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Gender Budgeting in Azerbaijan: Challenges and Perspectives

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Abstract

As a budgeting strategy present in a number of OECD member countries, Gender Budgeting is a method in which states can better analyse their budgets in terms of the extent of equal distribution of benefits accrued by men and women. The increasing state budget of Azerbaijan has not been reflecting its benefits equally on the population, as the number of women employed is decreasing, coupled with higher unemployment rates and a significant pay gap affecting women disproportionately. Gender Budgeting is a program which can be adopted by the Azerbaijani Government to assess the equality of benefits and contributions by men and women within the state budget and create room for new forms of analysis as well as possible solutions, as the problematic areas are identified.

Introduction

Gender Budgeting is a strategy which the Organization for Economic Co-operation and Development (OECD), an organization with which Azerbaijan has actively cooperated since 2009¹, proposes that countries can use to assess the benefits and disadvantages present in the state budget based on male and female citizens, and ascertain ways to make it more equal. Some ways to do this would be to take into consideration and reducing the gender pay gap and ensuring equal economic and social gains.² Taking into consideration the role of gender while drafting budgets can have a larger implication on the public, as it would set a precedent by the government and its further determination to combat gender inequality in the country and increase awareness of the issue among the population.

Azerbaijan is one of the many countries that would benefit from implementing a Gender Budgeting program in its budgetary process as it would aid in improving gender equality in the country, as well as increasing economic and social welfare by paving the way for a more active and equally paid workforce which would in turn allow for the economy to grow. A Gender Budgeting program implementation would also allow for a more equal and fair collection and distribution of public goods and services.

Azerbaijan state budget and labour force analysis

¹ (*The Organization for Economic Cooperation and Development (OECD)*, 2023)

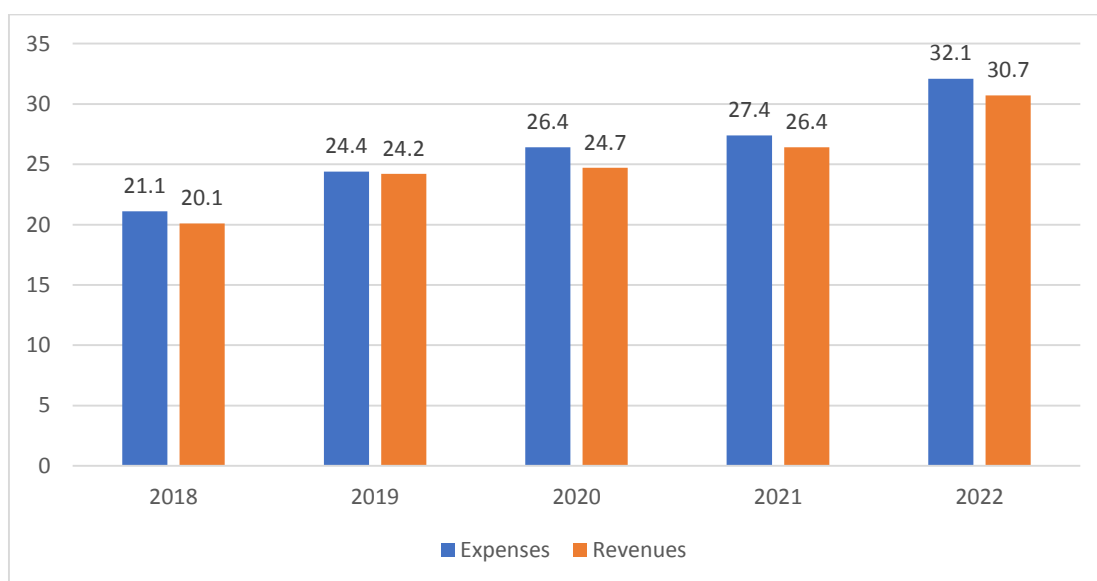
² (*Organisation for Economic Co-operation and Development*, 2023)

The state budget system in Azerbaijan is made up of three budgets: the budget of Azerbaijan republic, local budgets and the budget of Nakhchivan Autonomous Republic. The state budget system is designed in a way which would allow it to overcome the social and economic problems of the country and to meet the strategic goals of Azerbaijan. The incomes and expenditures are divided into centralized and local levels³.

