

MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE ECONOMIC UNIVERSITY

INTERNATIONAL MASTER'S AND DOCTORAL CENTER

“IMPACTS OF COVID-19 ON STATE BUDGET OF AZERBAIJAN”

on the subject

MASTER'S DISSERTATION

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MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN
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Elmi and

Mən, Həsənəliyeva Kamilə Eldar qızı and içirəm ki, “Impacts of Covid-19 on state budget of Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

“COVID-19-UN AZƏRBAYCANIN DÖVLƏT BÜDCƏSİNƏ TƏSİRİ”

XÜLASƏ

Tədqiqatın aktuallığı: Qlobal epidemiya bu il dünyanın dövlət borcunu və maliyyə balansını daha da ağırlaşdırıb və BVF gələn il xüsusilə varlı ölkələrdə vəziyyətin daha da pisləşəcəyini gözləyir. Yuxarıda deyilənlərə əsaslanaraq belə bir nəticəyə gələ bilərik ki, tədqiqat mövzusu aktualdır və bu sahədə aparılan tədqiqatlar problemə tam yanaşmağı zəruri edir.

Tədqiqatın məqsədi: Tədqiqatın əsas məqsədi COVID-19-un dövlət büdcələrinə təsirlərini təhlil etməkdir.

İstifadə olunan tədqiqat metodları: Dissertasiya işinin işlənilib hazırlanmasında sistemli və situasiya yanaşması, müqayisəli və milli təhlil mexanizmlərindən, təhlil və sintez metodlarından, həmçinin induksiya və deduksiya, eksperiment və modelləşdirmə üsullarından istifadə edilmişdir.

Tədqiqatın informasiya bazası: Tədqiqat işinin məlumat bazasını milli büdcənin gəlir və xərclərinə dair məlumatlar, seçilmiş tədqiqat sahəsinə aid mövzular üzrə xüsusi və ümumi iqtisadi ədəbiyyatın əsas istiqamətləri, Dövlət Statistika Komitəsinin, Maliyyə və Səhiyyə Nazirliyinin statistik məlumatları, habelə yerli və xarici alimlərin tədqiqatları təşkil edir.

Tədqiqatın məhdudiyyətləri: Azərbaycanda mövzu ilə bağlı adekvat elmi araşdırmalar və praktiki məlumatların olmaması səbəbindən tədqiqatda informasiya bazasıyla əlaqədar məhdudiyyətlər yaranmışdır.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Dissertasiya işinin elmi yeniliyi qabaqcıl rəqəmsal texnologiyalardan istifadə etməklə inteqrasiya proseslərinin inkişafı kontekstində COVID-19-un Azərbaycan Respublikasının dövlət büdcəsinə təsirinin azaldılması üçün nəzəri-metodiki və praktiki tövsiyələrin işlənilib hazırlanmasındadır. iqtisadi böhran şəraitində. Bu, artıq qlobal miqyasda tədqiq edilmiş bir mövzu olmasına baxmayaraq, tədqiqatın məqsədi əldə olunmuş nəticələri biliklər toplusuna əlavə etməkdir.

Nəticələrin istifadə olunma biləcəyi sahələr: Qlobal təcrübəyə əsaslanaraq, tədqiqat Azərbaycan üçün gələcək iqtisadi artım planlarını, eləcə də COVID-19 pandemiyasının təsirini idarə etmək və optimal maliyyə sisteminin rolunu artırmaq məqsədiylə müxtəlif fəaliyyət planlarının tərtibi prosesində istifadə edilə bilər.

Açar sözlər: dövlət büdcəsi, Covid-19 pandemiyası, fiskal siyasət

“IMPACTS OF COVID-19 ON STATE BUDGET OF AZERBAIJAN”

SUMMARY

The actuality of the subject: The global epidemic has exacerbated the world's public debt and financial balances this year, and the IMF anticipates that the situation will deteriorate further next year, particularly in wealthier countries. Based on the foregoing, we can conclude that the study topic is timely and that research in this field necessitates a complete approach to the problem.

Purpose and tasks of the research: The main aim of research is to analyze the impacts of COVID-19 on state budget.

Used research methods: The systematic and situational approach to the development of the dissertation provides for the use of comparative and national analysis mechanisms, as well as methods of analysis and synthesis, as well as induction and deduction, experiment, modeling.

The information base of the research: The research database includes information on national budget revenues and expenditures, newspaper and magazine articles, main directions of special and general economic literature on selected research areas, statistics of the State Statistics Committee, Ministry of Finance and Health, as well as research of local and foreign scientists.

Restrictions of research: Due to the lack of adequate scientific research and practical information on the subject in Azerbaijan, many restrictions are placed on research.

The novelty and practical results of investigation: The scientific novelty of the dissertation lies in the development of theoretical and methodological and the development of practical recommendations for mitigating the impact of Covid-19 on the state budget of the Republic of Azerbaijan in the context of the development of integration processes using advanced digital technologies in conditions of economic crisis.

Scientific-practical significance of results: Based on global experience, the research can be utilized to design future economic growth plans for Azerbaijan, as well as various action plans to manage the impact of the COVID-19 pandemic and increase the role of optimal fiscal policy implementation in the country's economy.

Keywords: state budget, Covid-19 pandemic, fiscal policy

ABBREVIATIONS

IMF - International Monetary Fund

ADB - Asian Development Bank's

GDP - Gross Domestic Product

WHO - World Health Organization

CEPI - Epidemic Preparedness Innovation Coalition

CIS - Commonwealth of Independent States

SMEs - Small and Medium-Sized Enterprises

CONTENTS

INTRODUCTION.....	8
CHAPTER I. COVID-19 AND NEW REALITIES OF FISCAL POLICY.....	13
1.1. Covid-19 Pandemic and new realities of the national economy.....	13
1.2. The strategy of the public finance management in Azerbaijan.....	23
1.3. Peculiarities of the budget policy within the pandemic period.....	26
CHAPTER II. ANALYSIS OF THE IMPACT COVID-19 PANDEMIC ON THE STATE BUDGET OF AZERBAIJAN.....	35
2.1. Analysis of the revenues and expenditures of the state budget the Republic of Azerbaijan.....	35
2.2. Fiscal measures for relaxation negative impact COVID-19 Pandemic on the national economy.....	45
CHAPTER III. MITIGATION THE NEGATIVE IMPACT OF THE COVID- 19 PANDEMIC ON THE STATE BUDGET OF AZERBAIJAN.....	57
3.1. Stress strategy for public finance management in extremal economic periods.....	57
3.2. Foreign experience on the state budget management within COVID-19 pandemic.....	66
3.3. Implementation an optimal fiscal policy for mitigation negative impact of Covid-19 Pandemic on the state budget of Azerbaijan.....	73
CONCLUSION AND SUGGESTIONS.....	84
LIST OF USED LITERATURE.....	89
EXTRAS.....	94
List of tables.....	97
List of graphs.....	97
List of figures.....	97

INTRODUCTION

Relevance of the topic: It is still impossible to provide a definitive assessment of the consequences of the worldwide pandemic on the global economy since data on the effects of the epidemic on the global economy is constantly changing. However, we believe that existing assessments from moderate entities like the World Bank Group and the IMF are sufficient to gather precise information on the current course of events. According to the most recent data from the World Bank, the impact of the epidemic on the world economy is incomparable to what has occurred in recent decades. According to baseline predictions, the global economy is predicted to decelerate by 5.2 percent in 2020, with 7.0 percent in wealthy countries and 4.7 percent in Europe and Central Asia. According to these projections, Azerbaijan's economy will contract by 2.6 percent.

The global epidemic has exacerbated the world's public debt and financial balances this year, and the IMF anticipates that the situation will deteriorate further next year, particularly in wealthier countries.

According to the IMF's Financial Review Bulletin issued in October 2020, the ratio of the world's total financial balance to GDP grew from -3.9 percent in 2019 to 12.7 percent in 2020 as a result of the pandemic measures. It is expected to happen in 2021. 7.6% is possible. The IMF also predicted that the global public debt-to-GDP ratio would rise from 83.0 percent in 2019 to 98.7 percent by the end of the year and 99.8 percent in 2021, up from 83.0 percent in 2019.

According to the IMF, the global budget spent on fighting the epidemic has reached \$11.7 trillion, or 12.0% of global GDP. Despite the short-term impact of budget dollars, experts stress the need to utilize them in the long run.

Based on the foregoing, we can conclude that the study topic is timely and that research in this field necessitates a complete approach to the problem.

Problem statement and level of study: The impact of the COVID-19 pandemic on the state budget has been extensively investigated by others, including Arner D.W., Benmelech E., Moskowitz T.J., Kocher B.M., and Acharya V.V. Theoretical issues of the impact of the COVID-19 pandemic on the state budget have

been discussed by various foreign theorists, including Arner D.W., Benmelech E., Moskowitz T.J., Thus, Arner D.W. demonstrated in his works that the forecasts are more negative, taking into account the pandemic's extension and, as a result, the increased quarantine or isolation regime, as well as the positive dynamics in 2021. The low base year is the key reason behind this. The effect is predicted to increase in comparison to 2020, but it will be accompanied by a decrease.

Object and subject of research: The subject of the dissertation is the economic and financial impacts of Covid-19 that arise in the process of ensuring the stability of the state budget of the Republic of Azerbaijan.

The object of the dissertation work is the state budget system of Republic of Azerbaijan during the pandemic.

Aim and objectives of the study: The main aim of research is to analyze the impacts of COVID-19 on state budget. In order to achieve the set goal, we consider it expedient to perform the following tasks:

- The revenues and expenditures of the state budget the Republic of Azerbaijan have to analyze;
- Fiscal measures for relaxation negative impact COVID-19 Pandemic on the national economy have to research;
- Foreign experience on the state budget management within COVID-19 pandemic has to analyze;
- Implementation an optimal fiscal policy for mitigation negative impact of Covid-19 Pandemic on the state budget of Azerbaijan has to research.

Methods of the study: The systematic and situational approach to the development of the dissertation provides for the use of comparative and national analysis mechanisms, as well as methods of analysis and synthesis, induction and deduction, experiment, modeling.

As the first chapter of the research is based on the analysis of theoretical issues, it will use methods such as data collection, systematization, as well as scientific abstraction, induction and deduction.

The second chapter of the research uses comparative analysis, evaluation and

empirical methods.

The third chapter of the study analyzes international experience in reducing the negative impact of the Covid-19 pandemic on the state budget.

Then, using the synthesis process, these chapters are merged in the economic system. The dissertation's economic data is collected, systematized, and investigated using the induction approach. Then, using the deduction process, theoretical conclusions, general principles, or, in other words, the appropriate suggestions for practical action are determined based on these gathered data.

Research database: The research database includes information on national budget revenues and expenditures, newspaper and magazine articles, main directions of special and general economic literature on selected research areas, statistics of the State Statistics Committee, Ministry of Finance and Health, as well as research of local and foreign scientists. In general, the research process examined official sources, used a collection of statistical data on the country and the world economy, as well as their analysis to collect comprehensive information about the current state of the world economy during the pandemic.

Restrictions of research: Due to the lack of adequate scientific research and practical information on the subject in Azerbaijan, many restrictions are placed on research. Given that Covid-19 is a pandemic that has occurred in the last two-three years, there are some limitations in the development of research due to the lack of local and foreign researches in this area.

Scientific novelty of the research: The scientific novelty of the dissertation lies in the development of theoretical and methodological and the development of practical recommendations for mitigating the impact of Covid-19 on the state budget of the Republic of Azerbaijan in the context of the development of integration processes using advanced digital technologies in conditions of economic crisis.

The most important results containing scientific novelty include the following provisions of the dissertation:

- The author's interpretation of the modern trends in the formation of budget policy related to: minimization of budget risks by increasing the efficiency of the

distribution of financial flows and capital; global transaction costs; the rapid development of innovative digital technologies and their practical application in financial operations and production processes, significantly accelerating and simplifying them. The author's proposed interpretation develops theoretical ideas about the impact of Covid-19 pandemic on the budgetary stability of the country.

- A systematization of indicators used to analyze and assess the sustainability of the budget system in the context of such criteria as economic, social, and environmental has been carried out, and their impact on the stability of the budget system has been determined. On this basis, an assessment scale for the stability of the budget system has been developed, which will allow one to form an adequate forecast of the state of the budget system, identify the reasons for the failure to achieve the target values of the indicators of budget sustainability, as well as form a roadmap for the development of the country's budget system in order to ensure its sustainability in the global pandemic period.

- The strategic directions for increasing budget system stability in pandemic conditions and the development of financial integration processes have been identified, involving measures to: 1) optimize financial integration processes through the use of such tools as: innovative development, entrepreneurship, fiscal and monetary policy, and accounting interests of all subjects of the Republic of Azerbaijan.

Practical significance of results and areas of application: Despite the fact that this is a topic that has already been researched on a global scale, the goal of this study is to add to the body of knowledge. The primary mitigation strategies for reducing the negative impact of the COVID-19 pandemic on Azerbaijan's state budget, which are presented in the report, may prove useful in future scientific research.

According to the findings of the study, a stress strategy for public finance management in extreme economic periods, as well as foreign experience with state budget management during the COVID-19 pandemic and the main directions for implementing an optimal fiscal policy for mitigating the negative impact of the

COVID-19 pandemic on the state budget of Azerbaijan are the main directions for implementing an optimal fiscal policy for mitigating the negative impact of the COVID-19 pandemic on the state budget of Azerbaijan. The development of measures for pandemic mitigation in Azerbaijani regions has been determined for the country's future economic development.

Based on global experience, the research can be utilized to design future economic growth plans for Azerbaijan, as well as various action plans to manage the impact of the COVID-19 pandemic and increase the role of optimal fiscal policy implementation in the country's economy.

CHAPTER I. COVID-19 AND NEW REALITIES OF FISCAL POLICY

1.1. Covid-19 Pandemic and new realities of the national economy

As the data on the effects of the global pandemic on the world economy continue to change, it is not yet possible to make a final assessment. However, in our opinion, the current assessments of moderate structures such as the World Bank Group and the IMF are sufficient to obtain detailed information on the course of events at this stage. For example, according to the latest data from the World Bank, the impact of the pandemic on the global economy is incomparable to what has happened in recent decades. According to baseline forecasts, the global economy is expected to slow to 5.2% in 2020, 7.0% in developed countries and 4.7% in Europe and Central Asia. According to these forecasts, the economic downturn in Azerbaijan will be 2.6%

(<http://pubdocs.worldbank.org/en/497001588788211664/Global-Economic-ProspectsJune-2020-Regional-Overview-ECA-RU>).

According to the IMF, the sharp decline in commodity prices, severe disruptions in global and regional production and sales chains, and rising risks of neglect of risks in financial markets are particularly important among the areas of impact of Covid 19 on European and Central Asian countries. The rapid spread of the coronavirus pandemic has led to a sharp decline in domestic demand in the region, as well as supply disruptions and, consequently, reduced economic activity in the country. These countries have faced an increase in investment flows due to a "run for quality" and an increase in bond spreads. The relative weakness of the national currency has led to an increase in the value of borrowing, while the decline in exports has increased pressure on the balance of payments. Under such circumstances, in some countries, such as Azerbaijan, Russia and Kazakhstan, a policy of strengthening state support for the national monetary system has been pursued. By intervening in foreign exchange markets, they try to maintain the stability of their currencies or increase the use of welfare funds". (www.imf.org/ru/News/Articles/2020/08/06).

Although we consider the assessment to be generally correct, we consider it important to note that the Central Bank's serious intervention in the foreign exchange market in Azerbaijan is not formally observed (www.cbar.az). Thus, according to the tradition formed in recent years, the State Oil Fund acts as the main "currency supplier" in the national currency market in the name of fulfillment of transfer obligations to the state budget. We would like to note that such an approach is relatively new and is better than the practice of the Ministry of Finance in the period before the devaluation of this function, ie the exchange of budget transfers of DNF. However, we believe that it would be more efficient to transfer DNF's transfer obligations to the Central Bank at the current exchange rate at the beginning of the year in order to improve regulation in the foreign exchange and monetary markets and, above all, to eliminate speculative interests in regulation.

The IMF believes that such countries, which do not have ample access to fiscal policy, are expanding their use of resources and naturally prioritizing spending on health care development, strengthening social protection, supporting the private sector and preventing financial market turmoil. However, due to the weak potential of the health care system in these countries, the economy is not sufficiently resilient to the pandemic (www.imf.org/ru/News/Articles/2020/08/06).

Thus, the initial and brief assessments of international organizations on the situation in national economies show that the effects of the pandemic are indeed strong and multifaceted. Given that the effects are still growing, it is possible to conclude that one of the most important tasks of national economic policy at this stage should be to strengthen the resilience of the economy and prevent the deepening of negative effects. Within the framework of such an approach, ensuring macroeconomic stability or stability in the Azerbaijani economy at the present time, along with the rapid elimination of the transitory features of the national economy, should be an important priority of economic policy. We consider it important to note that in our opinion, the policy measures implemented by the Government of Azerbaijan over the past 6-7 months are aimed at this goal. However, if we take into account that macroeconomic stability is quite comprehensive and universal, then we

can express the need to strengthen the systematization and selectivity of relevant work in our country.

The extreme conditions created by the current pandemic period, along with the global economic environment as a whole, create new challenges in the field of national development. Thus, we can say with confidence that the Azerbaijani economy now has a large "basket of challenges" created by the new conditions, along with the issues that have already become chronic and have not yet been resolved. It is clear that no part of time and no country has had a "fully developed" model of economic development, and this is impossible from an economic point of view.

The peculiarity of the issue is that, despite the overall increase in the level of economic development and the deepening of market relations, the Azerbaijani economy, contrary to expectations, is increasingly under the influence of the public sector. From this point of view, among the numerous manifestations observed in the economy, unfortunately, without exception, all monopolistic companies have become a heavy burden on the state budget. Thus, due to the established management features, the dependence of state-owned companies on public finances in Azerbaijan continues to increase instead of decreasing.

The main reasons for this situation are the lack of improved rules for the management of public finances, the weak corporate status of state-owned companies, as well as the oligarchic management style of natural monopolistic state-owned companies. As a result, 14 large state-owned companies, which have a de facto monopoly position in the economy, operate as loss-making entities in need of budget assistance. The burden on the budget for these companies is growing, while the tax payments of state-owned companies are declining. The hegemony of state-owned companies over the budget ultimately results in a weakening of the business and business environment in the country. Thus, private entrepreneurship, which already operates in conditions of unfair and unhealthy competition, is forced to fall under the monopoly of large state-owned companies. Reputable state-owned companies are abusing their special status to bring other private businesses under

their umbrellas and seek to make more money (Əliyev A.A., Şəkərəliyev A.Ş., 2016, p. 52).

Thus, it can be concluded from the above that ensuring macroeconomic stability in the Azerbaijani economy and increasing its sustainability depends on many factors. In the current situation, ensuring macroeconomic stability through financial factors alone, especially macroeconomic stability, will not be effective. The lessons of many years of experience in providing macro stability with monetary factors in national economic policy are numerous and instructive. For example, during the establishment of the Financial Stability Board in the country after the sharp devaluations in 2016, the failure to take into account the numerous comments of experts who joined us on the inadmissibility of spending on non-financial factors of development, led to "ineffective" EITI activities. Therefore, the President rightly abolished the Financial Stability Board and signed a decree in September 2020 to establish a new, broad-based Economic Council (EC). Appreciating this step, we would like to note that, unfortunately, the formation of the Economic Council only in the field of high-ranking civil servants with functional powers in this area, on the one hand, creates a parallel to the existing system of public administration and is more undesirable.

