



**PRESENTATION  
ON THE DRAFT STATE AND CONSOLIDATED  
BUDGETS FOR 2016 OF THE REPUBLIC OF  
AZERBAIJAN**

**BAKU-2015**

## CONTENTS

<b>1.</b>	<b>Macroeconomic view of 6 months of 2015</b>	<b>1</b>
<b>2.</b>	<b>Macroeconomic forecasts for 2016 and the next three years</b>	<b>5</b>
<b>3.</b>	<b>Main directions of the budget-tax policy</b>	<b>7</b>
<b>4.</b>	<b>Forecast indicators of the state and consolidated budgets</b>	<b>10</b>
	<i>Indicators of the consolidated budget</i>	10
	<i>Key indicators of the state budget</i>	11
<b>5.</b>	<b>Structure and main sources of incomes of the state budget for 2016</b>	<b>11</b>
<b>6.</b>	<b>Structure and key directions of expenditures of the state budget for 2016</b>	<b>15</b>
<b>7.</b>	<b>Key directions of social costs</b>	<b>18</b>
	<i>Key directions of science, education, health, social protection and social security, culture and sport costs</i>	18
	<i>Science</i>	19
	<i>Education</i>	20
	<i>Health</i>	22
	<i>Social protection and social security</i>	23
	<i>Activities in the field of culture, art, information, sport and fields not related to other categories</i>	24
<b>8.</b>	<b>Defense and security costs and costs related with maintenance of the judicial authority, law-enforcement and prosecution bodies</b>	<b>25</b>
<b>9.</b>	<b>Directions of capital expenditures</b>	<b>25</b>
<b>10.</b>	<b>Key directions of housing and utility, agriculture, forestry, fishery, and hunting, fuel and energy, industry and construction, transport and communication costs</b>	<b>26</b>
<b>11.</b>	<b>Directions of expenditures not related to economic activity and main units</b>	<b>27</b>
<b>12.</b>	<b>Costs related to the management of public debt</b>	<b>28</b>
<b>13.</b>	<b>Costs related with international activities and fees for membership to international organizations, other international activities</b>	<b>29</b>
<b>14.</b>	<b>Local incomes and expenditures of the state budget</b>	<b>29</b>
<b>15.</b>	<b>Financing of the deficit of the state budget</b>	<b>33</b>
<b>16.</b>	<b>The budget of the State Oil Fund of the Republic of Azerbaijan for 2016</b>	<b>34</b>
<b>17.</b>	<b>The budget of the State Social Protection Fund of the Republic of Azerbaijan for 2016</b>	<b>34</b>
<b>18.</b>	<b>The budget for 2016 of Nakhchivan Autonomous Republic</b>	<b>35</b>

## Macroeconomic view of 6 months of 2015

The key factors negatively affecting global economic growth forecasts include instability in global economy within 6 months of 2015, the decline in the economic growth rate of China and turmoil in the stock markets, which also imposed negative effects on the prices of oil and oil products.

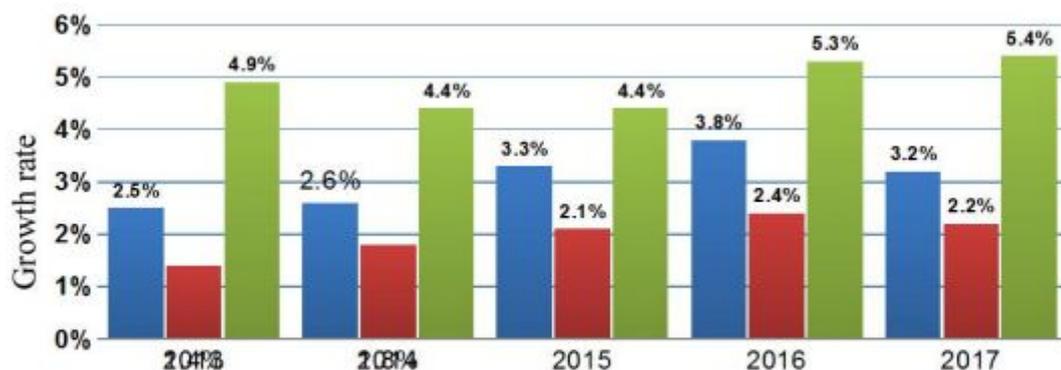
Increasing oil production and excess offer against demand throughout the world led to a sharp decline in prices of oil and oil products in 2014. The forecasts of international financial institutes claiming that this process would have a positive effect on economic growth did not find proof at all and the global economy was characterized



with significant uncertainty. At the same time, a decline in oil prices negatively affected on the economy of oil producing countries and most of them devalued their currencies to remove increasing budget deficit and potential problems in the balance of current accounts, which led to a decline in the rate of economic growth in line with a high inflation risk in the economy of those countries.

The global economic growth forecast was reduced for the next time by the International Monetary Fund (IMF) in the past period of the current year, alleging a complication in the international economic and financial situation. According to the information provided by IMF, the real economic growth rate of the world countries is forecasted as 3.3 percent (first 3,5 percent) for 2015 and 3.8 percent (first 3,9 percent) 2016.

Economic growth rate of the world's countries (percentage)



Source: International Monetary Fund

The international financial institutes (World Bank, International Monetary Fund) predict that the decline in prices of raw materials and commodities will continue till the end of the current year and prices of energy carriers will be reduced by 39 percent compared to the past year.

Though the real growth of gross domestic product (GDP) for 2016 was forecasted 3.8 percent in the global economy, IMF's predictions were 1.7 percent for Eurozone countries, 0.3 percent for the CIS countries, including Azerbaijan, 3.6 percent for Turkey and 6.3 percent for the People's Republic of China which has the biggest share in the world economy.



Global economic process did not bypass the development of Azerbaijani economy causing a decline in currency inflows and balance of payments of surplus of the country. Besides, the weakening of economic activeness of entrepreneurship and sustainability of the financial-bank sector is expected due to increasing geopolitical tensions for the country's economy in the region for the medium term, further deterioration of the international economic environment and decreasing

incomes of the state and private sectors.

The GDP produced in the country within 6 months of 2015 amounted for 26.3 bln. manat in the abovementioned unstable economic environment. GDP growth made 66,9 percent relying mainly on the non-oil sector.

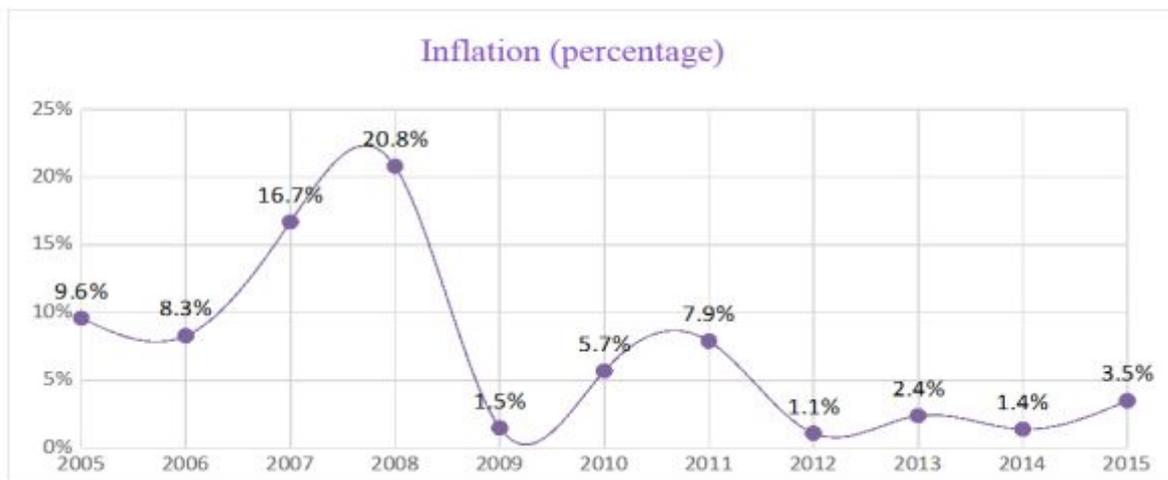
The GDP share of industry made 36.0 percent, social and other services 16.4 percent, construction 12.5 percent, trade and repair services for motor vehicles 10.5 percent, net taxes on production and imports 8.4 percent, transportation and warehousing 5.8 percent, agriculture, forestry and fishery 5.6 percent, tourist accommodation and public catering services 2.9 percent, and information and communication services 1.9 percent.

7.9 bln. manat was allocated to the fixed capital in 6 months of the current year, 4.5 bln. manat or 57.0 percent of which is shared by the non-oil sector. The amount of funds allocated to the fixed capital was increased by 3.7 percent in comparison with the corresponding period of the previous year. The share of state and private sectors in total investments was correspondingly 29.3 percent and 70.7 percent.

The retail trade turnover was 12.0 bln. manat increasing by 13.4 percent, while the volume of paid services provided to the population increased by 6.0 percent and was equal to 3.2 bln. manat.

Incomes of the population increased by 6.2 percent reaching 19.8 bln. manat in 6 months of the current year in comparison with the same period of the previous year.

The inflation made 3.5 percent against the same period of the previous year.



The foreign trade turnover of the country was \$10.9 bln. (USD) in 6 months of 2015.

The import transactions made \$4.7 bln. (USD), i.e. \$0.6 bln. (USD) or 13.6 percent more in comparison with the same period of 2014, while \$0.5 bln. (USD) or 9.2 percent more in comparison with the corresponding period of 2013.

The volume of import transactions made \$6.2 bln. (USD), i.e. \$5.0 bln. (USD) or 44.6 percent less in comparison with the corresponding period of 2014.

The average market price of Azeri Light crude oil was \$59.4 in 6 months of the current year, which is 1.9 times less compared to the corresponding period of the previous year.

The influence of the international economic environment on the country's economy increased demand for foreign currencies in the foreign exchange market. Taking into account the existing situation in the foreign exchange market, manat went under depreciation in February of the current year to strengthen the export potential and international competitiveness of the country, ensure the sustainability of international payment ability of the country, further promote the diversification of the national economy and support the development of the non-oil sector. This approach allowed preventing a sharp decline in foreign exchange reserves in the next few months.



The foreign exchange reserves of the country were \$44.3 bln. in 6 months of 2015, including the assets of the State Oil Fund of the Republic of Azerbaijan at amount of \$35.8 bln.

