



Baku Research Institute

State Budget for 2022 and Revenues and Expenditures of State Funds Operating Separately from The State Budget



CONTEXT

1. Revenues and Expenditures of the State Budget	3
1.1. The Structure of State Budget Revenues	3
<i>A Brief Summary of the Structure of State Budget Revenues</i>	3
<i>Overview of the Increase in State Budget Revenue</i>	5
<i>Analyses of Sources of State Budget Revenue</i>	6
<i>Comparison of Non-Oil Revenues of the State Budget with Current Expenditures</i>	11
1.2. Analyses of Expenditures of the State Budget for 2022	11
<i>Brief Overview of Functional Structure of Expenditures</i>	11
<i>Changes in Expenditure Priorities of the Government</i>	12
<i>Detailed Review of the Functional Directions of Expenditures</i>	13
<i>The Economic Structure of Budget Expenditures for 2022</i>	21
2. Non-Budgetary State Funds	23
2.1. The State Oil Fund of the Republic of Azerbaijan	23
2.2. The State Social Protection Fund	26
2.3. Unemployment Insurance Fund	28

1. Revenues and Expenditures of the State Budget

The State Budget [Law](#) of the Republic of Azerbaijan for 2022 forecasts that state revenues will be 26816.0 million AZN (New Azerbaijani Manat). This figure exceeds the forecasted budget revenue for [2021](#) by 1389.0 million AZN or 5.5%. And it is also 2134.3 million AZN or 8.6% more than the de-facto implemented [state budget](#) revenue for 2020.

The Law approved the total sum of 29879.0 million AZN as forecasted expenditures of the state budget for 2022. This sum exceeds forecasted expenditures of the state budget for 2021 by 1336.0 million AZN or 4.7% and it is 3462.7 million AZN or 13.1% more than de-facto implemented expenditures of the state budget for 2020.

The Law imposes a deficit ceiling on the budget of 3063.0 million AZN, which is 153.0 million AZN or 1.7% less than the forecasted budget deficit for 2021 and 1328.4 million AZN or 76.6% more than the factual budget deficit for 2020. It is projected that the deficit will be financed by funds received from privatization of state properties, internal and external borrowing as well as by the treasure reserve accumulated by 1 January 2022 (the sum of this treasure reserve is defined as [1256.0](#) million AZN).

Table 1. Incomes, Expenditure and Deficit of the State Budget for 2022

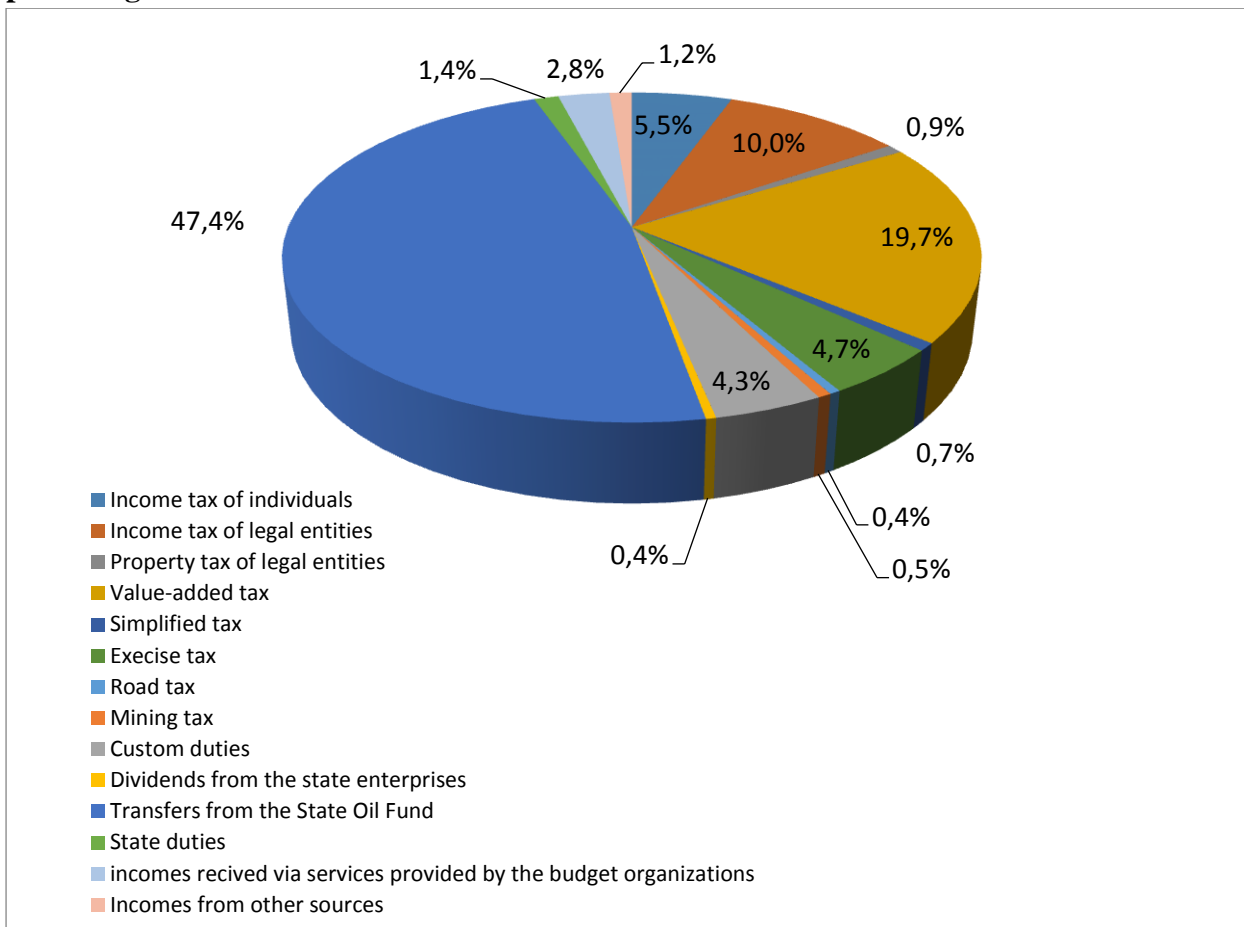
	Amount (million AZN)	Growth (Decline) by comparison with forecasted state budget for 2021		Growth (Decline) by comparison with implemented state budget for 2020	
		Million AZN	percentage	Million AZN	percentage
Revenues of State Budget	26816.0	+1389.0	105.5	+2134.3	108.6
Expenditures of State Budget	29879.0	+133.0	104.6%	+3462.7	113.1%
Budget Deficit	3063.0	-53.0	98.3%	+1328.4	176.6%

1.1. The Structure of State Budget Revenues

- *A Brief Summary of the Structure of State Budget Revenues*

It is expected that forecasted state budget revenues for 2022 will be received from the following sources: 12710.0 million AZN (or 47.4%) from the transfers of the State Oil Fund of the Republic of Azerbaijan (SOFAR); 5278.7 million AZN (19.7%) from value-added tax (VAT); 2670.0 million AZN (10.0%) from income tax of legal entities; 1485.0 million (5.5%) from income tax of individuals; 1266.8 million AZN (4.7%) from excise taxes; 1150.0 million AZN (4.3%) from custom duties; 760.0 million AZN (2.8%) from incomes received via services provided by budget organizations; 363.5 million AZN (1.4%) from state duties; and the remaining 1132.0 million AZN from other sources (*figure 1*).

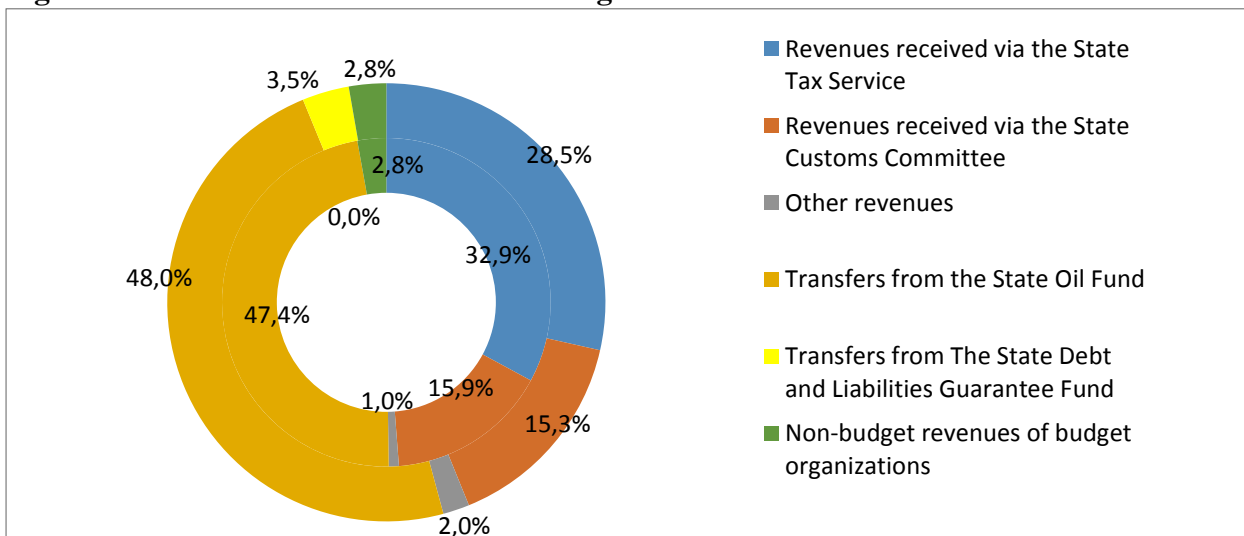
Figure 1. Structure of State Budget Revenues for 2022 according to sources, share by percentage



Source: [The Budget Law for 2022](#)

The State Oil Fund will be the largest provider of state budget revenues for 2022 with 47.4% share (12710.0 million AZN). It is followed by the State Tax Service and the State Customs Committee which will provide 32.9% (8820.0 million AZN) and 15.9% (4260.0 million AZN) of state budget revenue, respectively (*figure 2*).

Figure 2. Revenue Sources of the State Budgets for 2021 and 2022

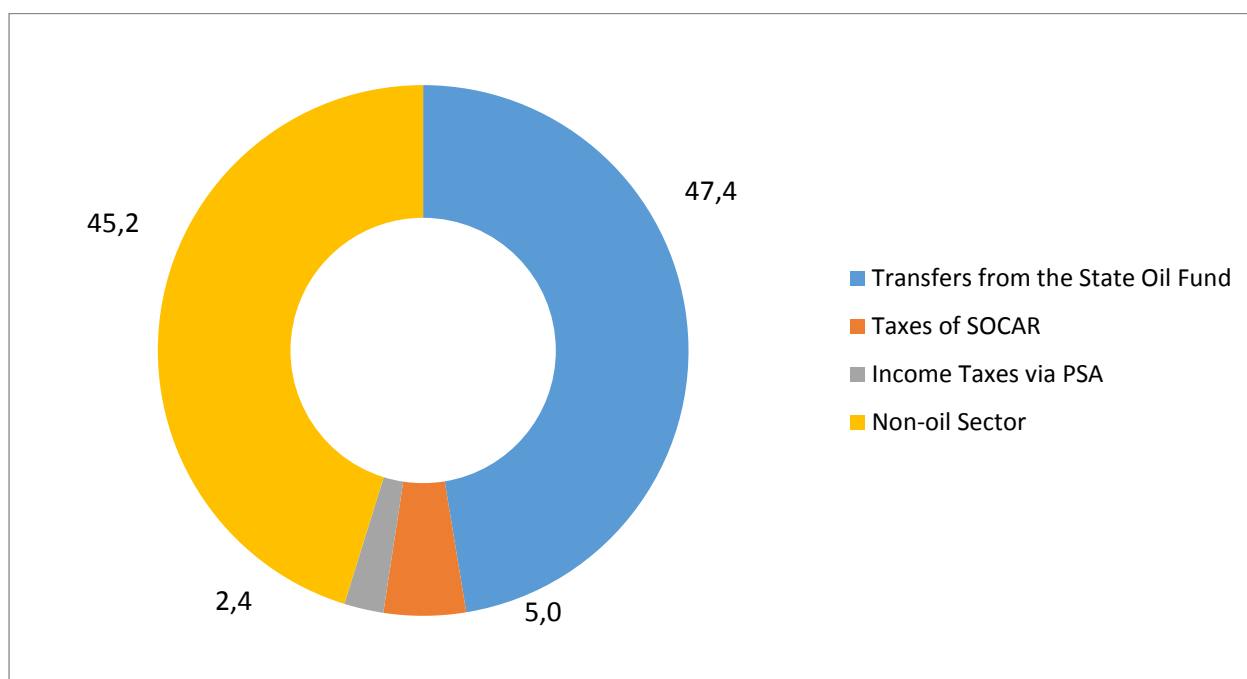


760.0 million AZN or 2.8% of budget revenue will be produced by non-budget income of budget organizations which provide paid services and the remaining 266.0 million AZN or 1.0% by other organizations.

In comparison with the previous year, in 2022 transfers from the State Oil Fund were increased by 510 million AZN (+4.2%) and inputs from the State Tax Service and the State Customs Committees to the state budget were raised by 1570.0 million AZN (+21.7%) and 360 million AZN (+9.2%) respectively.

In 2022, as in previous years, the share of the oil sector in the budget’s revenue will be the greatest of all sources: 14690.0 million AZN or 54.8% share of budget revenue will be a direct contribution from oil sector. Direct contributions of the oil sector to the budget include transfers form the State Oil Fund (86.5%), tax payments of SOCAR to the state budget (9.2%) and income tax of contractors in Production Sharing Agreement (PSA) (4.3%) (*figure 3*).

