



Public Finance Monitoring Center

**Social policy and civil participation:
Azerbaijan's case as a transition country of the
enlarged Black Sea region**

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Main economic indicators related to oil wealth

Years	2002	2003	2004	2005	2006	2007	2008
GDP growth (%)	10.6	11.2	10.2	26.4	34.5	25.4	18.2
Inflation rate (%)	3.3	2.2	6.7	9.7	8.3	16.7	21.2
Budget income (mln.AZN)	910.2	1225.5	1481.2	2055.2	3881.2	6006.6	10484
Budget expenses (mln.AZN)	931.7	1234.0	1501.0	2140.7	3789.7	6086.2	11060.6
SOFAZ budget income (mln.AZN)	176	244	185.8	215.6	986	1886.2	10144.7
SOFAZ budget expenses (mln.AZN)	30.8	243.6	168.7	214.6	981.4	1061.2	4380.9
Transfers from SOFAZ to state budget (mln.AZN)	-	100	130	150	585	585	3800
Oil revenues (bln.\$)	-	-	-	-	2.97	5.36	15.55
Poverty rate (%)	46.7	44.7	40.2	29.3	20.8	15.8	12-13

TABLE 1: Main indicators of social security and social assistance expenditure

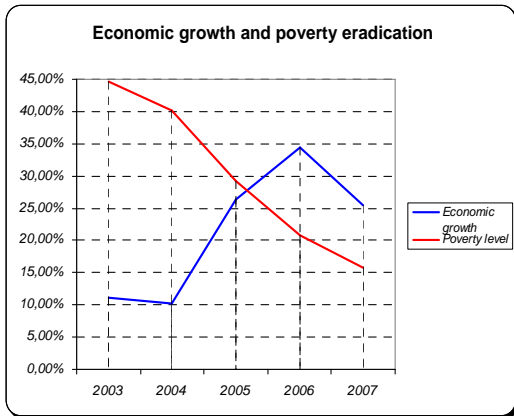
	2003	2004	2005	2006	2007
Amount of social security and social assistance expenditure (AZN million)	213.1	236.6	302.9	341.5	612.8
Increase in amount of expenditure compared to previous year (%)	12.1	10.8	28.3	11.9	79.5
Share of total budget expenditure (%)	16.8	16.1	14.2	9.0	9.7
Share of GDP (%)	3.0	2.8	2.4	1.9	2.8

Economic growth and oil factor

- Robust economic growth in recent years, supported by high oil production and export as well as by higher oil prices

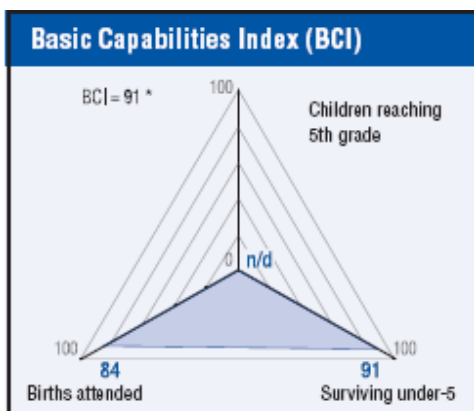
>2007<

- Oil sector's share in GDP (59%)
- Oil sector's share in Budget revenues (64%)
- Oil sector's share in Investment (80%)
- Oil sector's share in Export (84%)



But there are some social symptoms:

- *social and regional differences*
- *social inequality*
- *social ignorance*
- *public control is weak*



Social policy reforms

- Social protection expenditure: rising amounts, declining share
- Refugees and internally displaced persons
- Like many countries in the world, Azerbaijan is faced with ageing population and thus an increasing proportion of pensioners. To confront this challenge, the Pension Reform Conception was approved on 17 July, 2001 by presidential decree.
- The ultimate goal is to establish a multi-pillar pension system with three components. The first pillar is a pay-as-you-go (PAYG) system
- Targeted assistance for vulnerable sectors
- Paradoxically, Azerbaijan has also begun to attract immigration as a result of the recent oil boom

What are suitable tools to activate civil participation?

- *Social entrepreneurship*
- *Participatory budgeting*
- *Gender budget*
- *Protection of social/economical rights*

Social entrepreneurship is

- about applying **practical, innovative and sustainable approaches** to benefit society in general, with an emphasis on those who are marginalized and poor.
- a term that captures a **unique** approach to economic and social problems, an approach that cuts across sectors and disciplines.
- grounded in certain **values and processes** that are common to each social entrepreneur, independent of whether his/ her area of focus has been education, health, welfare reform, human rights, workers' rights, environment, economic development, agriculture, etc., or whether the organizations they set up are non-profit or for-profit entities.

Participatory budgeting

- **Participatory budgeting** is a process of democratic deliberation and decision-making, in which ordinary citizens decide how to allocate part of a municipal or public budget.
- It alleviates “democracy deficit”.
- Porto Alegre model.

Gender factor (gender budget)



Civil society's capacity and engagement

<u>Problematic issues</u>	<u>Opportunities</u>
<i>Legislation</i>	<i>NGO Supporting Council</i>
<i>Needs and social impacts assessment</i>	<i>Social investments</i>
<i>Lack of funds</i>	<i>Charity traditions</i>
<i>Benchmarking dissemination</i>	<i>Business association's efforts</i>
<i>Oil wealth sensibility</i>	<i>Individual and community efforts</i>
<i>Education system</i>	<i>Social policy</i>
<i>Enthusiasm and morality</i>	<i>Regional and international initiatives</i>

Regional challenges (Black Sea)

- Mobilizing internal funds of countries to support civil society and diminishing the dependence from foreign limited sources
- It is time to convert "public-private partnership" to "public-private-civil society partnership"
- Engagement companies and trade unions to the solving social problems
- Establishing regional database on social/economic and governance indicators (including NGO sector);
- Broad application of the ICT in social problem's solution process

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