The socio-economic policy implemented in the Republic of Azerbaijan paved the way for the sustainable development of the economy, as a result, macroeconomic balance was ensured and a single-digit rate of inflation was maintained in its lower level in the country. The above positive factors were highlighted in the reports of international institutes. The measures aimed at minimization negative impacts on the country's economy from outside were considered as adequate to the existing macroeconomic situation by the influential financial-economic institutes (IMF, WB).



The opinions of international rating agencies on the country pointed out to the sustainable development of Azerbaijani economy. The reports of the international rating agencies of "Fitch Ratings" and "Standard and Poor's" read that the decisive

steps of Azerbaijani government will minimize potential risk to public finances and the position of foreign exchange reserves, ensure the preservation of the country as a strong foreign creditor, and a flexible fiscal and monetary policy will significantly prevent the reduction of foreign exchange reserves despite of negative effects of a sharp decline in oil prices in throughout the world on the existing fiscal and foreign exchange position of Azerbaijan.



The international rating agencies of "Fitch Ratings" and "Standard and Poor's" maintained the investment rate of the Republic of Azerbaijan in "BBB-" level provided in more favorable economic conditions regardless of a sharp decline in oil prices and reduction of public revenues.

According to the macroeconomic predictions of the Ministry of Economy and Industry of the Republic of Azerbaijan, the GDP production in the country will be 57.2 bln. manat (real growth of 3.3 percent) by the end of 2015. It should be noted that these indicators are 3.9 bln. manat or 1.1 percent-item lower than the initial predictions.

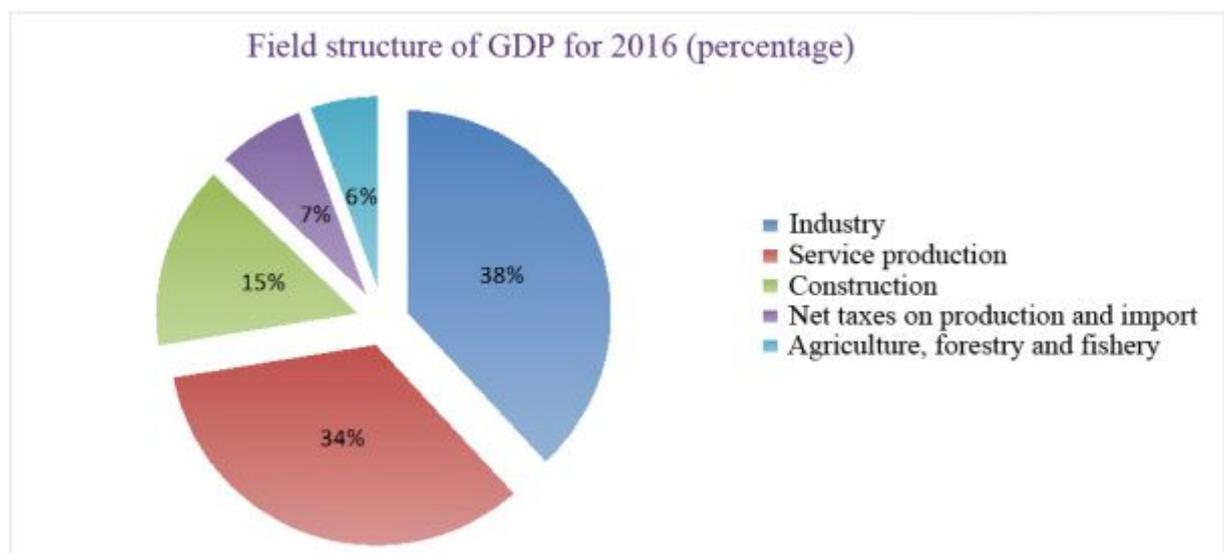
Though the volume of GDP will be 0.6 percent (the initial prediction is 1.6 percent) in the non-oil sector, it is expected to have growth of 5.9 percent in this sector. These indicators are 1.0 bln. manat or 3.5 percent-item lower than the initial predictions.

The volume of total investment due to be allocated to the fixed capital is anticipated to make 19.7 bln. manat (a decrease of 6.2 percent in domestic investments, an increase of 49.0 percent in foreign investments compared to the previous year) at the end of 2015. Out of total investments allocated to the fixed capital, it is intended to allocate 7.8 bln. manat to the oil sector and 11.9 bln. manat to the non-oil sector.

## 2. Macroeconomic forecasts for 2016 and the next three years

According to the economic and social development concept of the country and forecasts indicators issued for 2016 and the following three years by the Ministry of Economy and Industry of the Republic of Azerbaijan, the real economic growth will be 1.8 percent, while the GDP production will make 57.7 bln. manat in the country in 2016.

In the non-oil sector, the GDP was forecasted 41.5 bln. manat or with real growth of 3.4 percent compared to the current year. In the oil sector, the GDP is forecasted 16.3 bln. manat or with a reduction of 1.7 percent, which is 10.8 percent-item more in comparison with the actual performance indicators of 2014 and 3.0 percent-item more in comparison with the anticipated performance indicators of 2015. The private sector's share in GDP is considered 82.2 percent.



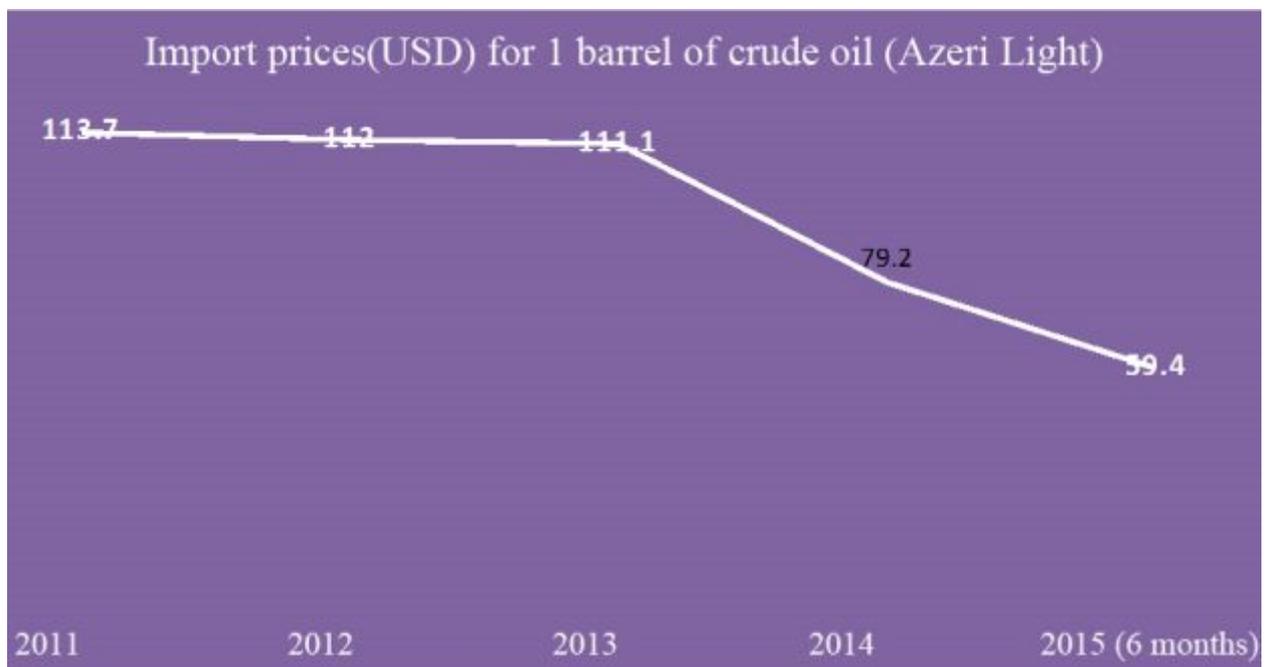
The growth of added value is estimated much higher (39.8 percent) for 2016. Thus, it is forecasted real growth of 14.6 percent in tourist accommodation and public catering services, 3.3 percent in transportation and warehousing and 13.5 percent in information and communication services.

The volume of investments due to be allocated to the fixed capital in 2016 is forecasted 18,8 bln. manat, including 57.8 percent from domestic investments and 42.2 percent from foreign investments.

It is intended to allocate 10.8 bln. manat of total investments to the non-oil sector. It is predicted that non-public investments will make 11.0 bln. manat and share 58.2 percent of total investment in the next year. Public investments are expected to share 41.8 percent (7.9 bln. manat) of total investment.

It is forecasted that incomes of the population will make 43.8 bln. manat increasing by 1.2 percent and expenditures of the population will make 34.4 bln. manat increasing by 0.6 percent in the next year.

A change in oil prices is one of the sensitive points for economy of the country. Considering the predictions of international financial organizations for the next year and significant uncertainty in oil prices, it was considered \$50.0 for 1 barrel of crude oil sales price in calculations of incomes of the state and consolidated budgets for 2016. It should be mentioned that the International Monetary Fund predicts oil prices (average annual) as \$58.0 for 2015 and \$61.0 for 2016, the World Bank predicts oil prices as \$58.0 and \$63.0 for corresponding years, and the US Energy Information Administration's (EIA) predictions are \$54.0 and \$59.0.



The exchange rate of manat to the US dollar was accepted as 1,05 manat for calculation of budget revenues and expenditures denominated in foreign currencies.

The continuation of unstable processes in the global economy in 2016 will have a negative effect on import-export transactions of Azerbaijan which has close economic relations with the Commonwealth of Independent States (CIS) countries, as well. According to macroeconomic forecasts, it is intended to export goods at amount of \$15.8 bln. (USD) from the country in 2016, which is \$12.5 bln. (USD) or 44,0 percent less in comparison with the actual performance indicators of 2014 and \$1.5 bln. (USD) 8.1 percent less in comparison with the anticipated performance indicators of 2015.

Imports are forecasted \$8.2 bln. (USD) for the next year and the non-oil sector will share \$6,8 bln. (USD) or 83.3 percent of total imports. The volume of imports is \$1.1 bln. (USD) or 11.8 percent less in comparison with the actual performance indicators of

2014 and \$0.6 bln. (USD) 6.8 percent less in comparison with the anticipated performance indicators of 2015.



### 3. Main directions of the budget-tax policy

**The budget-tax policy for 2016 was drafted pursuant to the medium term budget and financial policy of the Republic of Azerbaijan, economic and social development forecasts of the country and relevant state programs in accordance with the provision 11.5 of the Law on “Budget system” of the Republic of Azerbaijan.**

The budget-tax policy of the Republic of Azerbaijan, as a part of the economic policy of the country, is aimed at preservation of the sustainability of economy, modernization and diversification of its leading fields, continuation of activities in the direction of social protection of the population by paying special attention to social priority, including the provision of living standards of the population and social protection of refugees, IDPs and vulnerable social groups in 2016.