Figure 3. Shares of Oil and Non-Oil Sectors in the Revenue of the State Budget for 2022



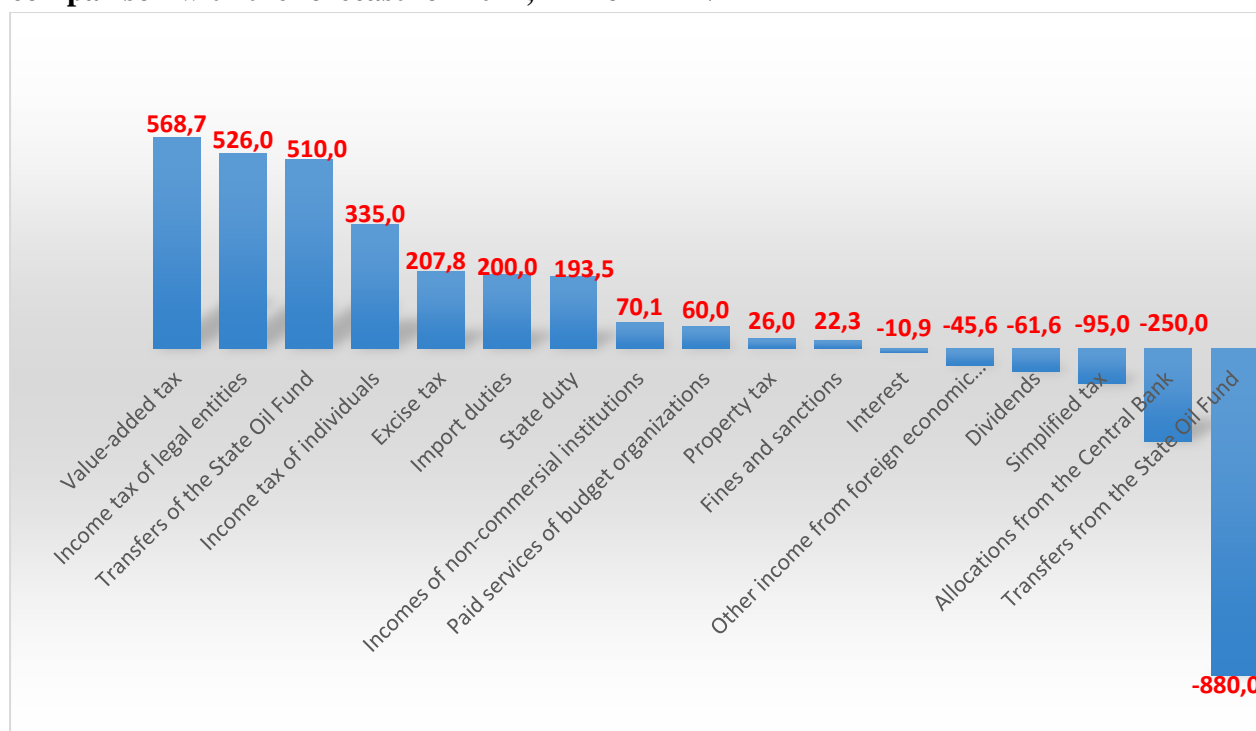
It is forecasted that the state budget will receive 12126.0 million AZN (45.2% percent of the total budget revenue) from the non-oil sector during the year. 6840.0 million AZN of this revenues will come from tax and 4260.0 million AZN from customs authorities, and the remaining 1026.0 million AZN from other institutions.

- ***Overview of the Increase in State Budget Revenue***

As indicated above, it is forecasted that in 2022 state budget revenue will increase from the 2021 figures by 1389.0 million AZN or 5.5%. Additionally, it is estimated that in 2022 the share of tax revenue in state budget revenue will increase from the previous year by 15.8% or by 1729.5 million AZN. However, a total 340.5 million AZN decrease is estimated in other areas of the state budget.

A detailed comparison of state budget revenue for 2022 from tax collection with the previous year's forecast is as follows. Increases are expected in VAT – 568.7 million AZN (12.1%); in income tax – 526.0 million AZN (24.5%); in individual income tax – 335.0 million AZN (29.1%); in excise tax – 207.8 million AZN (19.5%); in import duties – 200.0 million AZN (21.1%); in property tax – 26.0 million AZN (10.2%). However, revenue from the simplified tax will decline by 95.0 million AZN or 32.2% (Figure 4).

Figure 4. Forecasted increase (decrease) in main sources of state budget revenue for 2022, by comparison with the forecast for 2021, million AZN



As we can see from Figure 4, by comparison with the previous year, 2022 is forecasted to see a 510 million AZN or 4.2% increase in allocations from the State Oil Fund to the state budget. At the same time revenue flow from the sales of goods and services is expected to increase by 323.6 million AZN or 35.7% from the previous year. The 193.5 million AZN or 113.8% increase in state duties should also receive particular attention.

Unlike in 2021, in 2022 there are no planned allocations from the revenues of the Central Bank and from the State Debt Guarantee Fund to the budget. Last year the total sum of allocations from these sources to the state budget was 1130.0 million AZN.

In comparison with the forecast for 2021, 2022 revenues from oil and non-oil sectors are expected to increase by 914.0 million AZN (6.6%) and 475.0 million AZN (4.1%), respectively.

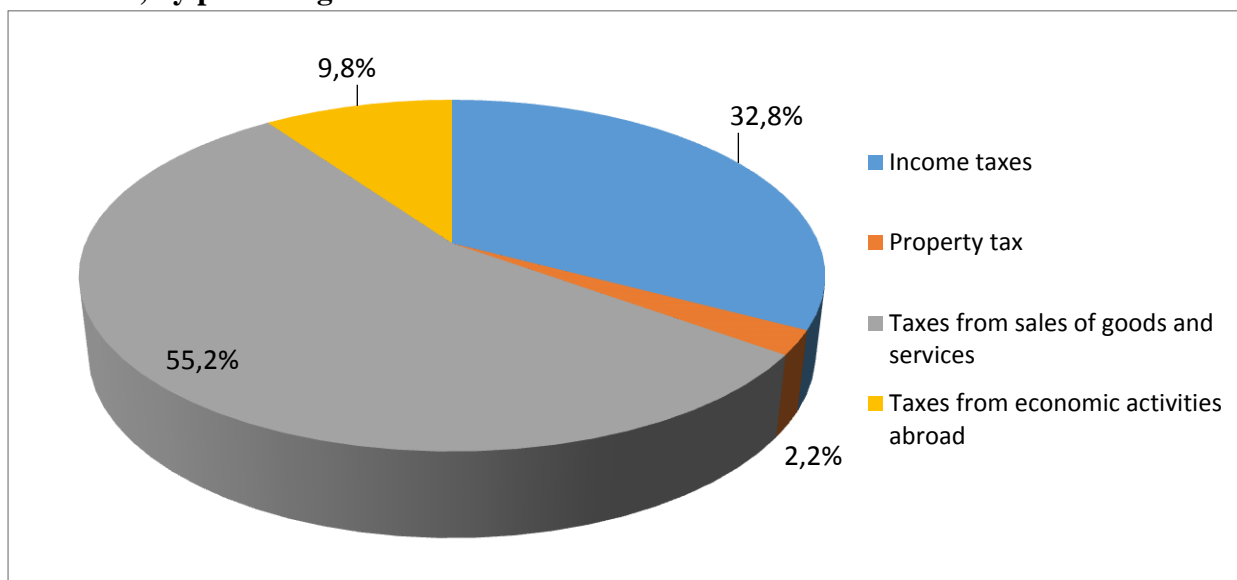
- ***Analyses of Sources of State Budget Revenue***

In 2022 only 47.3% (12686.5 million AZN) of the state budget's total revenue will be received from taxes. The remaining 14129.5 million AZN or 52.7% of the budget's revenue will be from other types of revenue. This includes the state's expectation of a 15.8% increase in tax revenues and a 2.4% decrease in other types of revenues.

- **Structure of tax revenues**

More than half – 55.2% (7004.1 million AZN) - of the tax income share in state budget revenue is expected to originate from the taxation of sales of goods and services, 32.8% (4155.0 million AZN) from income taxes, 9.8% (1245.4 million AZN) from taxes connected to the economic activities abroad and the remaining 2.2% (282.0 million AZN) from property tax (*Figure 5*).

Figure 5. Structure of the Share of Tax Revenues in the Revenues of the State Budget for Year 2022, by percentage



According to the [Decree](#) of the Cabinet of Ministers of the Republic of Azerbaijan issued on 11 October 2018, taxes for goods and services include VAT, excise tax, simplified tax, road and mining taxes.

In 2022 state budget VAT inflows will be 5278.7 million AZN. 2368.7 million (44.9%) of this will come from domestic sales of goods and services, while the remaining 2910.0 million AZN (55.1%) will be collected by import taxes. In 2022 VAT inflows to the budget will be 568.7 million AZN (12.1%), higher in comparison with the previous year. 398.7 million AZN of this increase will be covered by domestic sales of goods and services and the remaining 170.0 million AZN will come from an increase in the amount of VAT for imports. It is estimated that the share of VAT revenues from domestic sales of goods and services in the state budget will increase by 20.2% in comparison with the forecasted figures for the previous year, and the share of VAT revenues collected from imports will increase by 6.2%. According to the Ministry of Finance, 89.0% (2107.6 million AZN) of the VAT from domestic sales of goods and services will be collected from the non-oil sector, while 11.0% (261.1 million AZN) will come from the oil sector. By comparison with the forecasted budget of 2021, VAT inflows to the budget from the non-oil sector will increase by 16.1% in 2022, while VAT from the oil sector will increase by 68.5%.

In the 2022 budget, the forecasted amount of revenue from excise tax is 1266.8 million AZN: 1106.8 million AZN (87.4%) of it will be collected from domestic goods, while the remaining 160.0 million AZN will be collected from excise tax imposed on imports. It is estimated that in comparison with the forecast for 2021, in 2022 excise tax will increase by 19.5% (207.8 million AZN), and this will be primarily excise tax on domestic production of goods. It is expected that the share of this portion of excise tax in the state budget will increase by 24.5% or

217.8 million AZN. However, the share of excise tax collected from imports of goods will decrease by 10.0 million AZN.

It should be noted that 51.3% (567.8 million AZN) of the excise tax collected from domestic production will come from oil products, and 41.4% (458.0 million AZN) from tobacco products. It is estimated that, in comparison with 2021 forecasts, in 2022 excise tax from oil products will increase by 22.1% (102.8 million AZN), and the same increase from tobacco products will be 36.3% (122.0 million AZN). If we take into account the fact that an increase to this extent in the volumes of consumption in both of these types of products is simply impossible, then we can assume that the budget expects that price hikes and rising tax rates will create this increase in excise tax inflow.

In the state budget the amount of simplified tax revenues will be 200.0 million AZN and this is 95.0 million AZN or 32.2% less than in the forecasted budget for 2021.

Inflow from mining tax is expected to be 142.0 million AZN, which is only 4.0 million AZN or 2.9% higher than in the forecasted budget for the previous year. The share of crude oil production in the revenue from mining tax will be 69.3 million AZN (48.8%), and 65.3 million AZN (46.0%) from natural gas production.

Road tax revenue is estimated to be 116.5 million AZN. 76.5 million AZN or 65.7% of it will come from domestically produced as well as domestically consumed fuel i.e., 32.5 million AZN from gasoline, 33.5 million AZN from diesel and 10.5 million AZN from liquified gas.

In 2022, 4155.0 million AZN (32.8%) of the state budget revenue will be collected from taxes on profits. It is expected that the revenue from this type of tax will be 26.1% (861.0 million AZN) higher than in the forecasted budget revenue of the previous year. And 335.0 million AZN of this increase will be collected from the income tax of individuals, while the remaining 526.0 million AZN will come from tax on the profits of the legal entities.

1340.2 million AZN (90.2%) of the forecasted 1485.0 million AZN budget revenue from the income tax of individuals will originate from taxation of hired work, 84.8 million AZN (5.7%) from activities not related to hired work and the remaining 60.0 million AZN (4.1%) from other taxes on individuals.

533.0 million AZN or 39.8% of budget revenue collected from income taxes of employees is from public employees. In 2022, the inflow from income tax of this group will be 133.0 million AZN (33.3%) higher than in the forecasted budget for 2021. The total increase of revenues from income taxes of hired employees will be 292.7 million. The share of the increase from the income tax of public employees will make up 45.4% of the total increase in revenue from income tax of employees.

Taxes collected from income related to hired work as contractors of Production Sharing Agreement (PSA) is expected to be 145.0 million or 10.8% of the total revenue from income taxes on hired work. Another 200.0 million AZN (14.9% of total revenue from income taxes on hired work) is expected from local and foreign sub-contractors. It is expected that there will be 27.4% increase in budget revenues collected from income taxes of hired employees in sub-contracting organizations. (Table 2).

Table 2. Structure of Income Taxes of Hired Work in the revenues of the state budget for 2022

	Revenues, million AZN	Share, %	Increase (decrease) in comparison with the forecast for 2021	
			million AZN	percent
Revenues collected from income tax of hired work, total	1340.2	100.0	292.7	27.9
From incomes of hired work of taxpayers who belong to non-public sector and are not employed in oil and gas sector	80.0	6.0	40.00	100.0
From incomes of hired work in contractors of PSA	145.0	10.8	0.0	0.0
From incomes of hired work in local and foreign subcontractors of PSA	200.0	14.9	43.0	27.4
From incomes of hired work of employees of public institutions	533.0	39.8	133.0	33.3
From incomes of hired work in public legal entities founded by the state	100.0	7.5	40.0	66.7
From incomes of hired work in state institutions	255.2	19.0	26.2	11.4
From other incomes related to hired work	27.0	2.0	10.5	-

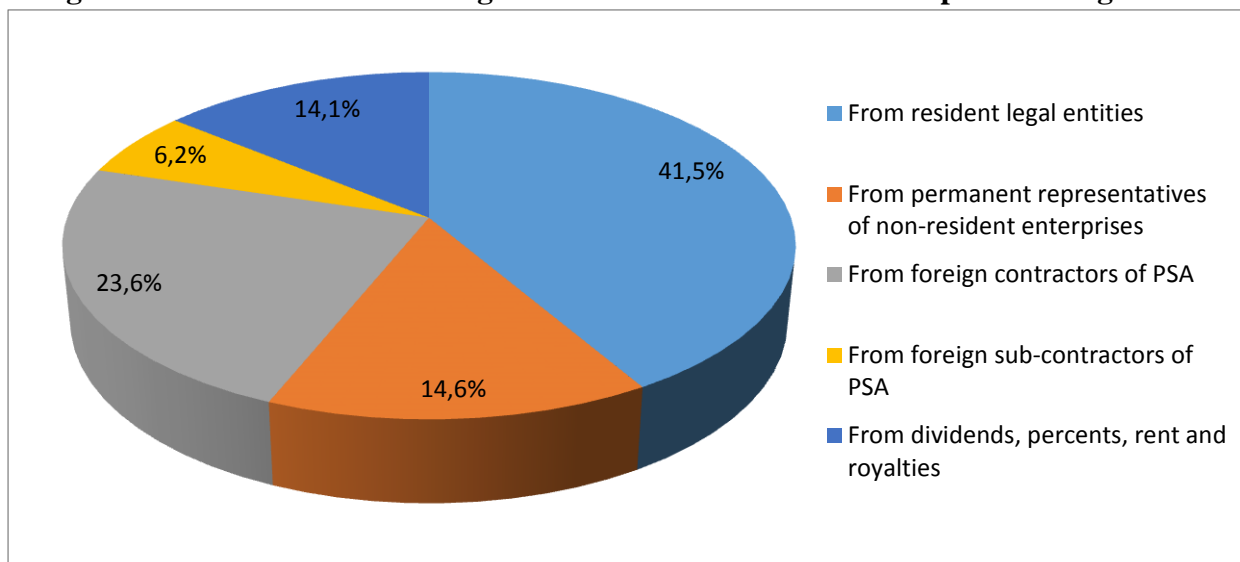
Source: State Budget Package for the year 2022.

