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Alirzayev Emin Ali

PhD in Economics

The State Social Protection Fund under the Ministry of Labor and
Social Protection of Population of Azerbaijan Republic

THE DEVELOPMENT FUNDAMENTALS OF THE SOCIAL SECURITY SYSTEM OF AZERBAIJAN: OVERALL HISTORICAL-STRATEGIC APPROACH

***Abstract.** Based on the historical development of the social protection system of Azerbaijan, the article approaches and evaluates the basis of its formation from a strategic point of view. Important directions and results of reforms related to the achievement of the current level of development of the social protection system in Azerbaijan are given. By the approach to enumerate and emphasize the main occasions in regard to social protection in the republic, the author identifies the main directions of the social protection system in Azerbaijan, including the development of the insurance and pension system (including pensions and benefits) and indicates the strategical key points to be considered for reforms for further development of the pension system in Azerbaijan as a key link in the social protection and security system*

***Keywords:** social security system, social protection system, pension provision, mandatory state social insurance system, mandatory state social insurance contributions (premiums), individual (personal) accounting system*

After gaining independence of Azerbaijan Republic in 1991 from former USSR - in a country where improving the social welfare of the population, ensuring social rights and guarantees of citizens considered a priority area of state policy in all times, ensuring the establishment of state institutions in accordance with the requirements of the new era in accordance with the new economic system elected in a short period of time which is not long in terms of reforms made it possible to achieve the transformation of decades-old and outdated socio-economic relations in the country

towards the interests of the population. The system of relations on the implementation of social protection of the population has been radically restructured.

The system of governance based on the system of administrative command and where the individual interests of citizens was not a priority, ensuring the growing social and qualitatively changing interests that based on new requirements, protection of individual interests within the new social and economic relations, differentiation of general social justice in society allowed the path of successful social development to be built on solid foundations.

Selection of social protection and social security as an integral part of public policy as a key area of social policy development strategy during the transition to the new economic system and taking comprehensive decisions and practical steps in this area to prevent the harmful effects of growing social problems in the short run of the state building chain helped to curb poverty in Azerbaijan, as in developing countries where good governance has not been established, and the implementation of systemic socio-economic programs based on social protection, including social protection reforms created facilities for provision of adequate welfare in the country.

Such a sufficiently purposeful policy has resulted in the improvement of the situation of socially vulnerable groups in the country, a dynamic increase in pensions and benefits, pensions, compensations, as well as the introduction of various services and programs in other areas of social protection accelerated the formation of new and modern standards of social protection.

It is no coincidence that among the post-Soviet countries governed on the same principles and subsequently gaining independence, Azerbaijan is at the forefront as a country that has managed to direct these opportunities to the social protection of the population by realizing the opportunities for optimal use of short-term and limited resources.

At the same time, the international relationships on the platform of relevant international organizations working in the field of insurance and pensions with national social protection institutions engaged in pension provision in the world, including the International Social Security Association (ISSA), of which the State

Social Protection Fund under the Ministry of Labor and Social Protection of Population of Azerbaijan Republic (Ministry) (afterwards - SSPF) is a member organization dealing with financing of pensions and benefits in the country, as well as the International Association of Pension and Social Funds, of which the national social protection bodies of the post-Soviet countries are members, ensured the establishment of the state social insurance system, including the pension system, in accordance with international requirements in Azerbaijan.

Regulation of the interconnected pension system, which is the basis of social protection, and social insurance and pension systems in accordance with international theories in this field, taking into account global trends, challenges, factors and various events affecting the national pension systems of all countries have been the main priorities of the reform of the insurance and pension system in our country over the past years, and have formed the basis for the consistent implementation of state programs and the establishment of a regulatory framework for this purpose.