In order to solve the problem, the National Economic Development Strategy, which is the main goal of our country, is to move forward on the path of sustainable growth and inclusive development, accompanied by macroeconomic stability, in the context of rapidly changing global and local challenges. MIS) should be formed.

Where to start? The correct formulation of development strategy goals and reform priorities is especially important at this stage. When setting priorities, it is important to keep in mind that the economy as a whole has the potential for "self-development" as an inertial system. Therefore, reforms here should be carried out not on the basis of a "landfill" approach, but on the principle of thoughtful sequence and evolution.

It is expedient to include in the scope of the new development strategy the following issues related to the solution of "chronic" problems arising from the

existing nature of national economic development, as well as to meet the new challenges created by the Covid-19 Pandemic (www.iqtisadiislahatlar.org).

The spread of coronavirus (COVID-19) infection in early 2020 posed health risks in various countries, led to significant changes in the economic and political life of the world, and affected all sectors of the economy. The difficult situation in the tourism sector, falling world oil prices, declining production and consumption have put the economy in a completely different situation. Of course, these factors do not go unnoticed in the banking sector, which is the leading link in the economy.

As you know, the presence of the "domino effect" in the economy forces the problem in one area to affect other areas. Therefore, the introduction of a quarantine regime has threatened to repay loans taken from banks due to the emergence of social problems such as unemployment in various economic entities. In this situation, it is clear that banks that do not have sufficient financial stability face difficulties with unexpected expenses (www.report.az).

If you look at the situation from an economic point of view and analyze the steps taken in the country, you can see that the scope of work is very wide. Initially, the pressure on the manat intensified against the background of falling oil prices, and part of the population immediately began to convert their funds into foreign currency. However, professionally organized mechanisms - timely response to banks' demand for currency, prevention of abuse - stopped the anxiety of certain individuals about the exchange rate of the manat. In our opinion, this was the most important result to be achieved. Appropriate measures are being taken to maintain the stability of the economy. Consider the possible negative consequences of coronavirus infection for the banking sector (www.report.az):

1. The suspension of activities in many workplaces, especially in the tourism sector, many services and trade sectors due to the quarantine regime will create certain difficulties in the work of these entrepreneurs. Entrepreneurial complexity can lead to certain delays in loan repayment in the banking sector, which, although temporary, can increase the amount of overdue payments in banks' loan portfolios. We believe that banks should hold discussions with entrepreneurs at sensitive times

and reach possible mutual compromises.

2. The decline in domestic production and consumption in the world may lead to a decrease in the number of financial transactions that may to some extent affect the operating income of banks.

3. In some sectors, the free time that banks are preparing to take on a heavy workload can reduce the workload per employee in the banking sector, which in turn can reduce productivity per employee and increase transaction costs.

4. Circumstances such as delays by entrepreneurs in investing in new enterprises for economic and psychological reasons may reduce the opportunities to expand the loan portfolio.

We believe that during this period, banks must take on their social responsibilities, first of all think about public health and organize their services in accordance with the requirements of the quarantine regime. Certain compromises must be reached with entrepreneurs and the public, which may include certain concessions. Remote service should be encouraged and people should prefer remote banking. Today, almost all banks in the country have the ability to provide services remotely. You should visit banks only in special cases involving large cash transactions. The timely development of e-services in the country - the state payment portal, e-government portal, e-signature, ASAN signature, payment terminals and similar infrastructure elements has saved the banking sector from serious difficulties. In the future, the creation of a centralized register of foreign trade agreements, the inclusion of all signed agreements in this register may lead to more efficient organization of international transfers in the banking sector, further simplification of control mechanisms.

If we describe other economic and technological conditions caused by coronavirus infection, we see the following picture (www.banco.az):

1. Until recently, the widespread coverage of remote services in the country's banking sector was considered an additional opportunity and advantage of the bank, but from now on this opportunity will be a prerequisite for the customer to choose a bank and receive services Eto.

2. Although the quarantine period does not last long, remote service will inevitably become more widespread, because a customer accustomed to such a service for a certain period of time will not want to go to the bank and get all the services from where they can. This, in turn, will stimulate the development of banks in the field of remote services.

3. Digitalization trends will intensify and, over time, operating costs will decrease and allow customers to earn more profitable commissions.

4. Banks will create conditions for employees to work remotely, as it was tested once during the quarantine period, a kind of remote work will become commonplace, and the supply of remote jobs will increase in the post-coronavirus period.

In order to eliminate the problem with banks, the Central Bank of the Republic of Azerbaijan, by its decision No. 16 / 1-1 dated 24.04.2020, established the Rules of temporary regulation of the activities of Credit Institutions.

This Regulation was approved by the Order of the Cabinet of Ministers of the Republic of Azerbaijan No. 135s dated April 4, 2020. Coronavirus in accordance with paragraph 3 of Part III of the Action Plan for the implementation of paragraph 10.2 of the Order. In order to reduce the potential negative impact of the pandemic on the banking sector, the Decree of the President of the Republic of Azerbaijan No. 1950 (COVID-19) dated March 19, 2020 "On a number of measures to reduce the negative impact on business entities" was prepared (www.banco.az).

These Rules adopted by the Board of the Central Bank of the Republic of Azerbaijan shall be determined by the criteria specified in sub-item 3.1.1 of the Order No. 1950 of the President of the Republic of Azerbaijan dated March 19, 2020.

Perhaps for the first time in history, an economic crisis is creating such a deep crisis. The world economy is currently in deep recession, and it is difficult to say how long it will last. This crisis has not only degraded the economy, but also increased psychological tensions and reduced prosperity. Currently, the virus is spreading to more than 200 countries around the world, threatening the economy and human health of these countries.

The sudden spread of COVID-19 is not only life-threatening, but also has an unprecedented impact on global economic activity. The seriousness of the issue has led to the application of restrictive measures around the world, such as the closure of borders and travel bans, and thus a serious disruption of production and economic losses. Realizing the importance of such preventive measures, Azerbaijan also introduced a special quarantine regime within the country to prevent the further spread of the new coronavirus. The vast majority of AHC members say they feel the pandemic and appropriate preventive and control measures have a critical or moderate impact on their business. Not surprisingly, this effect is particularly acute in some areas, such as construction, retail, tourism, and hospitality.

The main difficulty of the pandemic period was the parallel solution of three important problems that contradicted each other and were not subject to economic regularity. On the one hand, the quarantine regime applied to prevent the spread of the virus has become a necessary condition for restricting the movement of people and the activities of the business sector. On the other hand, it is necessary to minimize economic damage, prevent the insolvency of business entities, and ensure social protection of people who lost their jobs due to quarantine.

The results show that companies are suffering from a sharp decline in demand for products and services. As a direct result of the spread of the coronavirus, every third member of the German-Azerbaijani Chamber of Commerce (ACC) plans to reduce its business target by 2020. In this regard, companies intend to rely on state support and believe in the need for flexible political intervention to create the conditions for rapid economic recovery. The most important measures the Azerbaijani government must take to support business is to ensure tax breaks or deferrals (www.banco.az).

In the context of the coronavirus pandemic, the global economy is currently experiencing its biggest recession since the Great Depression of 1929. Volatility in the price of hydrocarbon resources, a key component of the world economy, and even a negative drop in oil prices in April, as well as the collapse of the tourism sector due to the suspension of aviation links, have a negative impact on countries

whose economies depend on these factors.

The World Economic Forum (WEF) has called the current situation with the new coronavirus a global recession, describing it as the biggest concern. Undoubtedly, the biggest concern in the world in the coming period is the long-term global recession due to the COVID-19 pandemic (www.banco.az).

Risk managers attribute factors such as rising youth unemployment, the "second wave" of the pandemic, the weakening of the financial situation in large economies, the incomplete recovery of industries or sectors in some countries, the rising bankruptcy of large companies and SMEs and the merger of companies as a complication of the pandemic.

During the pandemic more than 13 million people worldwide are infected with COVID-19. To date, more than 6.7 million people have been cured of the virus during the pandemic, and about 580,000 people have died.

The pandemic has also caused great damage to the world economy. The economies of the countries are facing a great recession. The economic development of many countries has slowed down and unemployment has risen. Today, the coronavirus pandemic poses a threat to human health, as well as the largest economic crisis in history. The crisis has affected tourism, clothing, the automotive industry, the service sector, the energy sector and many other areas. As a result, all sectors, from airlines to clothing manufacturers to energy companies, are facing difficulties. Many companies have already declared bankruptcy, and many will lay off workers due to declining revenues.

Azerbaijan is also struggling with this "crown virus". Of course, this virus has also affected our economy and our daily lives. Thus, the catering sector, education sector, service sector, and tourism enterprises are among the areas of economic activity most affected by the COVID-19 pandemic in Azerbaijan today.

The damage caused by the COVID-19 pandemic to business in Azerbaijan does not end there. At the same time, the pandemic had a great impact on other economic activities. From this point of view, the activity of tourism enterprises has stopped in one sense. The suspension of flights and restrictions on travel to the

regions have affected the activities of both international tourism enterprises and economic entities engaged in domestic tourism, and several tourism companies have been unable to cope with the pandemic.

One of the consequences of the COVID-19 pandemic in Azerbaijan was related to the activities of private training and educational institutions. Thus, as one of the main areas where it is impossible to ensure the protection of social distance, private educational institutions operated on an "online" basis, which ultimately led to additional costs and lower revenues (www.iqtisadiislahatlar.org).

The area of economic activity most threatened by the coronavirus pandemic is related to the activities of public catering establishments. Thus, the pandemic has led not only to entrepreneurship in this sector, but also to a decrease in the activity and income of the hired labor force. The freezing of restaurants, cafes and other public catering facilities has reduced the income of entrepreneurs to zero, as well as created social problems such as unemployment.

One of the main areas of economic activity affected by the current pandemic is the banking sector. As it is known, the existence of a "domino effect" in the economy causes the problem in one area to affect other areas. For this reason, the introduction of the quarantine regime has jeopardized the repayment of loans taken from banks due to the emergence of social problems such as unemployment in various economic entities. In this case, it is clear that banks with insufficient financial stability face difficulties with unforeseen expenses.

During a pandemic, many businesses shrink or close altogether. A pandemic is a kind of business endurance competition. Those who are depressed and face financial losses are the losers of this sector and, ultimately, the bankrupt.

This includes the world's leading brands. Apple, one of the world's most valuable companies, continues to close its stores in the United States. During the pandemic, the number of Apple stores closed reached 77. Companies such as Victoria's Secret and Inditex Group (Zara, Massimo Dutti) are suffering from declining sales and closing their stores (www.iqtisadiislahatlar.org).

Endurance and smart maneuvering companies win in this period. An example

of this is the Zoom video conferencing platform. Thus, the market value of the company for the first time exceeded \$ 50 billion. Shares of Zoom have risen more than 160 percent this year as investors bought shares in the company as they expected increased use of the software during the coronavirus pandemic to boost long-term profits. The value of the company's shares is currently 55 times higher than Zoom's estimated profit. According to Bloomberg's Billionaires Index, Eric Yuan, founder and CEO of Zoom, grew his fortune by \$ 800 million to \$ 9.3 billion (www.iqtisadiislahatlar.org).

The situation with the pandemic has not passed unnoticed in the economy of Azerbaijan, as in other countries. During the first 4 months of the year, economic growth was observed in the country. However, after May-June, the economy declined somewhat. In the first half of the year, GDP fell by 2.7 percent. In the first five months of the year, the inflation rate was 2.9 percent (www.iqtisadiislahatlar.org).

1.2. The strategy of the public finance management in Azerbaijan

Fiscal policy is a set of measures taken by the state to collect, redistribute and use financial resources. Fiscal policy covers all aspects of public life. That is, it covers economic, social and international relations (Khankishiyev B.A., Mirzayev M.M., 2018, p. 18).

Fiscal policy can also be called a category. The term is commonly used by economists involved in financial management. That is, we must accept it as a category if we take it as a tool and goal of the method of financial management as the socio-economic essence of financial relations (Kalbiyev Y.A., 2015: p.94).

It is known that each state, along with many other functions, performs an economic function. In order to implement them effectively, clear, scientifically based economic policies, strategies and tactics must be developed. At the same time, first of all, specific features must be taken into account within a certain time and place, the interaction of policy with the economy must be ensured, and the connection of each step with internal features must be scientifically substantiated (Афанасьева В.Н., Юзбашев М.М., 2018, p. 88).

The economy of any country with commodity-money relations cannot pass without a financial mechanism. So, there must be a financial side to economic policy. Fiscal policy is an integral part of economic policy. The implementation of economic policy, the general development of society depends on the level of formation and organization of financial policy. This factor is especially important in a market economy. Because the market economy is built, first of all, on the basis of the financial-credit mechanism. The state regulates the economy mainly through finance. Financial management in the Republic of Azerbaijan is carried out by the Milli Majlis, the highest legislative body, the Ministry of Finance, the State Tax Service under the Ministry of Economy, the State Customs Committee, the Central Bank of the Republic of Azerbaijan and local organizations of relevant bodies.

Ministry of Finance of the Republic of Azerbaijan is the central executive body that ensures the implementation of state control in the field of regulation, use of state budget funds, production, processing and circulation of precious metals and precious stones.

According to the decree, the strategy for the medium- and long-term management of the Republic of Azerbaijan's public debt (hereinafter referred to as the strategy) "On the application of the Republic of Azerbaijan's laws" and "On the State Budget of the Republic of Azerbaijan for 2017" was prepared. Simultaneously, we will raise the quality of public financial management in our country to a new level by regular cooperation and engagement with international financial institutions, and we will improve the legal framework and methods for budget management related to the budget process (budget preparation, approval, implementation, and control). And "Prospects for the National Economy of the Republic of Azerbaijan," approved by Presidential Decree No. 1138 of the Republic of Azerbaijan on December 6, 2016, to continue reforms to ensure long-term macroeconomic stability, financial and debt discipline, and to raise public awareness of the budget process. Planning for medium-term spending structures, an effective budget system, proposed new budget law changes, and a plan for managing public debt were all part of the strategic roadmap. This is how it worked:

This Strategy aims to further strengthen the country's financial stability against the background of the processes taking place in the global economy and financial markets, increase the efficiency of public borrowing, improve risk management and control mechanisms in this area, taking into account new challenges and opportunities. developed for the purpose of making. The document consists of a new strategy and action plan for public borrowing until 2020, covering the medium and long term, and a long-term review until 2025. It is planned to implement 3 strategic goals and 5 priority measures to achieve the goals set in the strategy.

The goals set for the implementation of the strategy are as follows (Abbasov A.N., Sadıqov M.M., p. 44):

- Sustainable and managed public debt levels.
- Improving the risk management system.
- Strengthening public debt infrastructure and control mechanisms.

This Strategy covers not only the strategy of new borrowings, but also the analysis of the current situation, expected risks and measures to be taken regarding the already borrowed public debt, state-guaranteed loans and loans attracted by state-owned legal entities without state guarantees.

The main purpose of the strategy is to identify the measures required to ensure the sustainability of public debt, to formulate an appropriate policy framework for these measures and to inform all relevant parties about it. Therefore, the Strategy has been developed in accordance with the requirements of the main objectives set out in the strategic roadmaps approved by the Decree of the President of the Republic of Azerbaijan No. 1138 dated December 6, 2016, as well as the budget rules provided for in the Law on Budget System. The strategy addresses important factors related to public debt, including the coordination of the debt sustainability framework with the macroeconomic and fiscal framework, the development of local secondary financial markets, the strengthening of infrastructure, and so on. issues are reflected.

This Strategy, which covers the years 2018-2025, serves to keep the public

debt of the Republic of Azerbaijan within a manageable framework and to determine the main principles and directions of public borrowing against the background of new macroeconomic and geopolitical challenges on a global scale. The information and indicators referred to in the analysis of the strategy were obtained from official sources of the State Statistics Committee, the Ministry of Finance, the Ministry of Economy, the Central Bank, the Chamber of Control over Financial Markets, the State Oil Fund, the International Monetary Fund, the World Bank and other institutions.

1.3. Peculiarities of the budget policy within the pandemic period

In the June issue of the World Economic Outlook, prepared by the International Monetary Fund (IMF), he noted that the COVID-19 pandemic had a more negative impact than expected in the first half of this year and that the recovery process would be more phased.

Forecasts of important economic parameters for both 2020 and 2021 have been reduced. However, given the relative success of trade, the gradual recovery of economies, and the relative improvement in demand, 2020 scenarios have been adjusted to improve over time as disease treatment is often successful, vaccination research is increasing, and it is global. quarantine conditions decreased. the economy is projected to slow more slowly (Table 1, see at apdx 1).

As can be seen from the table, the forecast figures for most countries or regions have been updated every two years compared to the previous scenario. At the same time, it is important to note that the negative dynamics observed during the forecast and analyzed period in 2020 is expected to be replaced by positive dynamics next year.

The June edition of the World Bank's Global Economic Outlook analyzed that the crisis caused by the known pandemic would be the deepest crisis since World War II, unlike the others, including the global health crisis. Therefore, when the organization revised its forecasts in January, mitigating changes were made to the forecasts for 2020 (Table 2).

Table 2: World Bank forecasts, %

Countries \ Regions	Fact	Forecasts			
	2019	In the current year for 2020 indicators provided		In the current year for 2021 indicators provided	
		January release	June release	January release	June release
Economic growth					
The world	2,8	2,5	-5,2	2,6	4,2
Developed countries	1,7	1,4	-7,0	1,5	3,9
USA	2,2	1,8	-6,1	1,7	4,0
Eurozone	1,3	1,0	-9,1	1,3	4,5
Japan	0,7	0,7	-6,1	0,6	2,5
Developing countries	3,7	4,1	-2,5	4,3	4,6
China	6,1	5,9	1,0	5,8	6,9
Russia	1,3	1,6	-6,0	1,8	2,7
Turkey	0,9	3,0	-3,8	4,0	5,0
Iran	-6,5	0,0	-5,3	1,0	2,1
Azerbaijan	2,2	2,3	-2,6	2,1	2,2
Growth rate of trade (goods and services)					
The world	1,0	1,9	-13,4	2,5	5,3
The growth rate of raw material prices					
Oil*	-10,2	-5,4	-47,9	1,9	18,8

Source: World Bank “Global Economic Prospects”, June 2020, January 2020

As can be seen from the table, the forecasts for the next year have a positive dynamics, which, according to WB experts, will be possible due to unprecedented support from the fiscal and monetary sectors.

The possibility of another wave of the COVID-19 pandemic in the June issue of the Asian Development Bank's (ADB) Asian Development Scenario, which could lead to social unrest and tensions, as well as possible escalation of US and Chinese trade tensions, are important risk factors. During the revision of the assessments, as in other organizations, clarifications were made in the direction of reduction (Table 3).

According to the schedule, the forecasts are made from a more pessimistic point of view, taking into account the prolongation of the pandemic and, accordingly, the expanded quarantine or isolation regime, as well as the positive dynamics in 2021. This is mainly due to the low base year. The effect, which is expected to increase compared to 2020, is accompanied by a decline.

This year, the global pandemic has worsened the situation with the world's public debt and financial balance, and the IMF predicts that this situation will worsen next year, especially in developed countries.