The key targets include the promotion of the development of the non-oil sector, timely and complete fulfillment of tax liabilities to increase revenues in this direction and strengthening of tax and customs discipline in 2016.

The policy focused on the reduction of transfers from the State Oil Fund of the Republic of Azerbaijan into the state budget will be continued in 2016.

Taking into account potential consequences of economic risks going on around the world and a possible reduction in prices of raw products, particularly crude oil (Brent) at the level of \$40-60 (USD), there have been developed three budget scenarios on the main parameters and priority directions of the state and consolidated budgets for 2016-2019: optimistic (when prices for 1 barrel of crude oil are equal to 60 US dollars), basic (when prices for 1 barrel of crude oil are equal to 50 US dollars) and pessimistic (when prices for 1 barrel of crude oil are equal to 40 US dollars).

It is intended to create financial resources to ensure the development of leading areas of agriculture, socio-economic development of regions, the fulfillment of public debt and obligations, the provision of foodstuffs to the population and other public events in line with further improvement of expenditures in public sector and ensuring priority of social expenses and costs related with defense capacity and security of the country in the next year.



Also, there will be considered in medium term budget expenditures the promotion of domestic commodity markets, further improvement of the coordination of social protection and social security measures and relevant state programs with medium term

budget expenditures, and costs related with commissioning of the facilities constructed at state capital investment costs.

Expanding the forecasting of potential expenditures upon the programs covering medium-term and long-term periods and the principles relying on the final result in stages in the medium-term period is one of the most important tasks lying ahead.

### Key directions of the budget-tax policy by incomes

Increasing the share of non-oil incomes in budget incomes;
Reducing transfers to the state budget from the State Oil Fund of the Republic of Azerbaijan;
Improving the simplified tax system by amending the current legislation and providing the right to choice on the procedures of tax payment to taxpayers dealing with certain fields of economy;
Reviewing, restricting or abolishing tax incentives applied on tax and customs fees in various fields of economy;
Taking dividends from enterprises with the state share in authorized fund and shares;
Increasing the collection rate of proceeds of taxes considered for the state budget;
Continuing activities aimed at increasing the collection rate of mandatory state social insurance dues;
Continuing activities in the direction of reducing subsidies at the expense of taxes paid by taxpayers registered in a centralized manner to balance local incomes and expenditures of cities and districts of the country;
Continuing activities aimed at ensuring the transition of the system of customs tariffs into a short-staged system;
Increasing the ratio of budget revenues received from the leasing of state lands;
Taking effective measures in the direction of increasing revenues to the state budget from the privatization of state property.

### Key directions of the budget-tax policy by incomes

**By  
expenditures**

Increasing the share of non-oil incomes in budget incomes;
Reducing transfers to the state budget from the State Oil Fund of the Republic of Azerbaijan;

## PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

Improving the simplified tax system by amending the current legislation and providing the right to choice on the procedures of tax payment to taxpayers dealing with certain fields of economy;

Reviewing, restricting or abolishing tax incentives applied on tax and customs fees in various fields of economy;

Continuing the fiscal compact policy, increasing the effectiveness of expenditures in the state sector and improving the management of current and capital expenditures of the state and consolidated budgets in conditions of a non-favorable international environment and the reduction of incomes and expenditures of the state and consolidated budgets;

Ensuring the financial provision of all social liabilities considered in the state budget, key state programs, education, healthcare, social, cultural, sport and physical infrastructure projects by carrying on the social policy;

Ensuring the financial provision of the implementation of the Concept o of the pension reform in the Republic of Azerbaijan to further improve the financial sustainability of pensions, strengthen the insurance principles and apply a mechanism of balancing between the pension rights gained and mandatory state social insurance dues;

Providing the financial support to ensure the defense capacity and security of the country;

Carrying on the work aimed at increasing the state support to the agricultural sector to ensure the self-sufficiency of the population with foodstuffs, providing the state support to farmers, developing and providing subsidies to the leading fields of agriculture;

Providing financial support by using the direct financing of budget expenditures in the development of the non-oil sector, as well as manufacturing projects with large financial a capacity;

Further improving the effectiveness of the management of pubic debts, strengthening the supervision over the financial activity of organizations taking loans with a state guarantee and continuing activities in the direction of financing costs related to the maintenance of loans at funds of those organizations.

Ensuring the coordination of state programs and events with medium-term budget expenditures and the financing of new state programs and events considered at funds of the state budget;

Continuing reforms in education, public health, social insurance and social assistance system and in the fields of sport and cultures, increasing attention to the priority areas of their development;

Continuing the joint financing of infrastructure projects with international financial institutions in the country;

Continuing activities in the direction of activating the involvement of private investments by limiting the share of public finance in many areas of the economy in stages.

Achieving to maintain a manageable level of the state budget deficit.

### 4. Forecast indicators of the state and consolidated budgets

#### 4.1 Indicators of the consolidated budget

Incomes of the consolidated budget of the Republic of Azerbaijan for 2016 have been considered 16,720.1 mln. manat or 3,996.7 mln. manat (19.3 percent) less compared to the previous year, while its expenditures are considered 19,906.5 mln. manat or 6,004.4 mln. manat (23.2 percent) less compared to the previous year.

#### Incomes of the consolidated budget: 16,720.1 mln. manat

<b>Incomes of the state budget</b>	<b>14,566.0 mln. manat</b> <i>including transfers from the State Oil Fund at amount of 6,000.0 mln. manat.</i>
<b>Incomes of the state budget of Nakhchivan Autonomous Republic</b>	<b>351.,4 mln. manat</b> <i>including subsidies allocated from the state budget at amount of 282.4 mln. manat.</i>
<b>Incomes of the State Oil Fund</b>	<b>6,711.6 mln. manat</b>
<b>Incomes of the State Social Protection Fund</b>	<b>3,078.6 mln. manat</b> <i>including transfers from the state budget at amount of 1,100.0 mln. manat.</i>

#### **Expenditures of the consolidated budget: 19,906.5 mln. manat**

<b>Expenditures of the state budget</b>	<b>16,264.0 mln. manat</b>
<b>Expenditures of the state budget of Nakhchivan Autonomous Republic</b>	<b>351.4 mln. manat</b>
<b>Expenditures of the State Oil Fund</b>	<b>8,200.0 mln. manat</b>
<b>Expenditures of the State Social Protection Fund</b>	<b>3,078.6 mln. manat</b>

**Note:** The following amounts are excluded from incomes and expenditures of the consolidated for 2016:

- ❖ 6,000.0 mln. manat (transfer from the State Oil Fund);

- ❖ 282.4 mln. manat (a subsidy allocated from the state budget to Nakhchivan Autonomous Republic);
- ❖ 1,100.0 mln. manat (transfer from the state budget to the State Social Protection Fund);
- ❖ 605.0 mln. manat (allocations from organizations financed from the state budget to the State Social Protection Fund).

#### 4.2 Key indicators of the state budget

- **Incomes of the state budget are forecasted to share 25.2 percent of gross domestic product or make 14,566.0 mln. manat in figures, while expenditures of the state budget are forecasted to make 16,264.0 mln. manat sharing 28.2 percent of gross domestic product in 2016.**

Indicators of the state budget for 2014-2016 (mln. manat)								
	2014 reality	2015 forecast	2015 anticipate d execution	2016 forecast	Comparison of 2016			
					with the forecast of 2015		with the anticipated execution of 2015	
					difference (+;-)	perce ntage	difference (+;- )	percen tage
<b>Income s</b>	18,400. 6	19,438.0	17,080.0	14,566.0	-4,872.0	-25.1	-2,514.0	-14.7
<b>Expend itures</b>	18,709. 0	21,100.0	17,730.0	16,264.0	-4,836.0	-22.9	-1,466.0	-8.3
<b>Budget deficit</b>	308.4	1,662.0	650.0	1,698.0	36.0		-1,048.0	

#### 5. Structure and main sources of incomes of the state budget for 2016

A sharp reduction in oil prices in the global markets resulted in a respective reduction in incomes of the state budget from the oil sector.

Considering the above factors, incomes of the state budget are forecasted to make 14,566.0 mln. manat sharing 25.2 percent of gross domestic product in 2016, which is 4,872.0 mln. manat or 25.1 percent less in comparison with the previous year.

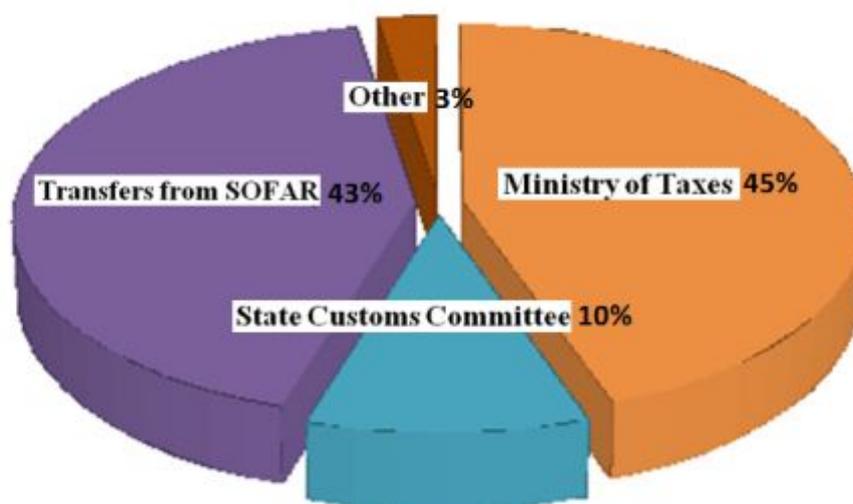
PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