From the point of view of the above, in the context of international integration, the state and its representatives are authorized to ensure the improvement of the insurance and pension system in the interests of the Azerbaijani citizen, whose socio-economic situation is developing day by day, socializing and increasing the demands and expectations of the state-regulated social protection system. It creates important and new tasks before SSPF, which was responsible for the organization and implementation of state social insurance and pension system, which has been the basis of the social protection system in our country since the early years of state building, and thus has a long-term management experience as the only manager. At the same time, it requires constant and systematic improvement of the activities of an institution with social, economic and at the same time with socio-political significance in the country.

In order to achieve the goals and objectives set, for next perspective, it is necessary to establish an organized, programmed and systematic activity, and to select the desired goals as strategic directions to achieve the desired goals with scientifically proven theoretical and practical opportunities or methods. These and

similar factors condition the establishment of the SSPF on a better basis also in the future.

In order to maintain the achieved level of socio-economic development, as well as the level of established insurance and pension system in Azerbaijan, which has risen in the face of long and sometimes similar events, also to ensure further programmatic and continuous development for the future, the development of sectorial action plans is of an important and urgent issue, which allow to identify consistent strategic development directions and result in adoption of targeted state programs.

On the social policy establishment of the state. The social policy of the state is a set of measures covering the regulation of socio-economic conditions of society. The social policy of the state is an integral and important part of the general policy pursued by the state in each society, in accordance with its goals in the management of society and the resulting responsibilities. Social policy is considered to be the main guarantor of economic development in accordance with the goals of the state. Achieving economic development, which is the main source of power of the state, is seen as a way to meet the interests of society as a whole by ensuring the interests of the individual or citizen, as the individual is the driving force of society, as individuals are at the heart of economic development.

The formation of state institutions in Azerbaijan is based on the philosophy of modern socio-economic systems, social justice, social equality, protection of social protection and security rights and other progressive principles, which are also considered as priorities of state policy and adequately implemented social protection programs. Consideration of it as a key component has allowed our country to strengthen as a social state with real positive and effective results and mechanisms for solving the socio-economic problems of the population during the period since independence after collapse of soviet governance system (during a time period, which cannot be considered long-term in terms of public administration).

The complex development of the social sphere in the country as an object of state regulation is also an external effect of this regulation, in line with the growing needs of the population, which form the basis of this sphere and interact with these

spheres, and become more complicated by new forms of demand and needs for improvement.

Reforms carried out in recent years as the core of the state's comprehensive social policy, especially in the field of social protection, have ensured that the social protection needs of the population are met in the most optimal way within the existing opportunities.

In particular, the achievements in the field of pensions, which are the most prominent and naturally in the public interest, including the dynamic increase in pensions, as well as the increase in social benefits, pensions and compensations, increase the effectiveness of social policy and increase incomes has contributed to the achievement of general socio-economic development.

The formation of state institutions in Azerbaijan is based on the philosophy of modern socio-economic systems, social justice, social equality, protection of social protection and other progressive principles, and these issues are considered as priorities of state policy and adequately implemented social protection programs. Consideration of it as a key component has allowed it to strengthen as a social state with real positive and effective results and mechanisms for solving the socio-economic problems of the population during the period since independence and which is not considered long-term in terms of public administration.

At the end of the 1980s and 1990s, the collapse of the world socialist system and the transition to a market economy in the countries included in this system were accompanied by rising unemployment and poverty, and a sharp decline in wages.

According to World Bank estimates in Eastern Europe and the CIS, between 1988 and 1994, the proportion of people living below the poverty line increased from 4 percent to 32 percent [1].

In such a situation, it was very difficult to think about the establishment of any social protection system. In need of assistance the main focus had to be paid through compensation and grants for basic needs of the population. Thus, in the period of transformation, it was not a question of any paradigm, but only a way out. In the early years of the restructuring of state sovereignty since 1993, the government has made the importance of change in the new economic system a strategic goal,

ensuring the social interests of the people, especially the social protection of low-income groups, and the economic potential of the population. The need to minimize the negative impact of reforms on the welfare of the population during the transition to a market economy and a reliable system of social protection led to the establishment of the national economy on the basis of social principles.

