



Budget Brief 2023

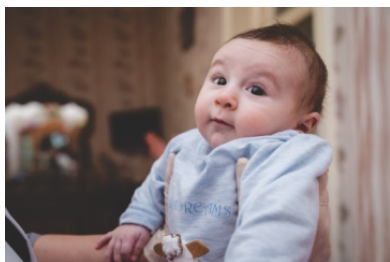
Investing in children in Azerbaijan



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KEY HIGHLIGHTS FOR CHILDREN IN 2023

This budget brief explores the extent to which the national budget addresses the needs of children in Azerbaijan¹.

USD **2.6 billion** was allocated from the state budget for education in 2023, which is USD 315.5 million or 13.8% more than the allocations for 2022. The education allocations comprise **13.3%** of the 2023 state. It will be equal to **4.2%** of GDP based on projections.

The USD **2.6 billion** are approved allocations for social protection and social welfare for 2023. That is USD 404.2 million or 18.4% more than the figure for 2022. Social protection and social welfare allocations comprise **13.3 %** of the state budget. In addition, it will constitute **4.2 %** of the GDP.

The state budget for 2023 allocates USD **1,1 billion** for the health sector. It is 11.6% (USD 116.2 million) more than the 2022 figure. While the share of health sector allocations in the state budget is **5.7%**, in GDP it will represent **1.8%**.

In 2020, only **16.9%** of Azerbaijani children were covered with at least one social protection benefit (SDG 1.3.1), according to the ILO Social Protection Coverage Report 2020-2022. This is significantly lower than other peers in the region.

Public expenditure for children might be found in other categories like environment, economic activities, public services, etc., which are not reflected in these analyses. In addition, allocations in priority sectors do not mean all these allocations directly go to children and households with children. For example, based on official data only **15.5%** from social protection allocations in 2022 were social transfers to children or households with children.

15.5%



¹Person under 18 according to the "Law on child right of Azerbaijan Republic"

AZERBAIJAN MACROECONOMIC PERFORMANCE

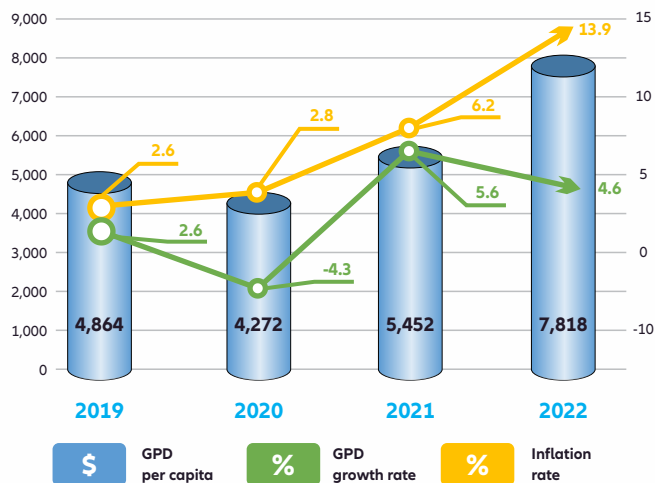
Azerbaijan's commodity market was negatively impacted by global price increases following the Ukrainian war and when the economy was still recovering from Covid-19. Compared to previous years, in 2022 inflation rate reached double digits hitting 13.9%. However, overall, macroeconomic indicators showed positive results for 2022. While the non-oil sector of Azerbaijan's economy made a significant increase of 9.2%. The income of the population increased by 20.5% compared to 2021, which is also reflected in a considerable positive change in GDP per capita (figure 1). This positive trend is also observed in the revenues of the state budget beating the forecast by 27.5%.

Among the main priority areas of the state budget expenditures for 2023 is an expansion of the restoration and reconstruction of the liberated territories, strengthening of the country's defense capability, social protection of the population, and increasing the development of the non-oil sector.

In 2023, The structure of the GDP will fluctuate around 30% oil and 70% non-oil sector, similar to the last three years.

Figure 1.

Economic performance of Azerbaijan by GDP per capita (left scale, dollars) and GDP growth rate and inflation rate for 2019-2022 (right scale, percentage)



OPEN BUDGET SURVEY (OBS) RESULTS FOR 2021

The results of the 2021 Open Budget Survey were announced in May 2022. Azerbaijan was ranked 44th among 120 countries, scoring 57 points out of 100. It is the highest score for Azerbaijan in the history of the Open Budget Index. The significant contribution to this progress was made by two documents submitted by the government: Pre-Budget Statement and the Mid-Year Review. This is a positive result of the Ministry of Finance's efforts towards making the state budget more transparent in recent years.

