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Research Report

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Table of Contents

| | |
|--|---|
| Executive Summary | 4 |
| 1. Introduction..... | 6 |
| 1.1. Research Objectives..... | 6 |
| 1.2. Methodology..... | 6 |
| 1.3. Overview of Social Expenses | 7 |
| 2. Access to Education..... | 8 |
| 2.1. Education Spending by Function and Resource Cost..... | 8 |
| 2.2. Family Spending Needs..... | 9 |
| 2.3. Infrastructure and Quality | 9 |
| 2.3.1. Preschool Education..... | 10 |
| 2.3.2. Secondary Education..... | 10 |
| 2.4. International Comparison..... | 11 |
| 3. Access to Health Services..... | 12 |
| 3.1. Health Spending by Function and Resource Cost..... | 12 |
| 3.2. Spending Needs and Quality..... | 13 |
| 4. Social Protection..... | 14 |
| 4.1. Social Spending by Function and Resource Cost | 14 |
| 4.2. Social Protection Agents and Benefits..... | 15 |
| 4.3. Minimum Subsistence Level..... | 15 |
| 4.3.1. Consumption Norms | 15 |
| 4.3.2. Actual Spending and Benefits..... | 16 |
| 4.4. Perceived Poverty | 17 |
| 5. Conclusion..... | 19 |
| Recommendations | 20 |
| | |
| Annex 1 | Households Surveyed by Region, City and Village |
| Annex 2 | Education Quality Indices |
| Annex 3 | Social Benefits: Old Age, Disability, and Bereavement |
| Annex 4 | Social Benefits: Children, Transportation, and Other Services |
| Annex 5 | Average Monthly Targeted Social Assistance by Region |
| Annex 6 | Consumption Rates |

Tables and Diagrams

| | |
|-----------|--|
| Table 1 | Households Surveyed by Region |
| Table 2 | Education Spending by Function |
| Table 3 | Education Spending by Resource Cost |
| Table 4 | Admission Test Scores |
| Table 5 | Health Spending by Function |
| Table 6 | Health Spending by Resource Cost |
| Table 7 | International Comparison of Health System Indices |
| Table 8 | Social Protection Spending by Function |
| Table 9 | Social Protection Spending by Resource Cost |
| Table 10 | Individual Government Benefits |
| Table 11 | Targeted Assistance for Low-Income Families |
| Table 12 | Minimum Subsistence Levels by Group |
| Table 13 | Child Benefits Relative to the Minimum Subsistence Level |
| Table 14 | With Money Would You Have Another Child? |
| Table 15 | How Would You Describe Children's Living Standards? |
| | |
| Diagram 1 | Reasons Why Kids Do Not Attend Preschool |
| Diagram 2 | Quality of Preschool Education |
| Diagram 3 | Quality of Health Services |
| Diagram 4 | Reasons for Not Buying the Necessary Medication |
| Diagram 5 | Agents of Social Protection Spending |
| Diagram 6 | I am Satisfied with the Economic Level of My Household |
| Diagram 7 | With Money I Would Have Another Child Next Year |

Executive Summary

This report is released by the Economic Research Center (ERC) in the framework of the Alternative Household Budget Survey Methodology Development initiative supported by USAID's Civil Society Project and Counterpart International. In order to continue improving the welfare of the population the Government of Azerbaijan adopted the State Program on Poverty Reduction and Sustainable Development (SPPRSD) for 2008-2015. This created new opportunities for civil society organizations (CSOs) and other public stakeholders to become involved in monitoring the implementation of welfare programs. In-depth studies conducted by ERC showed that an intervention for the alternative evaluation of the household budget survey (HBS) methodology was essential in strengthening the SPPRSD.

A better understanding of household budgets is required for the development of effective poverty alleviation programs. The budget methodology currently in use does not yield sufficiently accurate information on the level of poverty in Azerbaijan. Unrealistic assumptions of consumption rates and price points on consumer goods lead to the understatement of the minimum subsistence level and poverty. Income is not a very good basis for measuring poverty in an environment where households rely on individual agricultural output for part of their consumption needs, share a high dependency on seasonal agriculture, and experience constant fluctuations in earnings. These problem areas in the HBS methodology undermine the credibility of official statistics and the effectiveness of government and public efforts to improve family welfare.

The main goal of the research undertaken by ERC was to provide an alternative evaluation of the HBS and make recommendations on how to improve the methodology and strategy for measuring and alleviating poverty. For this purpose ERC conducted: (i) A budget analysis for 2007-2009 to record specific trends in the allocation of public resources and provide a qualitative view of state policy; (ii) Survey of 3,000 households across Azerbaijan to assess the infrastructure and quality of public services designed to meet basic human needs; and (iii) International comparison to identify relevant benchmarks and best practices.

The survey was based on a random sample of households representative of different population strata. To prepare the final version of the survey questionnaire ERC sought the opinion and feedback of CSOs, government officials, international organizations and other public stakeholders through multilateral meetings, individual and group discussions. The alternative HBS evaluation and its findings complemented ERC's initiative with UNICEF. This report focused on three key dimensions: access to education, health and social protection as a function of family well-being.

In 2007-2009 spending on public services increased by 89.7% to 3.2 billion AZN. However the distribution of financial resources by priorities is suboptimal. The structure of health spending by function (e.g. hospitals versus primary care) can be revised to avoid increases in the cost of these services for the population. An analysis of education spending by resource costs revealed that 51% of funds is absorbed by salaries, which indicated that immediate consumption prevails over long-term investments in human capital. In the field of social protection and security, the calculations of the minimum subsistence level fail to account for rapid price increases. Social benefits for children's education cover only 43.8% of the necessary cost and similar patterns hold true for other benefits.

In 2009 spending on education constituted approximately 3.1% of GDP, which is much lower than in the European Union (5%). The survey showed that 93% of families do not send their children to preschools. The poorest results on the general university admission test over the past five years were recorded in 2009, which

points to a decline in the quality of secondary education. Approximately 23% of students failed to obtain high school diplomas due to low scores on the graduation exam.

Health spending in Azerbaijan amounts to \$65 per capita or 35% less than the internationally recommended level. According to the results of the survey the majority of respondents (90%) are satisfied with the quality of health services. However price escalation and the existence of informal payments raise the cost of health care for families. For instance, 55% of those who did not buy the necessary medication simply could not afford it. An international comparison of the number of hospital beds and bed utilization shows that in Azerbaijan many people opt for self and home-treatment because the cost of professional care is too high.

Overall 16% of households that participated in the survey consider themselves to be “extremely poor”. This is slightly at odds with the official poverty level of 13.2%. An analysis of the distribution of social benefits shows that some regions are more vulnerable than others due to the concentration of low-income families, large families, refugees and internally displaced persons (IDPs). Over 50% of respondents said that the living standards of their children were “below average” and another 59% said they would not consider having another child next year even if provided with additional resources. This is logical considering that 38% of household would spend an extra 100AZN on food.

Based on these research findings, ERC developed a set of recommendations. To increase the accuracy of poverty calculations, ERC proposed the following changes in the HBS methodology: (i) Adopt relative poverty as a measure of poverty in Azerbaijan; and (ii) Calculate poverty on the basis of household consumption levels not income. To strengthen the impact of poverty alleviation programs: (i) Develop tailored programs for individual regions; (ii) Expand the health insurance program and increase access to health services; (iii) Increase the autonomy of health care providers; (iv) Increase the autonomy of secondary schools; and (v) Eliminate informal payments in health and education.

1. Introduction

Studies conducted by the Economic Research Center (ERC) showed that the existing household budget survey methodology in Azerbaijan requires additional evaluation to generate more accurate estimates of the poverty level. A better understanding of household budgets is important for the development of suitable poverty alleviation programs. Current poverty estimates appear to be too low for two reasons. First, the minimum subsistence level is understated due to unrealistic consumption rates and price points on some consumer goods. Second, the use of household income as the basis for calculating poverty does not render sufficiently accurate results. In an environment characterized by a strong dependency on agriculture for household consumption and seasonality incomes fluctuate all the time.

1.1. Research Objectives

The main goal of this research was to undertake an alternative evaluation of the household budget survey and provide suggestions on how to improve the methodology and increase its accuracy in measuring poverty levels. For this purpose ERC conducted a survey among 3,000 households in Azerbaijan and assessed their economic well-being, access to public services, and the impact of state social protection policy. On the one hand, ERC initiated a self-evaluation by households to establish the actual extent of poverty by measuring the level of education, health and use of public services. On the other hand, the research involved benchmarking through the use of international indicators. Questions about perceived poverty revealed that 16% of households characterize themselves as extremely poor. This is approximately 18% higher than the official indicator of 13.2% at the end of 2008.

Overall the survey allows for the assessment of the average household and the context of perceived poverty. This report focuses on three key dimensions which include access to education, health and social protection. In each of these areas ERC based its analysis on the: (i) Classification of expenditures by function and resource cost; (ii) Account of dynamics and tendencies in 2007-2009 in state consumption norms, allocations, and family spending needs; and (iii) Appropriate comparisons to other developing and developed countries. The report provides the most interesting and relevant results of the household survey, which shed light on the quality and infrastructure of public services designed to meet basic human needs in Azerbaijan.