During this transformation, the decision to maintain the previous state social security system in accordance with the requirements of the new economic relations system until the establishment of the social protection system played an important role in mitigating the negative impact of reforms on the living standards of certain low-income groups. As a result, vulnerable segments of the population in Azerbaijan did not feel the effects of the transition to a market economy more sharply than in other CIS countries, taking advantage of the former Soviet system, which took some time to renew. This transformation path could be accepted as an example for other countries in terms of transition to a market economy.

Continuation of the construction of a regulatory framework in this area between 1993 and 2003 resulted in the adoption of presidential decrees, laws and other relevant documents covering the families of martyrs and victims of the Chernobyl accident, veterans of the Second World War built a base for new social protection system. It is no coincidence that the average amount of pensions and benefits in the country increased by about 8 times between 1995 and 2003 as a result of the subsequent expansion of the system on this basis.

As known, the United Nations (UN) Millennium Summit in New York in September 2000, which brought together 147 world leaders to sign the Millennium Declaration to fight global poverty, signed a document with 18 goals and 48 indicators. They have committed themselves to achieving the eight Millennium Development Goals (MDGs). The first of these goals was to halve the world's population living in extreme poverty and hunger by 2015. In order to fulfill this obligation in accordance with local conditions, the Presidential Decree No. 854 of 20 February 2003 approved the "State Program on Poverty Reduction and Economic Development in the Republic of Azerbaijan for 2003-2005" was considered one of the priorities.

The implementation of this State Program has resulted in maintaining overall macroeconomic stability, ensuring dynamic economic development, and keeping inflation and national exchange rates at an appropriate level. These achievements have made it possible to implement major measures aimed at solving existing social problems and combating poverty. The share of citizens living below the poverty line fell from 46.7% in 2002 to 29.3% in 2005 (table 1.).

Table 1

Main results of implementation of the State Program on Poverty Reduction and Economic Development in the Republic of Azerbaijan for 2003-2005

	2002	2003	2004	2005	2006	2007
Poverty line, in manat	35	35,8	38,8	42,6	58	64
Poverty level, in percent	46,7	44,7	40,2	29,3	20,8	15,8

Source: Azerbaijan State Statistical Committee (AZSTAT)

As can be seen from the table, the poverty rate was reduced to 15.8% in 2007.

As the second phase of the fight against poverty, the State Program on Poverty Reduction and Sustainable Development for 2008-2015 was developed and implemented to continue this improvement in the well-being of the citizens of the Republic of Azerbaijan. As shown in the table, the poverty rate in 2015 decreased from 13.2% in 2008 to 4.9% in 2015 (table 2.).

Table 2

Population below the national poverty line (in percent)

2001	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
49.0	44.7	40.2	29.3	20.8	15.8	13.2	10.9	9.1	7.6	6.0	5.3	5.0	4.9

Source: Azerbaijan State Statistical Committee

It should be noted that the main results of the experience of poverty reduction in Azerbaijan have once again proved that the adoption of this achievement, especially the improvement of the social protection system as a leading factor in the fight against poverty, is the right decision.

In general, the development of the social protection system and its leading component, the pension system, in turn, plays an important role in reducing poverty and achieving social and material well-being in each country. For this reason, for a republic like Azerbaijan, which defines its development strategy in a socially oriented way, the improvement of the social protection system, which covers all categories of people at the same time, has been chosen as a state policy priority for all times.

Most of the promises made by the government over the years in the state-building stages to ensure a targeted policy strategy have been fulfilled (graph. 1.).



Graph 1. Some macro-statistical indicators related to the social security system (in manat, to the end of the year)

Source: Implemented by the author on the base of official state statistics and other official information sources.