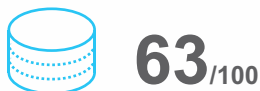
Transparency:



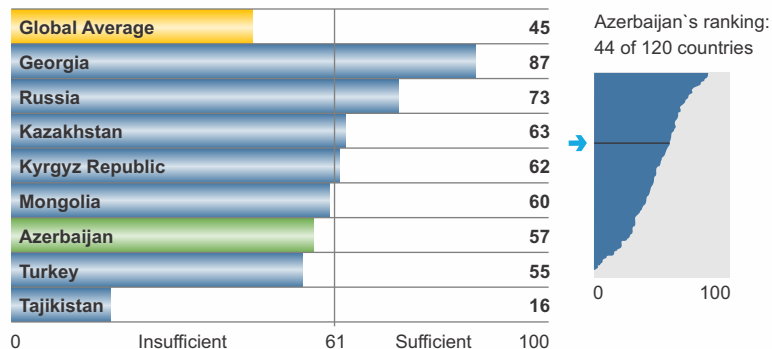
Public Participation:



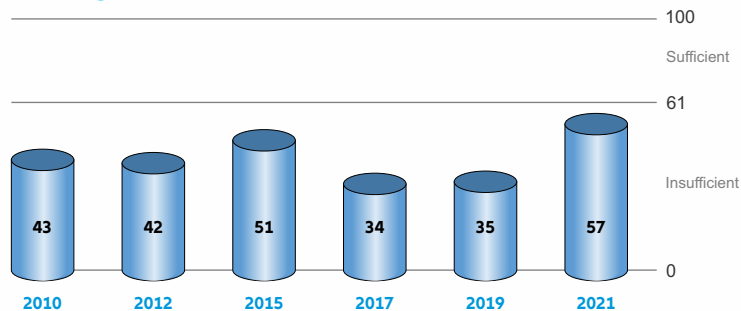
Budget Oversight:



Transparency in Azerbaijan compared to other



How has the transparency score for Azerbaijan changed over time?



Source: <https://internationalbudget.org/open-budget-survey/country-results/2021/azerbaijan>

2023 STATE BUDGET

The 2023 budget policy was developed based on global challenges and national strategic priorities indicated in the “Azerbaijan 2030: National Priorities for Socio-Economic Development” strategy. The 2022-2026 Socio-economic development strategy with an action plan was approved by the government. The state budget for 2023 provides financial resources for the further strengthening of measures for the social protection of the population, families of martyrs, and war veterans and the continuation of reforms in the field of labor remuneration, the implementation of the next stage of reforms in the fields of education, science, and health care.

Figure 2.
2023 budget allocations by sectors and share of the budget in percentage

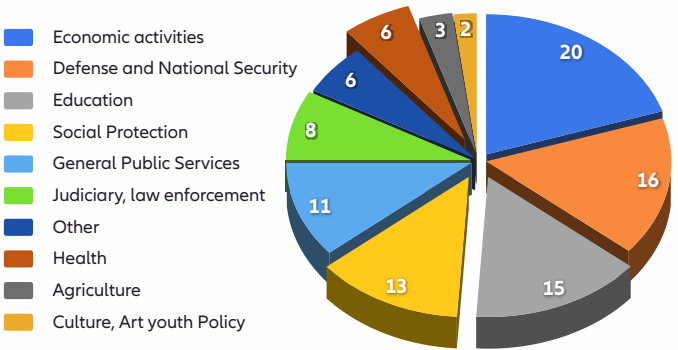
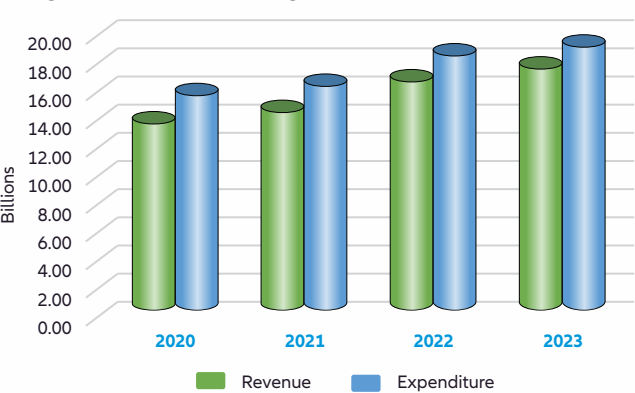


Figure 3.
The growth of the state budget over time in dollars



2023 BUDGET ALLOCATIONS BY PRIORITY SECTORS FOR CHILDREN

USD 2.6 billion allocated from the state budget for education in 2023, which is USD 315.5 million or 13.8% more than the allocations for 2022. The education allocations comprise **13.3%** of the 2023 state budget. It will be equal to **4.2%** of GDP² based on projections.

