

What is the Legal Basis for the Government's Reduction of Approved Budget Expenditures?

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The Chamber of Accounts has published its [opinion](#) on the report on the execution of the 2025 state budget approved by the Milli Majlis. One of the main points of interest in the document is that approved budget expenditures were executed at 2,8 billion manats, or 7,2%, below the approved level. Specifically, although the [law](#) on the 2025 state budget provided for total expenditures of 41,4 billion manats, actual execution amounted to 38,6 billion manats.

Changed Expenditure Areas

Looking at specific functional areas, the largest reduction was recorded in general public services expenditure: 805,5 million manats. In this section, the actual execution level was 18% lower than the approved amount. At the same time, economic activity expenditures were reduced by 797 million manats, healthcare expenditures by 719 million manats, defense expenditures by 332 million manats, education expenditures by 308 million manats, social protection expenditures by 200 million manats, culture and arts expenditures by 100 million manats, and agricultural expenditures by 80 million manats.

Budget spending was increased in only one expenditure area, namely the section "Services Not Attributable to Main Sections," by approximately 800 million manats. This increase was directed toward expanding spending through the reserve funds provided for within that section and allocated by the President and Prime Minister.

Incidentally, this expenditure area is the least transparent part of the state budget: Details of its spending are kept

relatively closed, and the budget documents submitted to parliament do not provide a breakdown of allocated funds by projects and activities.

In addition, the inclusion of this type of expenditure section in the classification contradicts the International Monetary Fund's "Government Finance Statistics" [framework](#). In that international document, budget expenditures are classified into 10 functional categories, each based on the government's functions in specific areas. These categories include general public services, culture and religion, defense, public order and safety, economic affairs, environmental protection, housing and community amenities, health, education, and social protection.

It is surprising that although the Chamber of Accounts presents the statistical picture of these changes in its opinion, it does not provide possible reasons for the changes in each area, including the reduction of expenditures, nor does it offer justification for them.

But the issue does not end with expenditure cuts alone. Central executive authorities, represented by the country's President and the Ministry of Finance, changed the designation and allocation of funds amounting to about 9% of total approved budget expenditures, or 3,6 billion manats.

Under these circumstances, it is important to assess how legally valid such a large-scale alteration of the budget law approved by parliament actually is.

What Legal Grounds Exist for Reducing and Reallocating Expenditures?

In its opinion, the Chamber notes that there are legal issues related to changes and cuts in budget expenditures. First, the Chamber states that in international practice, changes made to expenditures at the execution stage are considered permissible up to a maximum of 5% of approved expenditures. As can be

seen, in Azerbaijan this figure is almost twice as high.

The statement given by the Chamber of Accounts, the country's supreme audit institution, makes clear that although the Ministry of Finance provided the Chamber with information on changes in revenues and expenditures during the execution of the state budget, as required by law, it did not consider it necessary to submit justification for those changes, the legal provisions enabling their implementation, or the necessary supporting documents.

The [Law](#) "On the Budget System" sets certain frameworks for making changes to the budget. The most important question is therefore this: Do those legal provisions allow the volume of budget expenditures approved by parliament in the form of a law to be reduced by 7% without even the formal consent of the legislative body, by as much as 18% in some functional areas, and to make a 9% change in the structure of expenditures?

One of the key provisions is Article 18.4 of the aforementioned law. That article states that the Ministry of Finance may, only when necessary, make changes within the approved budget allocations inside sections of the functional classification and between sections, subsections, paragraphs, items, and sub-items of the economic classification.

First, this clearly states that expenditures may be changed without increasing or decreasing them, and the phrase "within budget allocations" confirms this. On the other hand, the phrase "when necessary" is vague; if specific circumstances and criteria are not defined, the Ministry of Finance could, based on this approach, present a long list of allegedly necessary cases each time.

Another provision is reflected in Article 18.5. According to this part, if, during budget execution, revenues and inflows from sources intended to finance the deficit fall short, the amount of expenditures may also be reduced by a corresponding amount, except for protected expenditure items such as wages,

social payments, and so on.