As we can see from the table above, it is expected that in 2022 the state budget will receive 255.2 million AZN from the income tax of employees hired by enterprises, 51% or more of the stocks/shares of which belong to the state. Another 100.0 million AZN will come from the income taxes of employees hired by legal entities founded by the state. If we add data from taxes of employees of public institutions to these two revenue sources, we can see that the budget expects that 888.2 million AZN or 66.3% of total budget revenue from income tax of hired employees will derive from the public/state sector. 68.1% (199.2 million AZN) of the expected increase in budget revenue from the income taxes of hired employees is also related to state sector. Calculations based on the data provided in Table 2 reveal that in 2022, only 107.0 million AZN of budget revenues from income taxes of hired employees is expected from hired employees employed outside the oil-gas and public sectors.

The budget forecasts that in 2022, the amount of budget revenues received from tax on profits of legal entities will be 2670.0 million AZN. According to the Ministry of Finance, 68.2% (1820.0 million AZN) of this will come from the non-oil sector and the remaining 31.8% (850.0 million AZN) from the oil sector. It is expected that in 2022, budget revenues from tax on profits of legal entities will be 526.0 million AZN (24.5%) higher than forecasted amount for 2021. According to the forecast of the Ministry, the share of the non-oil sector in this tax category will amount to 303.0 million AZN out of the total increase of 526.0 million AZN i.e., 57.6%, , while the remaining 223.0 million AZN will come from the oil-gas sector.

1108.3 million AZN or 41.5% of total budget revenue from tax on profits of legal entities will be collected from payments of resident legal entities (*Figure 6*).

Figure 6. Structure of State Budget Revenue for 2022 from tax on profits of legal entities



It is expected that profit tax payments from this group to the budget will be 140.5 million AZN (14.5%) higher than the forecasted amount for 2021. It is interesting that in comparison with the forecast for 2021, there will be 124.9 million AZN (29.4%) decrease from the tax on profit of state-owned legal entities. At the same time, a 261.9 million AZN (48.8%) increase in profit tax revenue from other resident legal entities is forecasted.

In the state budget for 2022, revenues from economic activities abroad is planned to be 1245.4 million AZN, which is 9.8% of total tax inflows to the budget. A 154.4 million AZN (14.2%) increase is expected in this kind of revenue from last year. 1145.0 million AZN (91.9%) of the revenue from this source is import duties. 852.0 million AZN out of that 1145.0 million AZN total is import duty on legal entities, 203.5 million AZN is import duty to be paid by individuals, and the remaining 89.5 million AZN are custom duties paid by importers of automobiles. It is expected that in 2022 import duty payments to the budget will be 200.0 million AZN or 14.2% higher than those forecasted for 2021. It is forecasted that in 2022, there will be a 105.0 million AZN increase in the payments of legal entities, and 96.5 million AZN increase in the payments of individuals (by the way, it is expected that the amount of import duties paid by individuals will increase by 90.2%). A 1.5 million AZN decrease in custom duties paid on the import of automobiles is expected.

Category of other revenues. This category of state budget revenues includes income from properties, sales of goods and services as well as fines and sanctions. As indicated above, in 2022 non-tax revenues of the state budget will be 14129.5 million AZN. 12847.9 million AZN or 90.9% of total non-tax revenues are profits from properties. This includes revenues from interest, dividends, rental of state properties, transfers from non-budget funds, etc. The largest source for this kind of revenue is transfers from the State Oil Fund. The total amount of transfers is expected to be 12710.0 million AZN (this amounts to 90.0% of the non-tax revenues of the budget).

It is forecasted that in 2022, budget inflows from dividends will be 106.5 million AZN and this amount is 61.55 million AZN or 36.6% less than forecasted amount for 2021.

Another source of non-tax related revenues of the state budget is income from sales of goods and services. The total sum of this kind of revenue in the budget for 2022 will be 1229.3 million AZN, which is 323.6 million AZN or 35.7% higher than that of the previous year. These

revenues are received via state duties, paid services provided by public entities and commercial activities of non-commercial organizations.

It is forecasted that in 2022, the state budget will receive 363.5 million AZN in state duties, and this is 193.5 million AZN or 113.2% higher than the forecast for the previous year. This expected two-fold increase in revenues from state duties is the result of the amendments made to the [Law on State Duties](#) and increases in the amounts of duties.

In 2022, the amount of inflows from paid services of public institutions, financial sanctions, etc. could reach 760.0 million AZN. 388.5 million AZN (51.1%) of this amount is comprised of financial sanctions, administrative fines, taxes and other state duties, which, according to legislation, are allocated as non-budget revenues. It is forecasted that revenues from financial sanctions imposed by tax authorities and allocated by legislation to the non-budget revenue will be 284.7 million AZN, and this is 84.8 million AZN or 42.4% higher than what was forecasted for 2021.

Finally, it is expected that in the state budget for 2022, revenues from fines and sanctions will be 52.3 million AZN and 38.4% (20.1 million AZN) of that are earnings from sanctions imposed due to the breach of tax law. In comparison with the forecast for the previous year, in 2022 revenues from fines and sanctions are expected to be 74.3% or 22.3 million AZN higher.

- ***Comparison of Non-Oil Revenues of the State Budget with Current Expenditures.***

As highlighted above, in 2022 budget revenues from the non-oil sector will be 12126.0 million AZN. According to the information provided by the Ministry of Finance, in 2022 current expenditures of the budget will be 20062.2 million AZN. This means that non-oil revenues of the state budget will cover 60.4% of current expenditures. State budget revenues (14106.0 million AZN without transfers from the State Oil Fund) will cover 70.3% of the state budget's current expenditures.

If we add the budget expenditures on repaying state debt (1792.0 million AZN) to current budget expenditures, then without transfers from the State Oil Fund, the state budget revenue would be able to cover 64.5% of these combined expenditures.

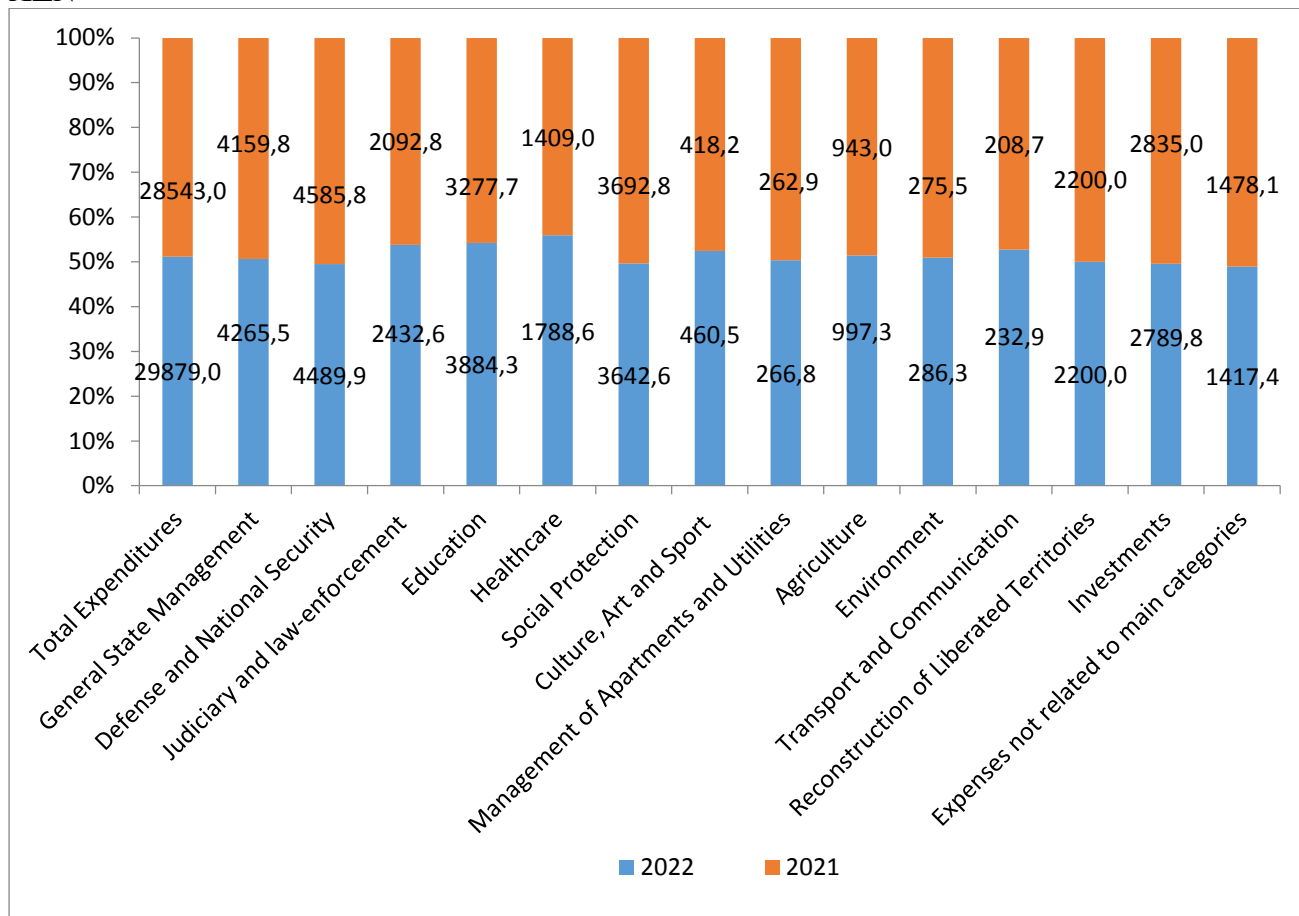
2.2. Analyses of Expenditures of the State Budget for 2022

In the budget for 2022, expenditures in the amount of 29879.0 million AZN have been confirmed. This is 1336.0 million AZN or 4.7% higher than the previous year. Changes in the amounts of expenditures in various functional categories were different.

- ***Brief Overview of Functional Structure of Expenditures***

In comparison with the previous year, the largest increase in state expenditures is in healthcare. In 2022 the confirmed amount of healthcare expenditures is 1788.6 million AZN, which is 379.6 million AZN or 26.9% higher than in 2021.

Figure 7. Structure of Budget Expenditures, a comparison between 2021 and 2022, million AZN



Education expenditures are forecasted to increase by 18.5% (606.7 million AZN) from the previous year. In the budget for 2022, the total amount allocated for education is 3884.3 million AZN.

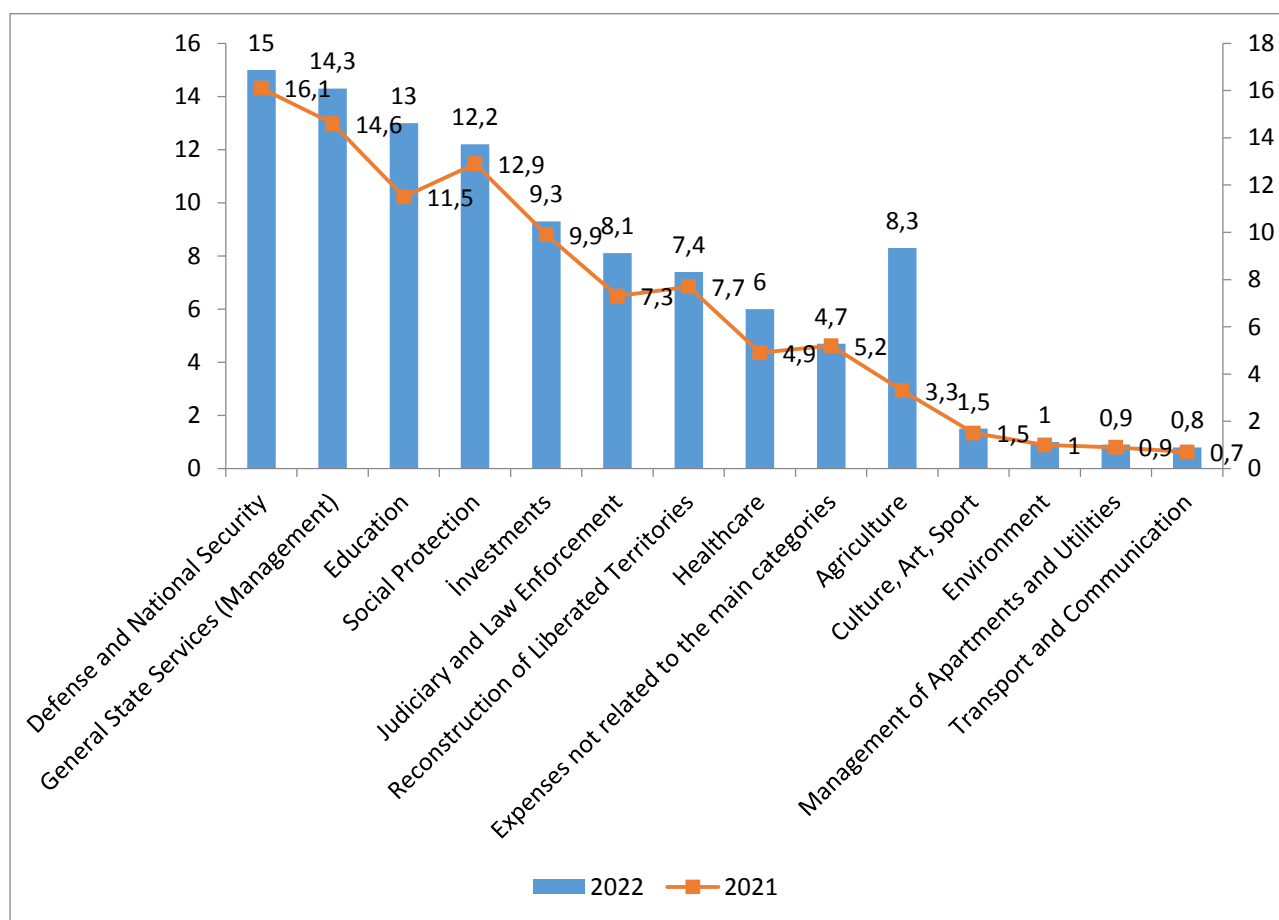
It is expected that the increase in expenditures for judiciary and law-enforcement will be 339.8 million AZN (16.2%), which will make total amount of expenditures for this category 2432.6 million AZN. The approved expenditures amount for transportation and communication is 232.9 million AZN (a 24.1 million AZN or 11.6% increase); for culture and art – 460.4 million AZN (a 42.3 million AZN or 10.1% increase); for agriculture - 997.3 million AZN (a 54.3 million AZN or 5.8% increase); for environment – 286.2 million AZN (a 10.7 million AZN or 3.9% increase); for state management – 4265.5 million AZN (a 105.7 million AZN or 2.5% increase).