The **USD 2.6 billion** are projected allocations for social protection and social welfare for 2022. That is USD 404.2 million or 18.4% more than the figure for 2022. Social protection and social welfare allocations will comprise **13.3 %** of the state budget. In addition, it will constitute **4.2%** of the GDP.

The state budget for 2023 allocates **USD 1,1 billion** for the health sector. It is 11.6% (USD 116.2 million) more than the 2022 figure. While the share of health sector allocations in the state budget will be **5.7%**, in GDP it will represent **1.8%**.

Figure 4.

Priority sector's budget allocations by years in dollars

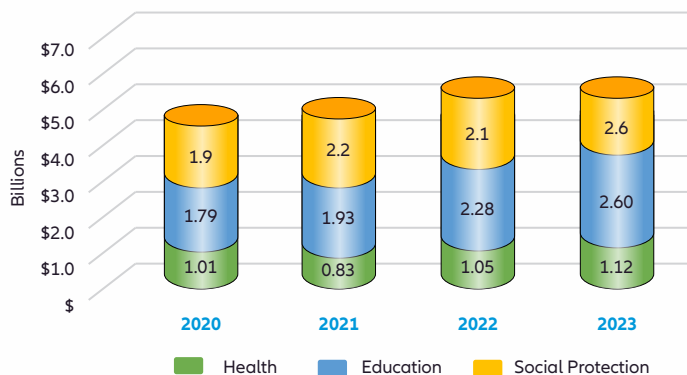
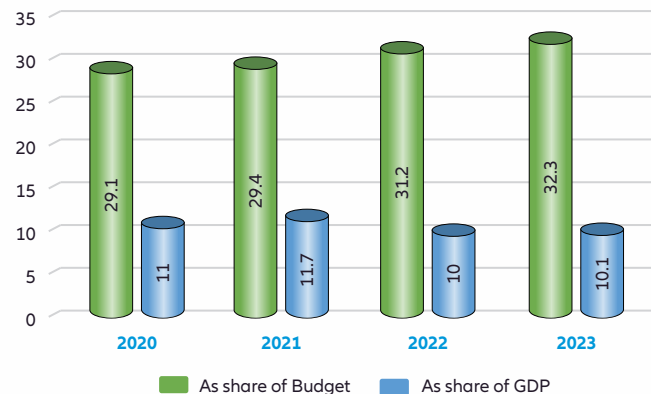


Figure 5.

Total allocations to priority sectors as a share of the total budget and GDP (percentage)



²GDP based on 2023 projection \$62 bln.

SOCIAL TRANSFERS TO CHILDREN/HOUSEHOLDS WITH CHILDREN BY THE GOVERNMENT

Children/households with children in Azerbaijan receive six main types of social benefits:

- ✓ Children with disabilities and their caregivers
- ✓ Households who lost the head of the family
- ✓ Women with more than five children (eligible from 6th child). Payment for each child
- ✓ One-time childbirth allowance
- ✓ Additional payment to families with children under one year of age (receiving TSA).
- ✓ Children of martyr families, children of war veterans

Table 1.

Number of children/households with children receiving monthly social transfers in Dollars

Year	Number of children	Yearly amount in USD
2022	396,841	333,542,526
2021	411,823	306,647,651
2020	401,249	335,349,752

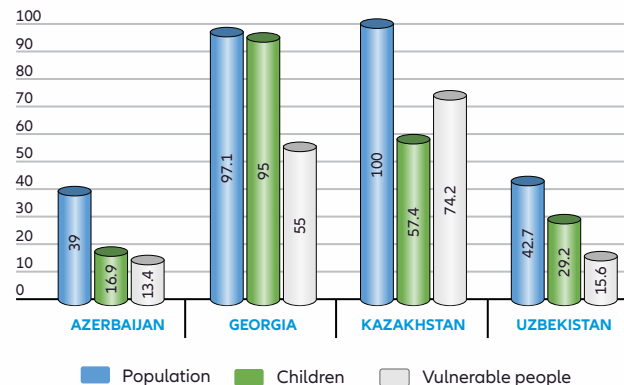
Source: SSC



In 2022 ILO revealed its flagship report World Social Protection Report 2020-2022. According to the report, while Azerbaijan makes a progress in the coverage via contributory schemes (pension, health, unemployment), the coverage of the population through non-contributory schemes remains low. The below figure shows the coverage categories of people mainly through non-contributory benefits. These figures are considerably low compared to other developing countries in the region.

Figure 6.

The proportion of the population covered by at least one social protection benefit among selected countries (percentage) (SDG 1.3.1)



Source: World Social Protection report 2020-22, p. 274

RECOMMENDATIONS

- ✓ Improve the way child-related public expenditure is assessed in the state budget; understand which policies and programmes are investing in children.
- ✓ Following OBS 2021 recommendation, improve the transparency of public finances via actively engaging civil society organizations in budget formulation and monitoring of budget implementation.
- ✓ Taking on ILO's report, accelerate progress towards better coverage for children as a critical step towards improving their well-being.