Table 3: ADB forecasts, %

Countries/Regions	Fact	Forecasts			
	2019	In the current year for 2020 indicators provided		In the current year for 2021 indicators provided	
		April release	June release	April release	June release
Economic growth					
Developed countries	1,7	-0,3	-5,8	1,8	4,1
USA	2,3	0,4	-5,3	2,1	3,8
Eurozone	1,3	-1,0	-7,0	1,6	5,5
Japan	0,7	-1,5	-5,0	0,9	2,0
Developing countries					
China	6,1	2,3	1,8	7,3	7,4
Kazakhstan	4,5	1,8	-1,2	3,6	3,4
Gürcüstan	5,1	0,0	-5,0	4,5	5,0
Kyrgyzstan	4,5	4,0	-5,0	4,5	4,0
Uzbekistan	5,6	4,7	1,5	5,8	6,5
Tajikistan	7,5	5,5	-3,6	5,0	7,0
Turkmenistan	6,3	6,0	3,2	5,8	5,8
Azerbaijan	2,2	0,5	-0,1	1,5	1,2

Source: “Asian Development Outlook”, April 2020, “Asian Development Outlook Supplement”, June 2020.

As a result of the pandemic measures, the IMF's Financial Review Bulletin, published in October 2020, showed that the ratio of the world's total financial balance to GDP increased from -3.9% in 2019 to -12.7% in 2020. It is forecasted in 2021. Up to -7.6%. The IMF also noted that the ratio of global public debt to GDP will increase from 83.0% in 2019 to 98.7% by the end of this year and to 99.8% in 2021 (Table 4). According to the IMF, the amount of budget funds spent on combating the pandemic in the world has reached \$ 11.7 trillion, or 12.0% of world GDP. Despite the short-term impact of budget funds, experts emphasize the importance of using budget resources to address social problems, especially poverty. According to the IMF, 100-110 million people worldwide may be living in extreme poverty due to a significant decline in income. In January-June 2020, 33803.9 mln. manat, which is 2.7% less in real terms compared to the same period last year.

Table 4: Ratio of total public debt and budget balance to GDP in countries, in%

Regions/Countries	2017		2018		2019		2020		2021	
	Debt	Balance	Debt	Balance	Debt	Balance	Debt	Balance	Debt	Balance
The world	82,4	-3,3	81,7	-3,1	83,0	-3,9	98,7	-12,7	99,8	-7,6
Developed	104,5	-2,2	104,0	-2,7	105,3	-3,3	125,5	-14,4	125,6	-6,9
It belongs to the developing and middle income group Countries	48,7	-4,4	50,1	-3,8	52,6	-4,9	62,2	-10,7	65,0	-9,2
Eurozone	86,6	-0,9	85,7	-0,5	84,0	-0,6	101,1	-10,1	100,0	-5,0
G-7 (Excluding Italy)										
<i>USA</i>	105,2	-3,8	106,9	-5,8	108,7	-6,3	131,2	-18,7	133,6	-8,7
<i>France</i>	96,8	-2,6	98,1	-2,3	98,1	-3,0	118,7	-10,8	118,6	-6,5
<i>Germany</i>	63,9	1,0	61,6	1,8	59,5	1,5	73,3	-8,2	72,2	-3,2
<i>Japan</i>	237,6	-4,3	236,6	-2,5	238,0	-3,3	266,2	-14,2	264,0	-6,4
<i>United Kingdom</i>	87,5	-1,8	85,7	-2,3	85,4	-2,2	108,0	-16,5	111,5	-9,2
<i>Canada</i>	89,7	-0,1	89,7	-0,4	88,6	-0,3	114,6	-19,9	115,0	-8,7

Source: IMF Fiscal Review Bulletin, April 2018, October 2018 and April, October 2020 Issues

The stagnation of the world economy due to global quarantine was also observed in the country's economy, and according to the statistics on the sectoral distribution, the downward trend was observed in both oil and non-oil sectors.

It should be noted that the relevant documents and information prepared for the revision of the state budget for 2020 do not specify the Gross Domestic Product (GDP) for the current year, but the explanation states that the ratio of budget revenues to GDP is 35.3%. and the calculations show that the GDP in 2020 is projected at 68339.9 million manat in nominal terms. At the same time, in real terms, GDP is projected to decrease by 5.0%. According to the comparison of these indicators with the forecast indicators provided in the information provided on the draft state budget for 2020 ("Budget Envelope"), the GDP forecast in nominal terms was reduced by 14981.6 million manat, and the growth rate was reduced by 8 percentage points (in the previous forecast). 3.0% increase is projected).

According to the decomposition of GDP by oil factor, in the first half of 2020, oil GDP decreased by 2.9% in real terms compared to the same period last year. The decrease in value added in the annual assessment of 10760.4 million manat can be explained by the continuing negative dynamics of oil production (Table 5).

Table 5: Value added in the oil sector in Azerbaijan during the pandemic

Indicators	Unit of measurement	January-June	
		2019	2020
Oil GDP	Mil. AZN	15603,6	10760,4
	%	1.3	-2.9
Oil production	%	-3	-4.9
Gas production	%	35.0	14.9

Source: The table was compiled by the Chamber of Accounts on the basis of the ConEC data.

As can be seen from the table, oil GDP is declining in nominal terms as well as in real terms. This is due to the significant decline in world crude oil prices compared to the same period last year due to the complex and uncertain global situation. As mentioned above, the price of a barrel of Brent oil in the first six months averaged \$ 42.1, which is a decrease of \$ 23.8 compared to January last year.

It should be noted that in the calculations applied in the "Budget Envelope" for 2020, the price of oil is assumed to be \$ 55.0, but in the revised state budget

parameters, the price of oil is projected to be reduced by \$ 20.0 to \$ 35.

It should be noted that the opinion of the Chamber of Accounts on the "Budget Envelope" for 2020 in order to achieve macroeconomic stability, not one but at least two scenarios on important indicators such as oil prices and budget expenditures, which can be assessed as exogenous indicators for the country's economy. It was emphasized that this process is especially relevant in the context of the uncertain world economy and oil prices, which are sensitive to this uncertainty.

The conditions for 2020 have forced many countries to restructure their state budgets, and the steps taken cover three areas. The new coronavirus pandemic (COVID 19) that swept the world this year has prompted the world to reconsider public spending. In the context of the pandemic, the proposals prepared by the International Monetary Fund and the European Union can be grouped as follows:

- Key steps in taxation include tax breaks for the health sector, small and medium enterprises, and a type of tax holiday;
- The main stages of budget expenditures include lending to the economy, especially small and medium enterprises, subsidies, wage compensation in the private sector, government subsidies and financial support to the health sector.
- Suspension of fiscal discipline - "temporary suspension" of financial institutions (including the budget deficit of 3.0% and financial regulation in general), which is determined by both debt sustainability and dependence on natural resources.

In this case, you need to pay attention to one point. The European Commission has suspended the application of the budget deficit ratio in the eurozone member states, promising to apply the disciplinary rule of budget deficit in the European Union. At the same time, these countries have enshrined in their legislation the principle of suspension of pan-European financial discipline. In a number of countries, such as France, Italy and Portugal, this law has occurred automatically because the country's legislation has been brought into line with European standards.

In some other countries, the activity of this body has been suspended by a parliamentary decision, as the operation of this norm is possible under special conditions established by the country's legislation. An example of this is the Federal

Republic of Germany.

Table 6: Financial and institutional sources of anti-pandemic work

Financial and institutional source of the event	Countries
With amendments and additions to the current "Law on State Budget for 2020"	Argentina, Brazil, Mexico, Afghanistan, Albania, Algeria, Bangladesh, Bhutan, Myanmar, Colombia, Burkina Faso, Capo Verde, Honduras, Jamaica, Papua New Guinea, Niger, Nigeria, Malta, Bulgaria, Estonia, Latvia, Finland, France, Germany, Japan, South Korea, Thailand, New Zealand, Georgia, Bahrain, Iraq, Oman
Approved by Parliament	Cyprus, Israel, Turkey
Countries applying for EU lending mechanisms	Croatia, Lithuania
Countries applying for loans from the IMF, ADB and the World Bank	Tajikistan
Suspension of fiscal discipline in case of force majeure (norm related to budget deficit)	In 19 countries by the European Union by the decision of the European Commission

Source: Compiled by the author based on data from https://www.un.org/development/desa/dpad/wpcontent/uploads/sites/45/WESP2020_FullReport.pdf

In addition to the political factors affecting oil prices in recent years, the decline in global demand due to the pandemic in 2020 has accelerated the downward dynamics of prices for this natural resource.

As the new coronavirus spreads rapidly around the world, international and local businesses are facing new challenges posed by pandemics, quarantine, and restrictions imposed by government agencies to combat the epidemic. These factors make the rules applicable to existing business entities and labor relations more relevant than ever. The government of Azerbaijan has implemented a new Action Plan to reduce the damage to the economy and its impact on employment and social security in the country.

The Action Plan approved by the Presidential Decree dated April 4, 2020 envisages three groups of measures to reduce the negative impact of the spread of coronavirus:

- Support for economic growth and entrepreneurship;

- Employment and social welfare support;
- Macroeconomic and financial stability.

These measures, in turn, are grouped according to their content and duration.

The Action Plan provides information on the amount of compensation to be allocated from various sources. In addition, information can be obtained on the competent authorities and the implementation period for each measure.

The Action Plan also envisages measures related to the employment and social protection of unemployed and laid off people to be implemented in April-May 2020. The most important of these is the provision of temporary employment for the unemployed through the creation of 50,000 paid public jobs and a lump sum payment of the subsistence minimum (190 manat) to those registered as unemployed by the State Employment Service.

Import of certain products - During 2020, it is planned to take measures in the following areas aimed at increasing and stimulating the export of non-oil products:

- Inclusion in the Tax Code of the mechanism of sale of goods used in international practice with export note (provided that payment of taxes in case of non-export of goods is provided by bank guarantee and other methods) in order to increase interest in the export of non-oil products;
- Application of customs duty exemptions on the relevant list in order to increase the competitiveness of local industries dependent on imported and non-locally produced raw materials and intermediate goods;
- Taking measures to stimulate the use of special customs procedures at home by entrepreneurs.

In order to fully and uninterruptedly provide the population with relevant products necessary for food and medical needs and imported into the country, the implementation of the following measures is planned for 2020:

Periodic reduction (or reduction) of import duties on products deemed necessary to the level of "0";

Extraordinary (accelerated) application of customs clearance, control and issuance of permits (certificates) carried out during the import of products deemed

necessary.

Most of the exceptions and concessions are for the areas of economic activity affected by the pandemic, and, unfortunately, the scope of these areas is currently unknown. We believe that at least tourism, transport and catering will be able to take advantage of these benefits, as they are most affected by traffic congestion.

As most of the next steps are to be taken between April and May 2020, it is now up to the relevant government agencies to implement this plan. In order to minimize the risk of recession in the country's economy, the basic principles of tax and labor relations and the interests of businesses must be taken into account in order not to neglect the basic rights of workers and to enable affected businesses to survive and adapt to new conditions.

CHAPTER II. ANALYSIS OF THE IMPACT COVID-19 PANDEMIC ON THE STATE BUDGET OF AZERBAIJAN

2.1. Analysis of the revenues and expenditures of the state budget the Republic of Azerbaijan

According to the Unified Budget Classification (Resolution of the Cabinet of Ministers of October 6, 2004), budget revenues consist of 4 categories: tax revenues, social contributions, grants and other revenues.

Revenues from taxes. Taxes differ according to the tax base. In this case, the tax base includes aggregate income, wages, turnover, property, imported goods, etc. can perform (“Dövlət büdcəsi haqqında” Azərbaycan Respublikasının Qanunu):

- Taxes on income (profit). Taxes on income (profit) are divided into taxes on income (profit) of individuals and legal entities.
- Taxes on the salary fund and labor force are taxes levied on the salary fund from employers or self-employed in the form of a percentage or a specific amount for each employee. In this case, the funds withheld in the form of taxes are not directed to the implementation of certain targeted programs.
- Property taxes include property taxes. These taxes are paid by property owners and users. In the classification, property taxes are divided into periodic taxes on real estate, current taxes paid on the net value of property, taxes on property inherited and pardoned, taxes on financial transactions and capital transactions, one-time taxes on property and other current taxes on property.
- Taxes on goods and services. The category of taxes on goods and services includes taxes related to the production, production, sale, transfer and use of goods, works and services.
- Taxes related to foreign economic activity are grouped in accordance with the Tax Code and customs legislation.
- Receipts on other taxes not specified in the classification include other taxes.

Social allocations. Social allocations are divided into social security and social needs, depending on the social programs implemented by the state.

Allocations for social security are mandatory and provide for the establishment of a special fund.

Grants. Grants are assistance provided by relevant legislation for the development and implementation of programs of importance to the state. International organizations, foreign governments, foreign legal entities and individuals can act as grant donors. Irrespective of donors, grants are divided into current and capital grants. Current grants are payments to cover current expenses that are not conditional on the acquisition of assets. Capital grants are payments based on the purchase and transfer of assets. Such grants may also be used to settle recipient mutual obligations (Abbasov Ə.N., Sadiqov M.M., 2017, s. 132).

Grants from foreign governments include payments received from foreign governments to implement programs that are important to the state or to strengthen the budget.

Grants from international organizations include payments received by charities, humanitarian development and other socially oriented international organizations for the implementation of programs or strengthening the budget in education, science, health, arts, sports and other areas of national importance.

Grants from other sectors of the public administration include payments received by financial and credit institutions, public funds, associations, federations, committees and other organizations for the implementation of various types of projects and programs of national importance.

Other income (Abbasov Ə.N., Sadiqov M.M., 2017, s. 132):

- income from property;
- proceeds from the sale of goods and services;
- receipts on fines and sanctions;
- voluntary transfers;
- non-separable income by categories.

The revenue part of the state budget of the Republic of Azerbaijan was formed in accordance with the Law on Budget System with the help of the following financial instruments (“Dövlət büdcəsi haqqında” Azərbaycan Respublikasının Qanunu, Bakı.

2 iyul 2002-ci il):

- current revenues, including state taxes established by the Tax Code of the Republic of Azerbaijan and interest and financial sanctions calculated for these taxes;
- state duties, one-time duties and customs duties;
- income from the sale of fixed assets or goods in state reserves;
- grants and transfers from internal and external sources;
- Other receipts determined by the legislation of the Republic of Azerbaijan.

Collection of state budget revenues is carried out in accordance with the Tax Code and other legislative acts of the Republic of Azerbaijan. The upper limit of the amount of revenues is not limited to the indicators of the state budget approved by law. Refund of taxes, duties, other payments and receipts from the budget paid in excess of the amount provided by the legislation shall be related to the reduction of state budget revenues.

State budget expenditures are expenditures determined according to the budget classification. According to the budget classification, state budget expenditures are classified into functional, economic and administrative expenditures. According to Article 10.1 of the Law on Budget System, the state budget expenditures include (“Dövlət büdcəsi haqqında” Azərbaycan Respublikasının Qanunu, Bakı, 2 iyul 2002-ci il):

1. current expenditures, including salaries, wages, pensions and other social benefits and payments, expenditures on goods and other services, interest payments, grants, subsidies and current transfers;
2. capital expenditures, including acquisition of fixed assets, capital investments and acquisition of shares;
3. Loan arrears, interest servicing costs and participation in projects.

According to this law, budget expenditures are directed to finance current, investment, innovation and other expenditures within the approved budget allocations in accordance with the relevant budget classification. As can be seen from the Law on the Budget System, this classification is an economic classification. However, the laws on the state budget approved and executed each year provide a

functional classification of expenditures.

The previous year's draft budget (2020) was prepared taking into account the country's economic indicators, expected budget revenues, budget orders of budget organizations or enterprises receiving grants from the state budget, as well as fluctuations in the price of crude oil between \$ 40-60. tried to spend accordingly. Unlike the state budget expenditures in recent years, last year's revenues were more social than investment-oriented.

Table 7: Expenditures of the state budget by years in the distribution of functional areas (in million manats)

Types of expenses	2016	2017	2018	2019	2020
1. General public services	1179,9	1804,6	1997,6	2047,0	3063,7
1.1. Expenses related to repayment of domestic and foreign debts of the state	362,4	780,7	780,5	776,2	1775,1
1.2 Science	123,4	130,5	146,8	150,5	135,2
2. Defence	1407,3	1528,6	1637,4	1778,5	2228,8
3. Education	1511,5	1530,5	1653,4	1711,2	1830,2
4. Health	662,7	669,3	725,6	777,7	830,8
5. Social protection and social security	1785,8	1813,6	2072,2	2040,5	2698,8
6. Judiciary, law enforcement and the prosecutor's office	964,3	1114,8	1240,3	1227,1	1208,2
7. Housing and utilities	439,4	399,0	457,1	443,8	447,8
8. Fuel and energy costs	2,3	2,4	3,5	7,6	5,8
9. Activities in the field not related to culture, art, information, physical education and other categories	254,8	289,7	311,4	348,3	738,6
10. Agriculture, forestry, fishing, hunting and environmental protection	472,7	494,3	562,9	596,2	684,5
11. Industrial and construction costs	5794,1	6934,2	6282,0	6951,6	3024,6
12. Transport and communication	87,9	111,7	121,4	128,3	130,0
13. Other expenses related to economic activity	185,9	275,8	328,2	345,3	360,0
14. Expenses not included in the main sections	2925,7	2881,6	2670,0	2696,9	1243,1
General expenses	17416,5	19850	20063	21100	18495

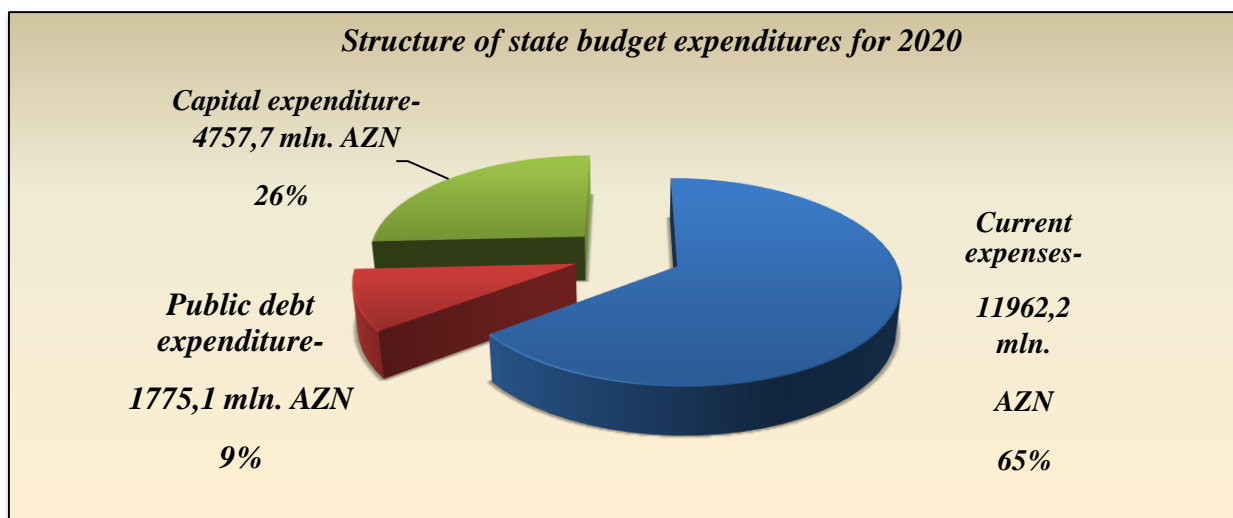
Source: https://sai.gov.az/files/2020_REY.pdf

The alignment of measures and programs implemented by the state with medium-term expenditures has brought the number of such programs and events to a significant level last year. Now let's look at (Table 7) the statistics of the last 5 years in our country in accordance with the division by functional areas:

In this regard, we will try to provide detailed information on the situation in 2020 of the types of budget expenditures in the functional areas shown in Scheme 1, as well as compare, analyze and evaluate expenditures for previous years. The first topic of our second chapter is mainly defense expenditures, state capital expenditures (investment), forestry expenditures, fuel and energy expenditures, transport and communication expenditures, agricultural expenditures, industrial and construction expenditures, housing and communal expenditures, and privatization of state property, we will talk about the management of both domestic and foreign debt of the state, the costs associated with international activities. In the second part of our second chapter, we will talk about social spending, which is a broader concept.