Incomes of the state budget (mln. manat)								
		2015 forecast	2015 anticipated execution	2016 forecast	Comparison of the forecast of 2016 with that of 2015		Comparison of the forecast of 2016 with the anticipated execution of 2015	
					difference (+;-)	percenta ge	difference (+;-)	percentage
	<b>Total incomes</b>	<b>19 438,0</b>	<b>17 080,0</b>	<b>14 566,0</b>	<b>-4 872,0</b>	<b>-25,1</b>	<b>-2 514,0</b>	<b>-14,7</b>
<b>1</b>	Ministry of Taxes	7 112,0	7 012,0	6 602,0	-510,0	-7,2	-410,0	-5,8
<b>1.1</b>	Income tax on individuals	982,0	982,0	957,0	-25,0	-2,5	-25,0	-2,5
<b>1.2</b>	Profit tax	2 211,0	2 111,0	1 821,6	-389,4	-17,6	-289,4	-13,7
<b>1.3</b>	Land tax	48,0	48,0	50,0	2,0	4,2	2,0	4,2
<b>1.4</b>	Property tax	148,0	148,0	159,2	11,2	7,6	11,2	7,6
<b>1.5</b>	Value-added tax	2 352,0	2 352,0	2 326,0	-26,0	-1,1	-26,0	-1,1
<b>1.6</b>	Excise tax	564,0	564,0	532,0	-32,0	-5,7	-32,0	-5,7
<b>1.7</b>	Mining tax	116,0	116,0	107,2	-8,8	-7,6	-8,8	-7,6
<b>1.8</b>	State fee	115,0	115,0	105,0	-10,0	-8,7	-10,0	-8,7
<b>1.9</b>	Other revenues	381,0	381,0	304,0	-77,0	-20,2	-77,0	-20,2
<b>1.10</b>	Simplified tax	145,0	145,0	170,0	25,0	17,2	25,0	17,2
<b>1.11</b>	Road tax	50,0	50,0	70,0	20,0	40,0	20,0	40,0
<b>2</b>	State Customs Committee	1 590,0	1 590,0	1 590,0				

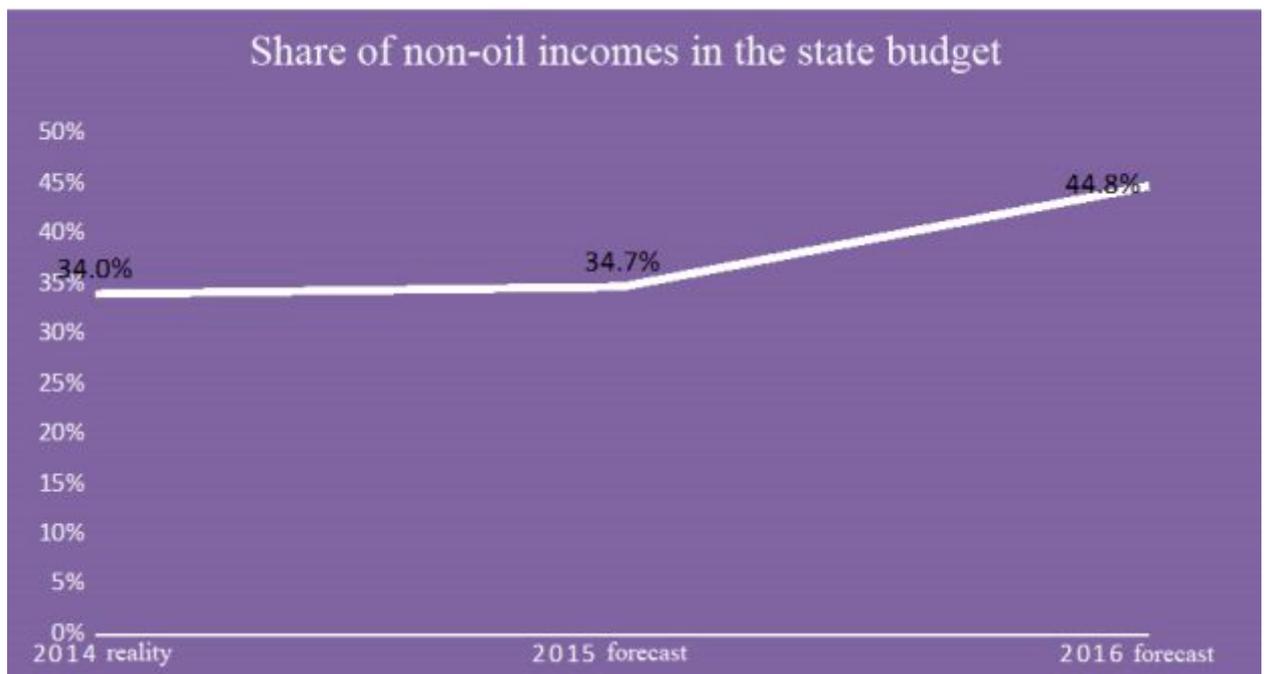
PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

2.1	Value-added tax	1 104,0	1 104,0	1 120,0	16,0	1,4	16,0	1,4
2.2	Excise tax	120,0	120,0	105,0	-15,0	-12,5	-15,0	-12,5
2.3	Customs duties	348,4	348,4	348,0	-0,4	-0,1	-0,4	-0,1
2.4	Road tax	17,6	17,6	17,0	-0,6	-3,4	-0,6	-3,4
3	<b>SC on Property Issues</b>	7,0	7,0	7,0	-	-	-	-
4	Other	41,0	41,0	62,0	21,0	51,2	21,0	51,2
5	Transfers from SOFAR	10 388,0	8 130,0	6 000,0	-4 388,0	-42,2	-2 130,0	-26,2
6	Revenues from paid services of budget organizations	300,0	300,0	305,0	5,0	1,7	5,0	1,7

**Structure of budget revenues**



Non-oil incomes have been forecasted to have a share of 46.5 percent in the state budget in 2016, which 11.8 percent-item more than the forecast of the current year and 12.5 percent-item more than the real indicators of 2014.



The Ministry of Taxes of the Republic of Azerbaijan is expected to transfer 6,602.0 mln. manat to the state budget in 2016, which is 510.0 mln. manat or 7.2 percent less compared to 2015. 4,812.0 mln. manat or 72.9 percent of this amount (at 2015 level) is shared by the non-oil sector, while 1,790.0 mln. manat or 27.1 percent is shared by the oil sector.

Incomes ensured by the State Customs Committee of the Republic of Azerbaijan are forecasted to make 1,590.0 mln. manat sharing 10.9 percent of the state budget in 2016, which is at the level of 2015. The GDP share of the revenue forecast of the State Customs Committee of the Republic of Azerbaijan will be 3.8 percent.



The State Oil Fund of the Republic of Azerbaijan is intended to transfer 6,000.0 mln. manat to the state budget in 2016, which is 4,388.0 mln. manat or 42,2 percent less compared to 2015.

It is anticipated that the State Committee on Property Issues of the Republic of Azerbaijan will ensure to the state budget proceeds at the level of the current year's forecast (7.0 mln. manat) from the leasing of state-owned property.

It is considered that 305.0 mln. manat will be included in the state budget from paid services of budget organizations in 2016, which is 5.0 mln. manat or 1.7 percent more than the forecast of the current year.

In 2016, proceeds from separate types of income are forecasted as follows:

- proceeds from income tax of individuals are considered at amount of 957.0 mln. manat which is 14.5 percent of incomes ensured to the state budget via the Ministry of Taxes of the Republic of Azerbaijan, which is 25.0 mln. manat or 2.5 percent less than

the forecast of 2015. Tax incentives due to be applied from the next year have been taken into consideration in definition of the forecast;

- proceeds from profit tax on legal entities are considered at amount of 1,821.6 mln. manat which is 27.6 percent of incomes ensured to the state budget via the Ministry of Taxes of the Republic of Azerbaijan, which is 389.4 mln. manat or 17.6 percent less than the forecast of 2015. The facts that the average export price for 1 barrel of crude oil was accepted as \$40 (lower than the forecast of the current year) in calculation of proceeds from the oil sector in the next year and its impact on the proceeds from the non-oil sector have been considered in definition of the forecast;

- it has been considered proceeds at amount of 3,446.0 mln. manat from the value-added tax, which has a share of 40.2 percent in budget incomes (without considering transfers from SOFAR) and 6.0 percent in GDP;

- excise tax is forecasted to make 7.6 percent of incomes of the state budget, i.e 637.0 mln. manat, including 532.0 mln. manat or 83.5 percent ensured by the Ministry of Taxes of the Republic of Azerbaijan and 105.0 mln. manat or 16.5 percent by the State Customs Committee of the Republic of Azerbaijan.

Reduction of the forecast of excise taxes by 32.0 mln. manat or 5.7 percent compared to 2015 is related with a decline in the production of excisable goods;

there was considered proceeds at amount of 107.2 mln. manat from mining tax, which is 8.8 mln. manat or 7.6 percent less than the forecast of the current year. Reduction in the volume of crude oil and natural gas produced by the State Oil Company of the Republic of Azerbaijan has been considered in definition of the forecast;

- proceeds from property tax on legal entities are considered at amount of 159.2 mln. manat, which is 11.2 mln. manat or 7.6 percent more than the forecast of 2015. Increase in the value of investments in fixed capital allocated to the national economy has been considered definition of the forecast;



- proceeds from land tax on legal entities are considered at amount of 50.0 mln. manat, which is 2.0 mln. manat or 4.2 percent more than the forecast of 2015;

- there has been considered proceeds from road tax at amount of 87.0 mln. manat, including 70.0 mln. manat via tax agencies and 17.0 mln. manat via customs bodies, which is 19.4 mln. manat or 28.7 percent more than the forecast of the current year;

- proceeds on simplified tax are considered at amount of 170.0 mln. manat, which is 25.0 mln. manat or 17.2 percent more than the forecast of 2015;

- proceeds on state fee are considered at amount of 105.0 mln. manat, which is 10.0 mln. manat or 8.7 percent less than the forecast of the current year. Decline of the forecast is related with expansion of the activity of the State Agency for Public Service



and Social Innovations under the President of the Republic of Azerbaijan and inclusion of 70 percent of the state fees collected by the agency in the state budget in compliance with law and 30 percent in the extra budgetary proceeds of the agency;

- it is forecasted to include proceeds from customs duties at amount of 348.0 mln. in the state budget.

- proceeds from the difference between the contractual (sale) price (excluding export costs) and the domestic wholesale price of goods produced and with prices regulated in the Republic of Azerbaijan are considered at amount of 118.0 mln. manat, 113,0 mln. manat of which is shared by the oil sector;

- it is forecasted to make proceeds from financial sanctions applied by the Ministry of Taxes of the Republic of Azerbaijan at the level of the forecast of the current year (180.0 mln. manat) in the next year;

- proceeds on the leasing of state-owned property are considered at the level of the forecast of the current year (6.0 mln. manat);

- it is forecasted to make proceeds from other revenues at amount of 62.0 mln. manat, which is 21.0 mln. manat or 51.2 percent more than the forecast of the current year.

