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## **EUROPEAN SOCIAL CHARTER**

Ad hoc report on the cost-of-living crisis

submitted by

**THE GOVERNMENT OF AZERBAIJAN**

Report registered by the Secretariat

on 28 December 2023

**CYCLE 2024**

## THE SURVEY ON THE COST-OF-LIVING CRISIS

**QUESTION 1)** Please provide information as to whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted /indexed since the end of 2021.

Continuous steps have been taken to strengthen social protection and increase workers' rights in Azerbaijan. As of January 1, 2022, the minimum monthly wage in Azerbaijan has been increased by 20 percent to reach 300 AZN.

According to Law of the Republic of Azerbaijan No. 675-VIQD, dated December 9, 2022, the subsistence minimum for the country has been set at 246 AZN for 2023. For the able-bodied population, it is set at 261 AZN, for pensioners at 199 AZN, and for children at 220 AZN.

In accordance with Decree No. 3708 of the President of the Republic of Azerbaijan dated January 5, 2023, titled "Additional measures for improving the social welfare of the population", the minimum monthly wage has been set at 345 AZN, effective from January 1, 2023. The minimum wage exceeds this year's subsistence minimum (AZN 246) by 40.2 percent.

**QUESTION 2)** Please provide information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021.

In 2021, the minimum wage was set at 250 AZN. It was increased by 20 percent to 300 AZN in January 2022, and by a further 15 percent in January 2023, reaching a total of 345 AZN.

**QUESTION 3)** For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.

The Republic of Azerbaijan has a statutory minimum wage set by law, therefore the question is not applicable.

**QUESTION 4)** Please provide information as whether the cost-of-living crisis has led to the extension of in-work benefits.

Another crucial element of the social protection system is state social assistance. The amount of social assistance is calculated by determining the difference between the average monthly income of the family and the total amount of the need criterion for each family member. The need criterion is a fixed threshold set annually in alignment with the state budget, aimed at determining the allocation of state social assistance based on the essential socio-demographic groups' minimum standard of living.

According to Law No. 405-VIQ of the Republic of Azerbaijan "On the limit of the need criterion for the year 2022 in the Republic of Azerbaijan", the need criterion for the year 2022 has been set at 200 AZN, increasing by 30 AZN compared to 170 AZN in the previous year.

According to Law of the Republic of Azerbaijan "On the limit of need criterion for the year 2023 in the Republic of Azerbaijan" No. 676-VIQ of 9 December 2022, the amount of need criterion for the year 2023 has been increased from 200 AZN to 246 AZN.

Social assistance is funded by the state budget. Social assistance is assigned for a period of one year, starting from the 1<sup>st</sup> day of the month when the application was submitted. Low-income families have the right to reapply for social assistance.

In 2021, 47,000 families received social assistance. This number increased to 65,237 in 2022. This year, the number of families receiving social assistance is 63,848. The average monthly amount of social assistance per family was 280 AZN in 2021, 392 AZN in 2022, and 485 AZN in 2023. The average monthly amount of social assistance per person was 65 AZN in 2021, 88 AZN in 2022, and 114 AZN in 2023.

**QUESTION 5)** Please provide information on changes to social security and social assistance systems since the end of 2021. This should include information on benefits and assistance levels and the allocation of benefits.

The attached table (please refer to the separately enclosed excel sheet) shows the amounts of social benefits set for 2021, 2022 and 2023.

**QUESTION 6)** Please provide information as to whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.

The approved subsistence minimum for the country also forms the basis for determining the need criterion for the assignment of benefits, allowances, as well as the state social assistance. The relevant executive authority determines the ratio of the need criterion amount to the subsistence minimum for the assignment of benefits, allowances, and the state social assistance across the country. Labour pensions are increased and indexed in accordance with the Law of the Republic of Azerbaijan “On Labour Pensions”.

Based on Law No. 446-VIQD dated December 24, 2021, titled “Amendment to the Law of the Republic of Azerbaijan on Labour Pensions”, the minimum amount of labour pensions for 2022 has been set at 240 AZN, an increase from 200 AZN.

Based on Presidential Decree No. 3708 “On additional measures for improving the social welfare of the population” dated January 5, 2023, the minimum amount of labour pension has been increased to 280 AZN, effective from the 1<sup>st</sup> of January 2023.

Overall, the volume of the need criteria for determining state social assistance, as well as the amounts of social benefits and allowances, are annually increased in accordance with relevant laws and decrees.

**QUESTION 7)** Please provide information as to whether any special measures have been adopted since late 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel, and basic food items.

During the indicated period of time, there has been no special measures adopted.

**QUESTION 8)** Please provide up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children, families identified as being at risk of poverty, persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.

“National Priorities for Azerbaijan 2030: Socio-Economic Development”, approved by President Ilham Aliyev, represents one of the most significant steps taken in the field of comprehensive social protection implemented by the state. This roadmap, which identifies five primary priorities, places emphasis on building a dynamic and inclusive society based on social justice.

Furthermore, the “Strategy for socio-economic development of the Republic of Azerbaijan for 2022-2026”, adopted based on national priorities, serves as another notable milestone towards strengthening social protection of the population.