During the past year, about 6393.6 million manat was spent on science, education, arts, sports, culture, social protection and social security and other non-sector expenditures, which is more than in 2019. We can say that these costs are generally social expenditures. Also, in the same period, 871.3 mln. manats were spent, which is more than in 2019 (www.azstat.org).

Graph 1: Structure of state budget for 2020



Source: https://www.azstat.org/portal/tblInfo/TblInfoList.do#994_010

Strengthening and development of the country's defense capacity (2228.8 million manat) and security, financing the maintenance of the judiciary and law enforcement agencies (1208.2 million manat) account for about 18.6 percent of last year's budget. In accordance with our Constitution, the judiciary in our country is exercised by the courts. Judicial power is exercised only through the courts of justice. The costs of maintaining the judiciary include the costs of maintaining the Supreme Courts of the Republic and Nakhchivan, the Constitutional Court, the Military Collection of the Supreme Court, the appellate courts of Azerbaijan and the Autonomous Republic, and other specialized and general courts.

From the country's budget in 2020, 4292.7 million manat will be allocated for agriculture, housing and communal services, transport and communications, industry and construction, fuel and energy, forestry, fisheries and hunting. manats were withdrawn. 684.5 million were spent on hunting, environmental protection, fishing and farming. 582 million was spent on financial support of land geodesy, forestry, land cadastre, land reform, irrigation, irrigation, land reclamation. A total of 14.7 million was spent on fishing, hydrometeorology, hunting and environmental protection (www.azstat.org). In order to establish large livestock farms in the Republic of Azerbaijan and improve the breed of animals, the import of cattle from abroad and their preferential transfer to entrepreneurs and farmers, and then the sale of equipment (for the farm) through leasing continued last year. Then, last year, 32 million was allocated from the budget to Agroleasing JSC. 5 million to the State Agency for Agricultural Credits under the Ministry of Agriculture. manats were allocated to farmers and entrepreneurs to expand and develop their businesses. Fuel and energy expenditures accounted for 5.7 million manat in the country's budget. Funds have been spent on research and consumption of energy sources in this area. 130 million from last year's budget for transport and communications. manats were spent. In the field of industry and construction, 24 million was spent last year, excluding capital investment. The housing and communal sector took a larger place in last year's budget and amounted to \$ 447.8 million. Manat (www.azstat.org). Of

these funds, 181.3 mln. Part of it was spent on the regulation of housing and communal services in cities and regions. Expenditures in the housing and utilities sector include the costs of construction and rehabilitation of communal infrastructure related to residential areas, the cost of planting greenery and landscaping, as well as the cost of funding measures and programs targeted by the state in this area.

The concept of government capital expenditures is a broad one. Capital expenditures are the investments made by the state in key areas and the financing processes carried out in international relations and relations. Last year, 3,000.0 million manat came out of the country's central budget under the guise of capital expenditures. This is about 16 percent of the country's budget expenditures.

Expenditures of the republican budget include economic activities of the state (360 million manat) and some expenditures not related to fixed assets (1243.1 million manat). For example, the privatization of state property is one such area. During the privatization, 26 million manat was allocated from the budget last year for the summoning of financial advisers, provision of information related to privatization, rehabilitation of departments before privatization and protection of property rights. manats were spent. Then the state Social Mortgage Fund received 50 mln. manats were spent. The state will provide 300 million manat to cover some unplanned expenses, clean up the damage caused by emergencies and natural disasters. manats were paid. State financial assistance to municipalities continued last year. This amount reached about 5.3 million. In the previous year, the expenditures of the "Roads" budget fund amounted to 290 mln. manats. Also, 305 million manat was spent on extra-budgetary funds. Projects such as the restoration and construction of educational institutions in a state of emergency, gas supply to districts and villages in accordance with the gasification program, construction and repair of sewerage and water blocks, repair of inter-village roads, improvement of electricity supply, etc. and we can say that programs are included.

In 2020, our country continued to work purposefully in the field of management of foreign and domestic debts of the state. A lot of significant work has

been done to ensure timely repayment of loans and repayment of loans by borrowers from their own reserves. Last year, 1775.1 mln. manats, and if we compare that year with the previous year, we see that it is about 998 million more (www.azstat.org). The main reasons for the increase in public debt expenditures were the revaluation of foreign currency liabilities after major changes in the manat, as well as the expiration of interest and debt payments of a number of projects in the following year. Azerenergy, Azerbaijan Airlines, and Azeraluminium are increasing the share of their expenditures in the state budget in meeting a number of obligations arising from the debts of the state budget.

International activity is one of the leading directions of each independent country, and its recognition in the world depends more on such activities. Expenditures related to international activities will, of course, be financed from the state budget, which is the central budget of the country. Thus, last year, expenditures on international activities and membership fees to international organizations amounted to 193.3 million. In addition, 71.3 million was spent on the maintenance of diplomatic missions and consulates, and 32 million was spent on equity and membership fees in international financial institutions of international importance. 90 million manat went to the regulation and implementation of other international activities (www.azstat.org). 70 million of these funds are related to the loan provided by our republic to the Serbian state, and the remaining 20 million are related to other activities.

There is a section on social spending as a field of science. Expenditures in the field of science are the costs of financing research institutes and state-controlled research organizations and laboratories. Scientific expenditures decreased compared to last year and amounted to 0.8 percent (135.2 million manat) in this year's budget. Last year, 7.5 million manat was allocated from the state budget through the Science Development Fund. manat, 3.5 million for the publication of books. manats, 1 mln. manats for purchase of modern laboratory equipment and technical support. manats and 5 mln. manats for the implementation of other measures in this field. manats were spent. The following measures are taken in economically advanced countries

to encourage the withdrawal of funds from the state budget for science:

- Expenditures on science are ultimately deducted from income;
- Provision of state-owned property and lands to the population in a favorable and preferential manner, ensuring the development of scientific infrastructure in the regions of the country;
- Application of rapid depreciation to most of the equipment purchased for research work;
- Providing tax benefits to relatively small organizations related to the application of modern technology;
- Obtaining loans from the budget to finance large projects (for research);
- Carrying out an inventory of fixed assets in all research institutes of state importance, if necessary, financing the costs of purchasing equipment that is already in use.

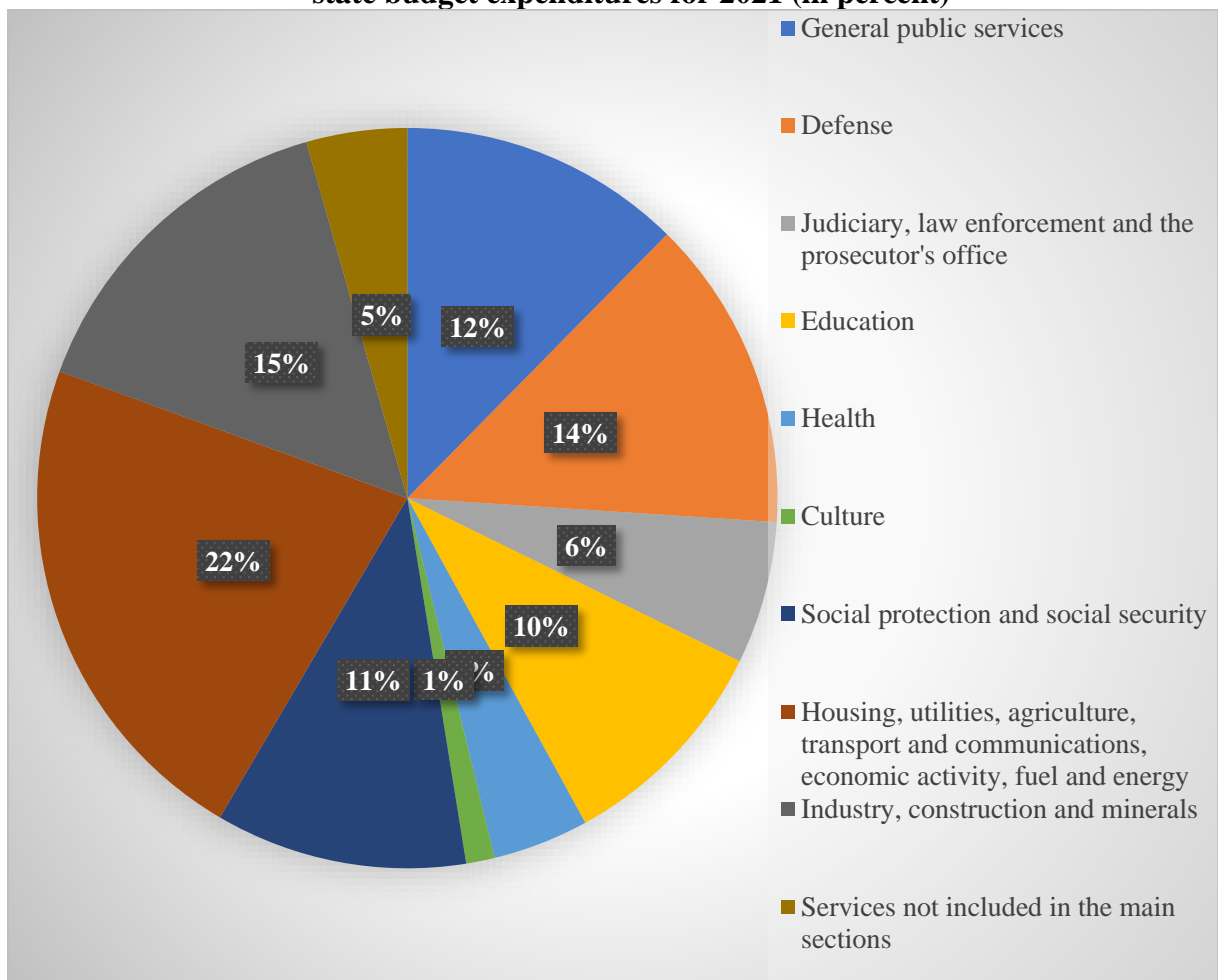
Most of the expenditures in the field of education in our country are financed from the budget. Expenditures allocated from the budget for the functional purpose of the education system include the costs of preschools, primary schools, gymnasiums, schools, kindergartens, secondary schools, universities, lyceums, boarding schools, training institutions, training institutions, centralized economic expenditures, centralized accounting. and so on. As some educational institutions later switched to different forms of ownership, they were able to raise additional funds.

Now let's look at the state of expenditures in 2019, 2020 and 2021 in Azerbaijan.

In 2021, 12% of the budget was spent on general public services which is 3 % less than the previous year and the same weight as it was in 2019. The expenditure on defense was almost the same percentage (14%) of the budget in the years 2020 and 2021, but there is a 1% difference in 2019 (13%). Azerbaijan budget expenditure on judiciary & law enforcement was also similar in 2019, 2020, and 2021, it was 6%, 7% and 6% respectively. Expenditures on Education, Health and Culture was 10%, 4% and 1% in 2021, which is also similar to previous years as in 2019 these

weights were 10%, 4% and 2% and in 2020 were 11%, 6% and 2%. There is also not much change of the expenditure on Social protection and social security between 2019-2021 (9%-11%). The real big difference of the budget expenditure between 2021 and previous two years is the Economic activity. In 2021, almost 6 billion manat was spent on Economic activity which is almost 4-5 times more than the previous years. Industry, construction and minerals' expenditures were similar in 2019 (25%) and 2020 (21%), but different in 2021 (15%).

Graph 4: Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2021 (in percent)



Source: https://sai.gov.az/files/Rey_2021_final.pdf

2.2. Fiscal measures for relaxation negative impact COVID-19 Pandemic on the national economy

The process of global spread of coronavirus (COVID-19) continues. In order to prevent the spread of the virus, countries are forced to impose bans in various areas. This weakens economic activity globally, leading to a deterioration in overall economic growth and a worsening geopolitical situation. The suspension of flights due to the virus, the reduction of exports to a minimum, the closure of the borders of countries lead to stagnation in tourism, processing industry and other economic sectors and disrupt the stability of the value chain. Economic stagnation is pushing economic centers such as the United States and the Eurozone, including China, where the virus has begun to spread, into recession. The weakening of global economic activity also has a negative impact on the economies of countries that depend on the export of those raw materials, reducing the demand for them. In this regard, the spread of COVID-19 has led to a sharp decline in demand for energy products and disagreement among energy exporters. As a result, oil prices in international markets have fallen sharply. As the fall in oil prices has a direct impact on the Azerbaijani economy, it is important to analyze the economic impact of the spread of the coronavirus. Therefore, let's look at how the coronavirus affects the world's most powerful economies, the world economy in general and the Azerbaijani economy in general.

According to the Action Plan approved by the Cabinet of Ministers on the implementation of paragraph 10.2 of the Order of the President of the Republic of Azerbaijan dated March 19, 2020, 87.7 million manat (as of June 7).

Also, 60.8 million manat was allocated for the implementation of the program of financial support to individual (micro) entrepreneurs. In general, it is planned to allocate 3.5 billion manat in Azerbaijan.

At this stage, the damage caused by the pandemic to the Azerbaijani economy

is difficult to quantify (due to the lack of operational statistics and the continuation of the pandemic). With the introduction of the quarantine regime, catering, transport, tourism and other areas of interaction have been seriously affected. One of the most affected areas is micro and small business.

Restrictions imposed on the business sector to prevent the spread of coronavirus infection and to minimize human activity have had a negative impact on macroeconomic indicators. Production of goods and services fell sharply in April, when a strict quarantine regime was imposed. If we look at the monthly change in the production of goods and services in 2020, we will see a sharp decline in April. Thus, compared to the previous months of this year, in March-April, there was a decline in gross domestic product (GDP).

According to the Ministry of Finance of Azerbaijan Republic, in January-April 2020, the state budget received 9574.2 million manat, 7267.7 million manat was spent from the budget, a budget surplus of 2306.5 million manat was created. In January-April 2020, state budget revenues increased by 27.6% compared to the same period of the previous year, and expenditures increased by 0.7%. The budget surplus amounted to 10.3% of GDP (www.banco.az).

In March, 1.5 billion manat was transferred from the oil fund. In general, compared to January of this year, in April, budget revenues decreased by 3.1%, while expenditures increased by 43.4% (www.banco.az). If we do not take into account the transfer from the oil fund, we can see that revenues have decreased even more.

In January-April of the current year, 18.1% of budget funds were spent on education and health, 17.8% on social protection and social security, 17.8% on general public services, 16.5% on economic activity, 11, 3% was spent on defense and national security, and 18.5% on other areas.

According to the International Monetary Fund, as a result of the pandemic, the global economy shrank by 3 percent in, while the economies of oil-exporting countries in the Middle East and Central Asia will shrink by 3.9 percent, while Azerbaijan's economy will shrink by only 2.2 percent. Of the 11 oil and gas exporters in the Middle East and Central Asia, Azerbaijan's economy is among the

top three least affected by the pandemic.

The World Bank said in a statement on Azerbaijan: “The country's foreign exchange reserves (about GDP) and low foreign debt provide opportunities to restore economic activity. However, if the pressure on the exchange rate increases or macroeconomic policy changes, the economic crisis may deepen. In addition, scientifically sound measures should be taken to address existing risks in the financial sector.

At present, in addition to protecting people's health, states (governments) are taking various measures to overcome the crisis with less damage, to restore economic activity in a shorter period of time, and are developing programs and concepts based on fundamental economic research. The Azerbaijani state is also looking for ways to end the pandemic period with minimal damage (uncertainty over the end of the pandemic continues) and to restore economic activity in the post-pandemic period as soon as possible. According to the Decree of the President of the Republic of Azerbaijan dated June 4, 2020, favorable conditions have been created for entrepreneurs to obtain state-guaranteed loans and subsidize part of interest on loans, restructure in case of force majeure, extend the term of credit obligations.

As the new coronavirus spreads rapidly around the world, international and local businesses are facing new challenges posed by pandemics, quarantine, and restrictions imposed by government agencies to combat the epidemic. These factors make the rules applicable to existing business entities and labor relations more relevant than ever. The government of Azerbaijan has implemented a new Action Plan to reduce the damage to the economy and its impact on employment and social security in the country.

The Action Plan approved by the Presidential Decree dated April 4, 2020 envisages three groups of measures to reduce the negative impact of the spread of coronavirus

(<https://www.aserbaidshan.ahk.de/az/x%C9%99b%C9%99rl%C9%99r-boeluemue/news-details/ahk-azerbaijan-member-companies-assessed-the-economic-impact-of-the-coronavirus-pandemic>):

- Support for economic growth and entrepreneurship;
- Employment and social welfare support;
- Macroeconomic and financial stability.

These measures, in turn, are grouped according to their content and duration.

The Action Plan provides information on the amount of compensation to be allocated from various sources. In addition, information can be obtained on the competent authorities and the implementation period for each measure.

Taxes - One of the most anticipated parts of the Action Plan is the tax breaks provided under the tax breaks to support economic activity. Tax holidays and discounts are currently on the agenda of the Azerbaijani government:

- provision of a simplified tax exemption for micro-business entities;
- granting temporary exemptions from property and land taxes;
- providing taxpayers with periodic exemptions on profit (income) tax and simplified tax;
- temporary exemption from current tax payments on profit (income) and property tax;
- submission of reports on micro-entrepreneurship entities (income, profit, property and simplified tax) and extension of tax payment deadlines;
- extension of the period for payment of taxes in the areas of economic activity affected by the pandemic;
- temporary exemption from VAT on imports of certain types of products necessary for food and medical needs of the population;
- imports of raw materials and supplies for the construction industry are exempt from VAT;
- certain sorts of products must be produced in order to supply the population's demands for food, medicine, and other essential products in a timely manner;
- deduction of expenses for required preventative actions, such as disinfection, taken by the taxpayer to avert an epidemic and protect the lives and health of the community;
- allowing exemptions from rent taxes;

- interest on unpaid taxes and mandatory state social payments for health insurance and unemployment insurance are postponed for a predetermined length of time, reducing the social insurance burden of a number of business entities.

Social Security - The Ministry of Labor and Social Protection has been instructed to carry out work in accordance with the law on employers and to ensure day-to-day control in order to prevent unjustified dismissals and layoffs of employees in the non-governmental sector.

The Action Plan also envisages measures related to the employment and social protection of unemployed and laid off people to be implemented in April-May 2020. The most important of these is the provision of temporary employment for the unemployed through the creation of 50,000 paid public jobs and a lump sum payment of the subsistence minimum (190 manat) to those registered as unemployed by the State Employment Service.

