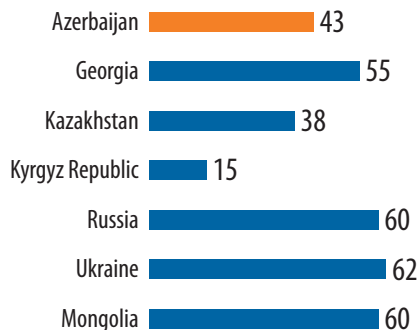




Overall score: 43 (Out of 100) Provides some information to the public in its budget documents during the year.

How Does Azerbaijan Compare to Its Neighbors?



Key Findings

The scores for 92 questions from the Open Budget Survey (see text box) used to compile objective scores and rankings of each country's relative transparency. These scores constitute the Open Budget Index.

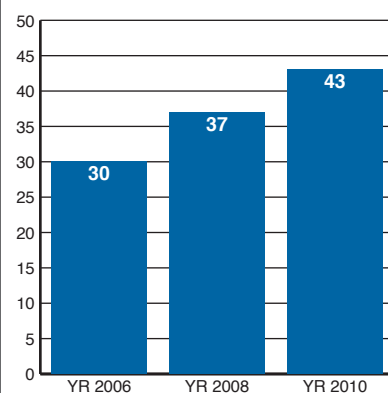
Azerbaijan's score is 43 out of 100, which is about the same as the average score of 42 for all the 94 countries surveyed but is below the score of some of its neighbors. Azerbaijan's score shows that the government provides the public with only some information on the central government's budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of the public's money.

Information in Public Budget Documents

Adequacy & Availability of Eight Key Budget Documents

Document	Level of Information Grade*	Publication Status
Pre-Budget Statement	E	Not Produced
Executive's Budget Proposal	C	Published
Enacted Budget	D	Published
Citizens Budget	E	Not Produced
In-Year Reports	C	Published
Mid-Year Review	D	Published
Year-End Report	E	Published
Audit Report	D	Published

OBI Scores Over Three Surveys



* Grades for the comprehensiveness of the information provided in each document and its accessibility are calculated from the average scores received on a subset of questions from the Open Budget Survey related to each document. An average score between 0-20 (scant information) is graded as E; 21-40 (minimal) is graded as D; 41-60 (some) is graded as C; 61-80 (significant) is graded as B; and 81-100 (extensive) is graded as A.

Azerbaijan's OBI score increased from 37 to 43 points from 2008 to 2010 since it now provides more comprehensive information in its In-Year Reports and Audit Report.

The **Executive's Budget Proposal** is the government's most important policy instrument. It presents how the government plans to raise revenues and where these funds are allocated, thus transforming policy goals into action. In Azerbaijan the Draft Budget Law (Executive's Budget Proposal) does not provide comprehensive details. Major gaps in information in the Draft Budget Law are found in the following areas:

- it does not present information that can help explain the relationship between the government's revenue and expenditure plans and its policy and macroeconomic goals. This information is important if the executive wishes to facilitate a broader debate about planned expenditures.
- it lacks information on outputs and outcomes. This information is important for those who are interested in monitoring the budget's impact.

The **Pre-Budget Statement** sets forth the broad parameters that will define the government's forthcoming budget. Azerbaijan does not produce a Pre-Budget Statement.

The **Enacted Budget** becomes a country's law and provides the baseline information for all budget analyses conducted during the budget year. In general terms, the Enacted Budget should provide the public with the data it can use to assess the government's stated policy priorities and hold it to account. Azerbaijan's Budget Law (Enacted Budget) does not present comprehensive information since it does not present details of expenditure on specific programs.

A **Citizens Budget** is a nontechnical presentation of a government's budget that is intended to enable the public — including those who are not familiar with public finance — to understand a government's plans. While Azerbaijan's government does not produce a Citizens Budget, a civil society alliance on budget issues called the National Budget Office (former National Budget Group) produces and publishes a Citizens Budget every year. This publication is accessible at: <http://erc-az.org/new/uploads/neshrler/Kitab&20VBB.pdf>

In-Year Reports provide a snapshot of the budget's effects during the budget year. They allow for comparison which allows for comparisons with the enacted budget figures and thus facilitate adjustments. Azerbaijan's In-Year Reports do not contain comprehensive information because the information presented on actual borrowing and composition of debt is limited.