It is worth noting that in recent years, comprehensive social reform packages have been implemented, resulting in significant progress in the field of social protection and substantial increases in the amounts of social benefits and allowances.

Over the past five years, from 2018 to 2023, four social reform packages have been successfully implemented, benefiting approximately four million people across the country. In total, an additional 6.8 billion AZN of state funds have been allocated for these reforms.

The implemented reform packages have resulted in significant increases. The minimum wage has increased by 2.7 times, the minimum pension by 2.5 times, the wage fund by 2.6 times, the average monthly labour pension by 2.1 times, and the average monthly amount of targeted social assistance by 2.5 times. Additionally, more than 10 new types of social payments have been established.

In addition, the digitalization of social services and the proactive determination of social benefits and allowances by the state have made it easier for people to access services and ensured accessibility for all. All social protection measures implemented have covered vulnerable families, children, the elderly, and various socio-demographic groups.

The poverty rate in Azerbaijan increased by 1.4% in 2020 compared to 2019, which can be attributed to the situation created by the pandemic. It has been observed that the poverty rate decreased again in 2021, and this trend continues in 2022. Data for 2023 has not been published yet.

|                           | 2019  | 2020  | 2021  | 2022  |
|---------------------------|-------|-------|-------|-------|
| <b>Poverty rate, AZN.</b> | 185,5 | 194,9 | 204,7 | 229,6 |
| <b>Poverty rate, %.</b>   | 4,8   | 6,2   | 5,9   | 5,5   |

**QUESTION 9)** Please provide information on what measures are being taken to ensure a coordinated approach to combat poverty as required by Article 30 of the Charter, and to diminish reliance on last-resort relief, such as food banks and soup kitchens.

The Article 30 of the Charter has not been ratified by the Republic of Azerbaijan, therefore the question is not applicable.

**QUESTION 10)** Please provide information on steps taken to consult with, and ensure the participation of, the persons most affected by the cost-of-living crisis and/or organisations representing their interests in the process of designing of measures in response to the crisis.

The Action Plan of the "Strategy for socio-economic development of the Republic of Azerbaijan for 2022-2026", approved by the Decree of the President of the Republic of

Azerbaijan, includes activities aimed at achieving the goal of "2.2.1. Creating additional opportunities for social protection and support for vulnerable and poverty-sensitive groups."

The implementation of sub-paragraph "2.2.1.2. Preparation of mechanisms for enhancing social protection of vulnerable and poverty-sensitive groups during potential crisis situations (economic crises, pandemics, etc.)" of the abovementioned objective is incorporated into the Periodic Action Plan, which is based on the "Joint Action Plan for Social Protection and Child Protection" signed between the Ministry of Labour and Social Protection of Population of the Republic of Azerbaijan (MLSPP), and the UNICEF Office in Azerbaijan.

As part of the execution of the Action Plan, UNICEF invited an international expert (Ms. Sharlin Ramkinson) to visit Baku in October 2022. During the visit, the expert met with representatives of the MLSPP Ministry of Economy, Ministry of Finance, State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan, as well as officials from the executive authorities of Sabirabad and Shamakhy districts and other relevant government bodies.

Following these meetings, an initial report in the form of a project "Preparation and Institutional Framework for Ensuring Social Protection of the Population in Crisis Situations in Azerbaijan" was prepared by the international expert and presented to the respective institutions during a workshop held at the MLSPP.

To implement the recommendations outlined in the report, the expert visited the country again in May-June 2023. During the visit, a thematic workshop was conducted with participation of the international expert and representatives of the MLSPP, Ministry of Economy, Ministry of Finance, Ministry of Emergency Situations, Ministry of Ecology and Natural Resources, Ministry of Agriculture, as well as officials from Sabirabad and Shamakhy district executive authorities and other relevant government bodies. The workshop aimed to identify measures to be taken during emergency situations. It resulted in the preparation of a project document that reflects typologies related to emergency situations.

In addition, in June 2023, Mr. Richard Chirchir, another international expert, was invited to discuss the creation of a "virtual social registry" that captures household information as part of the project. Meetings were arranged with the DOST Digital Innovations Centre, Innovation Agency of the Ministry of Transport, Communications and High Technologies, and the State Agency for Public Service and Social Innovations under the President of the Republic of Azerbaijan. An assessment was carried out to evaluate the readiness for establishing mechanisms for social protection during crisis situations in Azerbaijan. A report was subsequently prepared and submitted to the MLSPP.

On October 10-11, another meeting was organised with the participation of Mr. Chirchir and representatives from the MLSPP, Ministry of Economy, Ministry of Finance, Ministry of Emergency Situations, Ministry of Ecology and Natural Resources, Ministry of Agriculture, as well as officials from Sabirabad and Shamakhy district executive authorities and other relevant government bodies. The purpose of this meeting was to establish inter-agency coordination mechanisms during crisis situations in the country.

Moreover, to enhance social protection of vulnerable families and the poverty-sensitive population, international experts Ms. Ramkinson and Mr. Chirchir met with the relevant departments of the Ministry on 27-29 November 2023, focusing on the preparation of the Action Plan.