Import of certain products - During 2020, it is planned to take measures in the following areas aimed at increasing and stimulating the export of non-oil products:

- inclusion in the Tax Code of the mechanism of sale of goods used in international practice with export note (provided that payment of taxes in case of non-export of goods is provided by bank guarantee and other methods) in order to increase interest in the export of non-oil products;
- application of customs duty exemptions on the relevant list in order to increase the competitiveness of local industries dependent on imported and non-locally produced raw materials and intermediate goods;
- taking measures to stimulate the use of special customs procedures at home by entrepreneurs.

In order to fully and uninterruptedly provide the population with relevant products necessary for food and medical needs and imported into the country, the implementation of the following measures is planned for 2020:

- periodic reduction (or reduction) of import duties on products deemed necessary to the level of "0";

- extraordinary (accelerated) application of customs clearance, control and issuance of permits (certificates) carried out during the import of products deemed necessary.

The political and economic priorities for the near future are to control the spread of the Covid-19 pandemic and to ensure the rapid and widespread spread of vaccination. To support economic recovery, the authorities need to facilitate reinvestment in sustainable development that is less dependent on public debt.

As with all risk forecasts, global economic growth could remain at 1.6 percent in 2021, provided that the greatest risk to global economic growth continues to be the spread of infection and delays in vaccination. In the most positive scenario, economic growth could exceed 5 percent with successful control of the pandemic and a faster vaccination process.

The main source of recovery from the rapidly declining economic growth during the pandemic will be economic confidence, consumption and trade in a growing global and regional context in parallel with vaccination.

Thus, in the macroeconomic scenarios for 2021 of various international organizations and think tanks, the vaccination process has been identified as a key factor in ensuring economic recovery. The biggest risks to economic recovery are the spread of the pandemic and the economic weakness caused by the delayed vaccination process and the threat of a financial crisis posed by weak banking systems.

However, the vaccination process itself has certain barriers. These barriers can be of supply and demand origin. Demand barriers may be caused by differences of opinion between countries over the acceptance of vaccines.

On the other hand, the demand for the vaccine is determined by the population's desire to be vaccinated. Given that the vaccination process in Azerbaijan is carried out on a voluntary basis, as in many developed countries, it is very difficult to define this requirement. One of the main research issues in behavioral economics today is to study the factors that influence people's decision-making process. For example, people's decisions in the vaccination process may be unsustainable and sensitive to global developments, but may also be related to public

confidence in the government, the health care system, and pandemic control methods.

According to a survey conducted by GALLUP International in Azerbaijan, 86% of citizens appreciate the state's activities in this area, and according to this indicator, Azerbaijan ranks 4th in the world. This suggests that Azerbaijan can play the role of a rapid and effective vaccination model for many countries, formed as a result of state-civil union. On the other hand, supply barriers to vaccination include restrictions on the supply and distribution of vaccines, maximum production capacity of pharmaceutical companies, and problems with storage and logistics of drugs.

At a time when all these global forecasts are being made, the world economy is facing a situation as frightening as a pandemic. Global discussions have included new concepts such as nationalization of vaccination and vaccine warfare.

Currently, the top 5 manufacturers of Covid-19 vaccine are Pfizer / BioNTech (USA-Germany), Moderna (USA), AstraZeneca / Oxford (UK), CoronaVac-Sinovac (China), Sputnik V (Russia). However, the total vaccine supply capacity of these 5 manufacturers cannot provide the entire world population currently in need of the vaccine.

Among them, Sinovac, one of the largest manufacturers, plans to increase production to only 2 billion doses by the end of 2021, combining the efforts of 18 largest pharmaceutical companies in China. Considering that 2 doses of this vaccine are given to each person, this can ensure that only 1 billion people are vaccinated. Also keep in mind that this is only a forecast of the pharmaceutical company and may not materialize. The International Monetary Fund has also warned that economic recovery will be uneven depending on the distribution of Covid-19 vaccines. In this regard, there is a great struggle for the vaccine. One of the interesting issues is that this struggle is mainly between rich countries. For example, the dispute between Britain and the European Union has intensified over the purchase of a vaccine after Brexit, which lasted four years and ended a few weeks ago. Thus, the announcement of major vaccine manufacturers Pfizer-BioNTech and

AstraZeneca that there will be delays in supply has further affected these relations. The fact that 13 percent of British citizens, who are the main buyers of both companies, and only 2 percent of EU citizens are vaccinated, is a key indicator of the large difference in vaccine distribution between countries. The United Kingdom expects to provide 75 percent of the population by July, and the European Union by October.

While the question of how to fight the Covid-19 pandemic in 2020 is of great interest to the world, the biggest dilemma of 2021 is the choice of "country or planet in vaccination". As long as the world economy does not fully control the Covid-19 pandemic, the effects of the pandemic will be \$ 1.2 trillion a year, according to international organizations.

The World Health Organization (WHO), the Gavi Vaccine Union, and the Epidemic Preparedness Innovation Coalition (CEPI) have launched the COVAKS initiative to ensure a fair distribution of vaccines. Azerbaijan is also a member of this initiative. Azerbaijan will receive 2 million doses of CoronaVac vaccine from Sinovac as part of the COVAKS initiative. The Bill and Melinda Gates Foundation has estimated the cost of vaccinating low-income countries at \$ 25 billion. This is in stark contrast to the \$ 2.4 billion donated to COVAKS in recent months and the \$ 5.8 billion added to the WHO's ACT-Accelerator scheme (ereforms.gov.az).

Azerbaijan's choice was the "CoronaVac" prophet of Sinovac in Beijing. Speaking at the December CIS (Commonwealth of Independent States) summit, President Ilham Əliyev announced that the prophetic program would begin in Azerbaijan in early 2021. The president has announced that coronavirus prediction in Azerbaijan will be carried out voluntarily and voluntarily (bbc.com "What is known about the Covid-19 vaccine to be shot in Azerbaijan?"). Mass vaccination in Azerbaijan began on January 18. Shammar Mövsümov, assistant director of the Department of Economic Affairs and Innovative Development Policy of the Presidential Administration, said at a briefing at the Operational Headquarters with the Cabinet of Ministers. S.Mövsümov has said that in the first phase, anti-Covid-19 medical workers will be vaccinated (bbc.com "Vaccination in Azerbaijan will begin on January 18").

On January 16, 2021, the Cabinet of Ministers approved the "Vaccination Strategy for 2021-2022 against COVID-19 disease in the Republic of Azerbaijan."

According to the charter, executive bodies (organizations) referred to in the Vaccination Strategy Plan should ensure that necessary measures are implemented within a specified period of time and that information about the progress of the work is regularly presented to the Cabinet of Ministers ("Azərbaycan Respublikasında COVID-19 xəstəliyi əleyhinə 2021-2022-ci illər üçün Vaksinasiya Strategiyası").

On January 18, 2021, the mass covid-19 in Azerbaijan began to prophesy. One of the first to undergo the vaccination was Health Minister Oqtay Shirajevi. In addition to the minister, deputies and other officials have been hit by the "Sinovac" prophet against the coronavirus. On the same day, Ramin Bayramli, chairman of the Governing Body of Jehovah's Witnesses, and Zaur Aliyev, chairman of the Executive Medical Insurance Agency, were vaccinated (apa.az).

Table 8: Expenditures of the State Budget of Azerbaijan Republic against the Covid-19 pandemic in 2020 (in manat)

Expenditures	For internal source	For external source
Contribution to World Health Organization	-	17,000,000
Contribution to UNESCO & ICESCO	-	3,400,000
Humanitarian help for 18 foreign countries	-	18,900,000
Ministry of Ecology and Natural Resources	414,500	-
For disinfection	1,900,000	-
For inancial assistance	3,600,000	-
For temporary housing rent	8,639,000	-
for preparation of design estimates for modular hospitals	54,300	-
e-Government Development Center	2,000,000	-
for maintenance of radiation equipment (linear accelerators, medical and other equipment)	1,800,000	-
Strengthening technical condition (Ministry of Health)	2,800,000	-
for the purchase of medical supplies and equipment	121,100,000	-
for the operation of the National Health Center	25,700,000	-
for the operation of modular hospitals	34,400,000	-
for the supply of medical equipment to the Military Medical Service	2,800,000	-
for the maintenance of an additional 1,500-bed building of the modular hospitals	17,000,000	-
for the purchase of Bio-Speedy test kits	9,400,000	-
for testing passengers during domestic flights to Nakhchivan AR	1,000,000	-
for maintenance costs of cars (ambulances & street sweepers)	253,600	-

One-time payment in the amount of 190.0 manat for unemployed	447,900,000	
TOTAL	680,761,400	39,300,000

Source: https://sai.gov.az/files/Rey_2021_final.pdf

The Azerbaijani government welcomes the cost of obtaining the CoronaVac vaccine through the Coronavirus Support Fund, which was created by the President of the Republic of Azerbaijan on March 19, 2020.

On January 14, the Cabinet of Ministers reported that approximately 46.1 million manat had been spent on the Coronavirus Anti-Coronavirus Support Fund to obtain vaccines against COVID-19. It should be noted that the Fund has so far collected 114,268,840 manat in donations.

According to the Ministry of Finance, 39,3 million manat was provided to support international coronavirus pandemic measures by 2020, including 17 million manat to the World Health Organization, 3,4 million manat to UNESCO and ICESCO and 18,9 million manat to 18 foreign countries.

The lack of information in the legislation on the concept of "one-time expenditures" and areas of use has created conditions for the use of areas during the year in areas that do not belong to the purpose of the functional unit and do not correspond to the name (table 8).

- A one-time donation of 8,5 million manat to the World Health Organization to support the measures taken by the World Health Organization to combat coronavirus disease internationally and to prevent the spread of the disease;
- 16,4 million manat for the Ministry of Defense to purchase housing for servicemen, 18,6 million manat for the Ministry of Emergency Situations to eliminate the consequences of the earthquake in Shamakhi-Ismayilli-Agsu regions, 5 municipalities and the Ministry of Ecology and Natural Resources for the transfer of modular sewage treatment plants and their property to municipalities for a total of 414,5 thousand manat, the costs associated with the sanitary and hygienic situation in the Baku City Executive Power and the payment of salaries, 10 MAN-18350 SK-Maintenance costs of 700 special vehicles, 1,9 million manat for disinfection, 3,6 million manat for financial assistance to 170 landlords in Sosvetsky, Yasamal City

Executive Power, 8,639,000 manat for temporary housing rent, 45,000 manat for travel expenses for the Military Prosecutor's Office. 54,300 manat for preparation of design estimates for modular hospitals by the Ministry of Finance, 4,5 million manat by the Azerbaijan State Agency for Motor Roads for maintenance of the newly built Central Park in Yasamal district of Baku, e-Government Development Center 2,0 million manat to cover the necessary expenses to regulate the activities until the end of the year 1,8 million manat for maintenance of radiation equipment, linear accelerators, medical and other equipment at the National Oncology Center, purchase of tool kits and spare parts in accordance with the operation profile, 1,8 million manat for Alternative and Renewable Energy Sources 992,000 manat for the first quarter of the current year and 1,62 million manat for the maintenance of the population and its equivalent social payments, as well as a number of necessary expenses of the employees involved in the work of the liquidation commission of the State Agency , 33,800 manat in connection with inspections and inspections of a number of local and central executive authorities, including embassies of the Republic of Azerbaijan in foreign financial services, measures to combat the "COVID-19" pandemic by the Ministry of Health 2,8 million manat for strengthening its technical condition, 1,0 million manat for financial assistance for the activities of the Caucasian Muslims Office;

- Measures to combat the COVID-19 pandemic by the State Agency for Compulsory Medical Insurance in the direction of one-time expenditure "Regulation of labor costs and other social measures" 112,1 million manat for the purchase of medical supplies and equipment, measures to combat the COVID-19 pandemic 25,7 million manat for the operation of the National Health Center, 34,4 million manat for the operation of modular hospitals to combat the COVID-19 pandemic, 2,8 million manat for the supply of medical equipment to the Military Medical Service, MES-17,0 million manat for the maintenance of an additional 1,500-bed building of the modular hospital, 9,4 million manat for the purchase of Bio-Speedy test kits, 1,0 million manat for testing passengers during domestic flights to Nakhchivan AR, to

combat COVID-19 infection 253,600 manat for maintenance costs of cars including ambulances and street sweepers for disinfection of the roads;

- 6,0 million manat was spent on the purchase of carpets by the Ministry of Culture for one-time expenditures entitled “Reform Expenditures”.

- According to statistics, 38,481 people were registered as unemployed by employment agencies in 2017, 20,088 people in 2018 and 81,272 people in 2019. During the initial period of the special quarantine regime in the country, in April, the Employment Agency made a lump sum payment of 190 manat to 600,000 people, in order to strengthen the social protection of those registered as unemployed in 2020, including those who lost their income under the special quarantine regime, these citizens were given a lump sum payment within the subsistence level. (sai.gov.az).

CHAPTER III. MITIGATION THE NEGATIVE IMPACT OF THE COVID-19 PANDEMIC ON THE STATE BUDGET OF AZERBAIJAN

3.1. Stress strategy for public finance management in extremal economic periods

Stress strategies are performed to assess the potential impact of changes in risk factors on extremal economical events on the public's and bank's financial condition and are one of the elements of a risk management mechanism that allows to monitor, assess and identify the bank's potential weaknesses. As part of a stress strategy, banks must take into account any risk factors that could lead to sharp losses and make risk management difficult. These factors include components of market, credit, liquidity and other risks (bis.org).

As a result of stress strategy, the following is determined; 1) shock tolerance of the bank's capital; 2) maximum loss of the bank as a result of shocks; 3) gaps in the bank's activities; 4) assessment of various risks and their relationship; 5) Dependence of the bank on macroeconomic factors. 6) Scenario analysis measures the impact of several factors on the financial condition of the bank at the same time as a result of a possible extreme event. Scenario analysis covers long periods. Sensitivity analysis measures the impact of a change in only one factor on a bank's financial condition. Unlike scenario analysis, sensitivity analysis covers a shorter period. 7) In order to carry out stress strategy in each bank, a stress test model should be developed depending on the size of the bank and the complexity of its activities (Attali, 2009; p.176).

A combination of different risk factors should be considered and their relationship taken into account to determine the maximum potential damage during stress strategy. Due to the diversity of risk profiles, as well as the lack of internationally accepted standards for stress strategy, the establishment of stress test models should be carried out in accordance with each bank. Depending on the

purpose, banks should perform both sensitivity and scenario analysis for shock analysis (Gadjiev 2009; p. 87).

In order to conduct stress strategy tests, banks must first identify the types of risks that may affect them and conduct stress strategy for each identified risk and its category. Their historical dynamics should be considered and a detailed analysis of the bank's financial statements should be carried out. After performing such analyzes, shocks that may affect the bank should be identified. Shocks can be in a certain direction or in a complex way, depending on the purpose of the stress strategy (Gadjiev 2009; p.89).

The relationship between the extreme and probability criteria of events should be considered in stress testing processes. That is, it must be possible for any risk factor to change to an extreme level. Stress tests do not determine the likelihood of events occurring. For this reason, it is important to understand the probabilities of events when choosing scenarios.

The reliability and relevance of the data used to perform the stress test should be checked. In this case, consideration should be given to ensuring that the reports used meet the criteria of sustainability and comparability. Each assumption made in the stress test must be analyzed and substantiated. When performing stress tests, “worst case”, “best” and “probable” scenarios should be developed and separate criteria and shocks should be identified for each scenario, including assumptions. Relying solely on past data in determining risk factors during stress tests can lead to inaccurate results (Griplin et al., 2009). For this reason, in preparing stress tests, the bank should consider hypothetical scenarios that take into account potential risks and maximum losses, in addition to historical scenarios like a global pandemic.

When the number of risk factors to which a bank is exposed is too high, only the main risk factors that can seriously affect the bank's operations should be selected and their impact on the bank's financial condition should be measured.

At least the following should be considered when performing stress tests: - the impact of shocks in various sectors on the bank's loan portfolio and its quality; - impact of changes in GDP on the bank's loan and deposit portfolio; - the impact of

inflation volatility on interest rates and loan portfolios of banking products; - the impact of changes in interest rates on various products on both interest rates and the bank's profit, capital, loan and deposit portfolio, assets and liabilities in foreign currency; - the impact of changes in the structure of non-performing loans on the bank's profit, capital and liquidity; - the impact of problems related to large loans on the bank's loan portfolio, liquidity and profit; - the impact of early repayment of foreign debt on the bank's liquidity; - the impact of the recall of large deposits on the bank's liquidity; - the impact of the reduction of highly liquid funds in the bank on new loans; - a sharp change in the factors influencing the decrease in operating income and / or increase in operating expenses; - problems with funding; - change in the value of the collateral;- change in the official exchange rate; - The results obtained after conducting stress tests in banks should be reflected in at least the following reports; - current, year-end and one-year post-shock balance sheet; - current, end-of-year and one-year post-shock profit and loss statement; - schedule of post-shock payment period distribution in the current period; - current, end-of-year and one-year post-shock loan portfolio; - At least the following ratios after shocks in the current, year-end and one-year periods: (capital adequacy ratio; leverage ratio; instant liquidity ratio; first-tier capital adequacy ratio; share of overdue loans in the portfolio; ROE ratio; ROA ratio; liquid assets to assets ratio ratio; ratio of net interest income to total income; ratio of open currency position to capital.) (Zeynalov, 2010; p.17).

The COVID-19 outbreak has posed an emergency response demand for governments all around the world. Both public and private healthcare systems are under unprecedented strain. In response to an unfolding economic crisis, governments must address these pressures and provide broad-based fiscal support. PFM systems are essential for the government's emergency response to be effective. Governments must ensure that their systems are ready to meet the new requirements and challenges in terms of (Special Series on Fiscal Policies to Respond to COVID-19):

- Supporting the delivery of emergency health services (including direct provision of health care services); purchasing supplies and equipment; putting in place the human resources needed to monitor, contain, and mitigate the COVID-19 outbreak;
- Ensuring the continued delivery of essential public services that may be put under stress during an outbreak; and ensuring the ongoing delivery of essential public services that may be put under stress during an outbreak.
- Putting in place new fiscal measures (including a variety of assistance mechanisms) to help enterprises and people in need;
- Keeping PFM services running well despite personnel absences across the government.

PFM systems should be able to assist with fiscal goals, whether it's finding cost savings to offset higher COVID-19 spending or planning and delivering fiscal response packages to boost economic activity.

To handle unforeseen demands, finance ministries should determine what emergency reaction options they have available. To deal with emergency spending, most governments will have recourse to one or more of the following tools (imf.org):

- Appropriations for contingencies within the agreed budget (or any revolving contingency fund). Governments should strive to employ them wisely and honestly. To ensure that funds stay unencumbered and accessible to cover high-priority needs, clear prioritization of demands on contingency provisions would be required.
- Some jurisdictions may allow emergency spending provisions. When certain circumstances arise, these allow for spending in excess of budgeted amounts, usually with a streamlined approval process (e.g., approval of a head of state). They can also allow spending to continue if the annual budget cannot be passed.
- Additional requirements can be accommodated by reprioritizing expenditures through reallocations and virements. Within the legal framework for virements, reprioritization and reallocation should typically be done publicly.
- If additional resource requirements cannot be addressed within the executive's assigned power or the available budget envelope, supplemental budgets may be required.

- External funds, either sector-specific or for emergency response, could be investigated.