In the 2025 budget, there was no decrease in revenues; on the contrary, revenues increased by 775 million manats. However, the actual volume of the 3,051 billion manats in inflows approved to finance the budget deficit was only 594 million manats.

In other words, although the government planned to attract more than 3 billion manats in external financing to cover the deficit, it was able to secure only six times less that amount.

What were the forecast indicators for financing the deficit? A total of 1,776 billion manats was expected to come from domestic borrowing, that is, from bond issuances by the Ministry of Finance, but no funds were received from this source at all. Although 897 million manats was planned from external loans, actual inflows amounted to 182 million manats.

In short, the government avoided borrowing as much as possible.

But why did the government plan such a large deficit, and why did it abandon it during execution? Which planned expenditures, projects, and activities did it realize were unnecessary during the implementation process, leading it to sequestration and therefore also to abandon borrowing?

Without objective and honest answers to these questions in the budget report, Article 18.5 may appear formally sufficient as a legal justification, but it is difficult to regard it as sufficient from the standpoint of transparency and accountability, as well as the principles of professional budget planning.

Finally, Article 23 of the Law "On the Budget System" also contains legal provisions on amendments to the budget and expenditure cuts. It states that if, during the execution of

the state budget, actual revenues of the state budget, as well as actual inflows for deficit financing, are 10% lower than the approved quarterly indicators, and 5% lower when transfers from the State Oil Fund are excluded, and if there is a risk that the balance between revenues and expenditures may be disrupted, the approved state budget may be reconsidered by parliament no earlier than May 15 and no later than October 15.

But for this to happen, it must first be assessed that the legal mechanisms mentioned above, namely Articles 18.4 and 18.5, are insufficient to eliminate that risk.

In fact, these provisions also create considerable confusion and uncertainty, allowing the highest executive bodies to make budget decisions freely, according to their own views, without coordination with Parliament.

Although the law reflects the 10% and 5% thresholds, it is unclear by what criteria the risk of a disruption in the balance between revenues and expenditures is to be assessed. Or what are the grounds for determining that the mechanisms provided for in Articles 18.4 or 18.5 are insufficient to eliminate that risk?

International Approaches to Budget Cuts and Amendments

One of the issues examined by the International Budget Partnership in its biennial monitoring covering various countries around the world is precisely the level of independence of executive institutions in making budget amendments and budget cuts, as well as the role of parliament in this process.

The [methodology](#) used by the organization for its most recent 2025 monitoring includes four questions related to this issue. Those questions are as follows:

1. Has there been any discussion in parliament on budget

execution during the last 12 months?

2. Does the government obtain parliamentary approval before reallocating funds between administrative units in the approved budget, and is it legally required to do so?

3. Does the executive obtain parliamentary approval for spending revenues received in excess of the forecast during the execution stage, and is it legally required to do so under the legislation?

4. Before reducing expenditures provided for in the approved state budget due to lower-than-expected revenues during the execution stage or for other reasons, does the executive obtain parliamentary approval, and is it legally required to do so under the legislation?

For example, the monitoring [report](#) on Armenia shows that, within 40 days after the end of each quarter, the Armenian parliament receives from the government a briefing on the current execution of the state budget and submits it for discussion in the relevant committee.

At the same time, under the legislation, the executive must obtain parliamentary approval before reallocating funds between separately financed administrative units in the approved state budget, and this requirement is also observed in practice.

According to the Law “On the Budget System,” the Armenian government may reallocate a certain amount of funds between administrative units without the consent of the legislative body, but there is a limit: The total volume of reallocated funds must not exceed 3% of the aggregate expenditures of the state budget. The government may reduce the total amount of expenditures without parliamentary consent only if actual budget revenue receipts are 10% lower than forecast.

In Botswana, a country included in the monitoring and, like

Azerbaijan, a natural-resource country, the government's ability to amend the budget without parliamentary involvement is also [limited](#). The executive can neither reduce nor increase the budget without parliamentary approval.

The government must obtain parliament's consent to spend additional revenues, and the supplementary budget must be approved by the legislative body.