The revenue of the state budget of Azerbaijan is divided into two sections: oil sector and non-oil sector. In 2022, the revenues from the non-oil sector accounted for 52.5%, whereas the oil sector comprised of 47.5%. The expenditures are divided into three sections: capital expenditure, current expenses and expenses on the public debt service. In 2022 the capital expenditure amounted for 26.5%, the current expenses for 67.4% and public debt service for 6.15⁴.

There are 12 main functional classifications of the direction in which the expenses take place from the state budget, of which the highest five expenditures are: economic activity, defense and national security, social security and social protection, education and general public services⁵.

Figure 1: Azerbaijan State budget expenses and revenues (annual)



Source: Ministry of Finance - <https://maliyye.gov.az/en/static/11/consolidated-and-state-budgets>

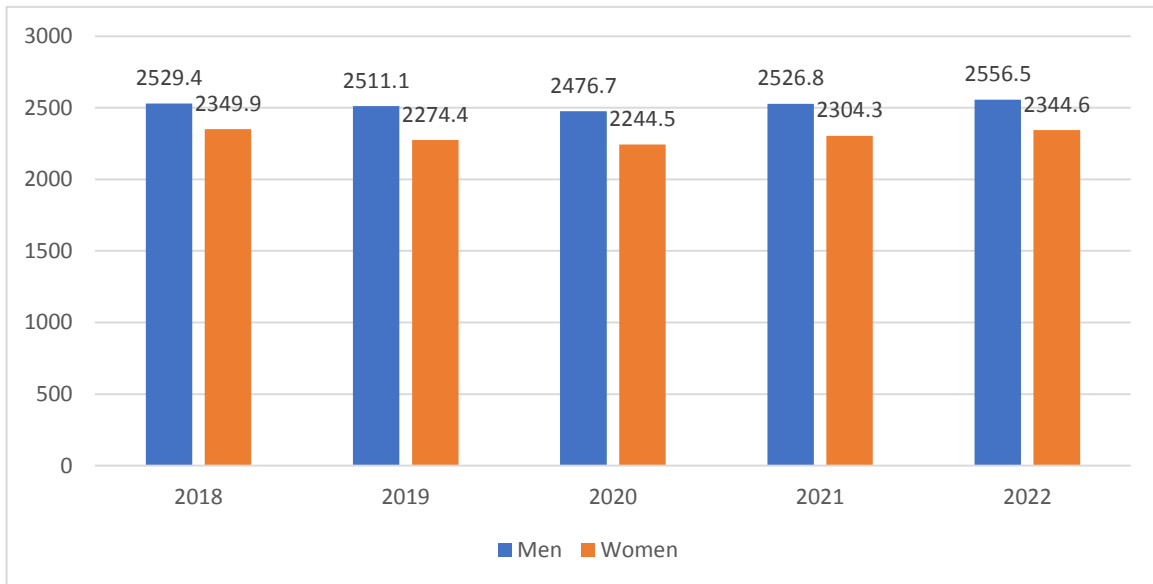
³ (Budget system of Republic of Azerbaijan, 2023)

⁴ (Ministry of Finance of the Republic of Azerbaijan, 2023)

⁵ (Ministry of Finance of the Republic of Azerbaijan, 2023)

Looking at Figure 1, it can be seen that the annual state budget of Azerbaijan has been increasing gradually for the previous five years, even though the revenues have been less than the expenses. This reflects increased investment and economic activity within the country.

