on the government's debt structure	In practice, only total amount of debts is published.	It is suggested that information on government's domestic and foreign debt size, their structure, as well as the borrowing conditions is published.
Norway, Georgia, Moldova	The whole set of budget documents submitted to the parliament, including investment budget should be publicly accessible, published and disseminated through the internet.	No requirement on publishing the information contained in the budget envelope and specific investment projects along with their sources of funding	In practice, the budget envelope is published incompletely.	