## 6. Structure and key directions of expenditures of the state budget for 2016

**The draft state budget for 2016 and the following three years has been prepared in consideration with the key indicators of macroeconomic forecast, budget orders and anticipated budget incomes of the organizations financed or receiving financial support from the budget, as well as consequences of economic turmoil going on around the world, namely a possible decline in sales prices of raw products, including crude oil at the level of \$40-50 (USD).**

Distinct from recent years, expenditures of the state budget for 2016 have become a social budget instead of investment and social budget as it was in previous years in accordance with the existing situation of incomes of the state budget; however, improvement of the structure, effectiveness and targetedness of expenditures of the state budget has not remained out of attention.

There have been considered all the social commitments, the main state programs and the financial provision of education, healthcare, social, cultural, sport and physical infrastructure projects social envisaged in the state budget maintaining the priority of social costs in 2016.

Expenditures of the state budget for 2016 have been allocated to defended costs and their equivalents (wages, wages plus, pensions, social benefits and other liabilities, costs related with maintenance of the state domestic and foreign debt), as well as there has been forecasted an appropriate amount of funds for maintenance and service costs of social and other infrastructures constructed at funds involved from capital investments of the state budget and other sources (foreign loans).

Besides, supporting economic and social reforms, ensuring the state defense capacity and economic, food and environmental safety, fulfilling foreign debt and liabilities, and supporting the development of the non-oil sector are among the main objectives of 2016 and the following three years.

A financial base has been created in the state budget for 2016 to further improve the state support for the agricultural sector, increase the production and expand the assortment of products having importance in domestic demand of the country in accordance with the development targets and priorities of the sector.

Activities will be carried continued in the direction of improving the coordination of relevant state programs and events with medium-term budget expenditures and financing programs and events intended to be realized at funds of the state budget in 2016, as well.

Expenditures of state budget for 2016 are at the level of 28.2 percent of GDP or 7.1 percent less compared to 2015.

Expenditures of state budget for 2016 are forecasted 16,264.0 mln. manat, which is 4,836.0 mln. manat or 22.9 percent less compared to 2015.

There will be allocated funds at amount of 62.6 percent of total expenditures or 10,188.3 mln. manat to current expenditures, 29.7 percent of total expenditures or 4,826.0 mln. manat to capital expenditures and 7.7 percent of total expenditures or 1,249.7 mln. manat to costs related with maintenance of the state debt in 2016.

**Structure of expenditures of the state budget for 2016  
(mln. manat, percentage)**

<b>Current expenditures</b>	<b>Capital expenditures</b>
<b>Expenditures related to maintenance of public debts</b>	

## PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

Expenditures of the state budget by functional directions (mln. manat)								
		2015 forecast	2015 anticipated execution	2016 forecast	Comparison of the forecast of 2016 against that of 2015		Comparison of the anticipated execution of 2016 against that of 2015	
					difference (+;-)	percent age	difference (+;-)	percentag e
	<b>Total expenditures</b>	<b>21 100,0</b>	<b>17 730,0</b>	<b>16 264, 0</b>	<b>-4 836,0</b>	<b>-22,9</b>	<b>- 1 466,0</b>	<b>- 8,3</b>
<b>1</b>	General public services	2 047,0	1 993,6	2416,9	369,9	18,1	423,3	21,2
<b>1.1</b>	Science costs	150,5	140,0	131,7	18,7	-12,5	-8,3	-5,9
<b>1.2</b>	Costs related with payment of state domestic and foreign debt	776,2	691,5	1 249,8	473,6	61,0	558,3	80,7
<b>2</b>	Defense	1 778,5	1 760,0	1837,8	59,3	3,3	77,8	4,4
<b>3</b>	Judicial power, law- enforcement and prosecutor	1 227,1	1 208,6	1138,8	-88,3	-7,2	-69,8	-5,8
<b>4</b>	Education	1 711,2	1 692,7	1713,5	2,3	0,1	20,8	1,2
<b>5</b>	Healthcare	777,7	759,2	744,9	-32,8	-4,2	-14,3	-1,9
<b>6</b>	Social protection and social security	2 040,5	2 022,0	1896,6	-144,0	-7,1	-125,4	-6,2
<b>7</b>	Activities in the field of science, education,	348,3	313,8	652,7	304,4	1,9 times	338,9	2,1 times

PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

	health, social protection and social security, culture, art, information, sport and fields not related to other categories							
<b>8</b>	Housing and utilities	443,8	405,3	416,8	-27,0	-6,1	11,5	2,8
<b>9</b>	Fuel and energy costs	7,6	7,0	5,7	-1,9	-25,8	-1,3	-18,6
<b>10</b>	Agriculture, forestry, fishery, hunting and environmental protection	596,2	577,7	596,6	0,4	0,1	18,9	3,3
<b>11</b>	Industry and construction costs	6 951,6	4 258,1	3578,9	-3 372,8	-48,5	-679,2	-16,0
<b>11.1</b>	Capital investment	6 930,0	4 239,5	3554,8	-3 375,2	-48,7	-684,7	-16,2
<b>11.2</b>	Other costs	21,6	18,6	24,1	2,4	11,2	5,5	29,6
<b>12</b>	Transport and communication	128,3	120,0	114,8	-13,5	-10,6	-5,2	-4,3
<b>13</b>	Other costs related with economic activity	345,3	308,2	254,0	-91,3	-26,4	-54,2	-17,6
<b>14</b>	Services not related to other categories	2 696,9	2 165,8	896,2	-1 800,7	-66,8	-1 269,6	-58,6

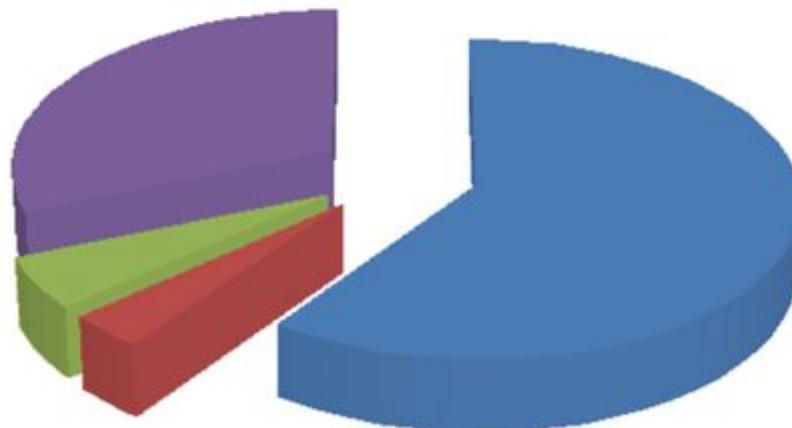
**5.364.4 mln. manat or 33.0 percent of expenditures of the state budget for 2016 has been considered for financing of specific programs and events.**

The amount of funds considered at the “Other costs” item of the economic classification of expenditures of the state budget for 2016 has been reduced by 350.0 mln. manat or 20.3 percent less in comparison with 2015 as a continuation of the work aimed at improving the structure and the process of drafting of and increasing the targetedness of expenditures of the state budget.

## 7. Key directions of social costs

**Social expenditures (remuneration, pension and benefits, total costs for the purchase of medicines, dressing supplies and materials, food products in accordance with the economic classification of expenditures of the state budget) are forecasted 5,867.9 mln. manat sharing 36.1 percent (8.6 percent-item more compared to the previous year) of expenditures of the state budget for 2016, which is 41.9 mln. manat or 0.7 percent more in comparison with 2015.**

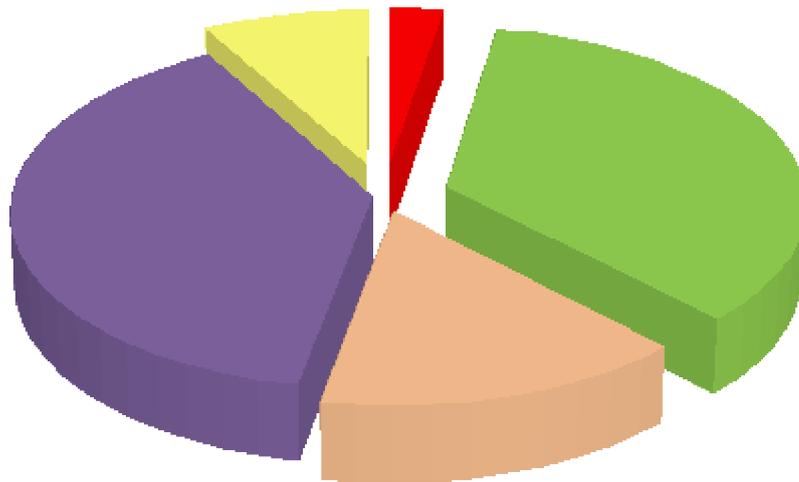
Directions and share of social expense within expenditures of the state budget



**There has been considered 5,139.4 mln. manat for activities in the field of science, education, health, social protection and social security, culture, art, information, sport and fields not related to other categories in the state budget for 2016, which is 111.2 mln. manat or 2.2 percent more in comparison with 2015.**

As a whole, the share of expenditures considered in the above fields in expenditures of the state budget will be 31.6 percent, which is 7.8 percent-item more compared to the previous year.

**Costs for activities in the field of science, education, health, social protection and social security, culture, art, information, sport and fields not related to other categories and their share in expenditures of the state budget for 2016  
(mln. manat, percentage)**



871.3 mln. manat has been considered for financing of targeted state programs and events at the costs for activities in the field of science, education, health, social protection and social security, culture, art, information, sport and fields not related to other categories in expenditures of the state budget for 2016, which is 65.0 mln. manat or 8.1 percent more in comparison with 2015.



**The share of science costs in in expenditures of the state budget will make 0.8 percent in 2016, increasing by 0.1 percent-item more compared to the previous year.**

Next year, the funds (131.7 mln. manat) forecasted for science costs will be directed to financing of fundamental scientific research and scientific studies conducted by scientific research institutions operating under government agencies.

There has been considered 7.5 mln. manat for the implementation of scientific research projects by the Science Development Foundation under the President of the Republic of Azerbaijan, 3.5 mln. manat for printing of books with Latin script, 1.0 mln. manat for strengthening of material and technical supply and purchase of modern laboratory equipment and 5.0 mln. manat for other activities in science expenditures of 2016.