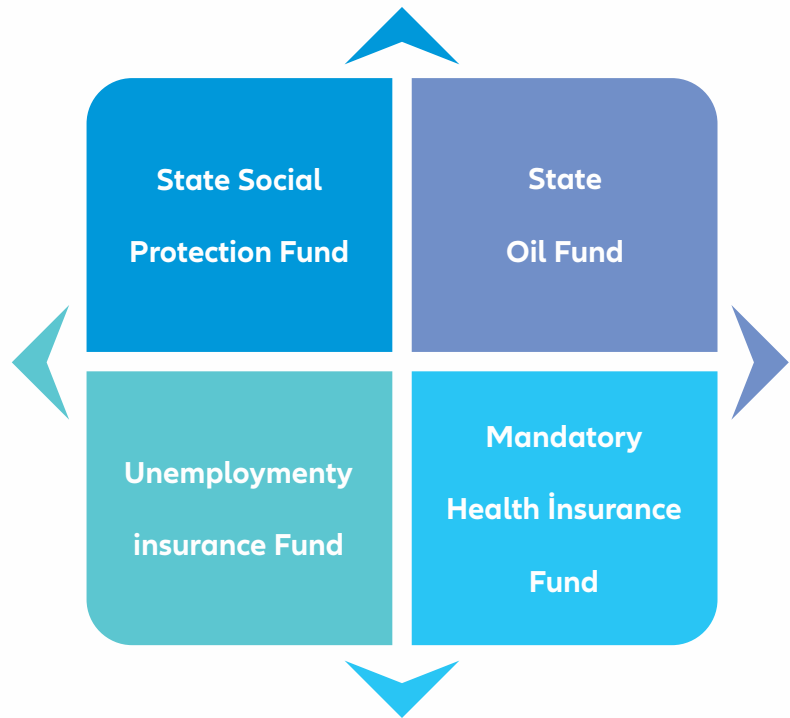
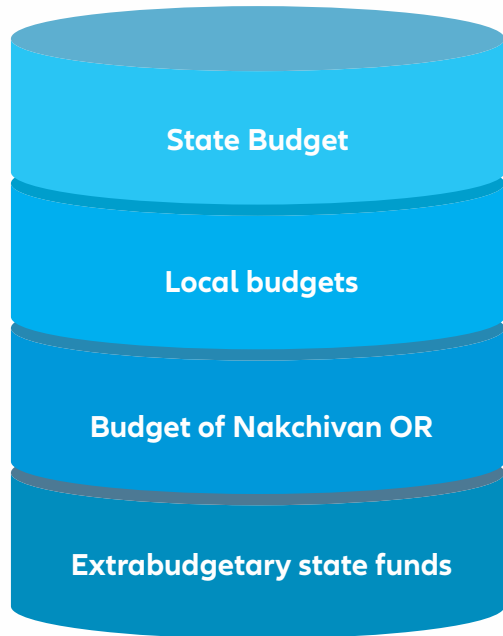
UNICEF Azerbaijan is committed to supporting the government of Azerbaijan in its efforts to improve the way public expenditure for children is tracked and budgeting is made.

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Annex 1. Key Development Indicators

INDICATORS	
Total population (2022)	10,156,400
Child population 0–17 years (2022)	2,613,000
Share of child population (0–17 years old) to the total population	25.7%
GDP per capita (USD, 2022, actual)	7 818
Poverty rate (2021)	5.9%
Extreme poverty rate	0%
Total government expenditure as a percent of GDP (2023)	31.5 %
Total social spending (education, health, social protection) allocations as a percent of the national budget (2023)	33.7 %
Share of budget deficit (2023) to GDP	2.4%
External public debt ratio to GDP (2022)	11.7%
Inflation rate (2022)	13.9%

Annex 2. The budget system of Azerbaijan



References



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- Presentation of projects on state and consolidated budgets of the Republic of Azerbaijan for 2023, available at <https://maliyye.gov.az/scripts/pdfs/web/viewer.html?file=/uploads/static-pages/files/6363ced6b1e38.pdf>
- Citizen's Budget Guide (2023), available at <https://maliyye.gov.az/scripts/pdfs/web/viewer.html?file=/uploads/static-pages/files/63b7cf6b1967f.pdf>
- Children in Azerbaijan, Statistical Yearbook 2022.
- Open Budget Survey 2021, Country summary, available at <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-azerbaijan-2021-en.pdf>
- <https://bakuresearchinstitute.org/en/has-azerbaijan-actually-made-significant-progress-in-budget-transparency/>



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