Expenditure for restoration and construction work in the liberated territories (which resulted from the 2020 Nagorno-Karabakh War) will be the same as in the previous year i.e., – 2200.0 million AZN. There will be a decrease in the rest of the expenditure categories. For instance, the approved amount for service expenditures not allocated to sections of the budget is 1417.4 million AZN (60.7 million AZN or 4.1% less than the previous year); for defence and national security expenditures 4489.9 million AZN (95.9 million AZN or 2.1% less); for investment expenditures 2789.8 million AZN (45.2 million AZ or 1.6% less); for social protection expenditures 3642.6 million AZN (50.1 million or 1.4% less).

- **Changes in Expenditure Priorities of the Government**

Analyses of the state budgets for the last few years reveal that there are no major changes in the spending priorities of the government. For instance, in both state budgets for 2021 and 2022, expenditure for defence and national security leads the table. In comparison with the previous year, the share of these defense and security expenditures slightly decreased (from 16.1% to 15%). However, this decrease did not move defence expenditures in the budget from its primary position.

Figure 8. Shares of Various Expenditure Categories in the Budget,%



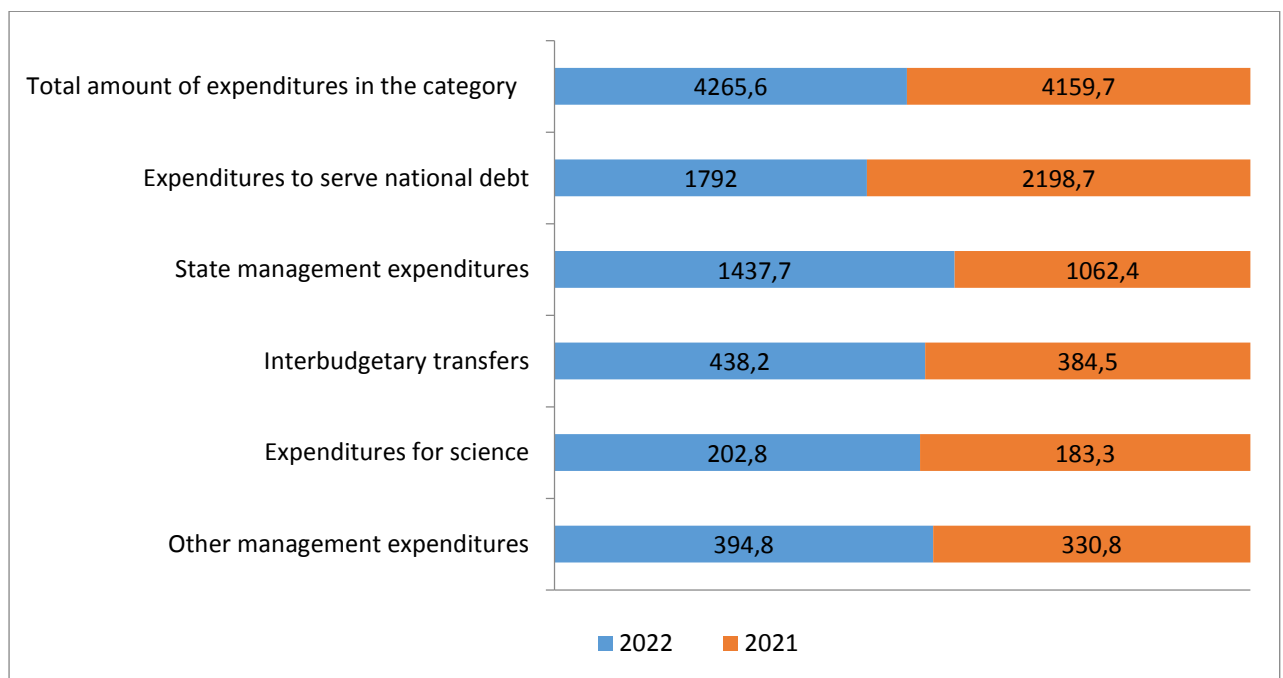
Overall, state service expenditures in both of the two years are the second highest amount. The share of this category in total budget expenditures is 14.3 and 14.6% for 2021 and 2022, respectively.

The share of expenditures for education increased from 11.5% to 13%, and this category climbed from fourth position to the third. In general, from 2021 to 2022, the five largest functional expenditure categories did not change. Along with defence, state management and education, social protection and investments remain the five largest expenditure categories. In 2022 social protection will have a 12.2% share (in 2021 it had 12.9%) of total budget expenditures, and the share of investments will be 9.3% (in 2021 it was 9.9%). The top five categories account for approximately two thirds of the budget's total expenditures.

- **Detailed Review of the Functional Directions of Expenditures.**

In 2022 the largest amount for expenditure for the state budget will be allocated for defence and national security. The amount approved for this expenditure is 4489.6 million AZN. In the current year, the second largest expenditure amount will be allocated to state management. These expenditures are quite diverse. 42% or 1792.0 million AZN of these expenditures will be spent on the repayment of state debt. And in 2022 this debt is 18.5% or 406.7 million AZN less than the previous year.

Figure 9. Structure of State Management Category and Amounts Allocated to Its Various Components



Approved expenditure for science is 202.8 million AZN, and this is 19.5 million AZN or 10.6% higher than the previous year. 438.2 million AZN (53.7 million AZN or 14% higher than previous year) will be allocated to interbudgetary transfers. The vast majority of this transfer amount i.e., 431.6 million AZN or 98.4%, is designated for the Nakhichevan Autonomous Republic. This transfer amount is 53.5 million AZN (14.1%) higher than the previous year. Municipalities will receive 6.6 million AZN in budget transfers and 1.3 million AZN from this amount is planned as a subvention.

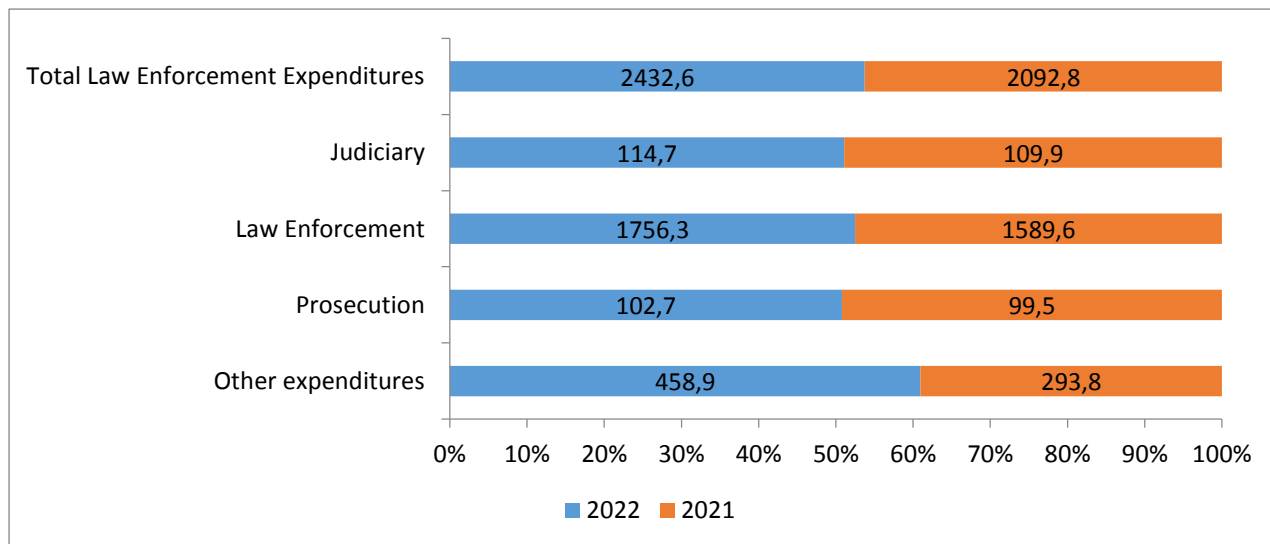
1437.7 million AZN of the total amount for state service/management expenditures is allocated for support of state administrative institutions. This is 375.2 million AZN or 35.3% higher than in 2021. This expenditure will be spent to support 60 state institutions including the regional executive apparatus along with central state institutions such as the presidential administration, the Cabinet of Ministers, Parliament, ministries, committees, state agencies and other central state institutions.

In 2022, 2432.6 million AZN will be spent to support the judiciary and law enforcement and this is 339.8 million AZN (16.2%) higher than the previous year.

Expenditures for the judiciary comprise 4.7% or 114.7 million AZN of the total amount for the category. Spending on the judiciary will increase 14.8 million AZN or 13.5% in comparison with the previous year.

102.7 million AZN is planned for prosecution, and that is 4.2% of the total amount of the category. Expenditure for prosecution increased 3.5 million AZN (3.2%) in comparison with the previous year.

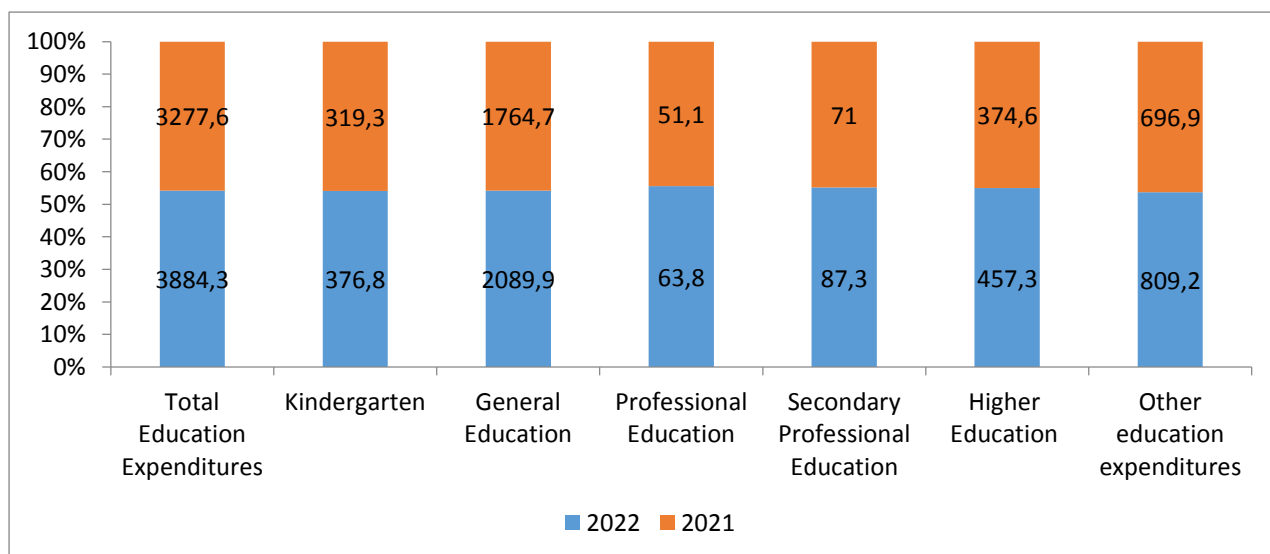
Figure 10. Expenditures on Law Enforcement, millions of AZN



The vast majority of the category's expenditures (72.2%) will go to law-enforcement agencies. The total amount of these type of expenditures is 1756.3 million AZN, which is 166.7 million AZN (10.5%) higher than in 2021. Expenditures for the support of law enforcement is allocated to many agencies, which include Ministries of Internal Affairs, Justice, Emergency Situations, the Customs Committee, the State Migration Agency and others.

Education, one of the main categories of the budget, will receive 3884.3 million AZN in 2022, and it is 606.7 million AZN or 18.5% higher than previous year.

Figure 11. Expenditures on Education, million AZN



The main expenditures for education are actually planned for secondary school education. In 2022, 2089.9 million AZN or 54% of the category's expenditures will be allocated to general education. This is 325.2 million AZN (18.4%) higher than the previous year. The combined amount allocated to professional and secondary professional education is 151.1 million AZN, which is 30 million AZN or 24.7% higher than previous year.

The approved amount for higher education (baccalauréat and upper) is 457.3 million AZN (82.7 million AZN or 22% higher than the previous year). In 2022, 397.3 million AZN is allocated in total per-student spending as part of the implementation of the financing mechanism, which was adopted on 25 June 2010 by the Cabinet of Ministers. 138.4 million AZN from that amount will be spent on stipends to students, which is 43 million AZN higher than the previous year.