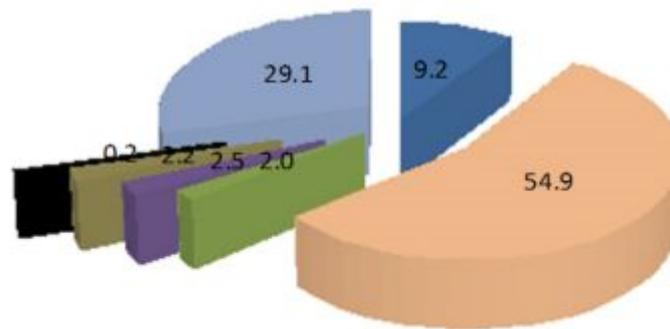
**There has been allocated 1,713.5 mln. manat for education costs in the next year, the share of these costs in expenditures of the state budget will make 10.5 percent, which is 2.4 percent more in comparison with 2015.**



There will be allocated 940.1 mln. manat or 54,9 percent to financing of general educational expenses, 497.9 mln. manat or 29.0 percent to financing of other institutions and events (financing of higher education with the state order, costs related with education at Bachelor's and Master's levels, financial support of a number of state programs and events, etc.) in the field of education, 157.4 mln. manat or 9.2 percent to financing of preschool education costs, 37.2 mln. manat or 2.2 percent to financing of higher education costs, 43.6 mln. manat or 2.5 percent to financing of specialized secondary education costs, 33.7 mln. manat or 2.0 percent to financing of initial vocational education costs and 3.6 mln. manat or 0.2 percent to financing of supplemental study costs from the funds considered for education costs.



**Structure of education costs by the main directions  
(mln. manat, percent)**



There has been forecasted an appropriate amount of funds in the state budget for 2016 for financial support to the events envisaged at the “Action Plan” approved in relation with the implementation of the State Strategy on the development of education in the Republic of Azerbaijan.

The rate of teaching load of teachers of general secondary educational institutions who have passed the diagnostic assessment of knowledge and skills has been increased by 1.5 times and their average monthly salary has been increased by 2 times in order to improve the welfare of teachers working in general secondary educational institutions in accordance with the Decree 994 on



“Increasing the teaching load and salaries of teachers working at general secondary educational institutions who have passed the diagnostic assessment of knowledge and skills” of the President of the Republic of Azerbaijan dated to January 16, 2015. This activity has been started in Baku city, but it is intended to expand the coverage of this activity to 12 cities and districts of the republic (Ganja, Sumgait, Shirvan, Absheron, Hajigabul, Imishli, Masalli, Khachmaz, Jalilabad, Saatli, Gubadli, Sabirabad) in the next year. The financial support of this is reflected in the draft state budget.

There has been forecasted an appropriate amount of funds in the draft state budget for 2016 to cover necessary costs

required for the operation of schools and pre-school education institutions constructed and commissioned in certain cities and districts of the country.

255.9 mln. manat of the funds considered for education costs in the state budget for 2016 has been allocated to financing of a number of state programs and events, including 207.4 mln. manat for costs related to implementation of staff training in higher educational institutions of the country on the basis of state order and by the principle of per capita funding and reforms in the field of education, 18.8 mln.



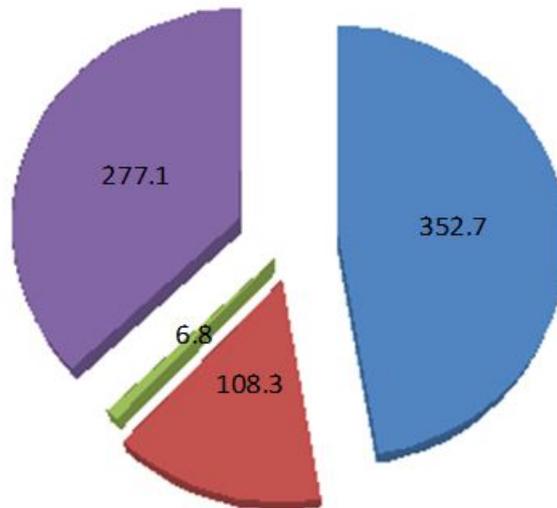
manat for costs related to informatization of the educational system, 18.8 mln. manat for costs related to provision of free textbooks to students of general secondary education institutions, 7.5 mln. manat for costs related to reconstruction and capital refurbishment of education institutions, 4.5 mln. manat for costs related to procurement of laboratory equipment for general secondary education institutions, 1.2 mln. manat for financing of activities of the “SOS Children’s Villages-Azerbaijan” Association, 0.3 mln. manat for costs related to special scholarships for young talents, 4.0 mln. manat for strengthening of the material and technical provision of educational institutions and 3.5 mln. manat for the implementation of other educational activities.

**There has been allocated funds at amount of 744.9 mln. manat or 4.6 percent of expenditures to healthcare costs in the state budget for 2016, which is 0.9 percent-item more in comparison with 2015.**



Out of the funds considered, 352.7 mln. manat or 47.4 percent will be allocated to costs related to maintenance of hospitals, 108.3 mln. manat or 14.5 percent to costs related to maintenance of outpatient clinics and ambulatories, 6.8 mln. manat or 0.9 percent to costs related to other services in the field of public health and 277.1 mln. manat or 37.2 percent to costs related to applied research in the field of public health and other services related to public health.

**Structure of education costs for 2016 by the main directions  
(mln. manat, percent)**



177.7 mln. manat of the funds considered for healthcare costs in the state budget for 2016 will be allocated to financing of targeted programs and events, including 25.0 mln. manat for prevention of chronic renal failure, 20.8 mln. manat for measures for the treatment of inherited blood disorders such as hemophilia and thalassemia, 42.2 mln. manat for financial support to national preventive measures for cancer, 40.1 mln. manat for financial support to measures for the treatment of diabetes mellitus, 3.0 mln. manat for measures on immunoprophylaxis of infectious diseases, 1.2 mln. manat for financing of the program of measures for TB control, 2.6 mln. manat for HIV / AIDS prevention and control in the Republic of Azerbaijan, 3.9 mln. manat for protection of the health of mothers and children, 1.7 mln. manat for the development of donation of the blood components and blood services, 3.3 mln. manat for measure on the treatment of people with multiple sclerosis, 5.0 mln. manat for costs related to the compulsory medical examination of children, 6.8 mln. manat for the strengthening of the material and technical provision, reconstruction and capital refurbishment of educational institutions, 13.0 mln. manat for costs related to reforms in the field of public health and 9.1 mln. manat for the implementation of other healthcare activities.

**There have been forecasted funds at amount of 1,896.6 mln. manat for the financial provision of pensions and benefits, targeted social assistance, social problems of internally displaced persons and other social actions in the state budget for 2016.**



The share of costs considered for financing of social protection and social security will be 11.7 percent in expenditures of the state budget, which is 2.0 percent-item more than the previous year.

Out of the funds considered for social protection and social security costs in 2016, 1,100.0 mln. manat will be allocated to the implementation of tasks related to provision of pensions through the State Social Protection Fund of the Republic of Azerbaijan, 555.5 mln. manat to financing of social benefits, pensions and other payments of social character through the Ministry of Labor and Social Protection of the Population of the Republic of Azerbaijan and relevant agencies of the ministry, 224.4 mln. manat to financing of measures on social protection of refugees and IDPs through the State Committee on the Affairs of Refugees and Internally Displaced Person of

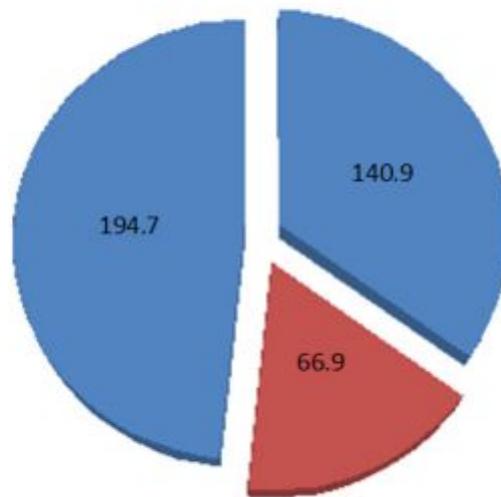


the Republic of Azerbaijan.



**The share of costs considered for financing of activities in the field of culture, art, information, sport and fields not related to other categories in expenditures of the state budget will make 4.0 percent, namely 652.7 mln. manat.**

**Activities in the field of culture, art, information, sport and fields not related to other categories (mln. manat, percent)**



Out of the funds considered for costs related to activities in the field of culture, art, information, sport and fields not related to other categories in 2016, 140.9 mln. manat or 21.6 percent will be allocated to costs for activities in the field of culture and art, 66.9 mln. manat or 10.3 percent to radio, television and publishing costs, and 444.9 mln. manat or 68.1 percent to costs for activities in the field of sport, youth policy, tourism and fields not related to other categories.

**8. Defense and security costs and costs related with maintenance of the judicial authority, law-enforcement and prosecution bodies**

There has been considered funds at amount of 18.3 percent of expenditures of the state budget for 2016 for defense and security costs and costs related to maintenance of the judicial authority, law-enforcement and prosecution bodies.



## 9. Directions of capital expenditures



4,826.0 mln. manat has been considered for capital expenditures in the state budget for 2016. The share of these costs in expenditures of the state budget will be 29.7 percent.

3,554.8 mln. manat will be directed from expenditures of the state budget of the next year to state capital investment costs which are a part of capital costs. A certain part of the funds will be directed to financing of the share in the South Caucasus Corridor (SCC) project and funding of

investment projects implemented at the expense of foreign loans involved with the state guarantee and liabilities financed by Azerbaijan in those projects.

1,271.2 mln. manat of capital expenditures of the state budget for 2016, as included in the relevant costs units of the state budget, will be allocated to the implementation of special government procurements, the reconstruction and capital refurbishment of social, cultural, domestic, administrative and manufacturing projects, buildings, facilities and highways, and the purchase of non-financial assets (main funds, buildings and constructions, residential and non-residential buildings).



## 10. Key directions of housing and utility, agriculture, forestry, fishery, and hunting, fuel and energy, industry and construction, transport and communication costs

1,157.9 mln. manat has been forecasted for costs related to housing and utility, agriculture, forestry, fishery, and hunting, fuel and energy, industry and construction, transport and communication in the state budget for 2016. The share of these costs in expenditures of the state budget will be 7.1 percent, which 1.4 percent-item more in comparison with 2015.