Accelerated and balanced socio-economic development of the regions as a result of accelerating the development of the non-oil sector, socio-economic development of all regions, implementation and comprehensive support of government programs to strengthen the business and investment climate created favorable environment to improve social protection system and human welfare.

The long-term changes in macro-statistical figures in the field of social and material well-being of the population, including social protection, allow to demonstrate the effectiveness of social policy in Azerbaijan, as well as to hope for achieving minimal goals for the future.

The growth of GDP in Azerbaijan by about 10 times during 2003-2017 alone can be considered as a point of interest.

During 2006-2015, which coincided with the main stage of formation of the pension system, the poverty rate in Azerbaijan was reduced from 20.8% to 5%. Compared to 2006, the need criterion has increased 3.5 times, and the subsistence level for the country has increased 2.3 times. During 2003-2017, the national economy grew 3.4 times and the volume of strategic foreign exchange reserves exceeded 42 billion manat, where the non-oil sector increased 2.6 times and strategic monetary reserves 26 times [2].

Azerbaijan has achieved the Millennium Development Goals and made significant progress in implementing the Sustainable Development Goals and the achievements are reflected in the 2020 Sustainable Development Report. Thus, according to the Sustainable Development Goals Index, Azerbaijan ranks 54th out of 166 countries. Azerbaijan is one of the few countries that has twice submitted a voluntary national report to the UN. Over the past 17 years, the gross domestic product has tripled. Poverty in Azerbaijan has fallen from 49 percent to 5 percent over the past 17 years. Azerbaijan's foreign debt is one of the lowest in the world, accounting for about 20 percent of GDP. According to this indicator, Azerbaijan ranks 9th in the world. Azerbaijan has the lowest foreign debt among oil-exporting countries. Azerbaijan's foreign exchange reserves are six times higher than foreign debt. Over the past 17 years, more than \$ 260 billion has been invested in Azerbaijan's economy. Azerbaijan's foreign exchange reserves are six times higher than foreign debt. According to the International Monetary SSPF, Azerbaijan's economy currently accounts for 70 percent of the total economy of the South Caucasus region in terms of purchasing power parity [3].

Although Azerbaijan joined the Development Goals of the Century (GCC) only 9 years after independence, Azerbaijan is one of the few countries that has made great strides in the fight against poverty.

As a result of the implementation of relevant state programs in recent years, the overall poverty level in Azerbaijan has fallen to less than 5 percent, and the social welfare of the population has increased accordingly.

According to the report of the World Economic Forum "Global Competitiveness 2017-2018", the Azerbaijani economy has moved up two places in terms of competitiveness, ranking 35th among 137 countries, and first in the CIS since 2009. In general, Azerbaijan's results have improved in recent years in reports prepared by the World Economic Forum. Thus, according to the "Global Competitiveness" reports, our country has moved up 34 places - from 69th place among 117 economies in 2005 to 35th place among 137 economies in 2017. Thus, Azerbaijan has left behind some G-20 member states. The Global Competitiveness Report 2018/2019, prepared using the same methodology, emphasizes that Azerbaijan is the country with the highest level of social equality in the world. Azerbaijan has risen to the first place in the world in terms of the level of electricity supply to the population, receiving a maximum of 100 percent points. According to the report, Azerbaijan ranks 31st among 140 countries in the ranking of business dynamics [4].

The results of the implementation of consistent state programs accompanied by the creation of new jobs directly lead to an increase in mandatory state social insurance premiums, ensuring the functioning of the insurance and pension system, which is the basis of the social protection system, whose reforms and development are mainly related to 2003-2017 years:

At the conference on January 29, 2019, dedicated to the results of the implementation of the "State Program of socio-economic development of the regions of the Republic of Azerbaijan in 2014-2018", the President of the Republic of Azerbaijan noted that 2 million new jobs were created over the past 15 years. The population increased by 1.6 million.

