

**On approval of the Agreement on procedure for formation and execution of the budget of the Shanghai Cooperation Organization**

***Unofficial translation***

Decree of the President of the Republic of Kazakhstan dated June 29, 2018 No. 712

*Unofficial translation*

      In accordance with subparagraph 1) of article 15 of the Law of the Republic of Kazakhstan dated May 30, 2005 "On international treaties of the Republic of Kazakhstan" **I HEREBY ORDER**:

      1. To approve the attached Agreement on procedure for formation and execution of the budget of the Shanghai Cooperation Organization, made in Sochi on December 1, 2017.

      2. This Order comes into effect from the date of its signing.

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| *President of the* *Republic of Kazakhstan* | *N. Nazarbayev* |

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|  | APPROVED by the Order of the President of the |
|  | Republic of Kazakhstan  dated June 29, 2018 № 712 |

**AGREEMENT on procedure for formation and execution of the budget of the Shanghai Cooperation Organization**

      The member states of the Shanghai Cooperation Organization, hereinafter referred to as the Parties,

      guided by Article 12 of the Shanghai Cooperation Organization Charter dated June 7, 2002,

      have agreed as follows:

**Article 1**

      For the purposes of this Agreement, the following basic concepts are used:

      SCO or the Organization - Shanghai Cooperation Organization;

      Member states - SCO member states;

      Secretary General - SCO Secretary General;

      The permanent bodies of the SCO - the SCO Secretariat, the SCO Regional Anti-Terrorist Structure (hereinafter - RATS) and other permanent structures created within the SCO;

      Director - Director of the RATS Executive Committee;

      Advances - amounts approved by the Council of Heads of Government (Prime Ministers) of the SCO Member States (hereinafter referred to as the CHG) in accordance with the size of the assessed contributions, transferred by the Member States to the SCO budget and returned to the Member States in the event of the termination of the Organization's activities or their withdrawal from it;

      Budget (regular) - a form of formation and use of funds intended for financial support of the tasks and functions of the permanent bodies of the SCO. It is formed for the corresponding budget year from the assessed contributions of the Member States and other income;

      Budget (financial) year - the period from January 1 to December 31 inclusive;

      Contributions (assessed) - amounts established (accrued) for the SCO member states to finance the costs associated with the activities of the permanent SCO bodies in a given financial year;

      Internal audit - control over formation of expenses, identification of deviations from planned indicators and standards, analysis of the reasons for deviations, search for reserves of financial and economic activities and providing the Secretary General with the necessary information;

      External audit - an audit of the financial and economic activities of the SCO, carried out by the person (s) or institution appointed by the CHG;

      Financial control - verification and control, both internal and external, over the procedure for drawing up, considering and executing the budget, as well as over the replenishment, distribution and use of budget funds;

      Obligation - entering into contractual relations or other, entailing financial responsibility of the SCO, types of transactions for which the appropriate permits were obtained;

      Income - funds received by the SCO budget in the form of established (accrued) assessed contributions and other income;

      Other income - all types of income, except for established assessed, target voluntary contributions and gifts in cash, as well as amounts received as a result of direct reimbursement of expenses in the current financial period and advances received;

      General fund - an account opened for the recording of income and expenditures from the regular budget of the Organization;

      Working capital fund - an account opened for accounting of one-off receipts from the SCO member states in order to finance expenses from the regular budget before the receipt of the established contributions from the member states;

      Reserve fund - an account opened for accounting of cash flows in order to finance unforeseen and extraordinary expenses related to the activities of the Organization;

      Trust fund - an account opened for accounting of cash flows for the purpose of financing target expenses related to the activities of the Organization;

      Special accounts - accounts used accounting of cash flows directed to the implementation of certain activities and purposes.

**Article 2**

      The budget of the Organization is drawn up for a period of one calendar year, which is also a financial year and is approved by the CHG.

      The Organization's budget covers all income and expenses for the financial year to which they relate, and is expressed in United States dollars. Annual contributions and advances are calculated and paid in US dollars.

**Article 3**

      The member states make annual contributions to the budget of the Organization in accordance with the Annex, which is an integral part of this Agreement.

      The amount of the assessed contributions may be changed at the suggestion of one or several member states and with the consent of other member states, as well as in the event of a member state leaving the Organization or a new state joining the SCO as a member.

      The amount of the contribution of the new SCO member state must be lower than the amount of the minimum assessed contribution of the SCO founding states.

