

 Results in Europe and Central Asia


Technology Improves Azerbaijani Social Safety

Zaur Rzayev, Communications Associate in the World Bank Office in Azerbaijan, offers this story.

Makufa Asadova is 72 years old and has no experience with technology. She admits being uneasy the first few times she withdrew her pension from an ATM machine.

"It was a little bit unusual in the beginning, but I quickly realized its advantages. There is no need to wait in overcrowded post offices. Sometimes, I needed to visit the post office several times before getting my money. Now I can check my account by a simple text message to my cellphone," says Asadova.

Asadova is one of 1.3 million pensioners in Azerbaijan who is benefitting from a complete overhaul of the country's pension system that included digitizing mountains of paper records and depositing pension funds directly into pensioners' bank accounts. Information from regional offices now reaches headquarters within seconds. Powerful servers store individual records of 3.5 million people, both pensioners and contributors.

Photo Gallery



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- [The World Bank in Azerbaijan](#)
- [Azerbaijan Country Program Snapshot](#)
- [Pension and Social Assistance Project](#)
- [State Social Protection Fund](#)
- [Ministry of Labor and Social Protection](#)



Makufa Asadova

Pension fund workers who no longer have to do everything manually. And pensioners now receive pensions according to how much they've paid in, not an amount fixed by the state.

Another fundamental change was separating social insurance from the social benefits system, creating two separate agencies. The State Social Protection Fund collects funds for pensions and disburses them, while the Labor Ministry handles other benefits.

Salim Muslimov, Chairman of the State Social Protection Fund, Azerbaijan's pension administration entity says, "Our higher level goals were to establish an insurance-based pension system, make the system more transparent and the quality of services to citizens better. We also aimed at financial sustainability and building foundations for transition to more sophisticated pension schemes."



The Pension and Social Assistance Project supported by the World Bank was designed to help meet these goals with support for modernization, automation and staff training.

Thanks to better management and more widespread coverage, social insurance collection has increased from 1.3 million to just under two million participants. This has decreased the system's dependence on transfers from the state budget, and thus improved financial sustainability of the SSPF.

Better work conditions, modern equipment and sophisticated software have changed the business culture and quality of services at the SSPF. Nothing happens behind closed doors now; instead visitors are welcomed and served in an open service area designed for clients.



Ogtay Ibrahimov

Greater transparency is one of the most important gains in the project. "In the past about 70 factors affected the amount that a person would get as pension after retirement. This often encouraged fraud and agreements between the fund's staff and pensioners. Now the system is simple and clear. Everybody can calculate his future pension by using the pension calculator at the SSPF website," says Ogtay Ibrahimov, director of the project at SSPF.

The Pension and Social Assistance Project also helped design and implement Azerbaijan's successful Targeted Social Assistance Program (TSA). Azerbaijan has reduced poverty tremendously during the past decade, from about 50 percent of population to less than 15 percent. Recent World Bank analysis showed that the government's social assistance program, including better targeting of benefits to the neediest, was responsible for a tenth of this reduction in poverty.

Targeted benefits consolidated several often non-transparent and inefficient benefits into a single family-based poverty benefit. The TSA program now covers over 120,000 families in the country and stands out as the best in Europe and Central Asia in terms of accurate targeting and helping people to cope with poverty. The poorest 20 percent of population receive half of their income from TSA benefits.

Azerbaijan's pensions and social assistance system still have to tackle many challenges. The fiscal sustainability of the pension system may be at risk over the long term due as the population ages and many workers employed in the informal economy are left outside the social insurance system. Similarly, while many people have been lifted from poverty thanks to TSA, it is just the first step. More needs to be done to sustain achievements in poverty reduction – particularly by creating more jobs for those who need them.