For the purpose of this analysis public expenditure represents the money invested in human capital and in national priority areas that remain unchanged regardless of the economic or social environment. These allocations have a strong influence on the country's development and facilitate citizen access to modern technology and tools. In many countries around the world the expedient resolution of problems related to poverty, unemployment and economic recession often determines policy goals. Such initiatives are not exclusive to the development strategies of individual countries and in many cases have become the platform for international agreements. The UN Millennium Development Goals provide the best example of the commitment of civilization to ending poverty and hunger, providing universal primary education, and ensuring child and maternal health.

1.2. Methodology

This paper is based on the results of a survey conducted among a random sample of households in Azerbaijan.¹ To define a representative subset of the population for the survey, ERC used random, systematic and stratified

¹ Except, Nakhchivan Autonomous Republic and Nagorno-Karabakh Province, where the current socio-political situation restricts the implementation of an independent survey.

sampling methods. In random sampling every household is given an equal probability of being selected. Each household in the subset is numbered and the respondents are identified by a computer. The advantage of this method is that it is relatively simple and easy to analyze. The disadvantage is that the randomness of the selection may result in a sample that does not reflect the makeup of the population. Systematic sampling relies on arranging the population according to some ordering scheme and then selecting elements at regular intervals. Despite the ease of implementation, this method may result in an unrepresentative sample of the population if periodicities are present in the list. Stratified sampling is used when the population can be organized into separate “strata”, for instance, based on gender, poverty level, and geographic location. Each group is then sampled as an independent sub-population, out of which individual elements can be randomly selected.

The preliminary condition for the survey was to determine the sample size. The following formula was used:

$$n = t^2 \times \frac{p(1-p)}{m^2}$$

n sample size

t confidence level (95%, standard value – 1.96)

p response distribution

m margin of error (standard value – 0.05)

The design effect of the survey and contingencies were taken into account. The required sample size was determined to be 3,000 households, representing 5,754 women (49%) and 5,986 men (51%). The gender and regional breakdown of the sample is similar to the structure of the population of Azerbaijan. This confirms that the survey is representative of different strata. The sampling for the survey was made based on a list of economic regions (*Table 1*), cities and villages (*Annex 1*).

Table 1 Households Surveyed by Region

| Regions | Urban | Rural | Total |
|----------------|--------------|--------------|--------------|
| Baku city | 650 | 0 | 650 |
| Absheron | 120 | 30 | 150 |
| Gence-Qazax | 200 | 230 | 430 |
| Sheki-Zaqatala | 60 | 150 | 210 |
| Lenkoran | 70 | 230 | 300 |
| Guba-Xachmaz | 60 | 120 | 180 |
| Aran | 250 | 400 | 650 |
| Yuxari Garabag | 60 | 140 | 200 |
| Kelbecer | 30 | 60 | 90 |
| Dagliq Shirvan | 50 | 90 | 140 |
| Total | 1,550 | 1,450 | 3,000 |

51.7% 48.3%

1.3. Overview of Social Expenditures

Countries spend large portions of their budgets on achieving social goals. An OECD analysis² conducted in 2000 showed that by the end of the 20th century social expenditures in developed countries reached between 17% and 36% of GDP. A significant rise in the expenditures of developed countries, relative to citizen awareness of public services and implementation of new social programs, was recorded in 1980-1995. Allocations for public services improve welfare and their efficient use creates additional benefits for the population, particularly children. This report analyzes spending on the following public services: (i) Education; (ii) Health expenses; and (iii) Social security. In 2007-2009 spending on these services increased by 89.7% or 1.5 billion AZN to 3.2 billion AZN. This represents 25.6% of all budget spending and 7.46% of the GDP in Azerbaijan. Spending on other public services increased as well but the proportions remained constant. Over the period analyzed in this report the share of education in public services spending constituted 42-45%. Social security was the second largest spending item. Health costs constituted approximately 15-16% and other expenses 5-6% of the total.

² Growth Effects of Education and Social Capital in the OECD countries, 2000

2. Access to Education

Compulsory secondary education and the fiscally centralized high school system represent the greatest part or 42-45% of spending on public services in countries similar to Azerbaijan. This represents approximately 9-11% of total budget spending and 2.6-2.7% of GDP. In 2009 the latter figure is expected to increase to 3.1%, which is an annual increase of 24.3% and more modest than the increases of over 50% recorded in 2007 and 2008. Based on the level of spending education is the country's second top priority after investments. Since 2003 education expenses grew by more than seven times. This rate of increase is higher than the overall rate for public services. Despite this, spending on education as a percentage of GDP is still lower than the average for the European Union (5%). Countries such as Lithuania (5.1%), Hungary (5.45%) and Poland (5.47%) spend more than the average while others, such as Romania (4.51%), Slovakia (3.85%), and Check Republic (4.25%) spend less. The lowest spending rate in Central and Eastern Europe was greater than the level in Azerbaijan in 2007.

2.1. Education Spending by Function and Resource Cost

Allocations for preschool, primary and secondary schools as well as boarding, private and technical-vocational schools and lyceums decreased in 2008 but saw an increase as a proportion of total spending in 2009. On the contrary, spending on applied research and other services in the field of education increased in 2008 but declined in 2009 (*Table 2*). It is noteworthy that spending on higher education has been increasing steadily as it gained prevalence in state policy. Overall there was no consistent increase or decrease along any expenditure item, meaning the spending may not change strictly as a function of state priorities. Over two-thirds of the total education budget is allocated to secondary and high school education. This amounts to 56-62% of budget

Table 2 Education Spending by Function

| Expenditure Item | % of Education Expenditure | | |
|---|----------------------------|--------|--------|
| | 2007 | 2008 | 2009 |
| Preschool and primary education | 6.86% | 6.32% | 6.60% |
| Secondary and high school education | 60.71% | 51.36% | 56.63% |
| Boarding and specialized education | 3.81% | 3.44% | 3.62% |
| Technical-vocational and high schools | 5.17% | 4.61% | 4.73% |
| Higher education | 7.95% | 8.87% | 10.58% |
| Applied research in the education field | 0.30% | 0.33% | 0.31% |
| Other services in the education field | 15.20% | 25.07% | 17.54% |

Table 3 Education Spending by Resource Cost

| Expenditure Item | 2009 (AZN) | % of Total |
|---------------------------------------|----------------------|----------------|
| Salaries | 1,031,178,464 | 76.26% |
| Purchase of goods (work and services) | 152,328,671 | 11.27% |
| Pensions and social benefits | 48,073,219 | 3.56% |
| Other expenditures | 106,794,911 | 7.90% |
| Purchase of non-financial assets | 13,821,140 | 1.02% |
| Total Education Expenditures | 1,352,196,405 | 100.00% |

spending and falls under the purview of the Ministry of Education. This budget item saw an increase of 74.5% and 37.1% over 2007 and 2008 respectively. It can be broken down into two components: (i) Secondary education (8.3%); and (ii) High school education (91.7%). The total spending for high school education constituted 702 million AZN, which represents increases of 75.5% and 38.5% over 2007 and 2008 respectively. The Ministry of Education managed 84.4% of all allocations in the field in 2009, which represented an increase of 74.2% over 2007.

A resource-based view of spending on education shows that staff salaries represented the largest proportion or 76.3% of expended funds (*Table 3*). This is a component that also saw the largest increase in allocations since 2007 financed through the oil windfall. Despite this, children's access to education in Azerbaijan is still limited and its quality is sometimes questionable. The latter parameter does not appear to be improving proportionately to the increase in spending. There were over 1,724 thousand students enrolled in secondary-level education in 2007-2008, of whom just over 1,490 thousand attended secondary schools (*Annex 2*).

2.2. Family Spending Needs

Based on the data on education spending for 2007, the average expenditure per student constituted 420AZN per year or 35AZN per month. The results of alternative research in this field show that formal and informal payments for student education have been increasing year on year. According to the survey conducted by ERC, on average parents spend 13.17AZN on education in formal payments and an additional 14.04AZN in informal payments (for a total of 27.22AZN) per year. Additional costs, estimated at 29.02AZN are associated with the purchase of uniforms, sports clothes, and study materials. Overall the parents of approximately 1.5 million students in secondary schools are spending an estimated 85 million AZN on children's education.

The survey revealed that an additional 9.44AZN per month is spent on transportation, dormitory, lunch food, and pocket money for students. This brings the total education-related spending of a parent up to 176.24AZN per year or 14.68AZN per month. The cost of hiring private tutors to supplement regular classes for students constitutes the largest share of payments and is not included in the total education-related spending. Other expenses associated with nutrition, clothing, health and general living conditions of children are not included in this amount either. Based on official statistics, last year 23,481 families were selected to receive social benefits for children's education throughout the country. In those families the average monthly allowance per capita amounted to 6.43AZN, which covered only 43.8% of the required education expenditure.