Figure 2: Number of employed persons (thousands) in Azerbaijan



Source: State Statistical Committee of the Republic of Azerbaijan

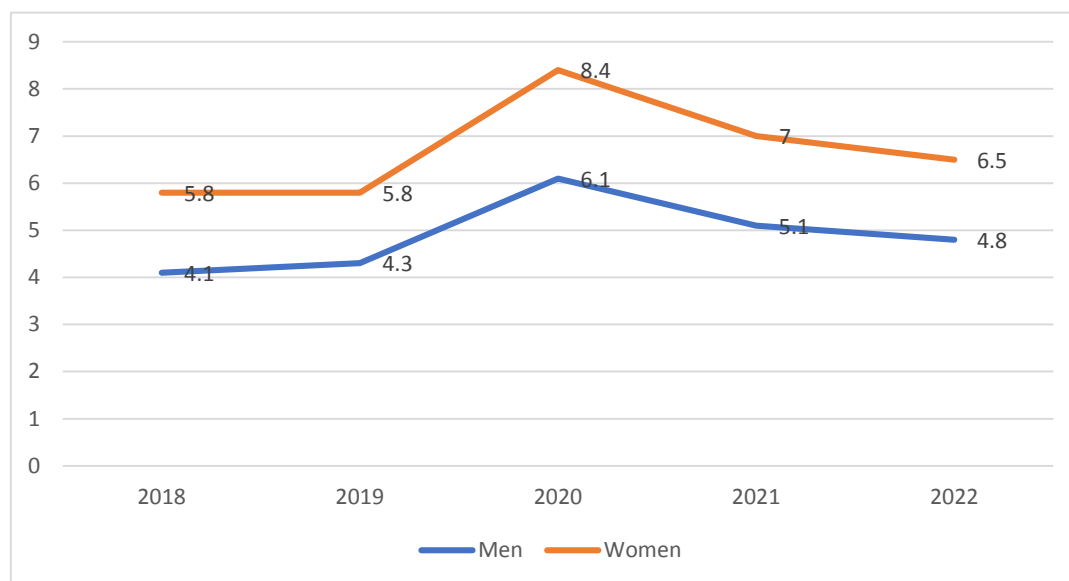
From Figure 2 it is seen that there is a general trend between the number of employed men and women which has not been changing. Since 2018 there have been a greater number of men employed as compared to the number of women. Another trend which is visible is the number of men who are employed have seen an overall increase from 2529.4 thousand in 2018 up to 2556.5 thousand in 2022, whereas the number of women employed has decreased from 2349.9 to 2344.6 in the same five-year period, even though both groups have seen fluctuations⁶.

Looking at Figure 3 below, the inequality between men and women can be seen more clearly, as the unemployment rate between men and women also differs. The unemployment rate of women has been consistently higher than men for the years between 2018 and 2022. The COVID-19 pandemic affected the population at large, as this is seen from the rising unemployment levels in the year 2020. However, upon closer examination it can be seen that the amount which the unemployment rate had increased for women and men has not been proportionate. The rate of

⁶ (Labour Market, 2023)

increase from 2019 to 2020 for men was 1.8, whereas for women it was 2.6, which means that women were impacted close to 50% more than men during the COVID-19 pandemic⁷.

Figure 3: Unemployment rate in Azerbaijan



Source: State Statistical Committee of the Republic of Azerbaijan – Labour market

Looking at the figures provided by the State Statistical Committee of the Republic of Azerbaijan in its 2023 report on the labour market⁸, it is further ascertained that women are disproportionately affected and have less participation in the labour market as compared to men. In 2022, the labour force consisted of 51.7% men and 48.3% women. This difference accounts to less than 180 thousand people. However, when looking at the number of unemployed people it is seen that it is comprised of 56% women and 44% men, hence further reinforcing the conclusion drawn from Figure 3.

It is seen that even though the state budget has been increasing throughout the past five years, and the number of men in the labour force has increased, at the same time, women have been disadvantaged, even though social security and protection are among the highest expenditures in the state budget. The number of women who are employed has decreased whereas the number in the labour force has been steadily increasing. This is indicative of the disproportional impact of problems such as unemployment, which both genders face, affecting women more. Further, inequality in the labour market is seen from the pay gap in Azerbaijan: in 2022 women's salaries on average were 67.1% of the average for men (649.1 AZN for women, 967.5 AZN for men)⁹.

⁷ (State Statistical Committee of the Republic of Azerbaijan, 2023)

⁸ (Labour Market, 2023)

⁹ (State Statistical Committee of the Republic of Azerbaijan, 2023)

Even though there are programs undertaken by the government to decrease social and economic inequality among the population of Azerbaijan, it is still clear that women benefit less from public spending as the state budget has been increasing, whilst the number of women who are employed has decreased and the number of men employed has increased in the same time frame. Thus, the projects and programs intended to decrease gender inequality do not reflect on the state budget.

The Ministry of Finance of the Republic of Azerbaijan has been adopting analysis techniques for different programs funded by the budget, as well as how much money is contributed to various areas of that classification to better analyse the areas in which the state budget has an impact. “Implementation of programs on pilot units of functional classification of budget expenditures” takes into account education, agriculture and ecology in terms of program budgeting¹⁰.

For the months of January-September of 2022, the Ministry of Finance has given a comprehensive breakdown of the 3.87 billion AZN allocated to education, and the various programs which were funded within it. The biggest shares belonged to Overall Education and Higher Education; however, it is visible that there are various other directions in which the funds allocated by the state budget have been, and are being planned to be used. These include education related pilot projects, arrangement of work with gifted children and promotion of Azerbaijani studies in prestigious universities of foreign countries¹¹.