It would be prudent to assess whether requesting additional funding or reallocating spending calls for immediate action, such as legislative approval. If that is the case, such authorization should be sought as soon as possible to avoid a situation in which parliament is unable to reconvene. Authorization to diverge from numerical fiscal regulations can also be sought when necessary. Given the increased need to support health and vital services during an outbreak, finance ministries should evaluate emergency response resource requirements and identify low-priority spending that could be cut to make room for higher-priority spending (Preparing Public Financial Management Systems for Emergency Response Challenges, imf.org).

- Prepare a rough estimate of the additional resources needed. If cost drivers, pricing, and volume factors are already accessible, the cost of increasing the scale of existing services should be reasonably simple. Make it a requirement for relevant line ministries to offer broad cost estimates for any new services being considered.

- Require line ministries to make savings in their budgets based on policy priorities, progress, any available slack, and items that may be deferred to a later time period. This will assist central authorities in reallocating resources from low-priority areas (such as sports) to high-priority areas (such as education) (e.g., healthcare, social support programs). Across-the-board cuts, in our experience, do not have the desired effect.

- High-priority spending, such as that to support the vulnerable and meet vital needs such as debt service, must be protected. Spending cuts should ideally avoid having an impact on industries that are already under stress as a result of COVID-19 (e.g., tourism and small business sectors).

- Consider how reprioritization will affect the medium-term budget.

The government's ability to satisfy its expanded obligations and give relief to the impacted populace will be dependent on liquidity management. Even if there are offsetting savings in the budget, a pandemic reaction will almost certainly

necessitate more financial disbursements in the near future. Managers of government debt and cash should begin planning for higher financing and liquidity requirements as soon as possible (oecd.org).

- Consider the implications for debt, both in terms of size and composition, and adapt the yearly borrowing program and issuance calendar accordingly.
- As projecting cashflows becomes more difficult due to abrupt and unanticipated cash needs and falling revenues, adjust the cash buffer amount as needed to account for the increased uncertainty.
- Look into extra credit lines with banks and arrangements for on-demand short-term borrowing from cash-rich state-owned companies and pension funds as alternatives to traditional financing. Any major pool of government currency outside of the treasury single account system should be investigated for the purpose of bringing it under treasury supervision.
- Cash managers should keep a careful eye on the government's cash balance, preferably using real-time data. The frequency with which cashflow estimates should be evaluated and updated should be increased (ideally daily). Additional processes for information exchange between the central bank and commercial banks providing banking services to the government should be put in place if necessary.
- Set up a system to prioritize payments to key sectors or purposes in the event of a temporary cash shortage. Countries with centralized payment systems, which are managed by the treasury, should be in a better position to ensure payment priority. Decentralized payment systems will have to rely on local priority, which will be helped by unambiguous prioritization instructions from the central authority.
- International financial institutions (e.g., the IMF and the World Bank) and other donors could also be investigated and prepared to help if needed.

Budget execution methods that are robust will ensure that resources are made available to service delivery units in a timely and effective way so that they can fulfill their (extra) duties. Priority distribution methods that are well-defined and well-understood will ensure timely budget releases and claim processing. The goal will be to design a flow for processing priority items and expediting expenditure

authorizations rather than circumventing existing rules. A balanced strategy would assist in managing the conflict between controls and efficiency; some calculated risks would be worthwhile to consider in order to improve efficiency (Special Series on Fiscal Policies to Respond to COVID-19).

- Controls should be implemented using a risk-based approach. Pre-audit, for example, may focus just on high-risk payments, whereas post-audit would include relatively lower-risk payments.

- Consider delegating more financial authority to frontline ministries, such as the health ministry, if possible, both for reallocation of funds and payment approvals.

- Using a real-time gross settlement (RTGS) system where possible would allow funds to move quickly across the country's financial system. These systems could be primarily developed for high-value transactions between financial institutions. Nonetheless, treasury officials should consider the prospect of employing them with the central bank if they are not already in use. RTGS would be especially useful for securely and quickly transferring funds to subnational governments and frontline public and commercial entities.

- If the government decides to expand wage subsidies and cash transfers to wide segments of the afflicted population, direct deposits through banking channels are likely to be the quickest, safest, and most reliable method. Individuals affected by the crisis will prize account ownership and the capacity to receive direct deposits. Mobile payments and prepaid cards with top-up capabilities may be viable options for folks without a bank account. On the other hand, these solutions, on the other hand, necessitate significant planning and cannot be implemented immediately. Authorities must respond quickly, particularly at the local level, to ensure the efficacy of such mass disbursement methods.

- Beneficiary authentication and fraud prevention will most likely be the most difficult challenges. Beneficiary identification and registration processes must be properly structured to access and use all relevant data while maintaining a reasonable level of risk. To assist the authentication process, information sharing between public and private entities will be important. Governments should begin early to

reduce the time it takes for payments to begin, as beneficiary registration and identification can take time.

Cash advances may be used by some governments to make resources accessible to service delivery units quickly, especially if conventional disbursement procedures are difficult and time-consuming. It will be critical to keep good track of and account for advances in order to assure their correct use and quick payback. At the moment of release, advances should be approved by a designated authority and entered into an advance register (ideally automated) explicitly specifying the amount, purpose, receiver, and person responsible for its closure. Records should be kept in such a way that an itemized examination of advances can be performed at any time. This will make it easier to keep track of outstanding advances and ensure that they are paid on time. To guarantee that policymakers and the public have access to full and timely information, transparent methods for tracking, accounting, and reporting emergency actions must be established. Based on the policies' medium-term influence on economic growth and predicted future fiscal costs and risks, appropriately quantified information would assist policymakers in making informed decisions and taking prompt corrective steps, as needed. This would also help to maintain the long-term viability of government finances. It will also be easier to terminate temporary spending arrangements after the need has passed (imf.org).

- To make it easier to track funding, create specialized budget lines (for example, the French supplementary budget obtained in March 2020 categorizes all emergency response policy actions under a separate "mission"). Ensure that all emergency budgetary resources, including any external funding, are channeled through these budget lines. Replicate these budget lines in the government chart of accounts so that fund utilization in the financial statements is recorded and reported separately.
- Create a feedback loop for providing timely information on money utilization to policymakers.
- Ascertain that systems are in place to regulate and monitor fiscal risk exposure as a result of crisis-related actions. Containing the expenses of responding to the crisis and avoiding further negative shocks to the public finances would require ongoing

management of fiscal risks. PFM managers should also plan for the possibility of fiscal stimulus to boost economic activity. This provides policymakers with the ability to rapidly respond to changes.

Exploring the possibilities for accelerating expenditure plans and assessing the infrastructure pipeline to identify "shovel ready" projects or projects in the delivery phase that can be advanced are two examples of early work.

The efficacy of government policies will be judged in the medium term based on their achievement of key policy objectives.

- Countries with well-developed program budgeting or performance management frameworks should be able to track and measure the impact of policy measures via well-selected performance indicators (for example, job preservation or creation). Simple "rules of thumb" could be used to link program goals to major policy priorities where appropriate (for example, linking program goals, such as delivering x number of new social housing units, with the policy target of creating x number of jobs). Other countries could use simple tracking indicators as a starting point (for example, number of beneficiaries, average amount per beneficiary).
- Ex post analyses of the impact of both budgetary and non-budgetary measures (e.g., guarantee schemes) will be valuable in determining policy impact, ensuring accountability, and distilling lessons for the future.
- Supreme audit institutions might play a critical role in determining whether public funds were properly allocated, the ex post impact of policies, and establishing accountability.
- Governments should also plan to deliver policy impact information to individuals in a clear and concise manner. Budgets created by citizens, for example, could be an effective means of spreading this information.

3.2. Foreign experience on the state budget management within COVID-19 pandemic

The current paradigm of the modern economy is reduced to a rethinking of the financial and budgetary policy of the state. Today, among the main strategic risks and threats to the national security of the Republic of Azerbaijan in the long term is the low stability and security of the financial and budgetary system, due to the outbreak of the coronavirus infection that affected all sectors of the Russian economy, putting a huge number of small and medium enterprises and served as a serious impetus to the growth of instability of financial institutions.

Over the years, numerous theories have been developed to explain the causes of economic and financial crises and to develop policies to prevent them. As a rule, various violations and troubles in the elements of the financial system act as a condition for the emergence of financial crises. Many scientists and economists agree that crises are caused by sudden and unexpected events that may have an element of panic (Gorelikov, 2017: p.74).

Also, most empirical studies reflect evidence that financial crises are associated with various variables that affect the stability of the banking system (for example, studies by Gorton and Demirguch-Kunt and Detraja, as well as more recent studies by Goldstein) (Golstein, 2012: p. 934).

It is fair to say that periodic economic crises are generated not only by changes in the expectations of economic entities, but also by the systematic inability of the sector of firms to repay their debts to the financial sector, which demonstrates the current crisis with the consequences of financial instability (Stabilizing an Unstable Economy).

H. F. Minsky summarized the main provisions of the hypothesis of financial instability in a crisis situation in the following way. The first theorem of the financial instability hypothesis is that an economy has financing regimes under which it is stable and financing regimes under which it is unstable. The second theorem of the

Financial Instability Hypothesis is that during periods of prolonged prosperity, the economy shifts from financial relations conducive to a stable system to financial relations conducive to an unstable system (Minsky, 1992).

Today, the COVID-19 pandemic represents the unprecedented global macroeconomic shock of the 21st century, pushing the global economy and financial system into a recession of uncertain scope and duration. In particular, in the first quarter of 2020, the level of activity decreased in all major economies, including China, the eurozone countries, the United States and Japan. In general, according to experts, in the first quarter of 2020, there was a sharp decline in global GDP — by 11.2% (compared to the previous quarter, seasonally adjusted, in annual terms).

Analyzing the forecasts for the development of the world economy of the International Monetary Fund (IMF) (Table 3.1), we can assume that by the end of 2020, world GDP will decrease by 3.0% (despite the fact that the decline in world GDP in 2009 amounted to only -0,one %). At the same time, it is assumed that the spread of the pandemic can be stopped before 2021, or by the end of 2020; medical preparations will be developed and available in sufficient quantities for use, allowing for large-scale preventive preventive measures (vaccination of the population) or effective treatment of those infected with COVID-19, which will make it possible to abandon the restrictions that are painful for the economy and everyday life of the population. In this case, in 2021 the pace of global economic recovery (according to the optimistic forecast) could reach 4.5%. In 2022, the global economic growth rate will return to the average rates for the period from 2012 to 2019 and will be about 3.5% (Vovchenko and Sopchenko, 2020).

Table 9: Forecast of GDP dynamics of the world's leading economies for the period up to 2021, %

Country	2019	2020	2021
USA	2,3	-5,9	4,7
United Kingdom	1,4	-6,5	4,0
Germany	0,6	-7,0	5,2
France	1,3	-7,2	4,5
Italy	0,3	-9,1	4,8
Spain	2,0	-8,0	4,3
China	6,1	1,2	9,2
India	4,2	1,9	7,4

Japan	0,6	-5,2	3,0
World	2,9	-3,0	5,8

Source: Belyov, Vedev & Drobyshevsky, 2020, p.19

In Russia, the forecast for a decline in GDP in 2020 is 6.6%; in 2021, the International Monetary Fund expects the Russian economy to grow by 4.1%, while emphasizing that this forecast is characterized by a higher degree of uncertainty than usual.

In the global oil market, where the first signs of tension were already visible at the beginning of 2020, the pandemic caused a collapse in demand for oil, and the restrictions that were needed to stop the spread of the virus severely disrupted transport, which accounts for about two-thirds of oil demand. Oil demand is expected to decline by 9% in 2020.

Due to the price war in the oil market and the introduction of the self-isolation regime, the federal budget of the Russian Federation may lose 2.6 trillion rubles in 2020; in the medium term, the federal budget will remain in deficit [10]. At the same time, most experts emphasize the danger of the growth of public debts. According to the Institute of International Finance, monetary policy could push global debt levels up to \$325 trillion by the end of the year, up from \$255 trillion in 2019. Government deficits widened by an average of 8 percentage points for advanced economies. economy, and the share of debt to GDP will rise to about 140%. Borrowing in the private sector of the economy is also growing, which raises the problem of preventing a solvency crisis (Abramov et al., 2020: p.12).

It should be noted that the triggers for the development of the current economic and financial crises were both supply-side factors (production of goods and services) and demand-side factors (consumption and investment). Lockdowns and border closures implemented around the world to contain the epidemic have led to an even greater decline in capacity utilization and disruption to supply chains, resulting in a significant reduction in jobs and consumer demand. Enterprises faced serious problems of declining income and insolvency, which particularly affected such industries as transport and logistics, tourism, restaurants and hotels, and retail trade. The situation is especially difficult for small and medium-sized enterprises

(SMEs). The real sector faced the problem of reduced access to finance in the face of rising borrowing costs, resulting in a sharp and sudden loss of demand, income and sources of financing, which negatively affected the ability of companies to continue their activities.

The current circumstances served as the basis for the multi-channel influence of the crisis on the instability of the world economy.

The key channels of the impact of the coronavirus on the global economy are shown in Table 10.

Under the current conditions of the forced shutdown, the companies did not receive the income that they could have had under normal economic conditions. A number of organizations that continued to function noted a decrease in customer activity and cash receipts.

Table 10: Channels of influence of COVID-19 on the global economic architecture

CHANNELS OF INFLUENCE		
Financial system	Labor market	Companies
Deterioration of the financial position (problems with liquidity and solvency)	Rising unemployment, wage losses, job insecurity	Reducing the production volumes of companies; liquidity problems; reduction in revenue; company bankruptcy
TRIGGERS		
Instability in financial markets	Demand shock (production of goods and services)	Supply shock (consumption and investment)
High volatility in financial markets; reduced liquidity, increased funding costs	Reducing consumer spending on goods and services. Disruption of company value chains	Reducing the supply of labor and the productivity of companies. Disruptions in company value chains

Source: Vovchenko and Sopchenko, 2020, p.128

As part of a dedicated revenue channel, the negative impact of the coronavirus pandemic and the restrictions adopted against it affects the entire value chain and affects the entire range of entities involved in production activities. Losses in income arose not only from specific enterprises, but also from its employees, suppliers, contractors and service organizations, budgetary bodies and extrabudgetary funds, and financial organizations.

In addition, the impact of the coronavirus pandemic on revenue channels has created the following negative impacts:

- the fall in prices for oil products and metals has a negative impact on the income of commodity exporters, it also affects the sectors of the economy associated with them;
- the SME sector was in the most vulnerable position due to limited opportunities to attract financing, the complexity of organizing remote work, and a focus on serving the population.
- the public sector is expected to see a significant decline in revenues, both due to the contraction of the tax base and as a result of the provision of tax deferrals and other stimulus measures, which together will lead to a federal budget deficit;
- the household sector will suffer due to a decrease in the labor income of citizens. The situation is especially difficult for citizens working in the most affected sectors, who have debts to banks and are faced with a significant decrease in income;
- the fall in the income of economic entities will result in an increase in credit risk, a fall in demand for financial services and a decrease in the income of the financial sector”.

As lockdowns are gradually lifted in many countries, policy focus needs to shift towards stimulating economic recovery, even as uncertainty remains about containing the pandemic and elevated levels of global debt could limit the scope and effectiveness of fiscal policy measures (Vovchenko and Sopchenko, 2020, s.128).

The optimal scope of any package of measures depends on the scale of the epidemic and the initial conditions in a given country (the state of the health care system, dependence on raw materials, the size of the fiscal space and monetary capacity, etc.). Given these circumstances, the Azerbaijanian anti-crisis package is relatively small, and the planned expenditures are more extended over time compared to other G20 countries.

The anti-crisis measures proposed by the G20 leaders can be divided into four groups:

- The first group is medical. The G20 aims to increase the production of medical supplies and make them generally available to citizens, share research materials on

COVID-19, fund the fight against the virus, and support healthcare systems around the world;

- The second group of decisions is economic. The G20 guides countries to develop a joint plan to counter the consequences of the coronavirus and overcome the crisis.

- The third group of measures is trade. In this direction, work is underway to ensure the unhindered movement of medical goods, the most important products of the agro-industrial complex and other important goods across borders to maintain the health and well-being of people. The ministers of trade of the participating countries were tasked with assessing the consequences of the pandemic for global trade.

- And, finally, the fourth group of measures is devoted to global interaction. It is about increasing coordination, including with the private sector, to support developing countries facing the economic, social and health impacts of COVID-19.

Considering the measures of budgetary support for the economy in the context of a pandemic, one should also separately note the international experience of developed countries in the direction of developing the institutional framework for supporting the economy. For example, the United States introduced the Federal Law “On Relief, Mitigation and Economic Security in Coronavirus” (“Corona virus Aid, Relief, and Economic Security Act” - “CARES Act”) (Belyov et al., 2020: p.106).

The French government approved an emergency package of 45 billion euros (budget subsidies). In addition, in order to avoid the bankruptcy of enterprises due to lack of liquidity, France guarantees bank loans in the amount of 300 billion euros. Note that, unlike the United States, the main measures of government support are directed not at citizens, but at companies in order to preserve jobs and prevent the growth of unemployment (Belyov et al., 2020: p.107).

In Italy, the Law “Measures to strengthen the National Health Service and economic support for families, workers and enterprises associated with the emergency caused by COVID-19” was adopted, which contains a description of all anti-crisis measures, indicating the amount of funding (Belyov et al., 2020: p.107).

The Bundestag (Germany) adopted amendments to the 2020 budget, reflecting changes in the previously approved budget for the current financial year

as a result of the implementation of a package of anti-crisis measures. The government also approved at the legislative level the creation of the Economic Stabilization Fund (Wirtschaftsstabilisierungsfonds), the purpose of which is to provide liquidity to companies in the national economy (Belyov et al., 2020: p.108).

The British government assesses the pandemic as a factor affecting the economic situation of the state only in the short term, in this regard, most of the measures are designed for the coming months or until the end of 2020–2021. tax period. In turn, the government also did not abandon the increase in spending aimed at ensuring economic growth in the medium term (investments in transport infrastructure, digital infrastructure, hospitals, schools, colleges, R&D spending programs (Vedev et al., 2020: p.14).

It is important to emphasize that sound public financial management protects against fiscal risks and increases the government's capacity to respond to crises. In a rapidly evolving pandemic crisis, it is critical to take a “whole-of-government” approach to public financial management, for example through the establishment of an interagency crisis management team, including to assess the potential impact of new policies and policy proposals on the budget/public finances and to oversee the consistent application of public financial management measures throughout the system of public administration (Babilek et al., 2020: p.7).