2.3. Education Infrastructure and Quality

Every year the government of Azerbaijan spends significant amounts of money on increasing the budget for education and improving infrastructure. In the past five years since the implementation of the State Program on Poverty Reduction and Economic Development (2003-2005), 1,600 new education institutions and buildings for various schools have been made available for use. In the regions, 636 new schools were built, 192 schools were completely renovated, and 243 classes were refurbished in various schools. In the framework of the *New Schools to New Azerbaijan* program financed by the Heydar Aliyev Foundation, an additional 238 schools were built, 39 schools and 28 boarding schools fundamentally overhauled, and 8 kindergartens reestablished and provided with modern facilities³.

Despite improvements in infrastructure, the indicators of education quality in Azerbaijan are not showing the same positive trend. The average results on the general university admission test declined relative to previous years. In 2009, 35.8% of school graduates in the first group, 24.4% in the second group, 25.5% in the third group, and 49.2% in the fourth group scored less than 100 points⁴ (excluding students applying for specialized majors).

³ http://www.mediaforum.az/files/2009/04/16/101148926_0.doc

⁴ The maximum score on the general university admission test is 700 and the minimum to pass is 250. The student body is divided into four groups based on the choice of major (e.g. those who want to study medicine are assigned to group four).

2.3.1. Preschool Education

The level of investment in this area increased but access to school, particularly preschool education remains problematic. According to the results of the survey conducted by ERC, children from 93% of the families interviewed did not attend preschools. Those children who attended preschools spent on average 18 minutes getting to the nearest school in their area. The majority of respondents (36%) said that their children did not attend an education institution because there was no preschool nearby. Other respondents stated that the preschool was too far away (23%) or that they left their children with another member of the household (15%). Public opinion regarding the quality of education predominantly split between defining it as “normal” (48%) and “good” (37%). This means that over 80% of respondents were satisfied with the quality of preschool education. In 2007 there were 1,658 preschools operating in Azerbaijan and numbering a total of 103,902 children.

2.3.2. Secondary Education

Preliminary data for 2009 shows that overall, more than 70% of students in the first and fourth groups and more than 60% of those in the third group scored less than 200 points on the general university admission test. Overall for the four groups, 61.8% of high school graduates scored less than 200 points, while only 4% scored more than 500 points. These were the worst results in the last five years as confirmed by the data for previous academic years (*Table 4*). Approximately 23% of students failed to obtain high school diplomas based on the results of the general graduation test. Of the 77% who graduated, 61.8% could not get the minimum score to qualify for higher education.

The proportion of students between the ages of 15 and 17 who actually attend high school relative to those who should be attending is less than 50% in Azerbaijan. This means that, with the exception of those who enter technical-vocational schools after completing compulsory secondary education, just two-thirds of the students who enter first grade are able to reach eleventh grade. For comparative purposes, this indicator is much higher in other developing countries, such as Latvia (81%), Poland (94%), Hungary (88%), Romania (81%), and Bulgaria (82%)⁵. While Azerbaijan does not fall behind them in the total amount of formal and informal spending on education, its progress in the field does not appear to be well-ranked by international organizations.

Diagram 1: Reasons Why Kids Do Not Attend Preschool

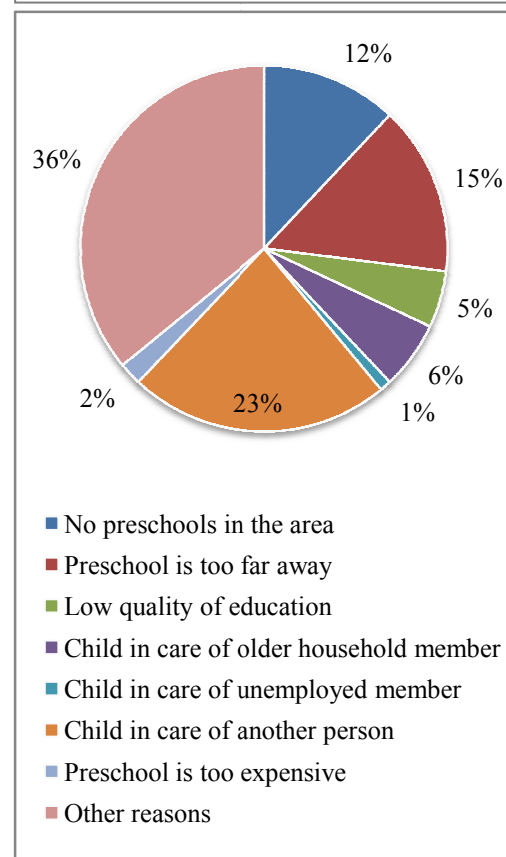
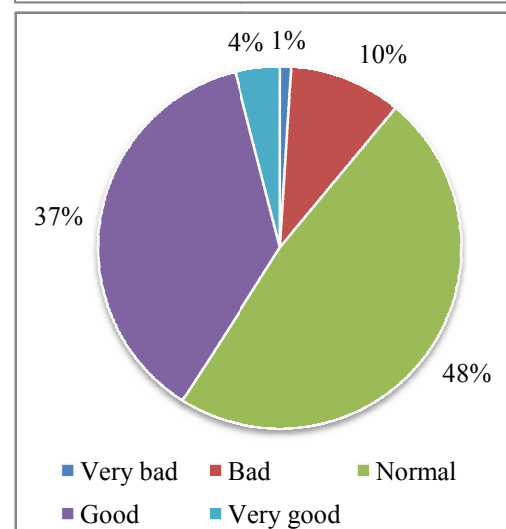


Diagram 2: Quality of Preschool Education



⁵ European Commission Education and Training GD: “Progress Towards the Lisbon Objectives 2010 on Education and Training”

2.4. International Comparison

The Global Competitiveness Report for 2008-2009 prepared by the World Economic Forum provides Azerbaijan's rating for different indicators in the field of education. Among 134 countries Azerbaijan is: (i) 78th for education quality; (ii) 82nd for the coverage level of basic secondary education; (iii) 92nd for the teaching of mathematics and natural sciences; (iv) 95th for the coverage level of complete secondary education; and (v) 119th for the quality of school management. In the rating table prepared by the UNESCO Institute of Statistics, Azerbaijan was 58th among 129 countries on the basis of the education development index⁶. In this list other post-Soviet countries, such as Kazakhstan, Belarus, Latvia, Georgia, Kyrgyzstan, Moldova and Armenia come before Azerbaijan. The education development index was calculated on the basis of different criteria, including level of primary education coverage and the proportion of people with at least five years of schooling.

Table 4 Admission Test Scores

| Year | Less than 200 | Over 500 |
|------|---------------|----------|
| 2005 | 61.0% | 4.4% |
| 2006 | 62.7% | 4.8% |
| 2007 | 60.2% | 4.6% |
| 2008 | 56.4% | 4.2% |
| 2009 | 61.8% | 4.0% |

Taking into account the existing level of infrastructure and quality of education, as ranked by international organizations and perceived by the population, the State Program for Poverty Reduction and Sustainable Development 2008-2015 (effective from the beginning of 2009) focuses on the modernization of the structure and content of education. So far no significant outcomes have been linked to the implementation of the program. One of the priorities is to establish a financial, technological and methodological environment that supports the delivery of education to diverse groups. Other goals include meeting the demand for qualified cadre, promoting education for youth, and broadening the possibilities for pursuing an education abroad. To achieve these goals, the following activities will be implemented in the upcoming years:

- Modernize the educational content and improve quality;
- Build new schools, improve technology and staff training in schools;
- Install modern computer equipment in schools;
- Provide students with free books and improve the working hours of school libraries;
- Improve the quality of education for vulnerable children (with health deficits);
- Speed up reforms in preschool education, optimize the existing network of schools, provide necessary resources and strengthen access to preschools in the regions;
- Strengthen reforms in vocational and higher education and the preparation of young people for the labor force.

⁶ The Education for All (EFA) Development Index

3. Access to Health Services

Health spending is equivalent to 3-4% of the total state budget expenses and to 15-16% of the budget for social allocations. In 2007-2008 this represented 0.92-0.95% of GDP with a slight increase to 1.16% in 2009. The pace of growth in health spending has declined from 58.8% in 2007 to 47.1% in 2008 and is expected to reach only 34.5% in 2009. The overall increase (six times over the past six years) in spending brought about significant changes in the field. However the state health budget is still smaller than that of other countries. Experts from the World Health Organization, the World Bank, OECD and other international organizations advise that health expenses should constitute at least 3% of GDP or at least \$100 per person. In Azerbaijan health expenses were expected to reach \$65 per person in 2009. This value is far less than that of other countries, including Latvia (3.1%), Hungary (6.4%), Slovakia (4.8%), Romania (3.8%), and Bulgaria (4.5%).