      The changed amounts of the assessed contributions are approved in the manner prescribed by article 11 of this Agreement.

**Article 4**

      The payment of assessed contributions by the member states is made separately to the accounts of the permanent SCO bodies within the approved budget.

      Accrued contributions are payable in full within thirty days of the receipt of the notification of contributions due from the Secretary General or by the first day of the calendar year.

      In the event that a member state is unable to pay in full the due assessed contributions within these deadlines, it may transfer them in stages, of which it notifies the Secretary General in advance. At the same time, during the first month of the first quarter, at least 30 percent of the total amount of compulsory (accrued) contributions must be transferred and at least 35 percent each during the first months of the second and third quarters.

      If the budget of the Organization is not approved before the start of the financial year, the member states, on a monthly basis, prior to the approval of the budget of the Organization, transfer contributions in the amount of 1/12 of the execution of the regular budget of the previous budget year.

**Article 5**

      The Secretary General draws up the draft budget for the next financial year based on the principles of validity, efficiency and real needs in accordance with the proposals of the permanent bodies of the SCO.

      The Secretary General submits the draft budget to all member states at least eight months before the start of the next financial year. The draft budget is considered by the Special working group of experts of the SCO member states on financial and budgetary issues and, after approval by the Council of national coordinators of the SCO member states (hereinafter referred to as the CNC), is submitted for approval by the CHG.

      Following the approval or revision of the budget of the Organization, the CHG, the Secretary General informs the member states about the assessed contributions and advances due.

      The Secretary General periodically provides member states with information on collection of the assessed contributions.

      The Secretary General draws up financial regulations and rules based on this Agreement and, if necessary, amend them. In agreement with the Council of national coordinators, he submits them for approval to the CHG.

      The annual report on the execution of the budget of the Organization is drawn up by the Secretary General, reviewed by the Special working group of experts of the SCO member states on financial and budgetary issues and, with the approval of the Council of national coordinators, is sent for approval to the CHG.

      The Secretary General may delegate this authority in writing to any of his deputies.

**Article 6**

      The Secretary General and the Director are entitled, within the budget approved by the CHG, to commit and make payments during the financial year to which they relate.

      The Secretary General and the Director, within 3 months after the end of the financial year, fully cover the obligations for goods and services delivered during the same financial year, as well as other remaining financial obligations.

      If the CHG does not approve the budget prior to the start of the fiscal year, the Secretary General and the Director are authorized to commit and make payments on a monthly basis up to 1/12 of the amount of execution of the previous regular budget.

**Article 7**

      A General fund is established to record income and expenditure of the regular budget. Its source of funds is the assessed contributions paid by the member states against the current financial period, other income, as well as funds provided from the Working capital fund established in accordance with this article.

      The balances of the General fund based on the results of the external audit are to be set off to the SCO member states that did not have arrears in the audited period, against the payment of assessed contributions for the next financial year in proportion to the established scale of contributions.

      A Working capital fund is established to cover the cash requirements before the receipt of the assessed contributions. Its source of funds is the advances from the member states.

      A Reserve fund may be established to cover unforeseen and extraordinary expenses related to the activities of the Organization. The decision regarding the establishment of the Reserve fund, as well as the amount of funds in it and the procedure for its use are determined by the CHG at the recommendation of the CNC.

      The Secretary General may establish trust funds and special accounts in agreement with the CNC. The purpose and limits of each trust fund and special account should be clearly defined.

      The above funds and accounts are managed in accordance with the financial regulations and rules referred to in article 5 of this Agreement.

      Voluntary contributions, gifts in cash or in any other form may be accepted by the Secretary General with the approval of the CNC and the Director with the approval of the RATS Council and in agreement with the Secretary General in accordance with the established procedure, provided that the purpose of these funds does not contradict the goals and objectives of the Organization.

      Any form of borrowing of funds by the permanent bodies of the SCO is not allowed.

**Article 8**

      The Secretary General, who is the chief executive officer of the Organization, bears responsibility for all financial aspects of the Organization's activities and is accountable to the CNC and CHG for the proper and effective management of the Organization's financial resources in accordance with this Agreement.

      The Organization provides the necessary financial control mechanism, including internal and external audit.

**Article 9**

      The amounts of the assessed annual contributions unpaid by a member state are the debt of that state to the Organization subject to mandatory repayment.