In 2022, 1788.6 million AZN will be spent to finance the healthcare system. The main portion of this amount – 1125.6 million AZN or 63 % – is designated for expenses needed for the implementation of the recent mandatory healthcare insurance reform. This spending is 101.8 million AZN (10%) higher than expenses for the previous year. Much of these expenditures are tagged for programs related to specific chronic diseases. 48 million AZN is allocated for programs associated with diabetes; 8.4 million AZN for programs associated with blood diseases; 38.3 million AZN for programs associated with kidney diseases; 22.6 million AZN to treat thalassemia; 12.8 million AZN treat hemophilia; 2.2 million AZN to treat tuberculosis; 3.7 million AZN to treat multiple sclerosis and 3.1 million AZN for programs maintaining the general health of mothers and children.

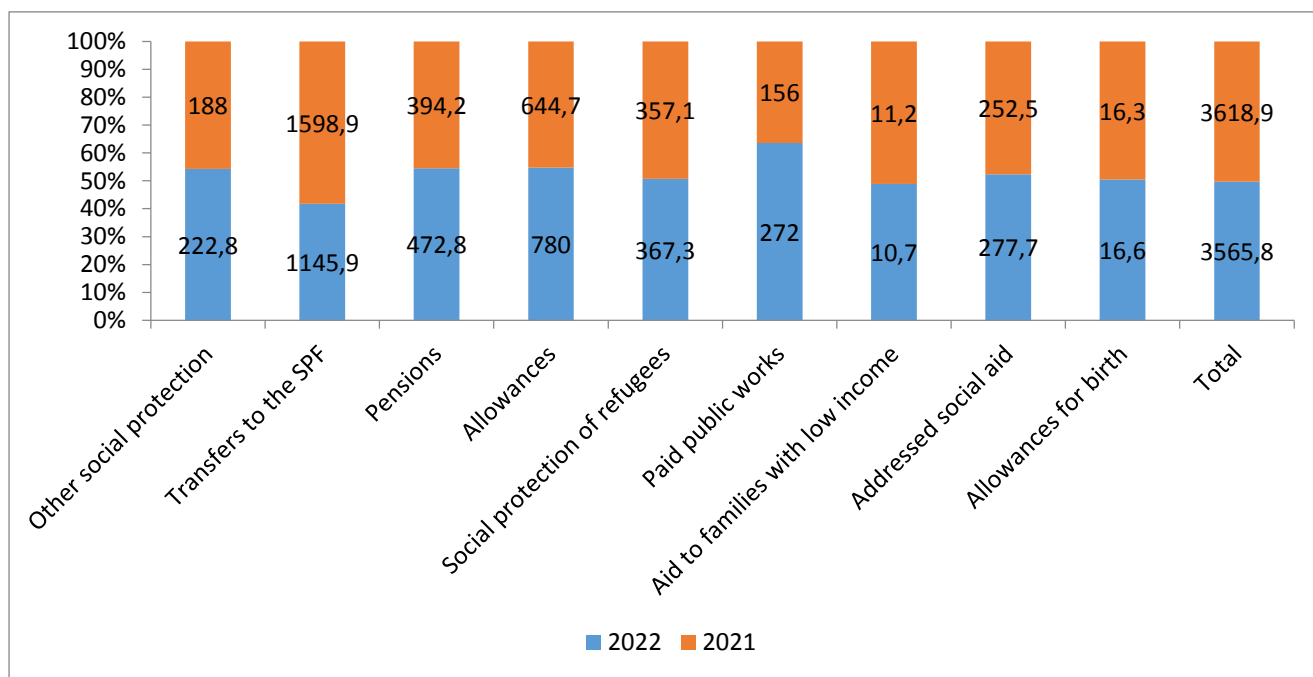
One of the largest categories of the budget – expenditures on social protection and guarantees – will account for 3565.8 million AZN in 2022. This is 50.1 million AZN or 1.4% less than in previous year. This decrease is primarily the result of significant reductions in transfers from the state budget to the Social Protection Fund (SPF). In 2022, the amount of transfers from the Budget to the Fund is forecasted to be 1145.9 million AZN, which is 453 million AZN or 28.3% less than the previous year. There are two major reasons behind this reduction. Firstly, the Social Protection Fund has a balance (accumulated) of unspent money from previous years; secondly, the Fund is forecasted to expand its income base due to an expected rise in salaries and other social insurance payments. Allocations for the Fund will comprise 32.1% of the total social protection package of the budget.

Other than transfers to the Social Protection Fund, there will be a rise in the remaining expenditures on the social protection system.

In 2022, the total amount of pensions and allowances expenditures is expected to be 1252.8 million AZN, which is 213.9 million AZN (20.6%) higher than the previous year. These expenditures will comprise 35.1% of the total amount for social protection spending.

The approved amount for the protection of refugees is 367.3 million AZN, which is 10 million AZN or 2.8% higher than the previous year.

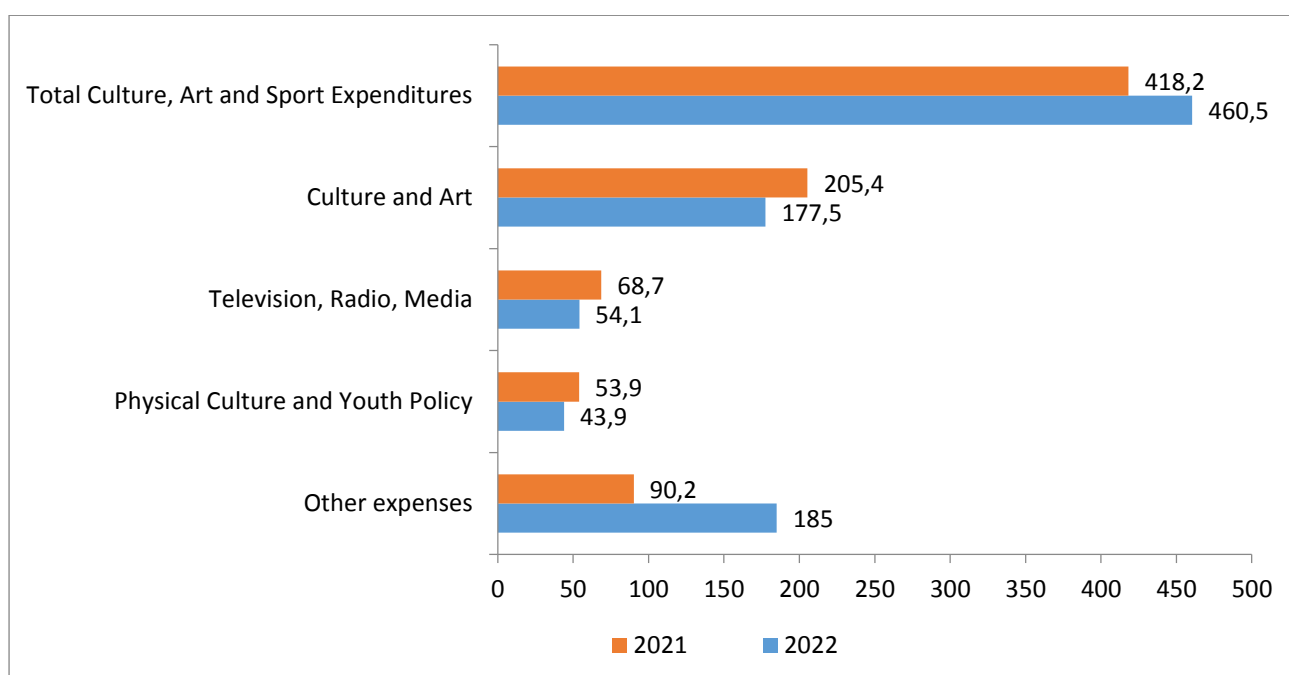
Figure 12. Allocation of Social Protection Expenditures, million AZN



It is planned that in 2022, the social protection package will include: targeted social aid – 277.7 million AZN (25.5 million AZN or 10.1% higher than the previous year); aid for the children of families with low income and for birth of children – 27.3 million AZN (0.2 million AZN or 0.7% less than the previous year); organization of paid public works for the unemployed – 272 million AZN (116 million AZN or 74.4% more than the previous year).

460.5 million AZN from the budget will be allocated to the organization of cultural, art and sporting events in 2022. This amount is 42.3 million AZN or 10% more than in the budget of previous year.

Figure 13. Allocation of Expenditures on Culture, Art and Sport, million AZN



177.5 million AZN of category's expenditures will be spent on cultural and artistic events. These expenses are planned for the support of three areas – libraries, museums and cultural establishments (clubs, cultural palaces, theaters, music bands).

The main portion of expenditures for television, radio and media, 34.2 million AZN of the total 54.1 million AZN allocated, will finance “Azerbaijan Teleradio” Closed Share Holding Company (the state-owned media company), while the remaining 17.1 million AZN will go to the Public Tele-Radio Broadcasting Company. Plus, 1.9 million AZN will be spent to support the “Azerbaijan” Publishing House, and 619 thousands AZN will go to the multinational state television broadcaster (for the CIS) «Mup».

An additional 185 million AZN allocated to the segment called “Other culture and art” funds a broad set of institutions and programs. 33.2 million AZN from this segment is planned to fund an increase in salaries of those employed in the Ministry of Culture and its subsidiaries; 1.5 million AZN is set aside for the Mugham Center; 6.4 million AZN for non-governmental organizations; 1.3 million AZN for International Multiculturalism Center; 11.4 million AZN for the Heydar Aliyev Center; 5 million AZN to political parties; and 51.9 million AZN to support public legal entities engaged in culture, art and sport.

It is planned that in 2022, 266.8 million AZN will be allocated from the state budget to the housing and utilities services (3.9 million AZN or 1.5% more than in previous year). 43.8 million AZN will be given to local executive administrations as expenditures for housing services. 5.9 million AZN from this amount will be spent to subsidize housing-maintenance institutions and 37.9 million AZN is planned for extensive repairs of apartment blocks.

112.9 million AZN expenditure is planned for utilities services. 6.9 million AZN from that amount will be given to the Ministry of Environment and Natural Resources to carry out amelioration services. The Refugees Committee will receive 327.5 thousands AZN for the same described purpose. Local executive administration will receive 64.5 million AZN for lighting services and 41.1 million AZN will be spent to subsidize “Azəristiliktəchizat” Open Stock Company which is a central heating provider-authority in the country.

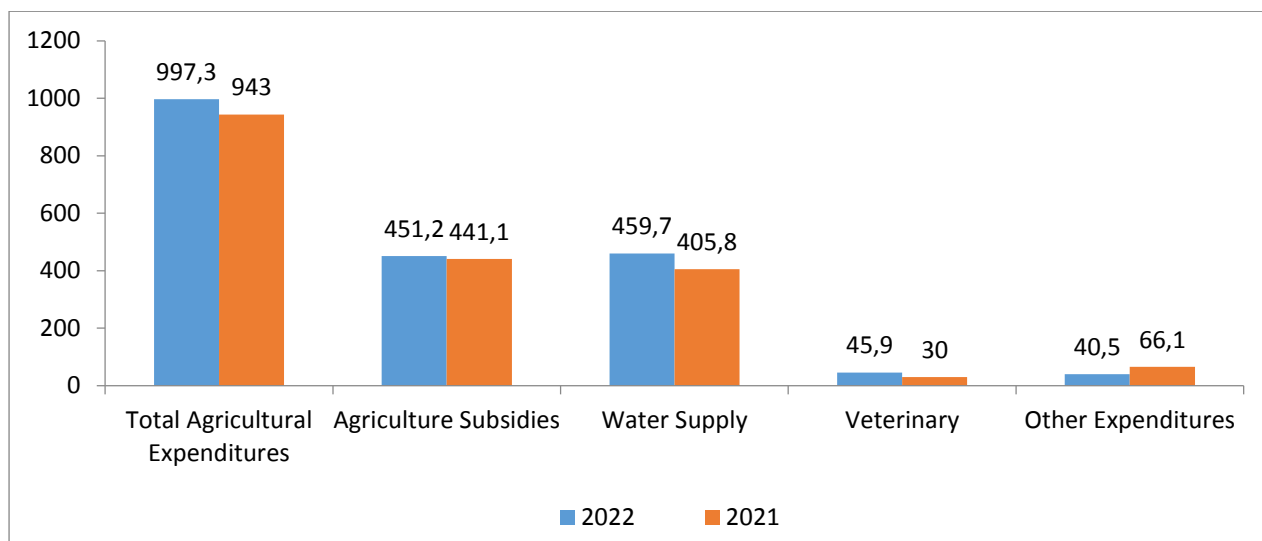
The water provider-authority “Azərsu” Open Stock Company will receive 10 million AZN and the Ministry of Emergency Situations 4.5 million AZN.

90.2 million AZN of the total amount allocated to housing and utilities services is described in the budget as other service expenses. 3.1 million AZN from this amount will be given to the Refugees Committee; 35.6 million AZN to local executive administrations; 34.6 million AZN to subsidize housing-maintenance institutions; and 16.6 million AZN as financial aid to public legal entities engaged in this field.

The budget's agriculture category will account for 997.3 million AZN in spending in 2022. This is 54.3 million AZN (5.8%) more than the previous year.

In 2022, 477.5 million AZN from this category's budget will be spent on financing agricultural activities and 459.7 million AZN on financing the water-supply system. The increase in subsidies is not significant (approximately 10 million AZN or 2.2%). Water-supply expenses are forecasted at 54 million AZN (13.2%) and veterinary expenses 15.9 million AZN (53%).