3.1. Health Spending by Function and Resource Cost

In 2009 public health allocations cover mostly hospitals and health services. An analysis of spending by function shows that the share of spending on hospitals decreased and the share of other health expenses increased significantly. There are no other major changes in the composition of the health budget. Polyclinics and ambulatories in the purview of the Ministry of Health, State Railway and State Migration Services constitute 13.9% of total expenditure. The allocations for this budget item increased by 70.3% and 37.8% over 2007 and 2008 respectively.

Health services can be divided into four groups: (i) General-appointed medical services (60.3%); (ii) Special appointed medical services (2.3%); (iii) Dental services (1.5%); and (iv) Paramedical services (35.9%). General-appointed medical service expenses reached 70.9 million AZN and constituted the greatest part of health expenses, growing by 66.0% and 29.8% over 2007 and 2008 respectively.

Table 5 Health Spending by Function

| Expenditure Item | % of Total Health Expenditure | | |
|------------------------------|-------------------------------|--------|--------|
| | 2007 | 2008 | 2009 |
| Polyclinics and ambulatories | 16.18% | 13.59% | 13.93% |
| Hospitals | 54.87% | 49.21% | 48.60% |
| Other health services | 1.82% | 1.67% | 1.79% |
| Applied researches in health | 0.76% | 0.67% | 0.63% |
| Other health expenses | 26.37% | 34.86% | 35.05% |

Table 6 Health Spending by Resource Cost

| Expenditure Item | 2009 (AZN) | % Total |
|-------------------------------------|--------------------|----------------|
| Salaries | 300,980,956 | 59.15% |
| Purchase of goods (work & services) | 152,482,524 | 29.96% |
| Scholarships and social allowances | 1,679,738 | 0.33% |
| Other expenses | 31,926,783 | 6.27% |
| Purchase of non-financial assets | 21,811,852 | 4.29% |
| Total Health Expenditure | 508,881,853 | 100.00% |

The Ministry of Health controlled 80.1% of the total health expenses (407.6 million AZN) in 2009. In relative terms this is less than in 2007 (95.5%) and 2008 (83.8%) but in absolute terms the amount increased by 65.9% and 29.3% over 2007 and 2008 respectively due to an overall increase in health spending. The second largest portion (10%) of the health budget is controlled by the Compulsory Medical Insurance Agency under the Cabinet of Ministers. This Agency was created in 2009 so there were no allocations for 2007 and 2008. Other costs related to improvements in the salary and pension systems and other financing provisions constituted 3.5% of total health expenditure (17.7 million AZN). There was no such provision in 2007 and while in 2008, 46.3 million AZN was allocated for these items, the amount was reduced by 61.8% in 2009.

A resource cost analysis of health expenditure shows that salaries constituted the largest expense (59.2%). Consumption-oriented budgeting reduces the effectiveness of health spending.

In Azerbaijan the proportion of patient consultations per 100 persons is less than in other countries (*Table 7*) but the hospitalization period is longer. At the same time there are fewer beds per 1,000 persons but a lower bed utilization index.

This means that due to the existence of informal payments and transportation costs, particularly for village residents, people often resort to home and self-treatment.

3.2. Spending Needs and Quality

The survey conducted by ERC provides information on the access to and quality of health services. During the interviews 89% of respondents said they had visited a doctor in the past four weeks. From this number 85% chose state hospitals, 14% private hospitals, and 11% traditional medicine. Those who sought medical advice received treatment primarily in village health institutions (43%) and polyclinics (22%). Medical services were rated as “average” by 45% of respondents and “good” by 43%. This means that close to 90% are satisfied with the quality of health services.

Despite this, official and unofficial health payments raise the cost of these services for the population. The results of the survey show that households spend one average 13.46AZN in official payments including laboratory tests and consultations, 5.26ANZ on transportation, 4.19AZN in unofficial expenses, and an additional 4AZN on medication per month. Respondents also paid 30.53AZN for the doctor, nurse and other costs and 34.42AZN for medication during hospitalization (in the past twelve months). The total spending per household amounts to 26.91AZN per month. The average size of a household is 4.5 and the average monthly health bill constitutes 5.98AZN per person (71.76AZN per year). As a result total health spending amounts to approximately 127AZN, which includes 55AZN from the state budget. It is important to note that not every family can afford this level of spending. For example, 24% of respondents could not buy the medication they needed, of which 55% said they could not afford it.

Table 7 International Comparison of Health System Indices

| | Beds per 1,000 persons | Consultations per 100 persons | Duration of Hospital Stay (days) | Bed Utilization |
|-------------|------------------------|-------------------------------|----------------------------------|-----------------|
| Azerbaijan | 7.6 | 4.8 | 15.8 | 26.1 |
| Germany | 3.8 | 4.8 | 7.4 | 89.5 |
| Russia | 8.8 | 22.0 | 12.6 | 86.0 |
| Turkey | 2.3 | 8.1 | 5.6 | 61.9 |
| EU | 4.2 | 18.0 | 6.8 | 76.9 |
| CIS average | 7.9 | 19.8 | 12.1 | 85.9 |

Diagram 3: Quality of Health Services

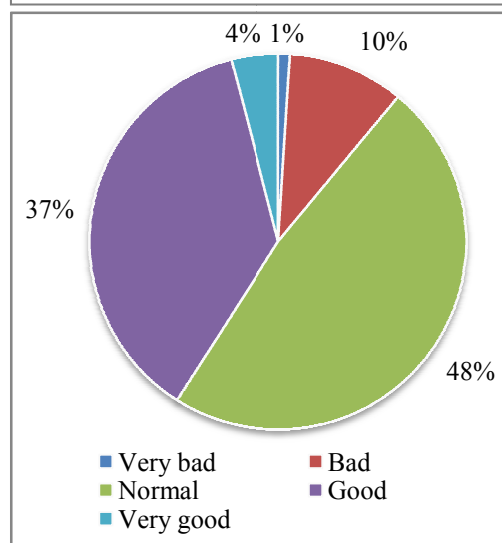
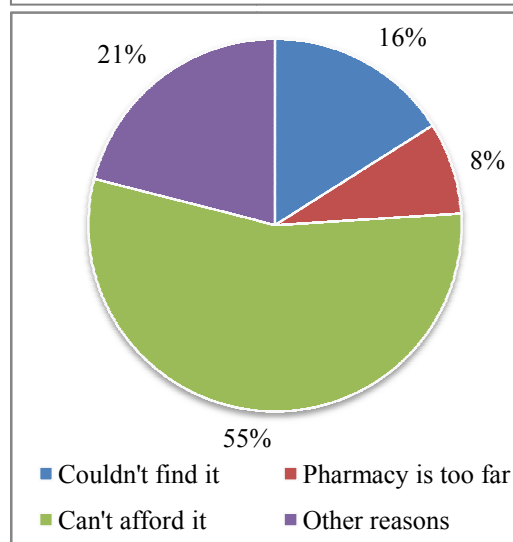


Diagram 4: Reasons for not Buying the Necessary Medication



4. Social Protection

The second largest share of the public services budget (32-35%) after education goes towards social protection and social security. In 2007-2009 it constituted 7-9% of total budget expenses, growing by 74.2%, 32.9% and 43.6% over the three consecutive years in that period. Although in relative terms the share of social protection and social security in total budget expenses decreased, in absolute terms it shows an upward trend since 2003. Social protection and social security amounted to 2.2% and 1.9% of GDP in 2007 and 2008 respectively and reached 2.6% in 2009. This is substantially lower than in developed countries where according to the analysis carried out by the OECD, this indicator varies between 8% and 12%.

4.1. Social Protection Spending by Function and Resource Cost

In the budget for 2009 approximately 1.1 billion AZN was earmarked for social protection and an additional 16 million AZN for social security. Social protection spending increased by 93.2% and 45.1% over 2007 and 2008 respectively. Its largest component, other social protection measures (82.6%), is targeted towards the: (i) Improvement of the social welfare of refugees and internally displaced persons (199.6 million AZN); (ii) Increase in the minimum pension level (495 million AZN); (iii) Provision of select benefits, including benefits for newborns and social protection of families and children (227.9 million AZN). In 2009 spending on the overall component increased by 35.6% over the previous year (*Table 8*).

In a resource cost analysis pensions and social benefits constitute the largest share of total spending (89.3%), which increased by 106.4% and 50.7% over 2007 and 2008 respectively (*Table 9*). In 2009 the amount allocated to the purchase of goods and services increased by 11% over the previous year. Social security spending is divided into two categories: (i) Targeted social assistance; and (ii) Social benefits. According to the Ministry of Labor and Social Protection 287,375 people were eligible for social security in 2008. On average each beneficiary received 34.26AZN per month in benefits, which covered mostly old age, disability, and loss of head of household (*Annex 3*).