The Republic of Azerbaijan in order to ensure population employment through more efficient use of labor resources Presidential Decree of October 26, 2005 with "Employment Strategy of the Republic of Azerbaijan (2006–2015)" was approved. The implementation of the Employment Strategy is interdependent to the relevant state programs approved for 2007–2010 and 2011–2015 years, which have been successfully implemented. As a result, unemployment rate during the implementation of the Employment Strategy decreased from 7.3% to 5%, the

poverty rate from 29.3% to 4.9% percent, incomes of the population increased 5.2 times, the minimum wage 3.5 times, the average monthly nominal salary 3.8 times. During 2005-2017 The number of employees in the economy increased by 20.7% and reached 1525.0 thousand people, i.e. it was equal to 31.6% of the total employed population [5].

Today, the main task of the government to improve the welfare of low-income people is to create income and employment opportunities for them. Order of the President of the Republic of Azerbaijan "On additional measures to ensure self-employment, approved by the Order of April 7, 2016" Ensuring the transformation of small businesses by supporting low-income, dependent on targeted state social assistance through the provision of assets in the form of goods and materials, allowed for the formation of successful work practices.

This practice was introduced in 2017, with 1232 low-income families being allocated assets in agriculture, and these people set up their own family businesses (farms) [6].

The adoption of the new Law of the Republic of Azerbaijan "On Unemployment Insurance" from the beginning of 2018 creates new opportunities to contribute to employment and improve the social protection system. With the implementation of this law, a new infrastructure for unemployment insurance has been created and the collected funds are mainly spent on compensation of lost income of the unemployed and the expansion of active employment measures, which in turn saves money from the state budget. At the same time, this allows the self-employment program to cover more families and expand other employment activities, such as vocational training, further education, job fairs, and the organization of referrals.

The fact that Azerbaijan has a favorable population demographics, which is directly related to the state's social policy, not only forms the financial potential of social protection, but also creates a favorable environment for the implementation of the social protection package of social policy. Compared to 2003, the population of Azerbaijan increased by 1.8 million people or about 21.7 percent and now exceeds 10 million people. Demographically, Azerbaijan is a stable developing country yet.

The average population growth dynamics in recent years (before the current pandemic) has fluctuated between 1.1 and 1.3 on average. The literacy rate of the population is over 99 percent.

In 2006-2016, the average population growth rate was 1.3, which is considered one of the highest results among European countries. Between 2003 and 2016 alone, as a result of sustainable economic development and a major overhaul of the health care system, life expectancy at birth increased from 72.3 to 75.2 years, reflecting the young age of the population and the annual influx of new workers into the labor market. This, in turn, makes it necessary to strengthen employment policies in Azerbaijan, which are directly related to social protection. All these issues have been taken into account in the new employment strategy. The strengthening of state policy in the field of employment has primarily covered reforms related to the activities of state employment agencies.

In addition, the identification of strategic areas of employment in the labor market and forecasting the demand for human resources is one of the key issues for the effective implementation of state employment policy. The National Observatory for Labor Market and Social Protection, which is also a monitoring system for monitoring and forecasting the labor market, has been established.

Order of the President of the Republic of Azerbaijan "On additional measures in the field of social services for children with disabilities and socially vulnerable minors" dated January 9, 2013, created the conditions for achieving growth in quality in social services provided to children with disabilities and socially vulnerable minors significantly. This document is an important stimulus for more systematic and comprehensive cooperation with civil society in the field of social services. There are also new trends in Azerbaijan towards children with disabilities, as well as socially vulnerable minors - service trends that facilitate social integration based on both social and systemic approaches. Such measures allow these children to fully realize their rights as equal members of society, to gradually transfer to other members of society, to assert themselves by becoming active and independent subjects of public life.

In recent years, the Vocational Rehabilitation Center for Youth with Disabilities, the Center for Assistance to Victims of Human Trafficking, social

shelters for homeless people over the age of 18, social shelters and rehabilitation centers for people under 18 have also been established.