Figure 14. Allocation of Agricultural Expenditures, million AZN



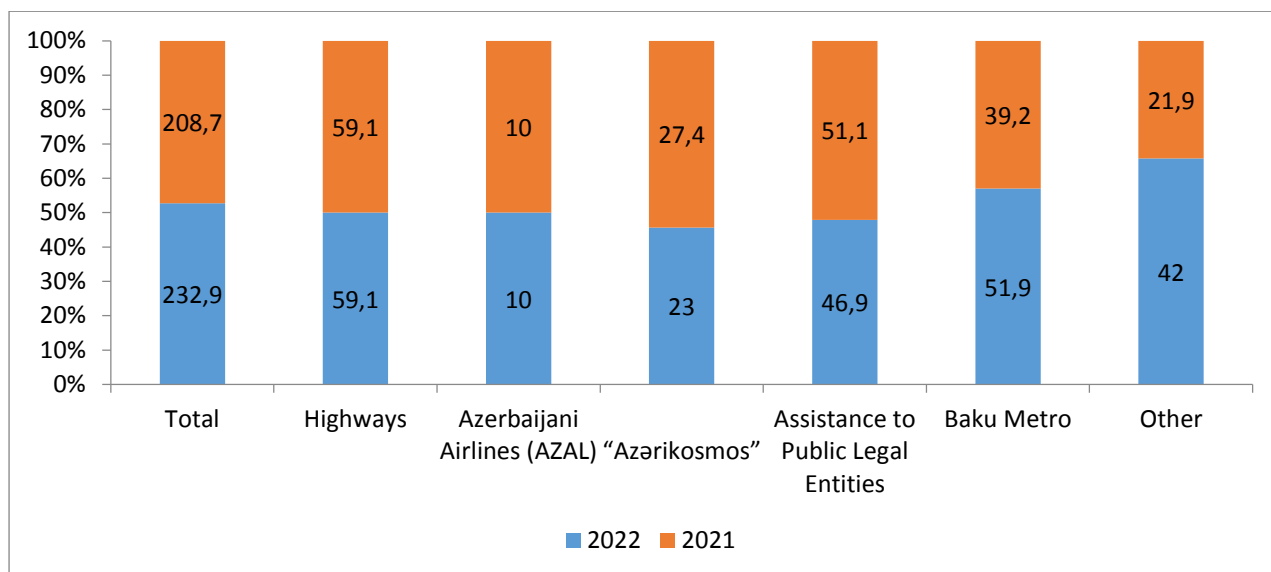
The planned investment expenditure in the current year's budget is 4989.8 million AZN. 2200.0 million AZN from that amount is designated for the financing of reconstruction of liberated territories and 2789.8 million AZN will be spent for other investments projects. Expenditure for investments in the current year's budget is 45.2 million (1.6%) less than the previous year. The amount allocated for the reconstruction of liberated territories did not change, and the decrease of its share in expenditures is a result of the increased spending on other investments.

In 2022, 286.2 million AZN will be spent on the preservation of environment. It is 10.7 million AZN (3.9%) more than in the previous year. The Ministry of Environment and Natural Resources will receive funds from this category of the budget for various purposes. 7.7 million AZN will be spent to protect biodiversity; 10.9 million AZN for projects in hydrometeorology; 3.8 million AZN for forest management; 1.4 million AZN for fishing and hunting establishments. Within the framework of this category 248.9 million AZN is planned for collection of garbage and dirty waters. Last year spending for these purposes was 6.9% less. 9.2 million AZN of the total 248.9 million AZN allocated for these purposes will be given to the Refugees Committee; 202 million AZN to local executive offices; and 33 million AZN to "Clean City" Open Stock Company.

The amount approved for transport and communication expenditures is 232.9 million AZN, which is 24.2 million AZN or 11.6% higher than the previous year.

The expenses of this category are subsidies to state-owned companies in the field of transport and communication. Azerbaijani Airlines will receive 10.0 million AZN (the same as the previous year), "Azarkosmos" 23 million AZN (4.4 million AZN less than in the previous year), Baku Metro 51.9 million AZN (12.7 million AZN more than the previous year), public legal entities active in transport and communication field 46.9 million AZN (4.2 million AZN less than the previous year). Apart from this, in 2022 59.1 million AZN will be spent in the "highways" subcategory. 43.2 million AZN of this amount will be under the authority of local executive administrations and the remaining 15.9 million AZN will be divided between several state institutions, such as the Ministry of Environment and Natural Resources, the Ministry of Communication and Advanced Technologies and others.

Figure 15. Distribution of Transport and Communication Expenditures, million AZN



In 2022, 56.1 million AZN will be spent in the “Economy and Commerce” subcategory of the budget, which is 0.7 million higher than in 2021. All of this amount will be spent to finance tasks within the framework of the state’s policy on the development of tourism. Therefore, all expenditures for this subcategory will be carried out by the State Tourism Agency.

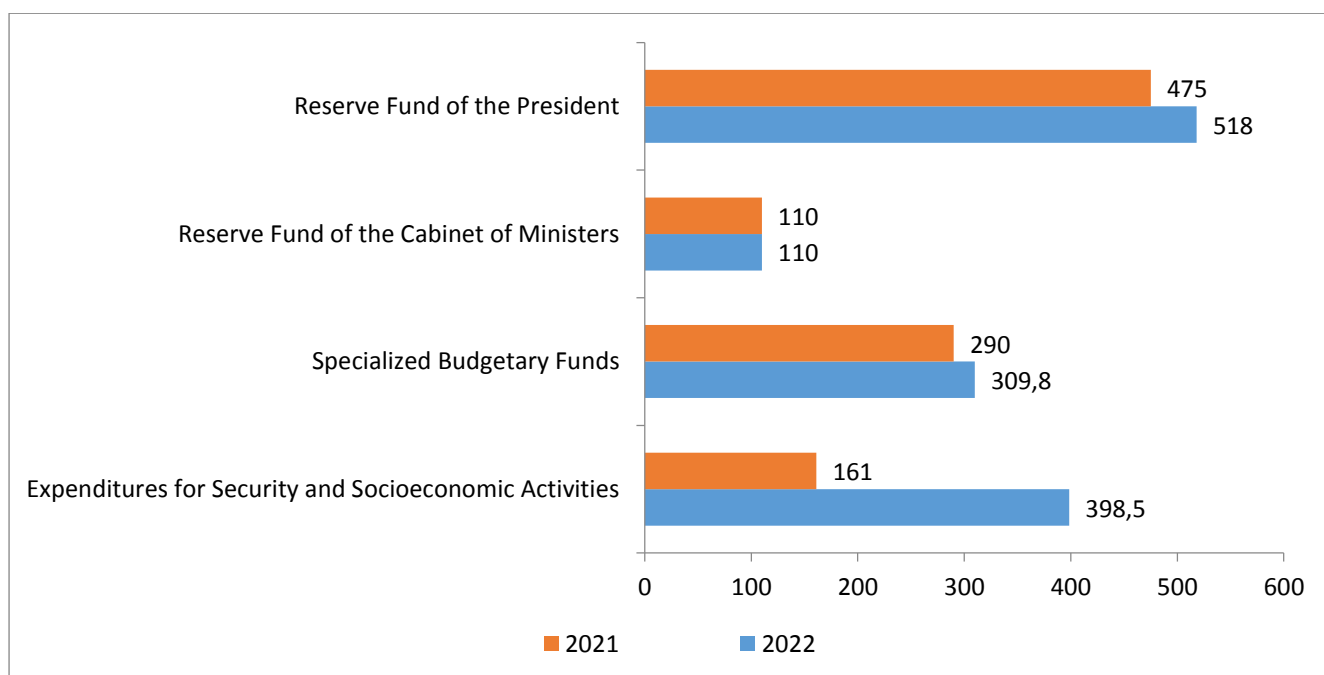
656.4 million AZN is allocated to finance various economic activities in 2022, under the “other expenses” paragraph of the “Economic Activity” category. This is 28.1 million AZN or 4.5% higher than the previous year. The distribution of this amount is as follows: 100 million AZN (previous year was 87.5 million AZN) to the Mortgage and Credit Guarantee Fund; 214 million AZN to finance socioeconomic activities; 11.3 million AZN for the promotion of non-oil exports; 140 million AZN (the previous year was 288.2 million AZN) for the support of economic measures and activities; 63.9 million AZN (the previous year was 46.5 million AZN) for the support of public legal entities; and 13 million AZN to the Azerbaijani Investment Holding.

Finally, 1417.4 million AZN is allocated to one of the main expenditure categories of the budget called “Expenditures on the Services Not Included in the Main Categories”. This amount is 60.7 million AZN or 4.1% less than the forecasted expenditures of the previous year. Again, the targeted entities for distribution of these funds are quite broad; however, the main portion is intended to finance activities of various budgetary funds and other socioeconomic projects.

In 2022, 518 million AZN will be allocated to the Reserve Fund of President, which is 43 million AZN or 9% more than in the previous year. The Reserve Fund of the Cabinet of Ministers will receive the same amount as in 2021 i.e., 110 million AZN.

309.8 million AZN (29.8 million or 10,3% higher than the previous year) will be given to specialized budgetary funds. The main portion of this money i.e., 300 million AZN will be received by the “Highways” Specialized Budgetary Fund. And the remaining 9.8 million AZN will be allocated to other specialized budgetary funds, such as “Protection of Forests”, “Protection of Environment” and others.

Figure 16. Expenditures on Some Areas of Economic Activity, million AZN



398.5 million AZN (in 2021, this was 161 million AZN) from this category's funds are designated for security and socio-economic activities. Unfortunately, there is no information explaining on which projects and activities this amount will be spent.

- **The Economic Structure of Budget Expenditures for 2022**

The economic distribution of budget expenditures reflects final purpose of expenditures. Therefore, the following overview of the budget's expenditure distribution, which is structured according to this principle, provides the possibility to see amounts of expenditures on salaries, pensions, social assistance, financial actives, repayment of debt, capital and non-capital construction, utilities (electricity, natural gas, water consumption) in each category, sub-category and paragraph.

Table 3. Allocation of Budget Expenditures According to Economic Components

Components of expenditure	2022	2021	Increased (decreased) in 2022	
			Million AZN	%
Compensation for labor	8097.3	6592.3	1505	22.8
Fuels and lubricants	134.7	114.8	19.9	17.3
Medicine	102.5	174.3	-71.8	-41.2
Soft inventory	215.8	194.3	21.5	11.1
Food products	466	441.9	24.1	5.5
Current repair	163.7	145.5	18.2	12.5

Utilities	445.8	377	68.8	18.2
Communication services	75.6	75.8	-0.2	-0.3
Rent and protection of main funds and assets	213.4	188.9	24.5	13.0
Maintenance of main funds and assets	32.3	27.6	4.7	17.0
Expenses for business trips	67.2	56.1	11.1	19.8
Bank expenses	44.3	39.3	5	12.7
Organization of international events and meetings	228.8	107.5	121.3	112.8
Interest and payments	632.3	625.8	6.5	1.0
Subsidies	1440.2	1645.1	-204.9	-12.5
Untargeted budget support	436.9	383.2	53.7	14.0
Social payments	3674.1	3752.2	-78.1	-2.1
Non-financial assets	8024.8	8330.3	-305.5	-3.7
Activities required by commitments	1167.7	1570.7	-403	-25.7

Although in 2022 total expenditures of the state budget rose by 4.7%, the dynamics of individual economic components are strongly varied. For instance, while there will be a 22.8% (1505 million AZN) increase in labor compensation, a 112.8% (121.3 million AZN) increase in spending on the organization of international events and meetings, a 18.2% (68.8 million AZN) increase in spending utilities services, a 53.7 million AZN (14%) increase in untargeted budget support expenditures for activities required by commitments decreased by 25.7% (403 million AZN) and expenses for non-financial assets by 3.7% (305.5 million AZN).

One of the topics which always attracts public interest is the distribution of funds for the compensation of labor. The state budget package submitted by the government to the parliament envisages that 33.4% or 2707.1 million AZN of the total amount allocated to labor compensation will go to educational institutions; 20.8% or 1678.7 million AZN to judiciary, law enforcement, and prosecution; 12.3% or 1052.2 million AZN to executive and legislative branches of the government; 1.9% or 152.8 million AZN to the healthcare system; 1.8% or 145.4 million to science and research institutions; and the remaining 2361.1 million AZN (29.1%) to other public organizations.

3. Non-Budgetary State Funds

According to Azerbaijan's [Law on Budget System](#), non-budgetary funds are specialized state financial funds founded by the state as legal entities that have independent budgets separate from the state budget. Currently, there are three non-budgetary funds in the Republic of Azerbaijan. These are the [State Oil Fund](#), the [State Social Protection Fund](#) under the Ministry of Labor and Social Protection of Population and the Unemployment Insurance Fund. Non-budgetary state funds are part of the budget system, and their revenues and expenditures are indicated in consolidated budget. The budgets of non-budgetary funds are approved by parliament each year.

Non-budgetary funds are included in the sources of revenues and targets of expenditures of the state budget, depending on their purpose. The State Oil Fund is the largest revenue source of the state budget. In 2022 47.4% of state budget's revenues will be transfers from the State Oil Fund. The State Social Protection Fund is the expenditure target of the state budget. In 2022 1.146 billion AZN will be allocated to the latter from the state budget. This is 3.8% of the state budget's total expenditures. The amount allocated to the State Social Protection Fund from the state budget will comprise 21.6% of the Fund's total budget revenue.

3.1. The State Oil Fund of the Republic of Azerbaijan

It is forecasted that in 2022, revenues of the State Oil Fund's (SOFAR) budget will be [10.59 billion AZN](#), which is 32.4% or 2.59 billion AZN higher than the previous year's [8 billion AZN](#).

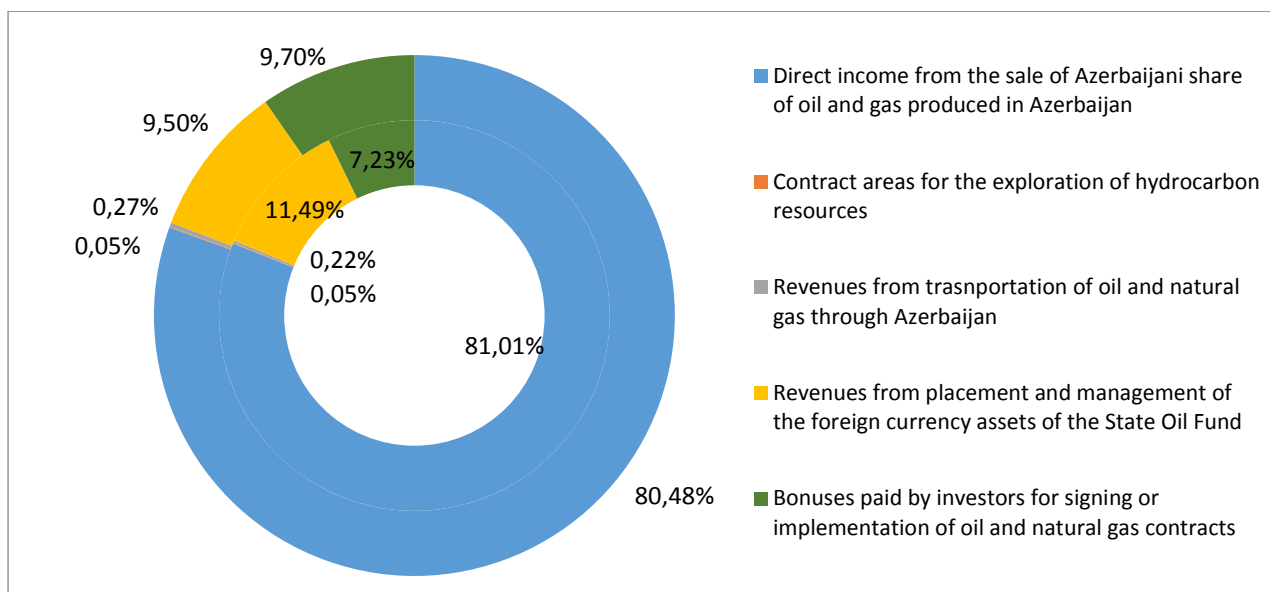
The Fund based its calculations estimating that in 2022 an average price for export of one barrel of oil will be 50 USD and the exchange rate of the local currency will be 1.70 AZN per 1 USD .

