

Recommendations on the expected problems and resolution of these problems in means testing in Azerbaijan

ERC conducts research on the mechanism of means testing to be applied in the country. The conducted research shows that the mechanism developed by the authorized state bodies for applying and determining social allowance will inevitably provide for emergence of some bureaucratic hindrances. The effective legislative acts assume presentation of different documents from a number of bodies by persons applying for social allowance. In addition, the proposed legal norm for determining the eligibility criterion, which in its turn will serve as the basis for accruing the right to receive social allowance by low income families and determination of the amount of social allowance, can lead to adoption of subjective decisions which don't correspond to the needs of objective social and economic situation. Another problematic issue has to do with the mechanism to be utilized to calculate the average monthly income of families in order to proceed with the allocation of social allowance. This issue could specifically be raised in regard to the mechanism calculating revenues generated from land plots (agriculture). Finally, the legal norms considered to be applied in regard to refusal of granting social allowance can lead to the situation where many low income families will be deprived of the right to receive minimum state subsistence allowance. Taking into account the abovementioned problems, ERC proposes consideration of the following recommendations directly related to improvement of the mechanism of means testing:

- Unification of the required forms and documents necessary during application for social allowance. The opportunities for acquiring information requested from several bodies through a single form from local executive committees and municipalities have to be explored. For instance, municipalities can provide information about family members serving in the military, plot of land available (its size, category and etc) and family members sentenced to imprisonment on the same basis. In addition, centers of labor and social protection enter information regarding pensions and remuneration packages received by citizens into regularly updated automated information database and investigate information about applicants.
- The mechanism for determination the eligibility criterion should be concretely shown in the legislation. For instance, considering the current reality the eligibility degree for the beginning periods can at least amount to the level of 60% of the value of officially confirmed subsistence minimum.
- The procedure for reexamination the minimum subsistence amount should be quick. In addition, the minimum subsistence should not only be calculated based on social-demographic groups but also based on separate regions.
- While determining citizen incomes generated out of land plot activities during the granting process of social allowance, the market prices not the normative prices of lands should be used as a calculation base.
- Cases of refusal to grant social allowance should be reviewed again. Especially the number of cattle and small cattle per family and family member currently considered as a criterion for refusal needs to be seriously discussed. The activity related to cattle breeding is regarded as subsidiary farming. In other words, based

on the rules of calculation of family incomes generated out of personal subsidiary farming it would be possible to identify revenues received from this type of activity.

- In regard to future entrusting of municipalities with distribution of social allowance, we might ponder over identification of certain mechanisms now. For example, at the time being we can test this practice in several municipalities as a pilot project.
- The flawless statistics of social allowance must be organized. Together with general information, data on families and number of family members receiving social allowance, the amount of allowance received, social demographic composition of beneficiaries in recipient families for each region of the country should be reflected in official statistical reports. This database is significant in terms of assessing the difference in welfare of people in different regions of the country.
- In force-majeur situations low income families might receive single social allowances together with monthly allowances in cases when property or plot of land becomes useless for a certain period of time due to natural disasters.
- In order to provide for operability, transparency and reliability of the mechanism of means testing and simplify the administration process it is necessary to develop and apply automated programs that examine the eligibility criterion in every centre as well as provide for connection of those programs with the unified server.
- The mechanisms substantiated both scientifically and economically to determine the amount of budget funding for social allowance should be developed, the public oversight over use of these funds should be established, the way funds are distributed should be explored by regularly conducted monitoring.
- The wages of inspectors who deal with allocation of social allowance should be determined taken into account their physiological needs and necessary expenses (transportation, living, meals and etc)

However, the research shows that there are a number of problems not directly related to the legislation regulating the process of means testing which can reduce the efficiency of the system. By these we mean the existence of wide scale unofficial employment and clandestine employment, high level of poverty among the employed due to the lack of the system of guaranteed wages (especially in the budget sector), existence of serious problems in registration of property rights, unofficial bargaining regarding the tenant right in property and land markets and etc. Paid state education and health care services have been expanded in recent years as the mechanism of medical insurance malfunctions and people incomes remain to be quite low in the country. There is a huge gap between incomes of low income strata and the cost and availability of these services. This has to do with the absence of legislation regulating minimum norms and standards of social services that the government has to provide for its citizens (minimum cost of education and health care services per capita, minimum social norm of living space per capita). Finally, one of the serious issues is a wide scale foreign migration and the existence of large transfers of illegal money due to this migration. The investigation and consideration of these factors during granting of social allowance will undoubtedly create difficulties. Therefore, ERC

proposes to conduct the following activities on elimination of negative impacts of foreign factors on the mechanism of means testing as well as on strengthening of social protection of low income strata in the country:

- The authorized state bodies must develop special activity program based on administrative and stimulating means of impact particularly in legalization of unofficial and clandestine employment focusing on creation of strict discipline in labor relationships. The experience of other countries in this field should be explored.
- The law on the minimum social norms and standards should be adopted
- The government based on the main collective agreement must take a commitment before the other parties of the agreement to adjust the minimum wage to the subsistent minimum value by showing a concrete activity plan.
- The development process of working mechanism of mandatory medical insurance should be accelerated, the calculated average family income for social allowance should be reduced to the amount equal to primary health care costs of low income citizens during a short time or if not possible during the transition stage.
- Local executive committees and municipalities should present information on foreign migration to appropriate bodies once in 6 months.
- When rental issues are based on unofficial bargaining, in order to clarify the real situation centers of labor and social protection should take as the basis the opinion of municipalities which have sufficient knowledge due to collection of property and land taxes.