In addition, on the basis of the Order of the President of the Republic of Azerbaijan dated June 20, 2014 "On additional measures to improve the social and living conditions of persons with disabilities and martyrs in connection with the protection of the territorial integrity, independence and constitutional order of the Republic of Azerbaijan", as part of the continuation of housing, 1,350 people were provided with housing between 2014 and 2017. So far, the number of disabled and martyr families provided with housing has exceeded 6.1 thousand [7]. According to other relevant presidential decrees, war invalids are provided with cars.

In general, special attention is paid to solve every Azerbaijani citizen's social problems, and in this regard, very important projects are being implemented. The families of martyrs, invalids of the Karabakh war and their equals are always in the center of attention. Consistent measures are being taken to improve the living conditions of this category of people and provide them with cars. From 1997 to 2018, 4,597 invalids of the Karabakh war, 1,582 martyrs' families, 475 apartments and individual houses were given to World War II, Chernobyl and other war invalids. The disabled of the Karabakh war and their equals were provided with 6,155 cars during 1998-2018 (600 more cars in 2019 alone) [8].

According to preliminary data, by the beginning of 2021, the number of pensioners in the country was 1,232,200, or 12.3 percent of the country's population. During this period, 412.0 thousand people received social benefits, and 289.0 thousand people received pensions of the President of the Republic of Azerbaijan. In 2020, the number of recipients of one-time benefits was 91.0 thousand people. Also, at the beginning of 2021, 324.0 thousand members of 77.3 thousand low-income families received targeted state social assistance, and its average monthly amount per capita amounted to 57.1 manat [9].

Today, more than 2 million people in Azerbaijan are covered by the social protection system. Expenditures on social protection, mainly covering pensions and social benefits, are financed from the state budget and mandatory state social insurance contributions through the State Social Protection SSPF under the Ministry

of Labor and Social Protection of the Republic of Azerbaijan. According to the database of the state social insurance system, including individual (personal) accounting system, labor pensions are determined and financed in an automated manner.

The Sustainable and Operational Social Security Agency (DOST Agency) under the Ministry of Labor and Social Protection of Population of the Republic of Azerbaijan was established by presidential decree. And on May 9, 2019, the first DOST center was opened, which is created on the principle of Single Window System (SWS) encountered with 132 separate service directions to population that cover the entire social protection system, including employment, social services, pensions, social benefits and other areas [10].

It should be noted that, especially in recent years, the country has made significant progress in improving the welfare of the population, including the poor and socially vulnerable. In this regard, we consider it expedient to review the activities and results of the State Social Protection SSPF, especially in recent years:

As it is known, in the development of the pension system, ensuring the medium and long-term financial sustainability of the pension system is considered as a key factor in the efficiency and sustainability of its activities and development, and the financing of the pension system are based on mandatory state social insurance contributions.

The national social insurance and pension system was organized in a short timeframe after 1992, i.e. in 2001 year. In that year there had been started with the launch of personal (individual) accounting system in state social insurance system, which enable to assign pensions on the base of paid mandatory state social contributions. This phenomenon laid foundation of new pension provision philosophy that based on insurance principle in the pension legislation. The main essence was that the expenditures of insurance-pension system had to be financed by mandatory state social contributions, but the expenditures of non-insurance nature in the pension system have to defined as state budget liabilities. Significant work has been done, especially in the last two years, to finance mandatory state social insurance premiums. In fact, as an integral part of the development of the

pension system as a whole, it has been possible to make some progress in this direction.