Table 8 Social Protection Spending by Function

| Expenditure Item | 2007 | 2008 | 2009 | % of Total |
|--|--------------------|--------------------|----------------------|----------------|
| Old age | 11,523 | 41,066 | 18,144 | 0.0016% |
| Guardianship | 150,190 | 246,396 | 423,360 | 0.04% |
| Social protection of family & children | 62,317,171 | 87,379,950 | 194,584,133 | 17.41% |
| Other social protection measures | 515,884,129 | 682,468,482 | 922,486,082 | 82.55% |
| Total Social Protection Expenditure | 578,363,013 | 770,135,894 | 1,117,511,719 | 100.00% |

Table 9 Social Protection Spending by Resource Cost

| Expenditure Item | 2007 | 2008 | 2009 | % of Total |
|--|--------------------|--------------------|----------------------|----------------|
| Provision of payments | 7,208,888 | 13,114,401 | 3,176,685 | 0.28% |
| Purchase of goods (work & services) | 92,929,540 | 98,837,395 | 109,723,914 | 9.67% |
| Pensions and social benefits | 491,066,040 | 672,569,834 | 101,3386,367 | 89.33% |
| Other expenditures | 2,833,219 | 4,943,729 | 7,379,204 | 0.65% |
| Purchasing of non-financial assets | 731,116 | 665,687 | 767,000 | 0.07% |
| Total Social Protection Expenditure | 594,768,803 | 790,131,046 | 1,134,433,170 | 100.00% |

4.2. Social Protection Agents and Benefits

The funding earmarked for refugees and IDPs is managed by the relevant State Committee and is primarily disbursed in the form of monthly benefits. The State Social Protection Fund oversees nearly 45% of all social protection expenditures and provides for the minimum pension level. Social benefits are disbursed through the Ministry of Labor and Social Protection and the State Committee for Family, Women and Children. Social protection expenditures constitute nearly 97-98% of total spending in the field and are under the control of a number of government agencies (*Diagram 5*). However the key decision-makers are the State Social Protection Fund and the Ministry of Labor and Social Protection.

Social security includes benefits for children under the age of 18 with health problems, for families with young children (*Table 10*), and for other services, such as public transportation (*Annex 4*). A separate analysis of child benefits over the past three years shows that there has been a steady increase in the amount allocated per child but no significant change in the number of children who receive them. In addition to social benefits, low-income families are eligible for targeted social assistance. A total of 357,620 children benefited from targeted social assistance provided to their families. The amount of average monthly receipts varies across different regions (*Annex 5*). The regions that receive the largest amount of targeted social assistance generally have the greatest number of low-income families and the highest level of poverty. Among the poorest are Gadabey, Aghjabedi, Barda, Hajiqabul, Gakh, and Sumgayit districts.

4.3. Minimum Subsistence Level

4.3.1. Consumption Rates

The minimum subsistence level (MSL) is based on consumption rates established by the government. In April 2009 some revisions were made to the consumption rates for children. Under the new provisions,

Diagram 5: Social Protection Agents

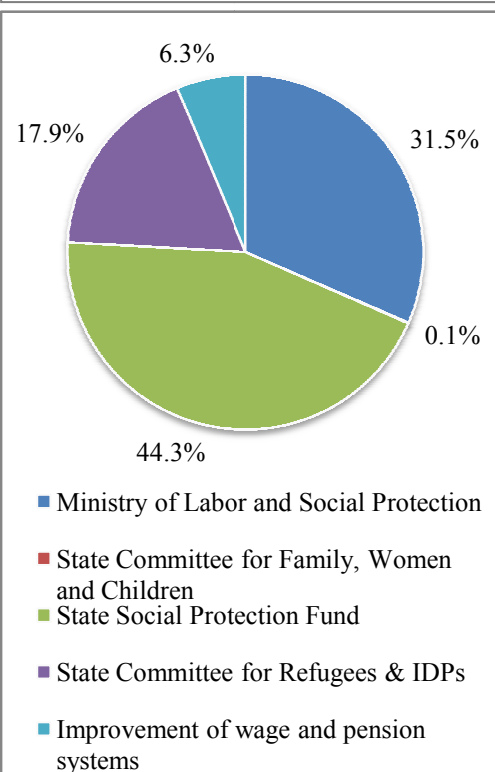


Table 10 Individual Government Benefits

| | 2006 | 2007 | 2008 |
|--------------------------------------|-------|-------|---------|
| One-time benefit for birth | | | |
| # births per 1,000 | 18.5 | 25.6 | 26.8 |
| Amount (in thousands) | 555.5 | 854.3 | 1,003.2 |
| Amount per child | 30.02 | 33.37 | 37.43 |
| Benefits for children under 3 | | | |
| # of children per 1,000 | 21.4 | 22.1 | 25.4 |
| Amount (in thousands) | 553.7 | 684.2 | 1,247.0 |
| Amount per child | 25.87 | 30.95 | 49.09 |

Table 11 Targeted Assistance for Low-Income Families

| | 2006 | 2007 | 2008 |
|---|---------|---------|---------|
| # families for targeted assistance | 48,705 | 78,092 | 163,409 |
| # family members receiving assistance | 218,673 | 364,059 | 749,965 |
| Women | 83,529 | 168,007 | 387,609 |
| Children | 92,291 | 165,064 | 357,620 |
| Amount of monthly assistance per person | 8.36 | 17.38 | 22.0 |

the MSL will now be calculated with respect to children up to the age of 14 not 15 as was done until January 2010. Incremental changes have been made in the consumption rates for foodstuff, non-foodstuffs and services using the existing basket of products (*Annex 6*). Four components in the food basket, including bread, fruit, meat, and fish, remained unchanged. Three components, including potatoes, butter, and vegetable oil were reduced, while another three, vegetables, milk, and sugar, increased. The greatest change was observed in the consumption rate for milk (+42.5%) and vegetables (+31.2%). Overall the changes led to an increase in the MSL for children. Few changes were made to the basket of non-foodstuffs, except on consumption rates for shoes, bed linen, and household materials. The services basket was expanded to include sewage and internet. Some changes were made to decrease the rates for house, heating, water and gas supply, and increase the rate for transportation.

4.3.2. Actual Spending and Benefits

ERC provides frequent calculations of the actual MSL for children based on existing consumption rates. The average MSL per capita constituted 130.16AZN (*Table 14*). These calculations were carried out using the price points for August 2009 established by ERC experts and the new consumption rates approved by the government. During that month the MSL for children was recorded to be higher than that for adults fit to work. There are several factors that may explain this paradox. First, as a result of the changes in the MSL composition for children, some consumption rates turned out to be higher than for adults (e.g. eggs – 169 and 135 units; milk – 247kg and 193kg for adults and children respectively). This may be due to the higher intake of those foodstuffs by children. Second, the escalation of prices on foodstuffs during the month of August increased the MSL and led to serious changes in the consumer basket. Third, prices on school uniforms and study materials went up before the beginning of a new school year.

Table 12 Minimum Subsistence Levels by Group

| | Adults Able to Work | Pensioners | Children (0-14) |
|----------------|---------------------|---------------|-----------------|
| Foodstuffs | 72.57 | 68.69 | 83.70 |
| Non-foodstuffs | 25.35 | 23.35 | 40.86 |
| Services | 25.66 | 22.83 | 17.46 |
| Total | 123.58 | 114.87 | 142.02 |

Table 13 Child Benefits Relative to the Minimum Subsistence Level

| | 2007 average amount | 2008 average amount | 2009 official estimates | 2009 ERC calculations |
|---|---------------------|---------------------|-------------------------|-----------------------|
| Min subsistence level for children | 52.4 | 57.3 | 69.0 | 142.0 |
| <i>Growth rate</i> | <i>110.0</i> | <i>109.3</i> | <i>120.4</i> | |
| Monthly social benefits for families with children | | | | |
| Low-income families with a child under 1 year | 10.0 | 16.7 | | 20.0 |
| <i>% of min subsistence level</i> | <i>19.1</i> | <i>29.1</i> | <i>29.0</i> | <i>19.1</i> |
| Children under 18 with disabilities | 35.0 | 40.0 | | 50.0 |
| <i>% of min subsistence level</i> | <i>66.8</i> | <i>69.8</i> | <i>72.5</i> | <i>47.7</i> |
| Children of military serviceman | 20.0 | 26.7 | | 40.0 |
| <i>% of min subsistence level</i> | <i>38.1</i> | <i>46.6</i> | <i>58.0</i> | <i>38.2</i> |
| Guardians of children who lack parental care | 10.0 | 15.0 | | 25.0 |
| <i>% of min subsistence level</i> | <i>19.1</i> | <i>26.2</i> | <i>36.2</i> | <i>23.8</i> |
| Benefit for newborns | 35.0 | 42.5 | | 50.0 |
| <i>% of min subsistence level</i> | <i>66.8</i> | <i>74.2</i> | <i>72.5</i> | <i>47.7</i> |

According to the estimates developed by ERC the monthly income for a family with three children under the age of 14 should amount to 850-900AZN. The average monthly salary in Azerbaijan is only 300AZN, which makes it impossible for some people to achieve the necessary minimum. Low salaries combined with price increases create cause for concern, particularly in light of the calculations carried out by UNICEF⁷ which show that only 12% of newborn infants in Azerbaijan are breastfed. Poor nutrition among children will lead to a spike in health problems, unless the social protection system can offer adequate support to low-income families. In view of this ERC conducted an alternative analysis of child benefits relative to the MSL. It shows that even the basic needs of children cannot be met solely through the social protection program (Table 13).