3.3. Implementation an optimal fiscal policy for mitigation negative impact of Covid-19 Pandemic on the state budget of Azerbaijan

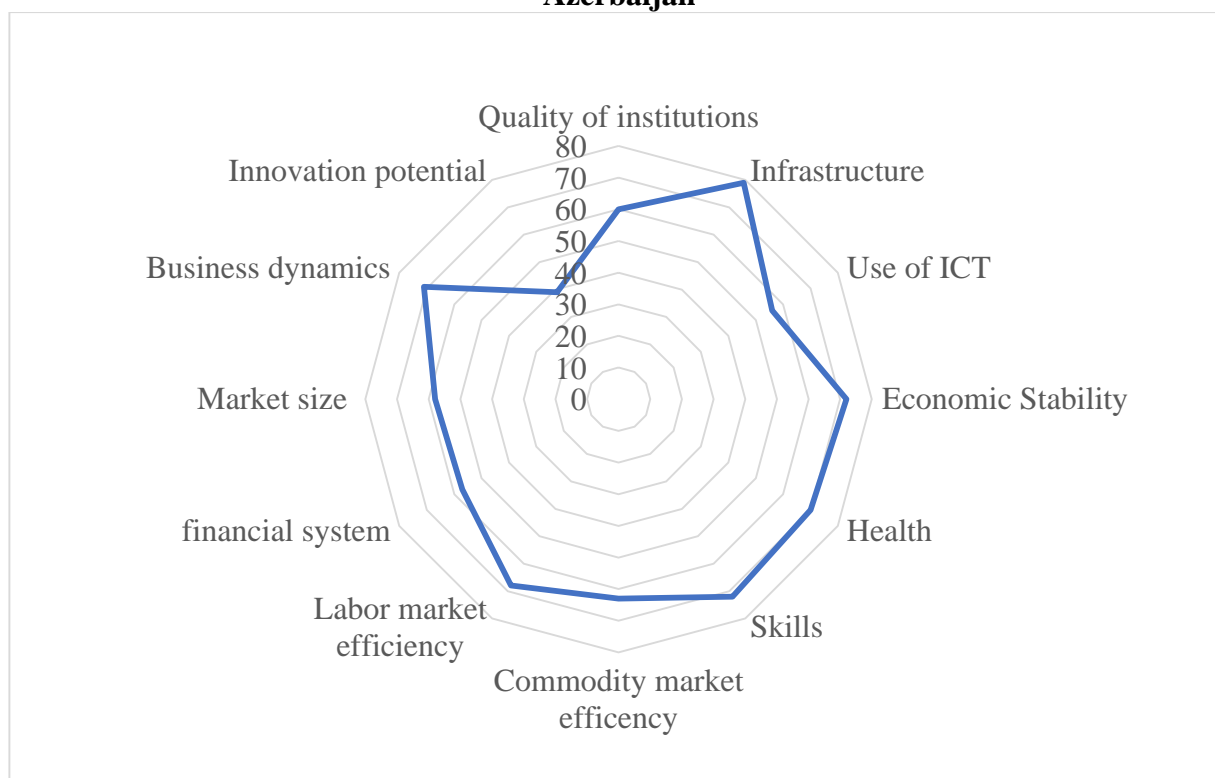
In general, in countries whose economies are based on the production and export of natural resources, the formation of a sustainable fiscal framework and effective budget planning are more complex than in other countries. This, in turn, is due to the depletion of resource revenues, price and volume volatility, and uncertainty. In this regard, the importance of implementing spending policies that support economic development and fiscal policy that ensures financial and debt discipline is emphasized. In order to strengthen infrastructure and improve social welfare, it is important for fiscal policy to determine the optimal balance between the efficient use of resource revenues, ensuring macroeconomic stability, as well as maintaining a portion of resource revenues for future generations (Eyvazzadeh, 2021; p. 93).

The macro-fiscal framework should primarily support macroeconomic stability by ensuring socio-economic development and fiscal sustainability. Looking back, the macro-fiscal framework formed in the country has made an important contribution to achieving macroeconomic balance by maintaining both the budget deficit and public debt at a satisfactory level. Undoubtedly, revenues from the oil sector and foreign exchange reserves accumulated in the State Oil Fund have played an important role in this contribution over the past years. The Fund's resources acted as a buffer against short-term negative shocks, keeping the public debt at a manageable level and enabling it to meet its obligations to the state budget. by creating macroeconomic and fiscal balance (<https://www.eia.gov/>).

As noted, macroeconomic stability has been maintained and a favorable business environment has been ensured as a result of economic growth efforts. These reforms have also shown themselves in improving the country's position in international rankings. In the 2019 Global Competitiveness Report of the World

Economic Forum, which includes 12 key areas of priority in the economic and social spheres, including an analysis of global trends, Azerbaijan has advanced 23 places on the “macroeconomic stability” indicator, which includes the macroeconomic situation (World Economic Forum. Forum “Global Competitiveness Index” Report, 2019). Thus, Azerbaijan was the only country that advanced at this level on the indicator calculated on the basis of inflation and debt dynamics. According to the report, Azerbaijan ranks 58th out of 141 countries, advancing on 8 of the 12 indicators, leading among the countries of the South Caucasus, and in the top three among the CIS countries, along with Russia and Kazakhstan (Global Competitiveness Index, 2019) (figure 1).

Figure 1: Regional trends in the main directions of economic and social sphere in Azerbaijan



Source: World Economic Forum Global Competitiveness Index 2019 report

In addition, it should be noted that according to the Economic Freedom Index 2021, Azerbaijan ranks 38th out of 172 countries. Progress in the indicators “Tax burden”, “Public expenditures”, and “Fiscal health” played an important role in achieving this result (Economic Freedom Index, 2021).

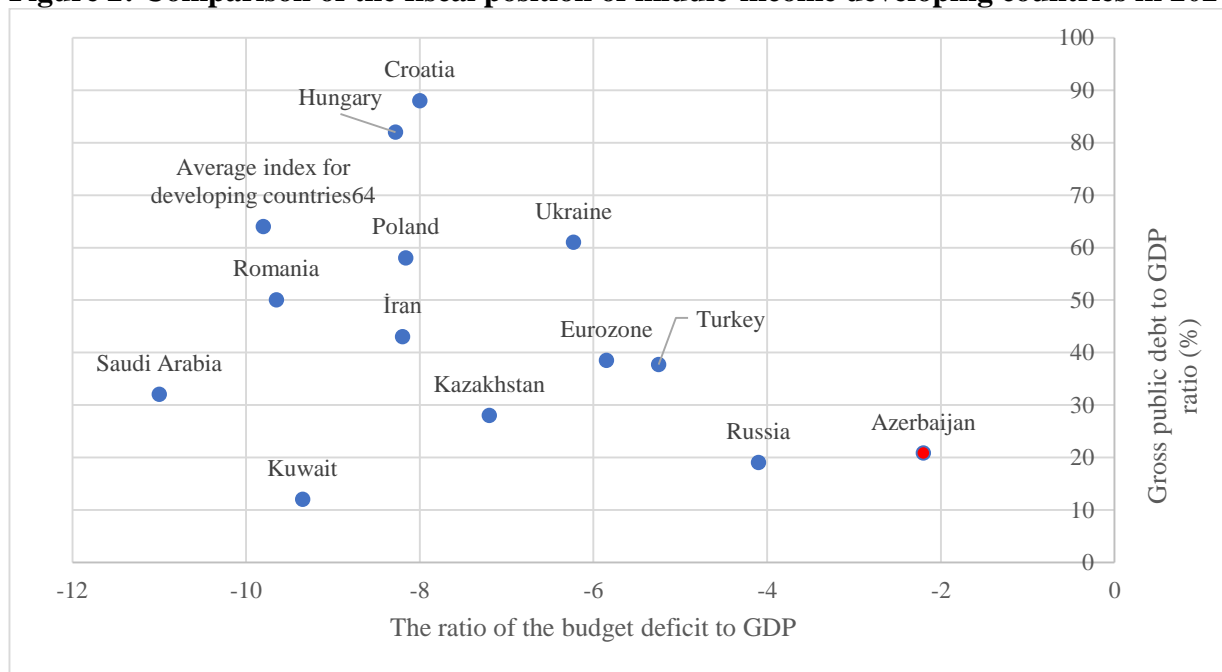
The continuation of macroeconomic stability in the country in previous years, the results achieved in the direction of socio-economic development, led to the continuation of positive trends in early 2020. In addition, the effects of the COVID19 pandemic since early 2020 have slowed the rapid development of the Azerbaijani economy, increasing the importance of macro-fiscal support measures to restore economic growth. In general, the significant impact of the pandemic on most sectors of the economy and various groups in the world has created new challenges for governments. As a result of the fiscal measures taken, it has been possible in part to prevent a more severe global economic contraction, job losses and rising social spending. However, in most countries, large allocations for various preventive and supportive measures and declining public revenues have rapidly increased the level of budget deficits and public debt. In general, the global fiscal deficit will increase from 3,6% to 10,8% of global GDP in 2020, and public debt from 83,7% to 97,3%. In 2020, the ratio of budget deficit to GDP in developed countries was 11,7 percent, in developing and middle-income countries – 9,8 percent, in low-income countries – 5,5 percent, the world's average public debt increased to 97,3 percent of global GDP (Global Economic Review Report, 2021).

Against the background of growing debt obligations, the risk of premature suspension of fiscal support measures by governments increases the importance of a medium-term fiscal framework that meets existing realities and provides for the creation of financial buffers at a pace consistent with the recovery process. It should be noted that against the background of negative trends in the global economy, new challenges, Azerbaijan has ensured the sustainability of the budget deficit and public debt (Figure 2).

As noted, the rapid spread of coronavirus (COVID-19) infection in the world, as well as the negative external trends in global demand, including a sharp decline in consumption and investment, have had a significant impact on the Azerbaijani economy. In this regard, although measures taken to reduce the possible negative effects of the pandemic have not prevented the economy from entering a phase of recession, its sharp decline has been prevented.

Significant challenges have emerged in the service sector of the economy, such as tourism and hospitality, and have resulted in serious setbacks (Eyvazzadeh, 2021; p. 95).

Figure 2: Comparison of the fiscal position of middle-income developing countries in 2020



Source: Information from the IMF's Fiscal Monitor (April 2021)

External shocks, especially the pandemic, have been able to affect the country's macro-fiscal resilience through various transmission channels. With this in mind, it is important to conduct regular assessments of external economic effects and prevent fiscal risks in the budget process. In other words, the analysis and assessment of fiscal risks is important in terms of the medium and long-term sustainability of the economy and financial system. Thus, in order to strengthen macroeconomic stability and resilience as a logical continuation of the work done to improve budget policy, the need for measures to form a fiscal framework based on the budget rules in line with the new economic realities should always be in focus. The resilience of the economy and the public financial system to internal and external influences, including economic cycles, must be further enhanced.

As mentioned above, the negative effects of external shocks can be realized through a number of different channels, as the country's economy is still highly dependent on the global commodity and energy markets, oil production and price

changes. Restrictive measures taken to protect public health have had a negative impact on the decline in economic activity since the second quarter of 2020, including the development of trade, tourism and construction. These or other processes are interconnected, there are channels of impact on the country's economy and require a comprehensive approach to minimize negative impacts (Eyvazzadeh, 2021; p. 97).

If we look at the indicators of state budget expenditures over the past years, we can see that the state budget has been very procyclical in some years, in other words, it has increased or decreased directly or indirectly due to oil and other external influences. The structure of budget expenditures, especially public investment expenditures (investment expenditures), has changed frequently in different years depending on oil prices (Eyvazzadeh, 2021; p.98).

Along with the impact of the fall in the price of crude oil, the country's main export commodity, on the state budget and the consolidated budget, negative pressures on the financial and banking sector are inevitable. On this basis, the balance of payments deficit, increasing pressure on the exchange rate also actualizes the exchange rate risk. In 2014-2015, as a result of external shocks caused by unfavorable conjuncture in world markets, the inflation rate rose significantly in those years.

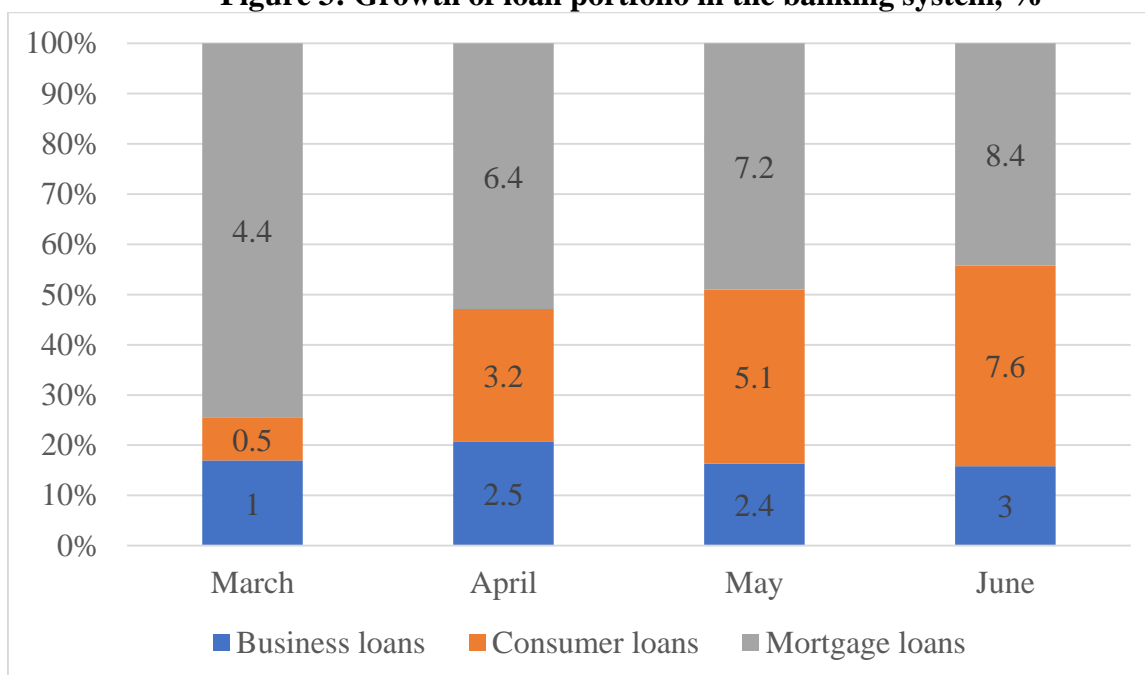
In contrast, during the pandemic crisis of 2020, average annual inflation in the country remained low (3 percent) and macroeconomic stability was maintained. On the other hand, in the coming years, the resilience of the financial and credit sector, especially the banking sector, to internal and external shocks should be increased and financial immunity against risks should be further strengthened (Statistical bulletins of the Central Bank of the Republic of Azerbaijan, 2021).

On the other hand, the long-term adaptation of the Azerbaijani economy to low oil revenues, major rehabilitation and return operations in the territories liberated after the Great Patriotic War, as well as the rapid implementation of a new growth strategy aimed at doubling national income (Mammadov Z.F. 2015, pp. 14-21).

In this context, maintaining the stability of the macroeconomic and financial

sectors in 2021 will form the basis for macroeconomic and macro-prudential policies.

Figure 3: Growth of loan portfolio in the banking system, %



Source: <https://uploads.cbar.az/assets/51e38d9fecdac5e8aa378451.pdf>

Through macroeconomic and financial stability, the Central Bank will assist in the long-term recovery of pandemic-driven economic growth. Next year, monetary policy will continue to play a key role in preserving the environment for long-term economic growth, with an emphasis on price stability. The stability of financial institutions, financial intermediation, and financial markets will all be improved.

The financial stability policy in 2020 is mainly aimed at ensuring the stability of financial markets and the system, minimizing the negative effects of the pandemic, and supporting the population and businesses. Despite the situation, efforts to expand financial intermediation and deepen financial markets have continued.

Azerbaijan's government has set aside 3% of GDP to combat the harmful effects of the COVID-19 coronavirus outbreak. "The pandemic has had an impact on our economy," President Ilham Aliyev remarked. Despite declining government

revenues during the pandemic, the government has allocated 3% of GDP for job protection, business support, economic development, and social measures. A \$ 2 billion economic and social assistance package has been presented to address the effects of the pandemic, ensure economic stability, macroeconomic and financial stability, and address the problem of unemployment. Social support measures cover about 5 million citizens, or half of the country's population. The President also noted that the fight against the pandemic is funded only from domestic sources without foreign financial assistance. Azerbaijan has also offered humanitarian and financial aid to more than 30 nations as part of COVID-19. "Economic development, ensuring economic and financial stability, continued development of healthy and competitive human capital, creation of sustainable jobs, and the development of new fields of economic activity are our primary priorities in the post-pandemic period," the President added. The president of Azerbaijan, Aliyev, said that over 260 billion dollars have been invested in the country's economy over the last 17 years. The head of state added that Azerbaijan's foreign exchange reserves are six times more than the country's foreign debt (sai.gov.az).

The COVID-19 pandemic has had a tremendous impact on people's health as well as economics, with underdeveloped countries bearing the brunt of the damage. Balancing the requirement to offer income support while also collecting taxes to sustain spending has been exceedingly difficult for developing countries with little fiscal headroom and high debt burdens.

To achieve their long-term development goals, many developing countries will need to boost their tax income (SDGs). Many countries are focusing on upgrading tax policies to link them to SDG financing methods in order to ensure that critical public goods like skills development, education, health, and infrastructure are sufficiently funded and that all citizens have access to social protection. As the Addis Action Agenda underlines, tax revenues are the only feasible source of finance for the vast majority of public goods and will be vital for attaining the SDGs. This is reflected in many poor countries' medium-and long-term initiatives for financing the SDGs (Astadsater, 2019: p. 2078).

Although informality is a multifaceted issue, tax policy, in conjunction with social protection and labor market policy, can have both direct and indirect influence on its elimination. High levels of informality can generate a vicious cycle of high tax rates paid by formal sector workers and enterprises, providing incentives for them to operate largely or entirely in the informal sector, and forcing governments to hike statutory tax rates even higher. As a result, developing countries often have restricted tax bases and high tax rates, reducing the tax money available to fund public goods provision. There are significant opportunities to improve the design of simplified and presumptive tax regimes that can encourage informal firms and people to join the formal sector while also allowing formal businesses to continue developing in the regular economy.

Tax incentives that do not attract more investment but instead result in windfall gains to investors for projects that would have happened regardless of the incentives are a source of worry. Reforms to improve tax incentive design and reduce the use of inefficient and redundant tax incentives are thus critical.

The design and usage of SSCs, as well as the function of taxation in encouraging healthy behavior, are all difficulties in health funding. In many developing nations, public health spending is low as a percentage of GDP, necessitating a high amount of private health-care spending, which can be both regressive and inequitable, leaving many people without access to decent treatment. Restricted public funding also limits the health system's ability to create capacity to meet the community's growing healthcare requirements. Improving health finance through the tax system necessitates careful thought about the design and usage of health SSCs, such as expanding the contribution base, assuring adequate rates, and encouraging formal labor force participation. Improving the design of taxes with strong ties to the health sector, such as those on products that are damaging to one's health, such as cigarette and alcohol consumption, can also help finance health systems. Environmentally linked taxes that help reduce pollution, as well as other health-related taxes like sugar taxes, which are increasingly being discussed, can help raise public income while simultaneously reducing hazardous product

consumption (Tax and fiscal policies after the COVID-19 crisis, OECD).

Lowering the enormous number of VAT exclusions and rates that exist in many developing countries, for example, should be explored as an approach to improve VAT systems' efficiency and revenue-raising potential. Strong e-commerce development is causing a slew of problems for emerging-market VAT regimes. The main VAT challenges are the exponential growth in online sales of low-value imported goods, often by foreign sellers, on which VAT is not effectively collected under existing rules (such as "apps," music and movie streaming, gaming, ride-hailing, and so on) and the exponential growth in online sales of services and digital products to private consumers (such as "apps," music and movie streaming, gaming, ride-hailing, and so on). The OECD is establishing VAT Digital Toolkits in conjunction with the World Bank Group and other partners to assist developing economies in implementing OECD standards for resolving the VAT problems of digital trade. These toolkits provide step-by-step instructions for implementing a comprehensive VAT strategy for e-commerce. These toolkits are based on the OECD policy framework, which has been used by many governments. They also include the knowledge and best practices of governments that have used these standards successfully (oecd.org).