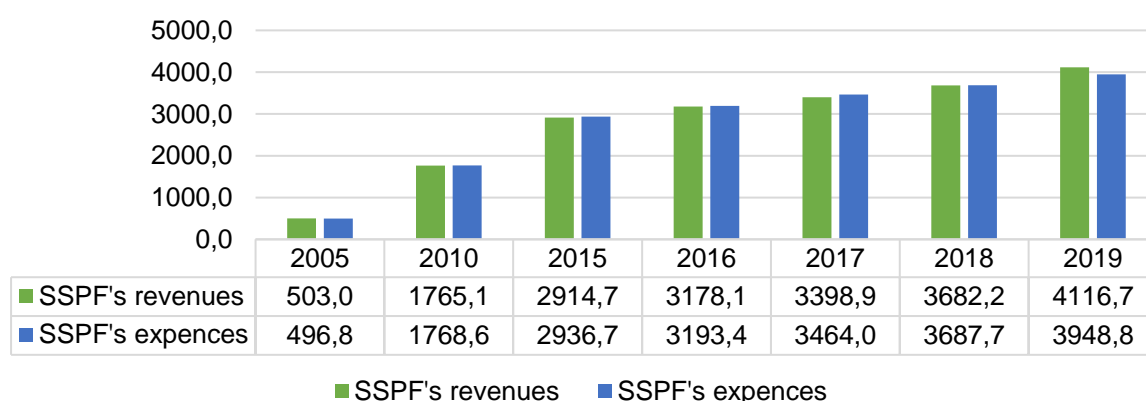
Thus, the complex reforms have provided automation of pension assignments. Radical reforms have been taken introduced in the definition of disability, SSPFamental measures in the field of disability rehabilitation, clearing the system of unfounded or incorrect calculations, reduction of pension expenditures at nominal level, which constitutes about 98% of the SSPF's expenditures.

As a result of the decision of the judicial authorities in favor of citizens on the issuance of supplements to pensions for previous periods, and as a result of re-examination of decisions and professional approach to work, additional financial costs in this area were minimized, and achieved to save financing means.

In this sense, the timely detection of deficiencies as a result of changes in the direction and philosophy of audits conducted by the SSPF's local bodies should be considered as one of the important steps to achieve additional savings.

As a logical consequence of recent efforts to legalize the shadow economy, the SSPF has made significant progress in non-budget and non-public revenues.

As a result, the above-mentioned circumstances have reduced the share of public transfers still used in the regulation of the balance between the SSPF's revenues and expenditures (graph 2.).



Note: Figures for 2018 are given without state loans/

Source: www.sosial.gov.az [11]

Graph. 2. Dynamics of revenues and expenditures of the State Social Protection SSPF (in million manats)

The development of the pension system as the most important component of the social protection system, which is one of the main levers of social policy, has been the main driving force of public policy in the past.

Starting from 2006, the introduction of an individual (personal) accounting system based on the assignment of pensions to the mandatory state social insurance premiums paid to the state social insurance system, taking into account the institutional changes in the modern insurance-based pension system, played a role for establishing an adequate pension system in accordance with social welfare requirements.

As an example of the positive results of the operation of this system for the period from January 1, 2006 to the end of 2019, the average amount of pensions increased from 29.78 manat by approximately 8.4 times up to 262.0 manat, including the average monthly amount of old-age pensions increased from 29.49 increased 9,8 times up to 295.0 manat [10].

Insurance part of all types of pensions is increased in annual base according to the growth rate of nominal wages of past year revealed by State Statistical Committee of Azerbaijan Republic. At the same time, the amounts of pension capital registered in the insurance part of individual accounts are indexed annually, according to the President orders released on the base of consumer price indices.

At the same time, we would like to note that with the application of an innovative approach, from January 1, 2019 in our country began the electronic automated assignment of old-age pensions, and from March 1, disability pensions. This reform measure, which provides easy and proactive service to the citizen, provides for the appointment of pensions to individuals without approaching any office and without bureaucratic difficulties.

In 2019, the number of persons registered as insured in the SSPF's individual (personal) accounting system increased by 222.9 thousand people or 6.0 percent and amounted to 3.9 million people by the end of the year [11].