4.4. Perceived Poverty

According to the results of the survey conducted by ERC, 16% of respondents were completely unsatisfied with the economic level of their households. In terms of capital needed per additional child in the family, the estimates were 102AZN for survival, 201AZN to meet basic needs, and 305AZN to meet general needs. Even the lowest estimates provided by the respondents were 2-3 times higher than the current level of benefits.

In response to the question: **“Would you have another child if provided with enough financial resources?”** the majority (59%) said “no”. In an environment of rising consumer prices, which have a direct impact on the MSL, families do not want to take the risk of having another child. In fact, only 13% of respondents said they would have a baby without hesitation. Overall four out five people gave a negative answer to this question. However results varied by district (Table 14). Households in Baku, Upper Garabagh, Absheron, Kelbejar-Lachin and Aran were more opposed to the idea of another child.

According to observations made by ERC prices on foodstuffs have increased rapidly over the past three years, particularly in Baku and Absheron. The majority of IDPs live in Baku, Absheron and Aran districts, including cities such as Sumgayit and Barda. The escalation of prices raises the MSL and has a negative impact on demographics, causing a decline in the number of newborns. The willingness to have another child is higher in some agrarian districts, such as Sheki-Zaqatala, Ganja-Gazakh and Lenkeran. This can be explained by the relatively lower prices on foodstuffs that prevail in agricultural and cattle-breeding areas.

The predominant answer to the question **“How would you assess the living standards of your children?”** varied by region (Table 15). Only in Baku, Aran and Ganja-Gazakh districts the perceived

Diagram 6: I am Satisfied with the Economic Level of My Household

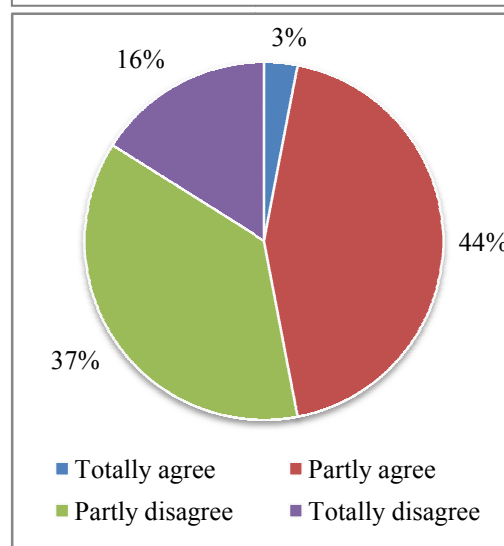
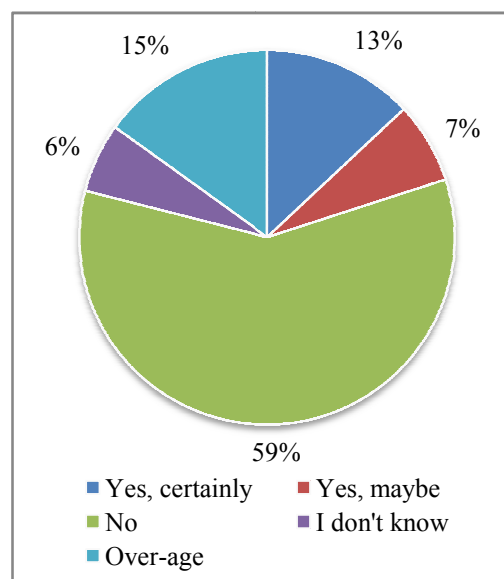


Diagram 7: With Money I Would Have Another Child Next Year



⁷ UNICEF Demographic Health Survey

standard of living was higher than the overall average. Lenkeran, Upper Garabagh and Kelbejar have the poorest perceived standard of living and the proportion of poor children in these districts is higher than the country average. Possible explanations for this are that in Lenkeran there are a lot of large families with many children and in Upper Garabagh and Kelbejar there is a higher number of IDPs. Overall approximately 49% of respondents said that the needs of their children are being met to some degree. However nearly 50% believe that their children live in below average (37%), poor (9%), and very poor conditions (2%).

Respondents were also asked to share their opinion on what kind of government assistance should be provided to improve the living standards of children. Financial aid was cited as the top priority by 84%. The remainder mentioned education and health services, among other things. This highlights the need for the government to make the increase in financial aid the main focus of its child care policy.

Table 14 With Money Would You Have Another Child?

| Economic District | Yes, sure | Yes, maybe | No | Do not know | Over-age |
|-------------------|-----------|------------|-----|-------------|----------|
| Absheron | 16% | 2% | 63% | 0 | 19% |
| Ganja - Gazakh | 15% | 7% | 50% | 12% | 16% |
| Sheki - Zaqatala | 11% | 9% | 35% | 11% | 34% |
| Lenkeran | 23% | 5% | 50% | 4% | 18% |
| Guba -Khachmaz | 18% | 13% | 58% | 8% | 3% |
| Aran | 9% | 8% | 61% | 7% | 15% |
| Upper Garabagh | 20% | 12% | 65% | 0 | 3% |
| Kelbejar – Lachin | 4% | 6% | 62% | 1% | 27% |
| Baku | 9% | 3% | 79% | 3% | 6% |

Table 15 How Would You Describe Children's Living Standards?

| Economic District | Above average | Average | Below average | Poor | Very poor |
|-------------------|---------------|---------|---------------|------|-----------|
| Absheron | 2% | 15% | 71% | 10% | 2% |
| Ganja - Gazakh | 8% | 50% | 31% | 10% | 1% |
| Sheki - Zagatala | 2% | 46% | 46% | 3% | 2% |
| Lankaran | 1% | 46% | 25% | 19% | 9% |
| Guba -Khachmaz | 6% | 46% | 42% | 6% | 0 |
| Aran | 2% | 52% | 38% | 8% | 0 |
| Upper Garabagh | 2% | 41% | 38% | 16% | 3% |
| Kelbejar - Lachin | 3% | 17% | 65% | 8% | 7% |
| Baku | 2% | 58% | 34% | 5% | 1% |

ERC also asked the question **“If you are awarded with an extra 100AZN, how you would spend it?”** and obtained some interesting results. Some 38% said they would spend it on food. The majority indicated that the money would be targeted for consumption. Approximately half of the respondents associated extra spending with children's nutrition, education, and health. This shows that the primary needs of low-income households are linked to child care. In 2008 approximately 24.5% of the households that participated in the survey received targeted social assistance, 14.5% transfers from other families, 14.3% benefits as guardians, and 13.3% received benefits for newborns. Families spent 64% of their benefits on food, with the remainder absorbed by the purchase of other goods, children's health care, repayment of debts, and education costs.

5. Conclusion

Spending on public services increased over 2007-2009 but the social programs undertaken by the government failed to sufficiently improve the social and economic welfare of households. At present the bulk of this expenditure is targeted towards direct payments, such as salaries, instead of being invested in the development of human capital. Research indicates that better budgeting can help increase the effectiveness with which money is spent. The structure of spending by function should be optimized to avoid distortions and increases in service prices for the population. For instance, hospitals have a large portion of the budget (48.6%) whereas primary health care services received much less (13.9%).

The ineffective distribution of spending on education is perpetuating the lack of access to preschools for children. Approximately 93% of respondents in the survey conducted by ERC said that their children did not attend a preschool. According to official statistics preschool attendance is as high as 16.3%, which is clearly inflated. More than half of the families interviewed indicated that either there was no preschool in their area or that it was too far away. An estimated 73.3million AZN from the state budget was spent on preschools but 51% of this was absorbed by salaries. Public funds are being used for immediate consumption not long-term development.

Alternative analysis shows that none of the established benefits for children meet the minimum subsistence level (MSL). Based on the results of the survey the amount needed to meet the minimal needs of children is at least five times greater than the existing benefits level. The MSL for children is higher than for adults who are fit to work. This is partly due to price increases on foodstuffs and clothes consumed by children but another important reason is the changes to the MSL that were recently enacted by the Cabinet of Ministers. As a result the majority of families (59%) would not consider having another child. Rising prices have a negative effect on the birth rate and on the situation of households in general.

Some regions and districts of Azerbaijan are particularly exposed to price fluctuations, including Baku, Absheron and Aran, and the cities of Sumgayit and Barda. These areas have a large number of low-income families, refugees and internally displaced persons (IDPs). Thus it is incorrect to assume that one generic program to improve access to public services would be appropriate for all regions. This calls for a review of some of the existing government policies. The following issues are particularly relevant: (i) The division of public services spending by function and resource cost is not optimal; (ii) Existing allocations for child care are inadequate given the level of price increases and the need to make informal payments; and (iii) An increase in poverty levels and a decline in the welfare of households can put demographic indicators at risk.

