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Kamila Eldar Hasanaliyeva

Azerbaijan State Economic University(UNEC)

Master

khasanaliyeva@gmail.com

PECULIARITIES OF THE BUDGET POLICY WITHIN THE PANDEMIC PERIOD

Abstract

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 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.

The main purpose of the research is to study peculiarities of the budget policy within the pandemic period.

The study of theoretical and methodological features of the impact of the COVID-19 pandemic on the state budget system is the object of research, and the impact of the COVID-19 pandemic on individual sectors of the economy is the subject of the study.

Key words: budget, COVID-19, tools of economic regulation, pandemic period, world economy

Kamilə Eldar qızı Həsənəliyeva

Pandemiya dövründə büdcə siyasətinin xüsusiyyətləri

Xülasə

Qlobal pandemiyanın dünya iqtisadiyyatına təsiri ilə bağlı məlumatlar dəyişməkdə davam etdiyindən, yekun qiymətləndirməni hələlik etmək mümkün deyil. Bununla belə, fikrimizcə, Dünya Bankı Qrupu və BVF kimi mötədil strukturların hazırkı qiymətləndirmələri hazırkı mərhələdə hadisələrin gedişatı haqqında ətraflı məlumat əldə etmək üçün kifayətdir. Məsələn, Dünya Bankının son məlumatlarına görə, pandemiyanın qlobal iqtisadiyyata təsiri son onilliklərdə baş verənlərlə müqayisə olunmazdır.

BVF-nin məlumatına görə, Covid 19-un Avropa və Mərkəzi Asiya ölkələrinə təsir sahələri arasında əmtəə qiymətlərinin kəskin azalması, qlobal və regional istehsal və satış zəncirlərində ciddi pozulmalar, maliyyə bazarlarında risklərə etinasızlıq riskinin artması xüsusilə vacibdir. . Koronavirus pandemiyasının sürətlə yayılması regionda daxili tələbatın kəskin azalmasına, eləcə də təchizatın pozulmasına və nəticədə ölkədə iqtisadi fəallığın azalmasına səbəb olub. Bu ölkələr "keyfiyyət üçün qaçış" və istiqraz spredlərinin artması səbəbindən investisiya axınının artması ilə üzləşiblər. Milli valyutanın nisbi zəifliyi borclanmanın dəyərinin artmasına, ixracın azalması isə tədiyyə balansına təzyiqli artırıb.

Tədqiqatın əsas məqsədi pandemiya dövründə büdcə siyasətinin xüsusiyyətlərini öyrənməkdir.

COVID-19 pandemiyasının dövlət büdcə sisteminə təsirinin nəzəri və metodoloji xüsusiyyətlərinin öyrənilməsi tədqiqatın obyektidir, COVID-19 pandemiyasının iqtisadiyyatın ayrı-ayrı sahələrinə təsiri isə tədqiqatın mövzudur.

Açar sözlər: *büdcə, COVID-19, iqtisadi tənzimləmə vasitələri*

Introduction

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.

Analyze

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).

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
İran	-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: İMF - “World Economic Outlook: The Great Lockdown” April 2020, “World Economic Outlook Update: A Crisis Like No Other, An Uncertain Recovery” June 2020.

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
İran	-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

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).

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
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.

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.

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.

Table 4. 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: Prepared by the author based on IMF data

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.

Conclusion

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. Consider the possible negative consequences of coronavirus infection for the banking sector:

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.
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.

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