Developing countries that rely on fossil fuels will need to develop strategic policies quickly in order to navigate the energy transition and increase investments in economic sectors that will provide long-term economic growth and tax revenue. This includes reducing unnecessary fossil fuel subsidies and increasing environmental taxes and carbon pricing via carbon taxes or emissions trading systems. These solutions will need to be supplemented with policies that ensure that energy is affordable (Saez and Zucman, 2019).

In the future years, developing countries' tax policy debates will focus on broadening the base of personal income taxes and improving the overall progressivity of these taxes. The establishment of the automatic sharing of taxpayer information has also increased the potential for more effective taxation of capital incomes in emerging countries.

To address these issues, a variety of tax, expenditure, and governance reforms will be required in order to finance necessary investments and subsidies, as well as incentivize behavioural change through price manipulation and effective regulation. Because the difficulties are multi-faceted, reforms will need to be multi-faceted as well.

The best fiscal instrument combination will differ greatly depending on a variety of circumstances. Existing taxation and spending levels and structures; the nature of the country's long-term structural trends and difficulties, as well as recent steps made to ameliorate their impact; and the country's institutional setting and citizens' preferences and opinions.

As a result, the ideal mix of fiscal instruments that countries use will have to be country-specific. For example, developing countries may have a lower tax-to-GDP ratio and less developed social safety nets, necessitating policies that extend tax bases in order to earn more tax revenue. Similarly, countries confront a variety of demographic difficulties and will differ in their readiness to address the challenges that an aging population will bring. Many OECD nations are experiencing significant increases in pension, health-care, and long-term care spending, although demography in other emerging and developing economies may have a more favorable impact on public budgets (Wachter, 2020: p. 169).

Citizens are more supportive of higher-quality spending, improved fiscal frameworks, and stronger public institutions that offer value for money. It may boost tax morale and desire to pay taxes in the long run. They may also diminish resistance to tax reform and, as a result, lower the behavioral reaction to higher taxes. For example, tax administrations have used digitisation to increase their digital service delivery, which has been proved to benefit both taxpayers and tax administrations during the COVID-19 crisis, when governments imposed hundreds of emergency tax measures. Tax administrations are increasingly relying on larger and more integrated data sets, as well as analytical tools and procedures, to improve risk management and design-in compliance. Artificial intelligence and machine learning are increasingly being utilized to improve tax administration services and to use data

in ways that free up tax administration resources to be used for other purposes. These breakthroughs will not only increase the tax administration's efficiency, but they may also open the road for tax policy change based on these administrative advancements (Wachter, 2020: p. 174).

Following the COVID-19 crisis, most countries have started a recovery phase, and tailored support measures may be required to aid economic recovery. While it is critical that countries do not prematurely withdraw support and implement measures to rebuild their public finances, this could jeopardize the recovery, such widespread support cannot be sustained permanently. When the recovery is well underway, countries will need to start the process of rebuilding their budgetary positions. Revisions to fiscal frameworks, adjustments to budgeting rules, rethinking spending priorities, and tax reforms will be among the policy levers that countries will need to employ. In developing countries, in particular, a significant increase in domestic resource mobilization will be required.

CONCLUSION AND SUGGESTIONS

Despite the fact that this is a topic that has already been researched on a global scale, the goal of this study is to add to the body of knowledge. The primary mitigation strategies for reducing the negative impact of the COVID-19 pandemic on Azerbaijan's state budget, which are presented in the report, may prove useful in future scientific research.

According to the findings of the study, a stress strategy for public finance management in extreme economic periods, as well as foreign experience with state budget management during the COVID-19 pandemic, and the main directions for implementing an optimal fiscal policy for mitigating the negative impact of the COVID-19 pandemic on the state budget of Azerbaijan are the main directions for implementing an optimal fiscal policy for mitigating the negative impact of the COVID-19 pandemic on the state budget of Azerbaijan. The development of measures for pandemic mitigation in Azerbaijani regions has been determined for the country's future economic development.

Based on global experience, the research can be utilized to design future economic growth plans for Azerbaijan, as well as various action plans to manage the impact of the COVID-19 pandemic and increase the role of optimal fiscal policy implementation in the country's economy.

The modern economy's present paradigm boils down to a reassessment of the government's financial and budgetary policies. The low stability and security of the financial and budgetary system, as a result of the outbreak of the coronavirus infection that affected all sectors of the Russian economy, putting a large number of small and medium enterprises out of business and serving as a serious impetus to the growth of financial institution instability, is currently one of the main strategic risks and threats to the Republic of Azerbaijan's national security in the long term.

The activities of private training and educational institutions were one of the outcomes of the COVID-19 pandemic in Azerbaijan. As a result, private educational

institutions operating on an "online" basis find that one of the key areas where it is impossible to ensure the protection of social distance, resulting in increased expenses and decreased revenues.

The country's economic stability in previous years, as well as the accomplishments obtained in the direction of socioeconomic development, led to good trends continuing in early 2020. Furthermore, the consequences of the COVID-19 pandemic have hampered the Azerbaijani economy's rapid rise since early 2020, emphasizing the significance of macro-fiscal support measures to restore economic growth. In general, the pandemic's considerable impact on most sectors of the economy and numerous communities around the world has presented governments with new issues. It has been feasible, in part, to avoid a more severe global economic contraction, job losses, and increased social spending as a result of the budgetary measures enacted.

As various countries' lockdowns ease, fiscal policy measures must be tailored to each country's situation, striking a balance between the need to protect society, stabilize demand, and stimulate economic recovery. Fiscal policy measures should ensure the implementation of life-saving health care and emergency assistance measures while the pandemic is still in its acute phase and stringent self-isolation is in place. Given the prevalence of informality in the economy, fiscal policy should gradually transition from support for enterprises to more targeted support for households as lockdowns ease. To strengthen the economy's resilience after COVID-19, employment assistance measures should encourage a safe return to work and foster structural labor market restructuring.

To decrease budgetary risks, all anti-crisis actions should be anchored in the medium-term budgetary framework with transparent management and accounting; this includes loans and guarantees that have no direct influence on the amount of public debt and deficits.

In 2020, the financial stability policy will focus on ensuring the stability of financial markets and the system, mitigating the pandemic's harmful consequences,

and assisting the population and companies. Regardless of the circumstances, efforts to extend financial intermediation and deepen financial markets have continued.

Covid-19 pandemic has affected our economy. Affecting government revenue, the government pledged 3% of GDP to job protection, business support and social initiatives. A \$ 2 billion economic and social support plan has been suggested to combat the pandemic's effects and unemployment. More than half of the population receives social assistance. The President also declared that no foreign aid is being used to fight the disease. ASEAN has supplied humanitarian and financial assistance to over 30 countries. Post-pandemic, the President's priorities include economic development, financial stability, human capital development, job creation, and new economic activity. According to Aliyev, Azerbaijan's economy has received almost \$ 260 billion in 17 years. Foreign exchange reserves surpass international debt six to one, according to the president.

The focus of emerging countries' tax policy debates in the coming years will be on increasing the base of personal income taxes and enhancing their overall progressivity. The creation of automatic information exchange between taxpayers and authorities has also boosted the potential for more effective capital income taxation in emerging countries.

Based on the results of the research and foreign experience, it may be useful to implement the following guidelines aimed at solving a number of problems in the implementation an optimal fiscal policy for mitigation negative impact of Covid-19 Pandemic on the state budget:

- Fiscal frameworks will need to promote robust public finances by internalising future socio-economic and political uncertainty.
- After the crisis, countries will be able to review their tax and expenditure policies, as well as their overall fiscal frameworks.
- Increasing financial needs and average debt levels may need adjusting fiscal frameworks.

- A reappraisal will be required to establish the optimal mix and range of fiscal policies needed to promote inclusive and sustainable economic growth over the medium to long term.
- Given these structural changes, fiscal policies should reassess tax and expenditure priorities, as well as which instruments are most successful in accomplishing national goals.
- Digitalisation puts new strains on social security systems and income tax bases, forcing fiscal policy to adjust.
- Expanding tax bases and enhancing compliance may help enhance tax collection and reduce the social and fiscal costs of tax evasion.
- Long-term fiscal plans can be linked to underlying drivers like life expectancy, reducing fiscal uncertainty.

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EXTRAS

Appendix 1.

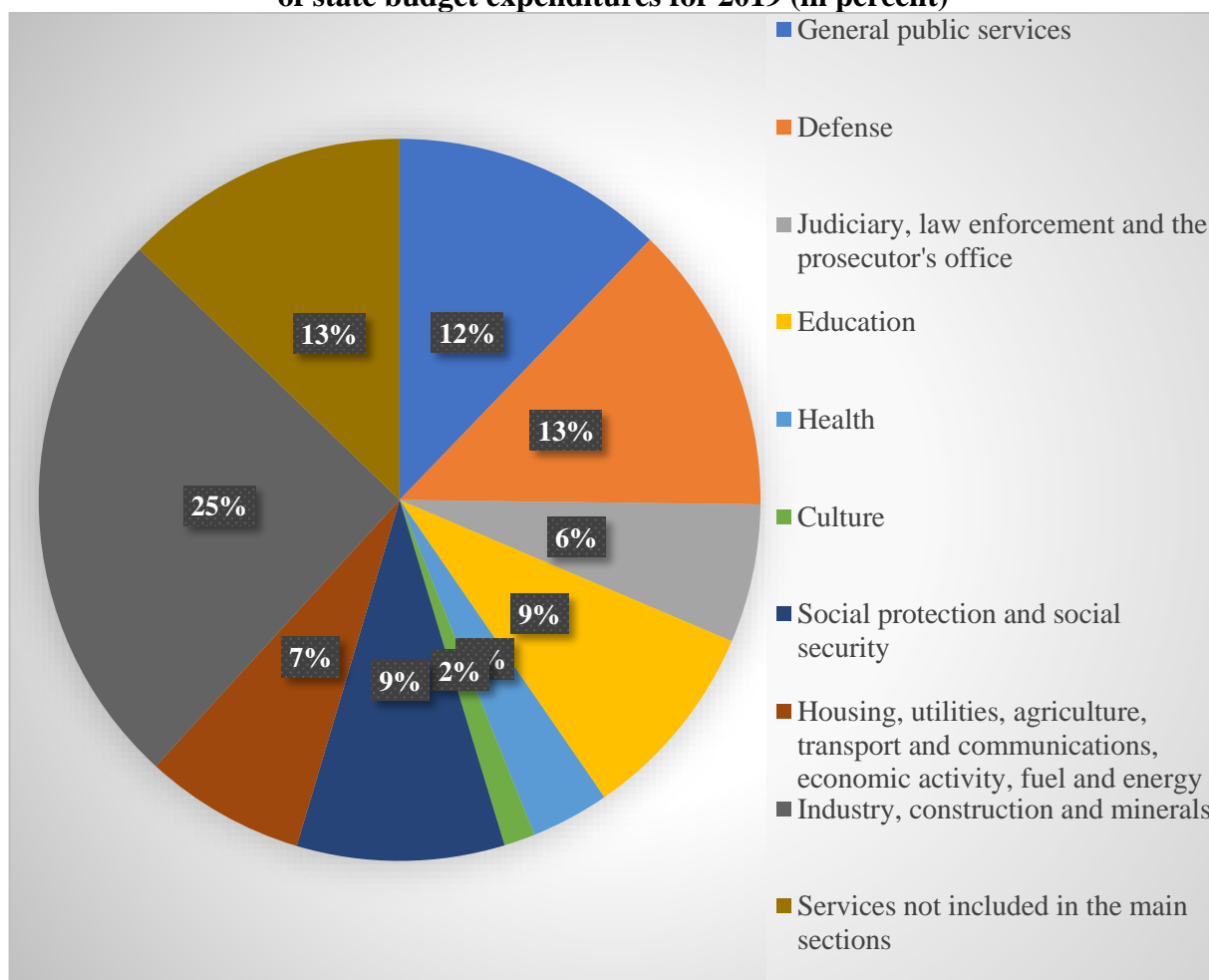
Table 1. IMF forecasts, %

Countries \ Regions	Fact	Forecast					
	2019	In the current year for 2020 indicators provided			In the current year for 2021 indicators provided		
		April release	June release	October release	April release	June release	October release
Economic growth							
The world	2,8	-3,0	-4,9	-4,4	5,8	5,4	5,2
Developed countries	1,7	-6,1	-8,0	-5,8	4,5	4,8	3,9
USA	2,2	-5,9	-8,0	-4,3	4,7	4,5	3,1
Eurozone	1,3	-7,5	-10,2	-8,3	4,7	6,0	5,2
Japan	0,7	-5,2	-5,8	-5,3	3,0	2,4	2,3
United Kingdom	1,5	-6,5	-10,2	-9,8	4,0	6,3	5,9
Canada	1,7	-6,2	-8,4	-7,1	4,2	4,9	5,2
Developing countries	3,7	-1,0	-3,0	-3,3	6,6	5,9	6,0
China	6,1	1,2	1,0	1,9	9,2	8,2	8,2
Russia	1,3	-5,5	-6,6	-4,1	3,5	4,1	2,8
Turkey	0,9	-5,0	-	-5,0	5,0	-	5,0
Iran	-6,5	-6,0	-	-5,0	3,1	-	3,2
Azerbaijan	2,2	-2,2	-	-4,0	0,7	-	2,0
Growth rate of trade (goods and services)							
The world	1,0	-11,0	-11,9	-10,4	8,4	8,0	8,3
The growth rate of raw material prices							
Oil	-10,2	-42	-41,1	-32,1	6,3	3,8	12
Inflation							
Developed countries	1,4	0,5	0,3	0,8	1,5	1,1	1,6
Developing countries	5,1	4,6	4,4	5,0	4,5	4,5	4,7

Source: IMF - "World Economic Outlook: The Great Lockdown" April 2020, "World Economic Outlook Update: A Crisis Like No Other, An Uncertain Recovery" June 2020, "World Economic Outlook: A Long and Difficult Ascent" October 2020

Appendix 2.

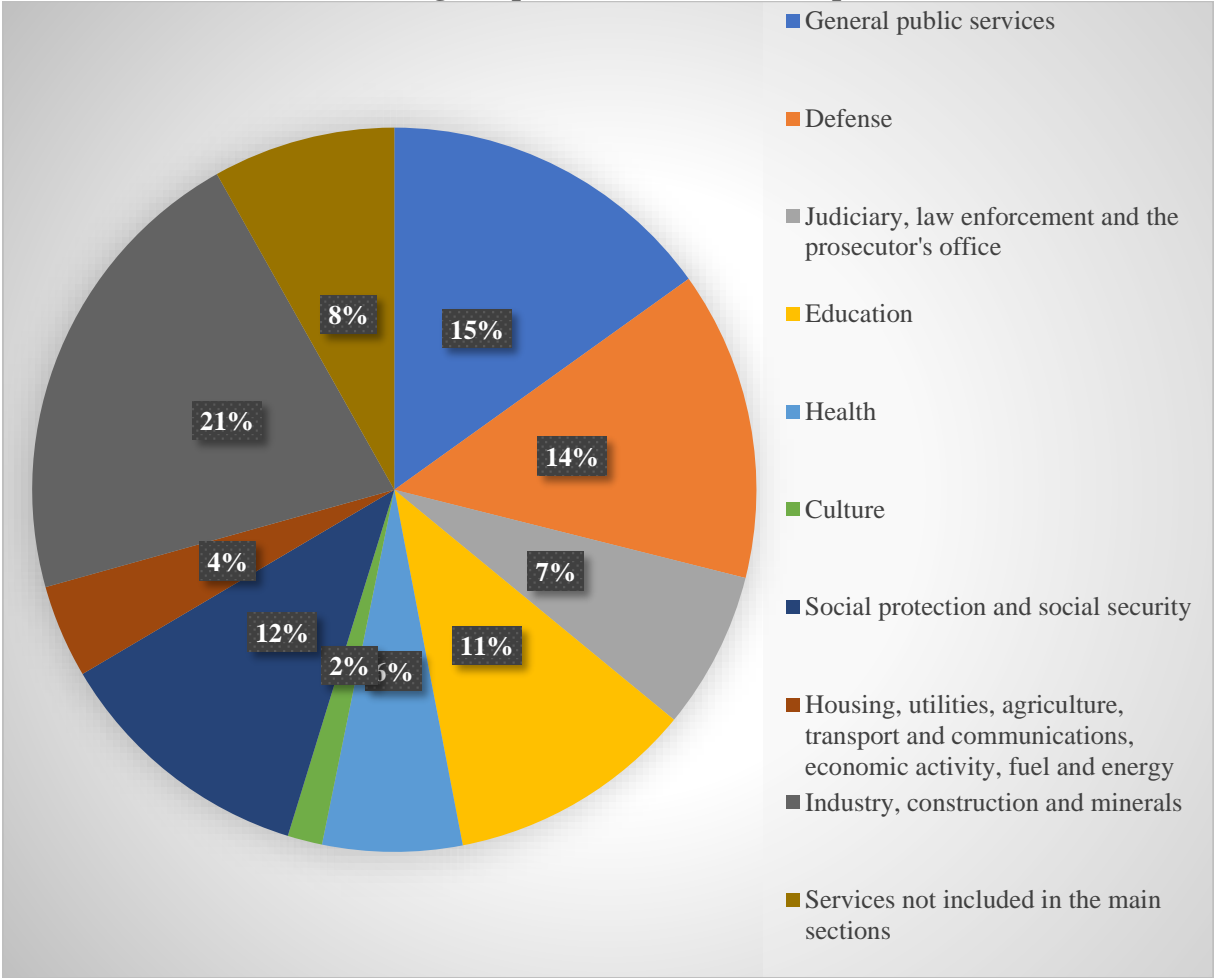
Graph 2. Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2019 (in percent)



Source: www.nk.gov.az

Appendix 3.

Graph 3. Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2020 (in percent)



Source: www.nk.gov.az

List of tables

Table 1: IMF forecasts, %.....	94
Table 2: World Bank forecasts, %.....	27
Table 3: ADB forecasts, %.....	28
Table 4: Ratio of total public debt and budget balance to GDP in countries, in %.....	29
Table 5: Value added in the oil sector in Azerbaijan during the pandemic.....	30
Table 6: Financial and institutional sources of anti-pandemic work.....	32
Table 7: Expenditures of the state budget by years in the distribution of functional areas (in million manats).....	38
Table 8: Expenditures of the State Budget of Azerbaijan Republic against the Covid-19 pandemic in 2020 (in manat).....	53
Table 9: Forecast of GDP dynamics of the world's leading economies for the period up to 2021, %.....	67
Table 10: Channels of influence of COVID-19 on the global economic architecture.....	69

List of graphs

Graph 1: Structure of state budget for 2020.....	39
Graph 2: Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2019 (in percent).....	95
Graph 3: Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2020 (in percent).....	96
Graph 4: Specific weight of expenditures on functional classification in the structure of state budget expenditures for 2021 (in percent).....	44

List of figures

Figure 1: Regional trends in the main directions of economic and social sphere in Azerbaijan..	74
Figure 2: Comparison of the fiscal position of middle-income developing countries in 2020....	76
Figure 3: Growth of loan portfolio in the banking system, %.....	78