Recommendations

Methodology Improvements

1. Adopt relative poverty as a measure of poverty in Azerbaijan. Countries in the EU use the measure of relative poverty, which defines poverty as being below a relative threshold or specifically below the average/median of accumulated income. This methodology provides a less arbitrary measure of poverty and is better suited to reflect the minimum requirements for survival in Azerbaijan.
2. Calculate poverty on the basis of household consumption levels. The positioning of individuals relative to a threshold based on their income is more appropriate for countries where income levels do not fluctuate too much. In Azerbaijan 48% of the population lives in rural areas and relies heavily on seasonal agriculture for household consumption needs. The level of consumption can be used as the basis for calculating poverty to estimate real incomes and attach a monetary value to the self-sufficiency of households.

Poverty Reduction

3. Develop tailored poverty alleviation programs for individual regions. A socio-economic map of the regions can be used to develop suitable policies and offer financial and tax incentives and pensioner benefits. This is particularly relevant for the Absheron economic district which has a strong need for targeted social assistance for children and large families.
4. Broaden the health insurance program and increase access to health services. Encourage public participation in influencing primary health care by establishing jointly-operated medication funds.
5. Increase the autonomy of health care providers. Develop a more competitive environment among health care providers by initiating a partial privatization process. Increase the level of financial autonomy of national health care providers and allocate funds based on the number of patients.
6. Conduct an independent evaluation of secondary schools and increase their autonomy. The evaluation should take into account general education standards and current requirements, as well as assess their future prospects. The schools that meet the standards of the Ministry of Education should be granted more financial and management autonomy. These schools should be free to manage their own budgets and recruitment, compile curriculums and select study materials. Public funding should be provided based on the number of students.
7. Eliminate informal payments for health services and education. Encourage public participation in the management of health providers by establishing management boards. Increase transparency and access to information on state policies and spending on public services.

Annex 1 Households Surveyed by Region, City and Village

| Economic Region | District/City | Urban | Rural | Total |
|----------------------|---------------|------------|------------|-------------|
| Abşeron | Total | 120 | 30 | 150 |
| | Abşeron | 60 | 30 | 90 |
| | Sumqayıt | 60 | | 60 |
| Gəncə-Qazax | Total | 200 | 230 | 4430 |
| | Gəncə | 110 | | 110 |
| | Goranboy | 60 | 80 | 140 |
| | Gədəbəy | 30 | 80 | 110 |
| | Ağstafa | | 70 | 70 |
| Şəki-Zaqatala | Total | 60 | 150 | 210 |
| | Şəki | 30 | 30 | 60 |
| | Qax | | 60 | 60 |
| | Balakən | 30 | 30 | 60 |
| | Zaqatala | | 30 | 30 |
| Lənkəran | Total | 70 | 230 | 300 |
| | Lənkəran | 35 | 50 | 85 |
| | Astara | 35 | 30 | 65 |
| | Masallı | | 60 | 60 |
| | Lerik | | 60 | 60 |
| | Yardımlı | | 30 | 30 |
| Quba-Xaçmaz | Total | 60 | 120 | 180 |
| | Qusar | 30 | 30 | 60 |
| | Quba | | 30 | 30 |
| | Siyəzən | 30 | 30 | 60 |
| | Dəvəçi | | 30 | 30 |
| Dağlıq Şirvan | Total | 50 | 90 | 140 |
| | Şamaxı | 20 | 30 | 50 |
| | İsmayıllı | 30 | 60 | 90 |

| Economic Region | District/City | Urban | Rural | Total |
|-----------------------|---------------|------------|------------|--------------|
| Aran | Total | 250 | 400 | 650 |
| | Bilasuvar | | 60 | 60 |
| | Goyçay | 30 | 60 | 90 |
| | İmişli | | 50 | 50 |
| | Beyləqan | 30 | 50 | 80 |
| | Saatlı | 60 | 60 | 120 |
| | Sabirabad | | 80 | 80 |
| | Şirvan ş. | 70 | | 70 |
| | Mingəçevir | 30 | | 30 |
| | Ağdaş | 30 | 40 | 70 |
| Yuxarı Qarabağ | Total | 60 | 140 | 200 |
| | Tərtər | 30 | 80 | 110 |
| | Ağdam | | 60 | 60 |
| | Şuşa | 30 | | 30 |
| Kəlbəcər-Laçın | Total | 30 | 60 | 90 |
| | Kəlbəcər | 30 | 60 | 90 |
| Bakı şəhəri | Total | 650 | 0 | 650 |
| | Binəqədi | 90 | | 90 |
| | Əzizbəyov | 90 | | 90 |
| | Qaradağ | 90 | | 90 |
| | Nərimanov | 90 | | 90 |
| | Səbail | 90 | | 90 |
| | Suraxanı | 90 | | 90 |
| | Yasamal | 110 | | 110 |
| Total | | | | 3,000 |

Annex 2 Education Quality Indices

| | 2000 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| Preschool institutions (year-end) | 1,790 | 1,784 | 1,780 | 1,761 | 1,764 | 1,760 | 1,658 |
| Number of children in preschool institutions | 111,020 | 111,467 | 110,891 | 110,081 | 110,017 | 109,458 | 103,902 |
| % of children aged 1-5 provided preschool education | 16.9 | 19.4 | 19.9 | 19.6 | 19.1 | 18.2 | 16.3 |
| General day schools | 4,548 | 4,542 | 4,553 | 4,544 | 4,550 | 4,529 | 4,555 |
| Number of students in general day schools | 1,653,703 | 1,691,562 | 1,680,424 | 1,631,567 | 1,583,628 | 1,534,580 | 1,487,477 |
| Number of teachers (w/o substitutes) | 161,492 | 165,215 | 169,398 | 169,565 | 171,788 | 175,423 | 176,344 |
| Vocational schools and high schools (year-end) | 110 | 109 | 110 | 110 | 107 | 107 | 107 |
| Number of students | 22,944 | 20,753 | 21,677 | 21,563 | 22,189 | 23,813 | 24,455 |
| Secondary specialized education institutions | 71 | 58 | 60 | 59 | 60 | 60 | 60 |
| Number of students | 42,612 | 51,410 | 53,694 | 55,794 | 57,896 | 56,872 | 53,489 |
| Number of graduates per 10,000 | 14 | 16 | 19 | 18 | 19 | 20 | 20 |
| Higher education schools | 43 | 41 | 42 | 42 | 42 | 42 | 42 |
| <i>State</i> | 25 | 26 | 27 | 27 | 27 | 28 | 28 ³⁾ |
| <i>Private</i> | 18 | 15 | 15 | 15 | 15 | 14 | 14 |
| Number of students | 119,683 | 120,039 | 121,535 | 127,248 | 129,948 | 129,141 | 130,430 |
| <i>State</i> | 91,019 | 101,676 | 104,009 | 106,020 | 105,997 | 106,882 | 108,238 |
| <i>Private</i> | 28,664 | 18,363 | 17,526 | 21,228 | 23,951 | 22,259 | 22,192 |
| Number of graduates per 10,000 (bachelor) | 31 | 35 | 35 | 38 | 39 | 34 | 37 |

Source: Adapted from the Ministry of Labor and Social Protection

Annex 3 Social Benefits: Old Age, Disability, and Bereavement

| Economic and Administrative Districts | Total | | Old Age | | Disability | | Loss of Head of Household | |
|---------------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | # people receiving social benefits | Average monthly amount per person | # people receiving social benefits | Average monthly amount per person | # receiving social benefits | Average monthly amount per person | # people receiving social benefits | Average monthly amount per person |
| Azerbaijan | 287,375 | 34.26 | 18,720 | 45.00 | 89,554 | 35.58 | 30,414 | 40.00 |
| Baku | 55,756 | 33.44 | 5,003 | 45.00 | 16,044 | 36.61 | 5,011 | 40.00 |
| Absheron | 15,473 | 31.57 | 633 | 45.00 | 3,877 | 35.53 | 1,183 | 40.00 |
| Ganja - Gazakh | 44,112 | 32.62 | 2,515 | 45.00 | 12,464 | 34.94 | 4,448 | 40.00 |
| Sheki - Zaqatala | 17,698 | 35.56 | 648 | 45.00 | 6,688 | 35.31 | 1,822 | 40.00 |
| Lenkaran | 28,976 | 37.43 | 1,517 | 45.00 | 11,177 | 35.28 | 3,097 | 40.00 |
| Guba -Khachmaz | 14,184 | 35.64 | 1,741 | 45.00 | 4,393 | 35.92 | 2,376 | 40.00 |
| Aran | 68,050 | 34.97 | 5,235 | 45.00 | 21,990 | 35.49 | 8,295 | 40.00 |
| Upper Garabagh | 14,936 | 33.12 | 390 | 45.00 | 4,285 | 35.32 | 1,251 | 40.00 |
| Kelbejar - Lachin | 6,957 | 32.57 | 17 | 45.00 | 1,787 | 34.99 | 358 | 40.00 |
| Upper Shirvan | 9,584 | 36.05 | 475 | 45.00 | 3,000 | 35.55 | 1,229 | 40.00 |
| Nakhchivan | 11,649 | 33.40 | 546 | 45.00 | 3,849 | 35.49 | 1,344 | 40.00 |