According to the Presidential [Decree](#) on the Budget of the State Oil Fund of the Republic of Azerbaijan, for the year 2022 revenues of the Fund will come from following sources:

Direct income from the sale of the Azerbaijani share of oil and gas produced in Azerbaijan.¹ In the structure of the Fund's revenues, this is the largest source. 81.0% or 8.58 billion AZN of SOFAR's revenues come from this source. The Fund's revenues from this source increased 33.2% in comparison with the previous year. Last year the revenue from this source was 6.44 billion AZN and comprised 80.5% of the Fund's revenues.

¹ After subtraction of expenses for transportation of hydrocarbons, expenses related to bank and customs proceedings, independent surveyors, marketing and insurance as well as subtraction of incomes originating from shares of SOCAR in the projects where this company is investor, shareholder or partner.

Figure 17. Revenue Sources of the State Oil Fund



According to the [information](#) provided by the Chamber of Accounts, in 2022 a production of 170.1 million barrels of crude oil from the Azeri-Chirag-Guneshli field is forecasted. This is 1.5 million barrels less than in 2021 (171.6 million barrels). The Chamber estimates that despite the decrease in production, the hike in the price of natural gas produced from Shah-Deniz field makes the Fund's forecasted revenues from oil and gas sales achievable.

The second largest source of revenue for SOFAR is income gained from the placement and management of foreign currency assets. It is forecasted that revenues from this source will be 1.22 billion AZN, which is 60.2% more than the forecast for the previous year. Due to this increase this source's share in the Fund's overall revenues will increase from 9.5% to 11.5%.

The [average annual profitability](#) of the Fund's assets in 2022 is estimated to be 1.7%, which is higher than in 2021 (1.9%). Within this revenue source, it is expected that profitability from debt commitments and money markets will be 0.74%, from shares 4.7% and from real estate 5.2%.

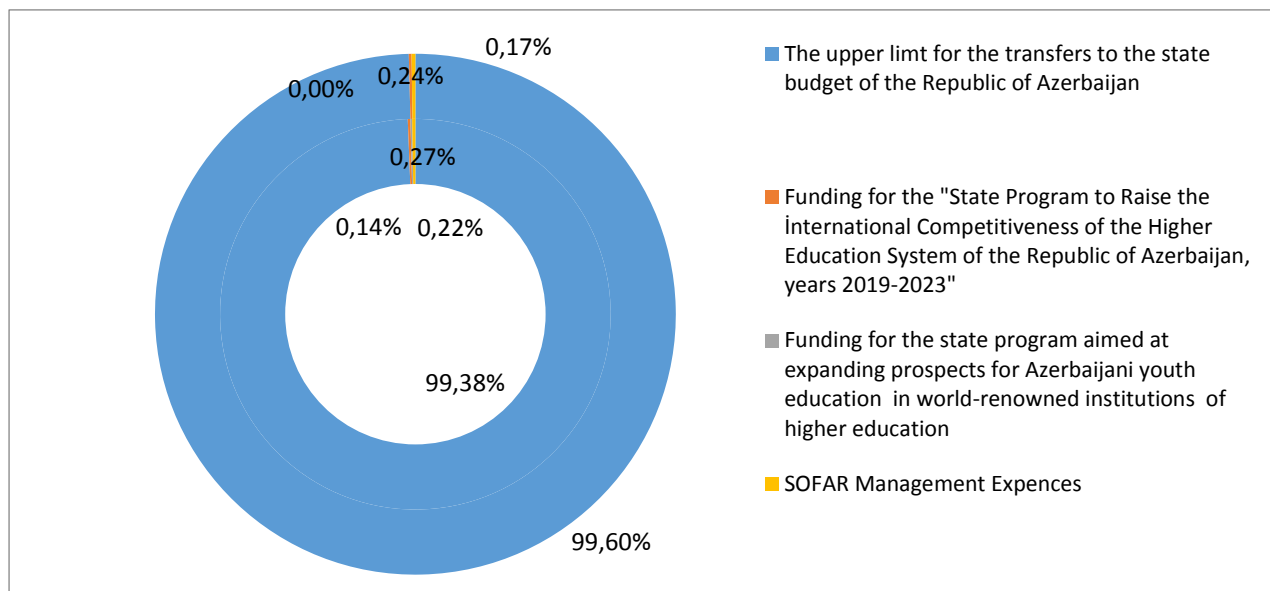
Unlike the above sources of revenue, a 1.4% decrease in bonuses paid by investors for signing or for the implementation of oil and natural gas contracts is expected. Bonuses will be in the amount of 765.3 million AZN, which comprises 7.2% of Fund's total revenues.

It should be noted that according to article 29.2 of the Agreement on the Joint Development and Production Sharing for the Azeri and Chirag and Deep-Water Portion of the Guneshli field in the Azerbaijani sector of the Caspian Sea which renewed on 14 September 2017, the fund will receive payments in the amount of 3.6 billion USD between the years 2018 and 2025. 45 million USD or 765 million AZN from this amount will be received in the first month of 2022.

In comparison with the previous year, per-acre payments of investors for the usage of contract areas for the exploration of hydrocarbon resources will rise by 27.4% and will reach 5.3 million AZN, and revenues from the transportation of oil and natural gas through Azerbaijan will rise 6.2% to reach 23.3 million AZN.

It is forecasted that in 2022, the expenditures of SOFAR’s budget will be [12.7 billion AZN](#). This is 4.4% or [540.24 million AZN](#) higher than the Fund’s forecasted revenues for 2021. The Fund’s planned expenditures for the last year were [12.25 billion AZN](#).

Figure 18. Expenditures of the State Oil Fund



As was the case in 2022, the majority portion of the Fund’s expenditures will be transfers to the state budget. In the current year this will amount to 99.4% (12.7 billion AZN) of the Fund’s expenditures. In comparison with 2021, the amount of transfers to the state budget from SOFAR increased by 4.2% (510 million AZN). This will be the highest ever transfer. In 2021 the forecasted amount of transfers to the state budget from SOFAR was 12.2 billion AZN. According to the Ministry of Finance, last year transfers between January-November amounted to [9.68 billion AZN](#). According to SOFAR, between January-December, the amount of US currency sold by SOFAR in order to make AZN transfers to the state budget was [6.688 billion USD](#). This amount is equal to 11.37 billion AZN. This means that the amount of foreign currency sold was 830.4 million AZN less than the forecasted amount of transfers for 2021 (12.2 billion AZN).

The second biggest expenditure category in the Fund’s budget is expenses for its management. In comparison with 2021, management expenses of the Fund increased by 1.6% or 5.1 million AZN and reached 34 million AZN. Management costs comprise 0.27% of the Fund’s budget. The main reason for their rise is the 50.6% increase in labor compensation expenditures.

The largest percentage increase (35.6%) in the Fund’s expenditures will be in the category “Funding for the State Program to Raise International Competitiveness of the Higher Education System of the Republic of Azerbaijan, years 2019-2023”. In 2022 27.84 million AZN or 0.22% of Fund’s budget expenditure will be spent on this category. According to the Ministry of Education, [8.6 million AZN](#) from the total allocated amount will be spend to finance Azerbaijani doctoral students abroad, 18.8 million AZN to support dual diploma programs and 436 thousand AZN to finance the Management Group of the State Program responsible for its implementation.

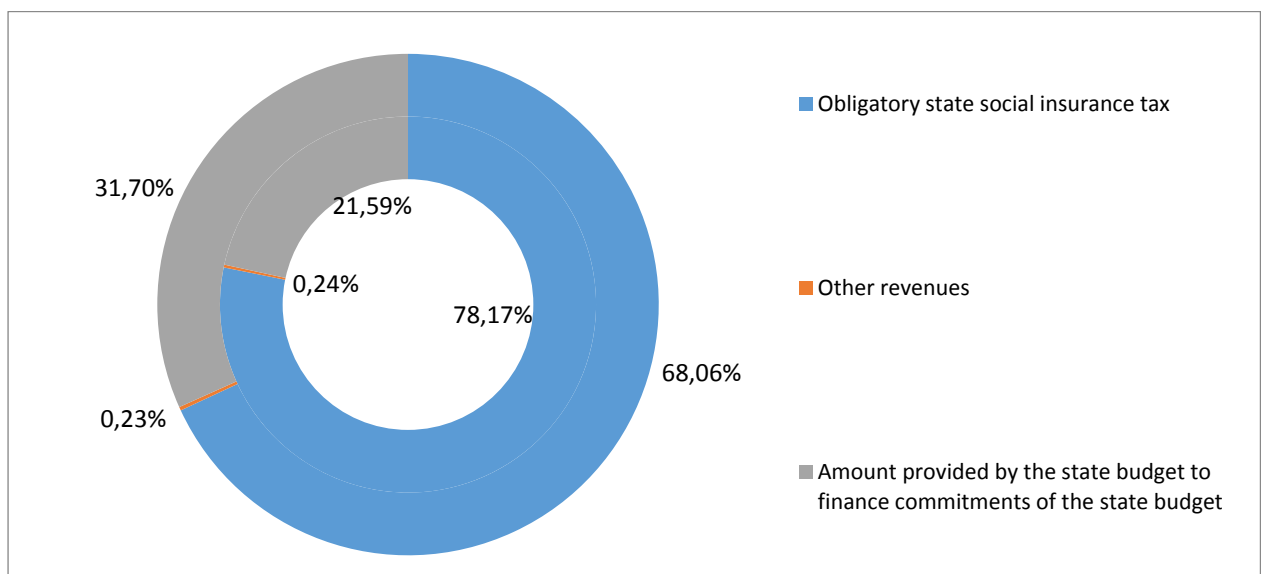
Another interesting expenditure is the restoration of funding for Azerbaijani students studying in “influential universities.” 17.85 million AZN will be allocated for this purpose.

3.2. The State Social Protection Fund

It is forecasted that in 2022 revenues of the State Social Protection Fund (SSPF) will be [5.31 billion AZN](#). This is 3.1% or 160.7 million AZN higher than the forecasted amount for 2021. The forecasted revenues of the Fund for the past year were [5.15 billion AZN](#).

As usual the main source of SSPF's revenues will be the obligatory state social insurance tax; 78.2% of its revenues will come from this tax. In 2022 the Fund plans to collect 4.15 billion AZN in obligatory state social insurance taxes. This amounts to 18.4% or 645.7 million AZN more than in 2021. 56.4% of this increase will come from the public sector. The public sector will pay 364 million AZN more in comparison with the previous year.

Figure 19. Revenue Sources of the State Social Protection Fund



In general, 41.2% of the obligatory state insurance tax is collected from the public sector and 58.8% from non-public sector. In 2021 the public sector's share was 38.4%. In 2022 1.5 billion AZN will be paid by organizations financed from the state budget; 205.1 million AZN by employees of organizations financed from the state budget; and 2.44 billion AZN will be collected from the non-public sector. In comparison with 2021, revenue from the public sector will increase by 27.1% and from the non-public sector by 13.1%.

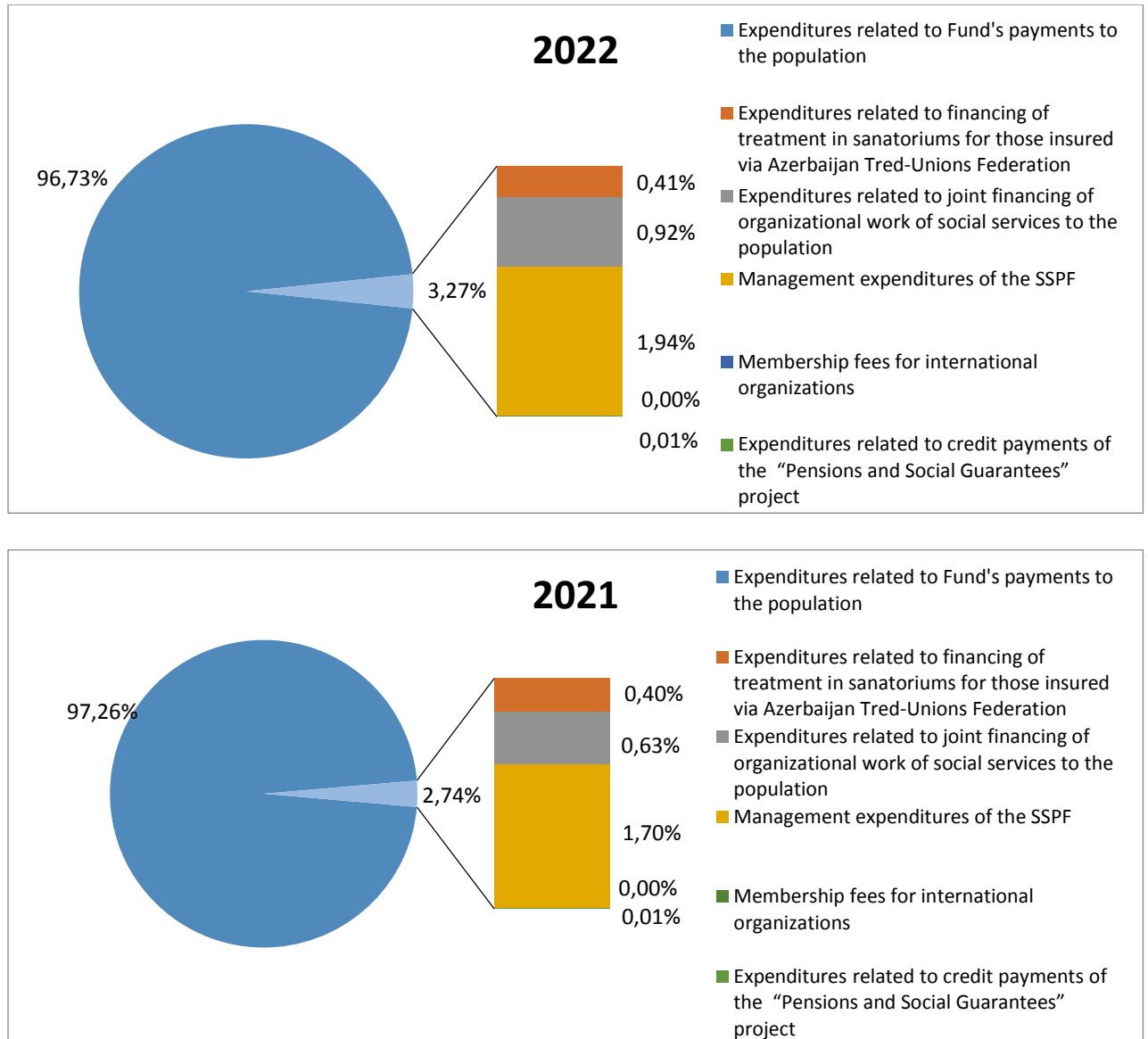
60 million AZN collected from the non-public sector will be paid by individual entrepreneurs. Despite the fact that in 2022, the minimum wage increased by 20%, the forecasted amount of social insurance tax collected from the non-public sector did not change from the previous year. This means that in 2022 the burden of the non-public sector's increase will be placed on shoulders of the employees.