In the field of agriculture, close to 1 billion AZN had been forecasted to be spent in 2022 in its programs. Over 62% had been executed in 2021, with programs ranging from development of horticulture and animal husbandry consisting of close to 900 million AZN collectively, and additional programs like development of insurance in the agricultural sector for which just over 5 million AZN was allocated¹².

It was envisaged that 291 million AZN will have been spent on furthering environmental protection in Azerbaijan. Programs included conservation of biological diversity and the provision of hydrometeorological data, additionally to general environmental protection¹³.

¹⁰ (Ministry of Finance, 2022)

¹¹ (ibid)

¹² (ibid)

¹³ (ibid)

It is seen that through the pilot initiatives of the Ministry of Finance of the Republic of Azerbaijan how much of the allocated state budget is spent on specific areas within the fields of education, agriculture and environmental protection. This is the first step in the analysis of the effectiveness of government expenditure in these fields, and will be a crucial tool in comparing to previous years in the amount and number of programs which are being undertaken to improve certain areas. After indicators are analysed to ascertain the effectiveness in improvement of these sectors, further budgetary changes can be made to overcome specific issues. Even though the Ministry of Finance has implemented the analyses of these classifications in terms of the share of budget expenditure, it is seen that there is no availability of gender budgeting in Azerbaijan which would show how the resources are collected and spent between both genders. This shows that it is not possible to analyse how much men and women benefit from the state budget in general.

Conclusion and recommendations

A budgetary analysis which takes into account the benefits accrued by men and women from government expenditures is not available in Azerbaijan, thus it is not possible to ascertain the irregularities and inconsistencies among the distribution of resources and benefits by various government bodies to the population. Thus, it is a crucial first step to take into account gender sensitive distribution of the state budget when it is drafted by the National Assembly of Azerbaijan, as the extent of the gender inequality issue in fields like the labour force can be tackled more effectively if for example, it can be shown which areas of the labour force women are most disadvantaged at and through this allow for finding solutions.

Provisions and requirements can be made when proposing the budget to take into account gender sensitive issues. Gender Budgeting takes into account all levels of budgeting in order to reflect the wide array of different needs and requirements by men and women, as well as their capacities for contribution to the state budget.

On a more practical basis, the roles of the National Assembly of Azerbaijan and the Chamber of Accounts of the Republic of Azerbaijan are crucial in terms of oversight and review of the state budget. The cooperation of these two bodies is imperative initially in analysing the expenses and revenues of the budget, and forming an idea of the irregularities in the budget distribution in terms of gender¹⁴.

As Gender Budgeting is a complex process which will need action undertaken by all government bodies, cooperation between various Ministries will be needed. The government bodies which manage the state budget are the Ministry of Finance, Ministry of Economy, Cabinet of Azerbaijan, State Oil Fund, State Social Protection Fund and other central executive authorities. Thus, a strong cooperation program is necessary among these institutions in order to effectively analyse and implement reforms based on these analyses across all levels of government¹⁵.

Another aspect of Gender Budgeting which needs to be taken into consideration in Azerbaijan is the cooperation of regional and local level decision making bodies¹⁶. Having gender-sensitive

¹⁴ (ADB Resident Mission in Azerbaijan, 2020)

¹⁵ (Aslanli, 2021)

¹⁶ (ibid)

budgets in local executive branches of government is crucial as they are the ones which are closest to the public, conduct government policy and have the possibility of meeting the needs and demands of the local population more effectively.

Some practical initiatives which can be undertaken to implement Gender Budgeting in Azerbaijan can be to analyse the policies of different ministries and government bodies to see to what extent the policies increase or decrease inequality, conducting survey of citizens about their thoughts of how much these services meet their demands, how much the government allocates to a certain initiative and the proportion of the funds spent from that initiative on men and women, and analysis of the tax system – how much contribution is made by both genders¹⁷.

All in all, a thorough analysis of the budget is necessary to make an action plan for implementing the following steps of Gender Budgeting in Azerbaijan. The inequalities must first be ascertained in order to choose and implement reforms which will be made in the governing bodies. However, adding a Gender Mainstreaming department in government bodies to promote and audit the activities of the institution in terms of following gender equality would make the activities of Gender Budgeting more sustainable and easier to track.

¹⁷ (ibid)

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