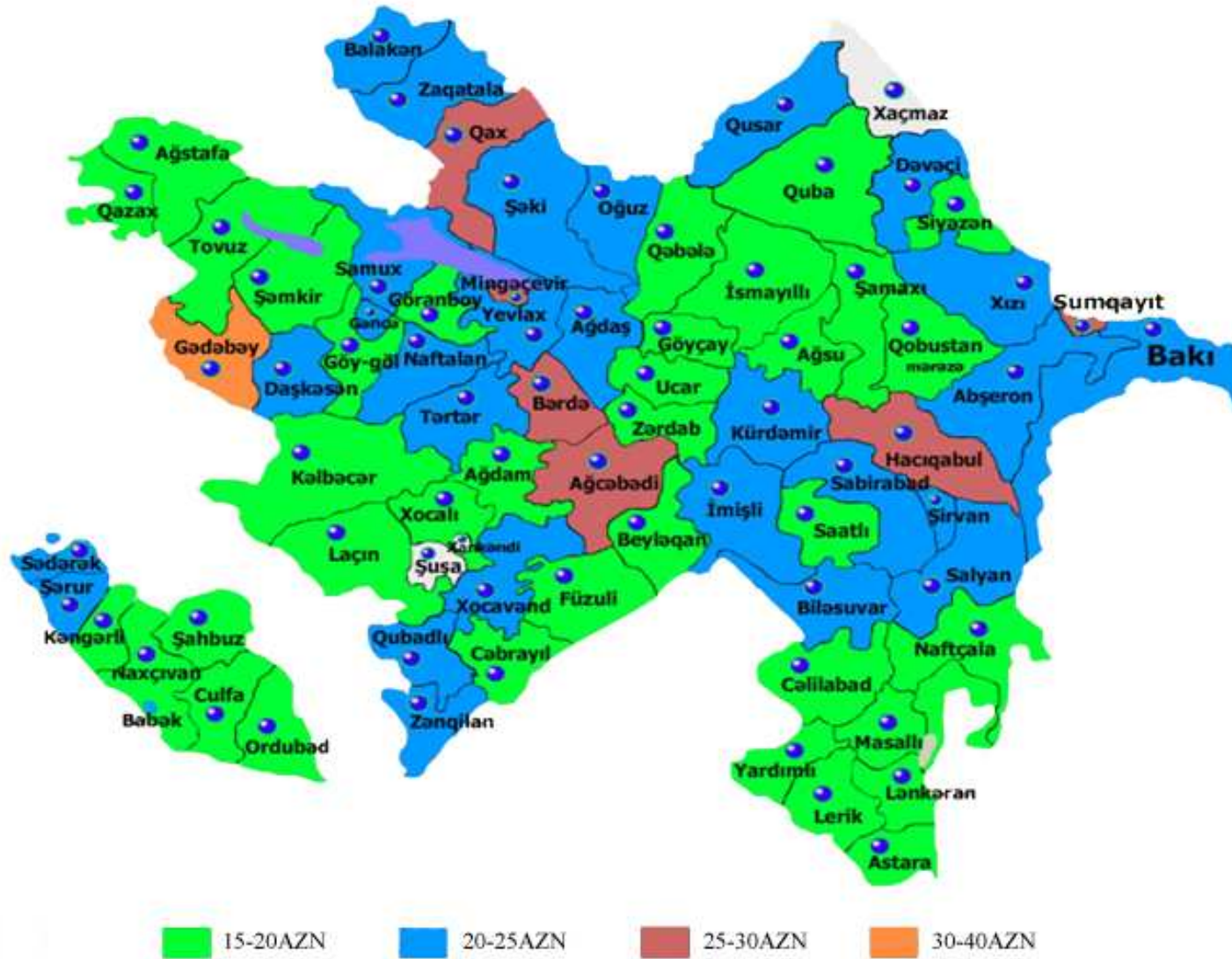
Source: Ministry of Labor and Social Protection

Annex 4 Social Benefits: Children, Transportation, and Other Services

| Economic and Administrative Districts | Children under 18 with health deficits | | Public transportation and other services | | Families with children | | Families with a child under 1 year | |
|---------------------------------------|--|-----------------------------------|--|-----------------------------------|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | # people receiving social benefits | Average monthly amount per person | # people receiving social benefits | Average monthly amount per person | # people receiving social benefits | Average monthly amount per person | # people receiving social benefits | Average monthly amount per person |
| Azerbaijan | 56,433 | 50.00 | 54,979 | 24.30 | 23,481 | 6.43 | 12,238 | 20.00 |
| Baku | 8,374 | 50.00 | 13,971 | 24.20 | 4,437 | 6.62 | 2,555 | 20.00 |
| Absheron | 2,821 | 50.00 | 3,765 | 24.19 | 1,810 | 7.36 | 1,264 | 20.00 |
| Ganja - Gazakh | 6,928 | 50.00 | 12,430 | 24.53 | 3,685 | 6.92 | 1,229 | 20.00 |
| Sheki - Zaqatala | 4,330 | 50.00 | 2,159 | 24.12 | 1,290 | 5.46 | 692 | 20.00 |
| Lenkaran | 8,199 | 50.00 | 1,972 | 24.38 | 1,588 | 6.90 | 1,308 | 20.00 |
| Guba -Khachmaz | 2,328 | 50.00 | 1,743 | 23.62 | 1,161 | 6.51 | 382 | 20.00 |
| Aran | 13,745 | 50.00 | 9,518 | 24.17 | 5,329 | 6.07 | 3,619 | 20.00 |
| Upper Garabagh | 3,605 | 50.00 | 3,145 | 24.04 | 1,786 | 5.83 | 461 | 20.00 |
| Kelbejar - Lachin | 1,727 | 50.00 | 2,227 | 24.75 | 676 | 6.07 | 151 | 20.00 |
| Upper Shirvan | 2,585 | 50.00 | 985 | 24.31 | 810 | 6.04 | 452 | 20.00 |
| Nakhchivan | 1,791 | 50.00 | 3,064 | 24.85 | 909 | 6.14 | 125 | 20.00 |

Source: Ministry of Labor and Social Protection

Annex 5 Average Monthly Targeted Social Assistance by Region



Source: State Statistical Committee

Annex 6 Consumption Rates

| Type of Product | Unit | Consumption Rates per Capita for Children (0-14) | | |
|--------------------------------|-----------------------|--|----------|------------|
| | | Current | Previous | Difference |
| Foodstuffs | | | | |
| Bread and bread products | Kg | 98 | 98 | - |
| Potatoes | Kg | 40.2 | 44 | -3.8 |
| Vegetables and garden products | Kg | 101.2 | 70 | 31.2 |
| Fruit and berries | Kg | 76 | 76 | - |
| Meat and meat products | Kg | 25 | 25 | - |
| Milk and milk products | Kg | 247.5 | 205 | 42.5 |
| Fish and fish products | Kg | 5 | 5 | - |
| Eggs | # | 169 | 116 | 53 |
| Sugar & confectionary products | Kg | 19.5 | 18 | 1.5 |
| Oil, margarine and other fats | Kg | 8.3 | 8.5 | -0.2 |
| Cattle butter | Kg | 6 | 6.4 | -0.4 |
| Other products (tea, salt) | Kg | 3.3 | 3.2 | 0.1 |
| Non-foodstuffs | | | | |
| Overcoats | #/year | 3/2.6 | 3/2.6 | - |
| Clothes | #/year | 12/2 | 12/2 | - |
| Underclothes | #/year | 12/2 | 12/2 | - |
| Socks and tights | #/year | 6/1.3 | 6/1.3 | - |
| Caps and other small items | #/year | 4/3 | 4/3 | - |
| Shoes | #/year | 6/1.3 | 7/1.8 | 0.73 |
| School-writing materials | #/year | 41/1 | 41/1 | - |
| Bed linen | #/year | 11/7.1 | 14/6.9 | -0.48 |
| Household products | #/year | 14/10.2 | 10/7.9 | 0.10 |
| Sanitary materials, medication | % | 10 | 10 | - |
| Services | | | | |
| House | sqm | 12 | 18 | -6 |
| Heating in houses | sqm | 12 | 18 | -6 |
| Hot/cold water supply | m ³ /month | 6 | 12 | -6 |
| Sewage | m ³ /month | 6 | - | 6 |
| Gas supply | m ³ /month | 21 | 29 | -8 |
| Energy supply | kw/h/month | 50 | 50 | - |
| Transportation means | trips/year | 370 | 307 | 63 |
| Communication ⁸ | tariff/month | - | - | - |
| Internet services ⁹ | tariff/month | - | - | - |
| Other services | % | 15 | 15 | - |

Source: Cabinet of Ministers

⁸ The average communication fee per person is determined by dividing the current monthly subscription fee per family by the national average family size.

⁹ Payments for internet use are defined based on the standard of 1 hour per day per family.