The state budget makes significant contributions to the Fund's revenues: each year there are transfers from the state budget to the Fund. In 2022 21.6% of Fund's incomes will be transfers from the state budget to meet its commitments. The amount of these transfers will be 1.15 billion AZN. The amount of transfers from the state budget will be 29.8% or 485.56 million AZN less than the previous year. The share of these transfers in the overall income of the Fund decreased from 31.7% to 21.6%.

In the category of “other revenues,” the Fund’s budget revenues will rise 5% from last year to reach 12.6 million AZN.

The SSPF’s forecasted expenditures for 2022 is 5.3 billion AZN, which is 3.1% or 160.74 million AZN higher than in the previous year.

Figure 19. Expenditures of the State Social Protection Fund



In 2022 96.7% or 5.13 billion AZN of SSPD’s budget will be expenditures related to the Fund’s payments to the population. This is expected to be 2.6% or 128.2 million AZN higher than in 2021.

96.5% or 4.95 billion AZN from the Fund’s expenditures related to payments to the population are the payments of pensions; 3.5% or 182 million AZN are payments of social insurance commitments. In comparison with 2021, this year’s expenses for labor pensions increased by 1.4%, while expenditures for payments of social insurance commitments increased by 31.5%.

Expenditures for payments of social insurance commitments include several components, such as payments for temporary loss of work abilities; for pregnancy and giving birth; for birth of child; for care for kids under three years old; for funerals. The Fund plans to allocate 52 million AZN, which is 37.2% higher than the previous year, to those who temporarily lost the ability to work. 50 million AZN will be spent in the pregnancy and birthing category, 20 million AZN in the birth of child category, 15 million AZN in the care of children under three years old category and 45 million AZN in the funerals category. In comparison with the previous year, expenditures for pregnancy and birthing increased by 19.9%, for birth of child by 41%, for funerals by 46.5%, while expenses for the care of children under three years old decrease by 7.8%.

Expenditures related to the finance of treatment in sanatoriums of those insured via Azerbaijan Tred-Unions Federation in SSPD's budget increased one million AZN to reach 21.5 million. Membership fees for international organizations also rose by 5 million AZN, reaching 65 million. Expenditures related to credit payments for the project entitled "Pensions and Social Guarantees," according to the agreement between Republic of Azerbaijan and International Development Association, did not change and remained 600 thousand AZN as in 2021.

Expenditures related to the joint financing (with the body authorized by SSPD) of the organizational work of social services to the population as well as expenditures related to bank fees pertinent to pensions and allowances and other service fees increased by 49.5% or 1.1 million AZN to reach 48.7 million AZN. In 2022 18.7 million AZN will be allocated for expenditures related to bank fees pertinent to pensions and allowances and other service fees.

The management expenditures of SSPD is the second budget spending category of the organization's yearly budget. The Fund plans to spend 102.9 million AZN for these expenses in 2022, which is 15.4 million AZN or 17.6% higher than the previous year. The category's share in the total expenditures of the budget is 1.9%. [According to the Chamber of Accounts](#), in recent years there has been a tendency for management expenses of the Fund to rise. If in 2019 the share of these expenses in the Fund's budget was 1.3%, it is now 1.9%.

3.3. Unemployment Insurance Fund

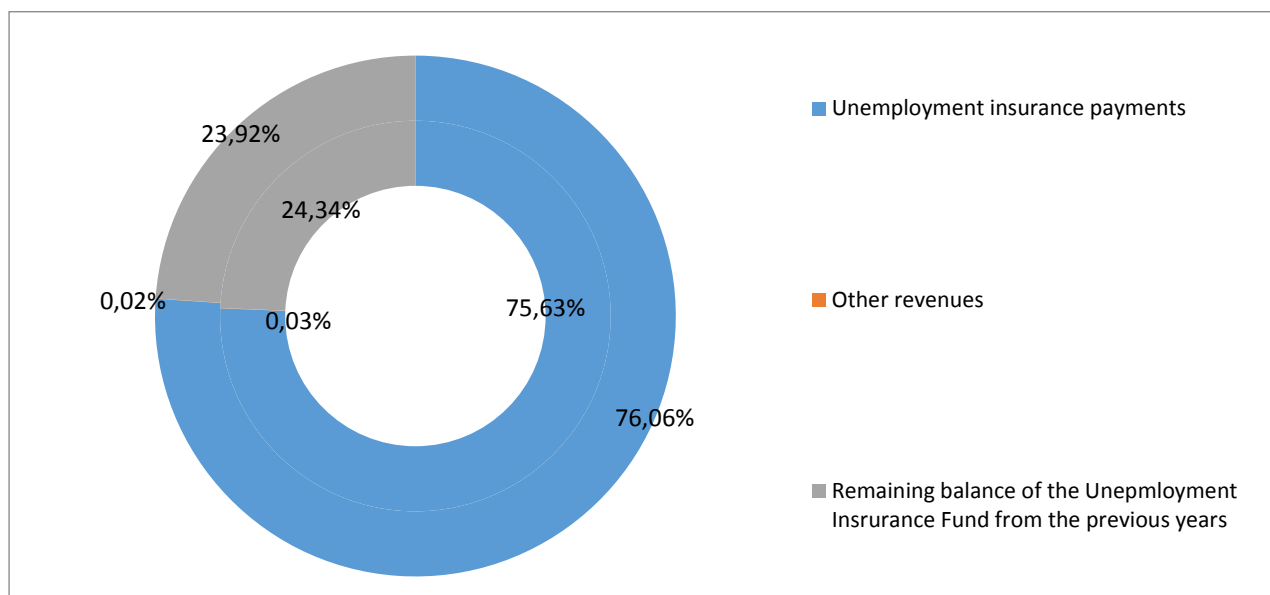
In 2022 the revenues of the [Unemployment Insurance Fund \(UIF\)](#) will be [180.4 million AZN](#). This is 14.3% or 22.6 million AZN higher than the previous year. Last year UIF's revenues amounted to [157.8 million AZN](#).

The main revenue source of UIF's yearly budget is unemployment insurance tax. In 2022 75.6% and in 2021 76.1% of the Fund's revenues are expected from this source. In comparison with the previous year, the revenue from this tax is expected to increase by 13.7% to reach 136.4 million AZN.

Unemployment insurance tax is collected from three sources: from public organizations, from those employed in public organizations and from the non-public sector. In the current year organizations financed from the state budget i.e., public organizations and employees of those organizations will pay the same amount of 21.7 million AZN (the increase from the previous year is the same as well, 29.4%), employers of public organizations will pay the same amount as well (increase is the same as well). Another 93 million AZN (7.6% higher than the previous year) will be collected from non-budget organizations i.e., non-public sector. The non-public sector's share

of unemployment insurance tax collected in the Fund's total revenues increased from 28% to 31.8% year over year.

Figure 20. Revenues of the Unemployment Insurance Fund



An additional source of the UIF's revenue is remaining balance from the previous years. It is forecasted that in comparison with 2021 in 2022, the Fund's remaining balance will increase by 16.3%, amounting to 43.9 million AZN. This is 24.3% of the Fund's expected budget revenues.

The revenue category "other revenues" will increase from 30 million AZN to 50 million AZN.

The forecasted amount of UIF expenditures in 2022 is 180.4 million AZN, which is 14.3% or 22.6 million AZN higher than the forecasted expenditures for the previous year.

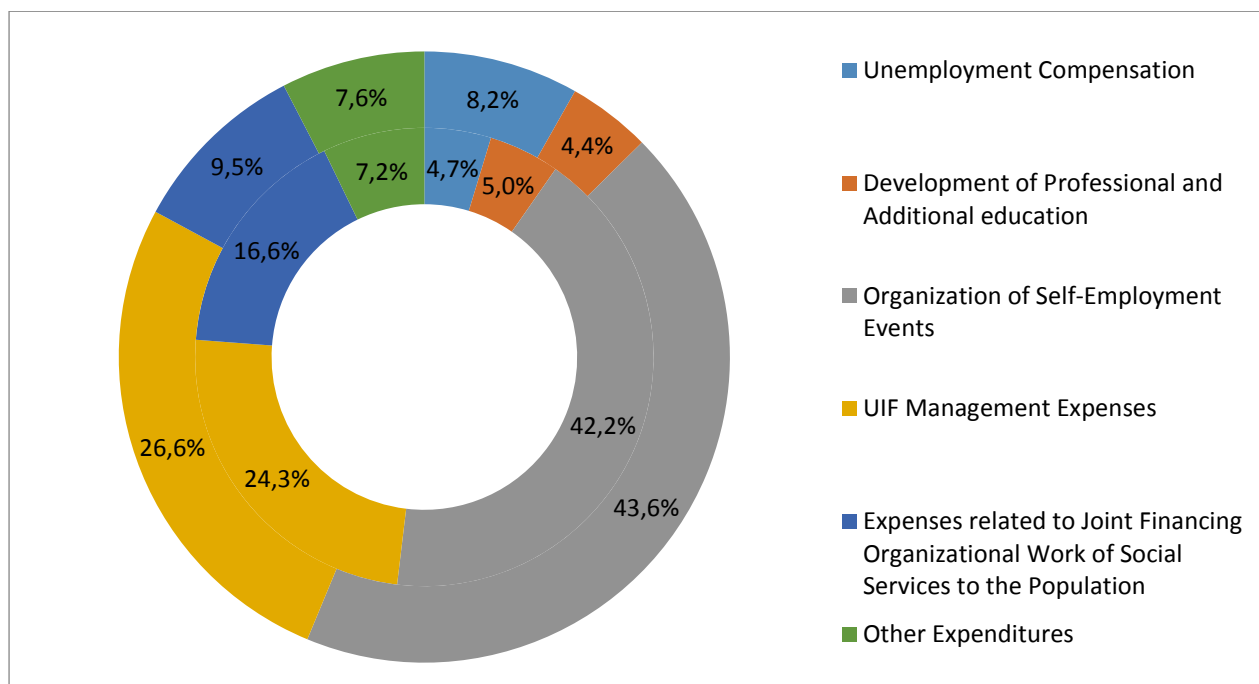
The plurality of UIF's expenditures go to the - organization of self-employment projects. It is 42.2% of Fund's budget expenses. This year the amount allocated for this category will be 76.1 million AZN, which is 10.7% or 7.3 million more than the previous year.

The management expenses of the Fund are the second largest expenditure category of the Fund's budget. 24.3% of the Fund's yearly budget or 43.8 million AZN will be spent to cover the UIF central office's needs as well as its regional offices, branches and representatives and its other subdivisions. These expenditures are expected to rise by 4.2% in comparison with the previous year.

Expenditures related to the joint financing of organizational work of social services to the population now amount to 16.6% of the Fund's expenditure budget, a two-fold increase from the previous year, to reach 30 million AZN. In 2021 the share of these expenses in the budget was 9.5%.

Expenditures for the development of professional and additional education will be increased by 28.6% to reach 9 million AZN. Expenses for the wages of employees in social service system will increase by 50%, reaching 3 million AZN. Finally, expenditures for the organization of paid public works will increase 25%, amounting to 2.5 million AZN.

Figure 21. Expenditures of Unemployment Insurance Fund



In comparison with the previous year, some expenditures will decrease. For instance, unemployment compensation in comparison with 2021 will decrease by 34.6% or 4.5 million AZN, amounting to 8.5 million AZN. In this way, the share of unemployment expenses in the expenditures of the Fund decreased from 8.2% to 4.7%. Apart from this, budget allocations to both the categories “preparation of professional standards” and “creation of workplaces to provide employment for citizens who need social protection and have difficulties in finding jobs” will decrease by 50% to one million AZN.

As in 2021, one million AZN will be allocated to each of the following: financing labor markets; financing labor trades; financing other activities according to the law aimed at the realization of the right to employment. Expenses for consultancy on career orientation will remain on the same level i.e., 2 million AZN as well.

A new category, “creation of social enterprises and implementation of targeted programs,” was added to the budget in 2022, and 1.5 million AZN were allocated to this new category.

In 2022 106.6 million AZN or 59.1% of the Fund’s expenses will be spent to provide employment, and 73.8 million AZN or 40.9% to support such institutions as the State Employment Agency, the Agency for Sustainable and Operative Social Provision, the National Observatory of the Labor Market and Problems of Social Protection as well as to finance the organizational work of social services to the population. A decrease in expenses for providing employment from 108.2 million AZN to 106.6 million AZN between [2020 and 2022](#) resulted in a corresponding decrease in its share in the total budget of the Fund from 71.6% to 59.1%.