      From 1 October this year, the member states that have not paid in full their assessed contributions will be required to pay interest of 0.1% per month on the amount owed.

      A member state, the amount of arrears of which exceeds the amount of contributions due from it for the previous budget year, may be deprived of the right to nominate its citizens for positions in the permanent bodies of the SCO until the arrears are paid in full. The CHG, upon the recommendation of the Council of Foreign Ministers of the SCO member states (hereinafter referred to as the CFM), may decide not to apply this measure if it finds that the non-payment was caused by circumstances beyond the control of such a state.

      In respect of a member state, the amount of arrears of which exceeds the amount of contributions due from it for the two previous budget years, a decision may be made to suspend its membership in the Organization in accordance with the procedure provided for in Article 13 of the SCO Charter. The Council of Heads of State of the SCO member states may, upon the recommendation of the CFM, not to apply this measure if it finds that the non-payment was caused by circumstances beyond the control of such a state.

      The financial obligations of a member state to the Organization are subject to full fulfillment regardless of the termination of membership (suspension of membership, voluntary withdrawal) of this state in the SCO.

      The procedure for resolving specific issues related to the implementation of this article is determined by the financial regulations and rules referred to in article 5 of this Agreement.

**Article 10**

      In the event of the termination of the activities of the Organization or its individual permanent bodies, the procedure for settling related financial and property issues, including the issues of redemption and sale of the property of the Organization, is determined by the CHG taking into account the provisions of this Agreement.

      Funds received from the sale of movable and immovable property, after the fulfillment of existing obligations, are distributed among the member states in proportion to the amount of contributions determined for the current budget year.

      In the event of a lack of funds to meet obligations in connection with the termination of the activities of the Organization, it is covered by the member states in proportion to the amount of contributions determined for the current budget year.

      In the event of withdrawal or expulsion of a member state from the Organization, the advances transferred by that state to the Working capital fund are returned to it. If this state is in arrears in the payment of assessed contributions, the amount refunded is reduced by the amount of these arrears. Debts that cannot be repaid through advances are repaid at the expense of this state.

**Article 11**

      By the decision of the Parties, this Agreement may be amended and supplemented, and formalized in separate protocols, which are an integral part of this Agreement.

**Article 12**

      Disputes arising from the interpretation or application of this Agreement are resolved through consultations and negotiations between the Parties.

**Article 13**

      This Agreement is temporarily applied by the member states of the SCO Charter from January 1, 2018 and enters into force from the date of receipt by the depository of the fourth written notification of the Parties about their fulfillment of the domestic procedures necessary for the Agreement to enter into force.

      For the states that have signed this Agreement and have completed domestic procedures later, it enters into force on the date of notification to the depositary of the completion of such procedures.

      This Agreement is concluded for an indefinite period.

      After the entry into force of this Agreement, it is open for accession for any state that acceded to the SCO Charter.

      For the acceding state, this Agreement enters into force from the date of receipt of the documents of accession by the depositary.

      From the date of the beginning of the provisional application of this Agreement, the temporary application of the Agreement on procedure for formation and execution of the SCO budget dated May 29, 2003 and the Protocol on amendments to the Agreement on procedure for formation and execution of the SCO budget dated November 24, 2004 cease.

**Article 14**

      The SCO Secretariat is the depositary of this Agreement, which will send a certified copy to the Parties.

      It is made in Sochi on December 1, 2017 in one copy in the Russian and Chinese languages, both texts being equally authentic.

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| *For the Republic of India* |
| *For the Republic of Kazakhstan* |
| *For the People's Republic of China* |
| *For the Kyrgyz Republic* |
| *For the Islamic Republic of Pakistan* |
| *For the Russian Federation* |
| *For the Republic of Tajikistan* |
| *For the Republic of Uzbekistan* |

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|  | Annex to the Agreement on procedure for formation and execution of budget of the  Shanghai Cooperation Organization |

**AMOUNTS OF ASSESSED CONTRIBUTIONS OF MEMBER STATES OF SHANGHAI COOPERATION ORGANIZATION**

      Republic of India - 5.9%

      Republic of Kazakhstan - 17.6%

      People's Republic of China - 20.6%

      Kyrgyz Republic - 8.8%

      Islamic Republic of Pakistan - 5.9%

      Russian Federation - 20.6%

      Republic of Tajikistan - 6%

      Republic of Uzbekistan - 14.6%

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