The **Mid-Year Review** provides a comprehensive overview of the budget's effects at the mid-point of a budget year and discusses any changes in economic assumptions that affect approved budget policies. Information in this report allows the government, legislature, and the public to identify whether or not adjustments related to revenues, expenditures, or borrowing should be made for the remainder of the budget year. Azerbaijan's Report on Implementation of the Budget for the first 6 months of the year (Mid-Year Review) falls short of the mark because it does not explain its revised estimates.

OPEN BUDGET SURVEY 2010

Azerbaijan

The International Budget Partnership's Open Budget Survey assesses the availability in each country assessed of eight key budget documents, as well as the comprehensiveness of the data contained in these documents. The Survey also examines the extent of effective oversight provided by legislatures and supreme audit institutions (SAI), as well as the opportunities available to the public to participate in national budget decision-making processes.

Research to complete this country's Open Budget Survey was undertaken by:

Kenan Aslani
PFMC
J. Jabbarly 44. Caspian Plaza 3,
Baku, Azerbaijan
(+994 12) 4978967
(+994 50) 581 3630
kenan@pfmc.az

The **Year-End Report** compares the actual budget execution to the Enacted Budget. Year-End Reports can inform policymakers' on tax policies, debt requirements, and major expenditure priorities, facilitating modifications for upcoming budget years. Azerbaijan's Report on Implementation of the Annual Budget (Year-End Report) is insufficiently comprehensive because it does not include enough information on the differences between estimated and actual expenditure and revenue.

The **Audit Report** is an independent evaluation of the government's accounts by the country's supreme audit institution (SAI). It reports whether the government has raised revenues and spent monies in line with the authorized budget, whether the government's accounts of its revenues and expenses are accurate and whether the auditors identified any problems in the management of public funds during the budget year. Azerbaijan publishes the Audit Report of the Accounting Chamber regarding implementation of the budget, but this report is not comprehensive since it does not include an audit of extra budgetary funds.

Public Participation and Institutions of Accountability

Beyond improving the availability and comprehensiveness of key budget documents, there are other ways in which Azerbaijan's budget process could be made more open. This includes ensuring the existence of a strong legislature and supreme audit institution that provide effective budget oversight, as well as providing greater opportunities for the public to participate in the budget process.

Are oversight bodies effective in their budget role?

Oversight Institution	Strength**
Legislature	Weak
SAI	Weak

** Legislature and SAI strengths are calculated from the average scores received for a subset of questions from the Open Budget Survey related to each institution. An average score between 0-33 is graded as weak, 34-66 as moderate, and 67-100 as strong.

According to the Open Budget Survey, budget oversight provided by Azerbaijan's legislature is inadequate because it does not:

1. have full power to amend the budget proposal presented to it at the start of the year before the budget is enacted;
2. have sufficient time to discuss and approve a budget; and
3. hold public hearings on budget discussions at which the public can testify.

According to the Open Budget Survey, oversight provided by Azerbaijan's SAI is weak due to the following reasons:

1. it does not have complete discretion in law to choose what to audit;
2. it does not have sufficient resources to meaningfully exercise its mandate;
3. there is limited legislative scrutiny of audit reports; and
4. it does not issue reports on the follow-up steps taken by the executive to address audit recommendations

Recommendations

Azerbaijan should:

- produce and publish a Citizens Budget and Pre-Budget Statement;
- increase the comprehensiveness of information in the Executive's Budget Proposal, Enacted Budget, In-Year Reports, Mid-Year Review, and Year-End Report;
- provide opportunities for the public to testify at legislative hearings on the budget;
- enable the legislature to provide more comprehensive oversight not only when the budget is being approved but also during the budget execution period; and
- empower the SAI to publish a comprehensive Audit Report that includes information on extra-budgetary funds.