There has been allocated funds at amount of 416.8 mln. manat for housing and utility costs, which is 2.6 percent of expenditures of the state budget for 2016.

Out of this amount, 181.4 mln. manat or 43.5 percent will be allocated to the regulation of activity and the implementation of communal and renovation work in the cities and districts.

The funds allocated to housing and utility costs is considered for the financing of relevant state programs and targeted activities, including costs related to communal and communication costs, restoration, reconstruction and renovation of communal infrastructures in residential areas, planting and maintenance of greeneries and the implementation of landscaping activities.

Funds has been allocated at amount of 596.6 mln. manat or 3.7 percent of expenditures of the state budget for 2016 (0.9 percent-item more compared to the previous year) for costs related to agriculture, forestry, fishery, hunting and environmental protection.



There has been forecasted the allocation of 582.0 mln. manat for the stable financial provision of agriculture, forestry, land reforms, geodesy and topography, land cadaster and cartography, melioration, irrigation and irrigation systems, and 14.6 mln. manat for the implementation of activities in the field of fishery, hunting, environmental protection, hydrometeorology and other environmental activities.

Out of the funds considered for costs related to activities in the field of agriculture, forestry, fishery, hunting and environmental protection, 331.0 mln. manat will



be allocated to the financing of relevant state programs and targeted activities, including 186.2 mln. manat to costs related with the provision of food safety in the Republic of Azerbaijan, 13.8 mln. manat to costs related with geological exploration activities, 100.0 mln. manat to the strengthening of logistical support and other activities, and 31.0 mln. manat to

reforms in the field of agriculture, forestry, fishery, hunting, environmental protection and other costs.

There has been forecasted 5.7 mln. manat for the identification of renewable energy sources and the development of this area in the fuel and energy costs item.

24.1 mln. manat has been allocated to industrial and construction costs (excluding state capital investment costs) from the state budget for 2016.

114.8 mln. manat has been forecasted for transport and communication costs in the state budget for 2016.



## 11. Directions of expenditures not related to economic activity and main units



The activities will be continued in the direction of establishing large livestock farms, bringing pedigreed cattle from foreign countries and providing to entrepreneurs and farmers by leasing on favorable conditions and leasing of agricultural equipment in 2016, as well.

There has been considered loans at amount of 32.0 mln. manat for the "Agroleasing"

Open Joint-Stock Company and 5.0 mln. manat for the State Agency on Agricultural Credits under the Ministry of Agriculture of the Republic of Azerbaijan to provide loans to farmers dealing with the production of agricultural products in the state budget for 2016.

50.0 mln. manat has been allocated to the Azerbaijan Mortgage Fund for the expansion of the application of social mortgage.

26.0 mln. manat has been considered for costs related to the involvement of independent financial advisors in the process of privatization of state property, the improvement of enterprises prior to privatization, the organization of the provision of information on privatization and the protection of property rights.

There has been considered 385.0 mln. manat for the reserve funds (the Reserve Fund of the President of the Republic of Azerbaijan) envisaged in the state budget for the financing of a number of necessary costs not considered in the state budget in advance, the elimination of consequences of possible natural disasters and emergency situations, and the financial provision of other necessary activities, which is 340.0 mln. manat or 46.9 percent more compared to the previous year.





Expenditures of the "Motor Roads" Purpose Budget Fund will be 290.0 mln. manat in 2016.

5.2 mln. manat will be allocated to continue financial support to municipalities in 2016.

Expenditures of budget organizations on extra-budgetary funds are forecasted 305.0 mln. manat for 2016.

## 12. Costs related to the management of public debt



The total amount of foreign public debt of the Republic of Azerbaijan on the loans used under the agreements concluded with international financial-bank organizations and other loan agencies has been equal to \$6.6 bln. (USD).

The foreign public debt on the loans used under the agreements signed has made 12.2 percent of GDP, while the foreign public debt per capita has been \$686.5 (USD).

36.2 percent of loans attracted to the country are the loans at a fixed rate and 63.8 percent are the loans at a flexible rate.

According to the contracts signed, 7.0 percent of the foreign public debt is to be repaid to the creditors within 10 years, 59.7 percent in 10 to 20 years and 33.3 percent in a period more than 20 years.

The purposeful work will be continued in the management of the domestic and foreign public debt and timely fulfillment of liabilities on loans and relevant activities will be carried out in the direction of the payment of loans at the funds of the creditors in 2016.

There has been considered 1,249.7 mln. manat for costs (costs on the main debt and the interest) related to the maintenance of public debt in the state budget for 2016, which is 473.5 mln. manat or 61.0 percent more in comparison with 2015.

The increase in these costs compared to the previous year is related with the revaluation of debt liabilities in foreign currencies after the correction of manat in the current year and the deadline of the payment of the main debt and interest on a number of projects in the next year.

Furthermore, it is related with the financing of liabilities arising from the restructuring of the debts of some of the the state-owned Joint-Stock Companies ("Azeraluminium" Open Joint-Stock Company, "Azerenerji" Open Joint-Stock Company, "Azerbaijan Airlines" Closed Joint-Stock Company) at funds of the state budget.

### **13. Costs related with international activities and fees for membership to international organizations, other international activities**

There has been considered 193.3 mln. manat for costs related to international activities and fees for membership to international organizations in 2016, including 71.3 mln. manat for the maintenance of diplomatic services and consulates, the improvement of their material and technical provision, 32.0 mln.



manat for the payment of Azerbaijan's share capital in international financial and loan organizations and of fees for membership to social and political organizations, 90.0 mln. manat for costs related with the provision of other international activity of the Republic of Azerbaijan. Out of the above amount, 70.0 mln. manat is allocated to costs related to the loans provided to the Republic of Serbia by the Republic of Azerbaijan and 20.0 mln. manat to costs related to other international activity of the country.

### **14. Local incomes and expenditures of the state budget**

**As a part of incomes of the state budget for 2016, local incomes are forecasted 766.3 mln. manat, which is 68.2 mln. manat or 8.2 percent less in comparison with 2015.**

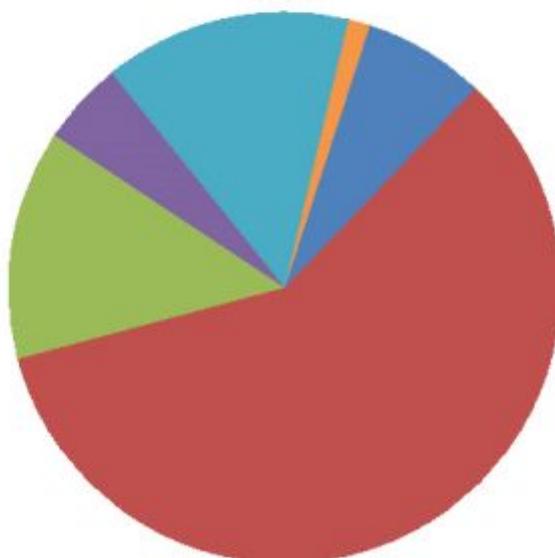
It is intended to improve the tax capacity of districts and cities, and include in full the taxes and other payments due to be paid by taxpayers operating, as being in the registration of taxpayers in a centralized manner, in the territories of those cities and districts in 2016.

The share of the subsidy allocated from centralized expenditures of the state budget to regulate local expenditures will be 50.3 percent in local expenditures in 2016, which is 44.5 mln. manat or 5.4 percent less compared to the previous year. Naftalan city will cover its expenditures at own incomes as it is with Sumgait, Mingechevir and Shirvan cities and Absheron, Imishli districts in 2016.

**Local expenditures of the state budget for 2016 are forecasted 1,541.3 mln. manat, which is 112.7 mln. manat or 6.8 percent less in comparison with 2015.**

936.8 mln. manat or 60.8 percent of local expenditures will be allocated to education costs, 213.7 mln. manat or 13.9 percent to healthcare costs, 181.4 mln. manat 11.8 percent to housing and utility costs, 116.7 mln. manat or 7.6 percent to costs related to the maintenance of executive authorities, 74.4 mln. manat or 4.8 percent to costs related to activities in the field of culture, art, information, sport and fields not related to other categories and 18.3 mln. manat or 1.1 percent to other costs.

**Classification of local expenditures for 2016 according to the functional directions  
(mln. manat, percent)**



No.	Name of cities and districts	Incomes		Local expenditures	The lowest verge of the part of incomes that exceed local expenditures and related to centralized incomes	The highest verge of funds considered to allocate from centralized expenditures for regulation of local incomes and expenditures
		Total	including			
			Amount belonging to the "Motor Roads" Purpose Budget Fund			
	Cities:					
1	Baku	6 015 106 000	88 471 000	210 395 543	5 716 239 457	0
2	Ganja	43 195 000	1 006 000	59 268 401	0	17 079 401
3	Lankaran	16 000 000	224 000	35 028 375	0	19 252 375
4	Mingachevir	29 267 000	173 000	29 094 000	0	0
5	Naftalan	3 762 000	12 000	3 750 000	0	0
6	Sumgait	83 964 000	1 064 000	68 515 000	14 385 000	0
7	Shaki	18 640 000	278 000	36 867 254	0	18 505 254
8	Shirvan	16 210 000	579 000	15 631 000	0	0

PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

9	Yevlakh	14 360 000	428 000	23 304 309	0	9 372 309
10	Khankandi					
	Districts:					
11	Absheron	34 839 000	245 000	34 594 000	0	0
12	Aghjabedi	8 200 000	175 000	24 835 872	0	16 810 872
13	Aghdam	5 110 000	115 000	38 489 542	0	33 494 542
14	Aghdash	5 100 000	87 000	19 832 464	0	14 819 464
15	Aghstafa	4 200 000	112 000	16 743 545	0	12 655 545
16	Aghsu	3 400 000	70 000	14 606 050	0	11 276 050
17	Astara	9 246 000	4 040 000	18 709 157	0	13 503 157
18	Balakan	4 750 000	1 488 000	16 470 032	0	13 208 032
19	Beylagan	8 300 000	94 000	16 171 117	0	7 965 117
20	Berde	10 600 000	125 000	29 178 132	0	18 703 132
21	Bilasuvar	5 300 000	898 000	15 080 851	0	10 678 851
22	Jabrayil	1 400 000	48 000	12 999 701	0	11 647 701
23	Jalilabad	6 883 000	128 000	31 505 957	0	24 750 957
24	Dashkasan	2 900 000	10 000	11 605 645	0	8 715 645
		<b>Incomes</b>				
			including			
<b>No.</b>	<b>Name of cities and districts</b>	<b>Total</b>	<b>Amount belonging to the "Motor Roads" Purpose Budget Fund</b>	<b>Local expenditures</b>	<b>The lowest verge of the part of incomes that exceed local expenditures and related to centralized incomes</b>	<b>The highest verge of funds considered to allocate from centralized expenditures for regulation of local incomes and expenditures</b>
25	Fuzuli	6 475 000	76 000	29 091 703	0	22 692 703
26	Gedebey	4 560 000	46 000	24 814 943	0	20 300 943
27	Goranboy	4 650 000	60 000	23 568 763	0	18 978 763
28	Goychay	8 600 000	105 000	20 560 171	0	12 065 171
29	Goygol	4 400 000	41 000	14 895 905	0	10 536 905
30	Hajigabul	5 100 000	78 000	10 775 929	0	5 753 929
31	Khachmaz	18 668 000	147 000	30 692 438	0	12 171 438
32	Khizi	1 865 000	13 000	5 629 746	0	3 777 746

PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

33	Khojali	420 000	18 000	3 935 870	0	3 533 870
34	Khojavend	748 000	32 000	5 074 908	0	4 358 908
35	Imishli	20 123 000	73 000	20 050 000	0	0
36	Ismayilli	5 698 000	58 000	19 856 463	0	14 216 463
37	Kelbejer	1 400 000	26 000	21 615 151	0	20 241 151
38	Kurdemir	7 000 000	78 000	18 202 070	0	11 280 070
39	Gakh	3 500 000	54 000	16 454 555	0	13 008 555
40	Gazakh	6 750 000	136 000	19 670 799	0	13 056 799
41	Gabala	13 019 000	78 000	19 679 976	0	6 738 976
42	Gobustan	2 900 000	58 000	8 689 985	0	5 847 985
43	Guba	12 900 000	163 000	28 820 951	0	16 083 951
44	Gubadli	2 300 000	38 000	10 922 072	0	8 660 072
45	Gusar	5 170 000	67 000	19 176 194	0	14 073 194
46	Lachin	2 200 000	90 000	22 452 932	0	20 342 932
47	Lerik	2 188 000	20 000	16 783 468	0	14 615 468
48	Masalli	8 400 000	162 000	27 137 969	0	18 899 969
49	Neftchala	5 300 000	56 000	15 106 649	0	9 862 649
50	Oghuz	2 900 000	48 000	11 271 684	0	8 419 684
<b>No.</b>	<b>Name of cities and districts</b>	<b>Incomes</b>		<b>Local expenditures</b>	<b>The lowest verge of the part of incomes that exceed local expenditures and related to centralized incomes</b>	<b>The highest verge of funds considered to allocate from centralized expenditures for regulation of local incomes and expenditures</b>
		<b>Total</b>	<b>including</b>			
			<b>Amount belonging to the "Motor Roads" Purpose Budget Fund</b>			
51	Saatli	7 981 000	48 000	18 791 762	0	10 858 762
52	Sabirabad	10 400 000	82 000	25 808 719	0	15 490 719
53	Salyan	7 800 000	90 000	22 677 232	0	14 967 232
54	Samukh	2 800 000	62 000	12 960 087	0	10 222 087
55	Siyazan	4 000 000	30 000	8 051 748	0	4 081 748
56	Shabran	4 374 000	42 000	11 226 482	0	6 894 482
57	Shamakhi	6 700 000	86 000	19 446 147	0	12 832 147
58	Shamkir	10 960 000	206 000	39 066 037	0	28 312 037

PRESENTATION on the draft state and summary budgets for 2016 of the Republic of Azerbaijan

59	Shusha	1 280 000	14 000	7 226 837	0	5 960 837
60	Tertter	4 600 000	52 000	15 755 791	0	11 207 791
61	Tovuz	14 350 000	5 282 000	32 931 334	0	23 863 334
62	Ujar	4 200 000	72 000	15 612 752	0	11 484 752
63	Yardimli	2 000 000	19 000	14 069 275	0	12 088 275
64	Zagatala	7 270 000	152 000	23 754 468	0	16 636 468
65	Zangilan	2 200 000	40 000	9 446 025	0	7 286 025
66	Zardab	3 119 000	32 000	13 849 063	0	10 762 063
	Total:	6 602 000 000	108 000 000	1 538 281 000	5 730 624 457	774 905 457

### 15. Financing of the deficit of the state budget

There has been considered 1,698.0 mln. manat for the financing of the deficit of the state budget for 2016.

The financing of the deficit of the state budget will be ensured at proceeds from privatization, domestic and foreign borrowings, international grants and the balance of the single treasury account of the state budget for January 1, 2016.

The ratio of budget deficit to GDP will be 2.9 percent in 2016.

### 16. The budget of the State Oil Fund of the Republic of Azerbaijan for 2016

Incomes of the budget for 2016 of the State Oil Fund of the Republic of Azerbaijan included in the consolidated budget are forecasted 6711,6 mln. manat, which is 3,534.1 mln. manat or 34.5 percent less in comparison with 2015.



Incomes of the budget for 2016 of the State Oil Fund of the Republic of Azerbaijan will make 8,200.0 mln. manat, which is 4,104.8 mln. manat or 33.4 percent less in comparison with 2015.

Out of expenditures of the Fund, 6,000.0 mln. manat or 73.2 percent will be allocated to the transfers considered in the state budget, 2,150.5 mln. manat or 26.2 percent to the financing of a number of

infrastructure projects (a few activities on social-domestic and accommodation problems of refugees and IDPs, the reconstruction of Samur-Absheron irrigation canal, the Baku-Tbilisi-Kars new rail road, the share of the Republic of Azerbaijan in the South Caucasus Corridor projects), and 49.5 mln. manat or 0.6 percent to the financing of the “State Programs on education of Azerbaijan youth abroad in 2007-2015 and education of young specialists abroad, improvement of training skills at higher education institutions and promotion of scientific research in 2016-2020”.

## 17. The budget of the State Social Protection Fund of the Republic of Azerbaijan for 2016



Incomes and expenditures of the budget of the State Social Protection Fund of the Republic of Azerbaijan has been forecasted equally 3078,6 mln. manat.

35.6 percent or 1,100.0 mln. manat of expenditures of the Fund will be covered at direct transfers from the state budget, while 64.4 percent or 1978.6 mln. manat at mandatory state social insurance dues and other revenues.

95.5 percent or 2923.6 mln. manat of expenditures of the Fund will be allocated to the payment of pensions and the rest will be cover benefits at the expense of mandatory state social insurance dues, the treatment of the insured at sanatoriums and the implementation of healthcare measures, the maintenance of the central office and local agencies of the Fund and other social costs.

## 18. The budget for 2016 of Nakhchivan Autonomous Republic

**Incomes and expenditures of the state budget of Nakhchivan Autonomous Republic, as a part of the consolidated budget, are forecasted equally 351.4 mln. manat.**

19.6 percent or 69.0 mln. manat of expenditures of Nakhchivan Autonomous



Republic is formed at its own incomes, while 80.4 percent or 282.4 mln. manat at the subsidy allocated from the state budget. The amount of the subsidy allocated to Nakhchivan Autonomous Republic from the state budget has been reduced by 15.4 mln. manat or 5.2 percent compared to the previous year.

***The process of drafting and approval of the draft state and consolidated budgets for the next year and summary budget indicators for the following three years in accordance with the legislation of the Republic of Azerbaijan***

➤ **The third decade of January**

The process of drafting the draft state budget for the next year and the following three years is launched by the relevant decree or decision of the Cabinet of Ministers of the Republic of Azerbaijan. The document assigns respective tasks to the relevant agencies that take part in the process of drafting the state budget: the Ministry of Finance, the Ministry of Economy and Industry, the Ministry of Taxes, the State Customs Committee and the State Statistical Committee, district (city) executive authorities and other government agencies.

➤ **Until the end of February**

**the Ministry of Economy and Industry of the Republic of Azerbaijan defines the medium-term economic and social development forecasts of the country for the next year and the following three years**

➤ **Until April 15**

The Ministry of Finance of the Republic of Azerbaijan submits the initial draft of the state budget for the next year (together with main directions of budget-tax policy, the highest verge of incomes and expenditures at the level of budget classification items, public debts, priority

costs, consolidated budget forecasts for the next year and following three years) to the Cabinet of Ministers of the Republic of Azerbaijan.

The Ministry of Economy and Industry of the Republic of Azerbaijan submits the initial draft of the state investment program to the Cabinet of Ministers of the Republic of Azerbaijan.

➤ **Until May 1**

The Ministry of Finance of the Republic of Azerbaijan prepares a letter of instructions on the drafting of the draft state budget for the next year and consolidated budget indicators for the following three years and sends to agencies attending the process of drafting the budget. In line with relevant information, the instructions comprise information on the highest verge of expenditures of agencies and every unit, approved norms and forms of current expenditures, supporting documents for submission of a detailed budget proposal to the Cabinet of Ministers of the Republic of Azerbaijan, including analysis (assessment) of incomes and expenditures.

➤ **Until July 1**

Agencies ensuring the execution of incomes of the state budget and organizations financed by or receiving financial support from the state budget of the Republic of Azerbaijan submit a budget draft prepared in compliance with the instructions.

➤ **Until September 15**

The Ministry of Finance of the Republic of Azerbaijan submits the draft state and consolidated budgets for the next year and consolidated budget indicators for the following three years to the Cabinet of Ministers of the Republic of Azerbaijan

➤ **Until September 25**

The Cabinet of Ministers of the Republic of Azerbaijan submits the draft state and consolidated budgets for the next year and consolidated budget indicators for the following three years and other documents specified with the Law on “Budget system” to the President of the Republic of Azerbaijan.

➤ **Not later than October 15**

**The President of the Republic of Azerbaijan submits the draft law on the state budget for the next budget year alongside with other documents to the discussion and approval of the Milli Majlis of the Republic of Azerbaijan**

➤ **Not later than December 20**

The state budget for the next year is approved in the Milli Majlis of the Republic of Azerbaijan.

**Dear reader!**

This presentation comprises a short summary of the budget package (1616 pages) for 2016. Your impressions and suggestions on the entire document can play a positive role in the effective organization of work done in the improvement of the process of drafting and approval of the budget!

You can send your suggestions to the email of [office@maliyye.gov.az](mailto:office@maliyye.gov.az)!

***GREAT THANKS!***