Of course, in terms of giving the main outlines of the state's social policy in Azerbaijan, it is possible to give more details listed here. However, the identification of problems and the application of a strategic approach to take appropriate steps in

advance to address these problems and achieve the set goals by focusing on the future are also considered to be key factors in state policy-making in the social sphere.

At the same time, as a main participant in this policy, the establishment of the SSPF on the basis of modern requirements and strategic management is considered a priority for the SSPF.

Summarized, the pension provision of population as leading sector of social protection system has to be more sensitive from reforms and strategic point of view. That is why, we guess that solving of nowadays problems in regard to pension provision as a priority might push the overall social protection of population in Azerbaijan Republic.

Looking to the future. Significant progress has been made in the development of the insurance and pension system since the beginning of the SSPF's operation. Consistent state programs covering the problems of the real situation related to the development of the insurance and pension system have been implemented and the fundamental basis for the development of new programs is being formed.

During this period, the steps taken to create a relevant legal framework, the pension system, as well as the development of an adequate mandatory state social insurance system based on the pension system, the adoption and successful implementation of state programs defining specific tasks and objectives for specific periods will continue in this period. The dynamic growth of statistical indicators related to the development of the system, including pensions and benefits and, consequently, the reduction of social inequalities among the vulnerable segments of society are accepted as a criterion for the effectiveness of the SSPF's activities in this direction. At the same time, during this period, which is not considered long-term in terms of reforms, the pension system, which is the main focus of the SSPF's activities for decades to come, will be improved, taking into account modern requirements. One of the priority issues is to identify opportunities to solve the problem of financial sustainability and sustainability without creating and take appropriate steps to address these problems.

Modern challenges. It is important to constantly improve the insurance and pension system in accordance with constantly changing needs.

Thus, the qualitative improvement of the social welfare of the population by ensuring the comprehensiveness of the insurance and pension system, first of all, serves as an integral area of its socio-economic policy, serving the common interests of the state. At the same time, the solution of other problems that are directly related to this purpose is considered one of the main tasks of the state and the government.

Almost all national insurance and pension systems, especially pensions as a key component is based on general principles, theories and applied mechanisms on which the system is based.

From this point of view, the SSPF's activity also faces the typical events and processes taking place in the field of social protection at the global level, and the regular settlement of problems related to these issues is a priority for the SSPF.

Since the activity of the social protection system in Azerbaijan is mainly based on the multifaceted activities of the SSPF, the responsibilities and obligations for the future of the system include strategic direction, development of strategic plans aimed at gradual implementation of goals, purposeful organization of activities, as well as makes it an important priority as a related element of government programs.

In the current situation, we guess that the SSPF's strategic plan for mid-term prospective (2021-2025) is relevant, and has to cover some issues in several directions given below, taking into account a number of key global trends or tendencies related to the insurance and pension system, which are also affected by the SSPF's activities:

– **The need to constantly improve the pension system.** In a globalizing world, the development of pension systems is one of the key factors in improving the pension system in order to ensure the international harmonization of pension systems to prevent poverty by improving the welfare of the population and, in this sense, improving the pension system, which is part of the population's income.

– **Global trends.** Regulating the functioning of the system by taking into account and assessing the demographic, social and cultural-based global trends affecting the pension system and related to the perspective of the system requires the solution of these problems as one of the conditions for ensuring the sustainability of the pension system.

– **Force-major cases.** The spread of the current COVID-19 pandemic in the current situation makes it necessary to seek new approaches and forecasting opportunities for the organization and prospects of the insurance and pension system.

Including global population aging;

– **Increasing urgency of the problem of financial sustainability for pension systems, including:**

– New forms of employment (part-time jobs), new types of self-employment activities, which in many cases do not ensure the implementation of the insurance principle of the social insurance (in the structure of the labor market sometimes accrued mandatory social insurance funds do not (will not) provide for pension provision etc.), as well as the emergence of forms of labor relations that can not be covered by the mandatory state social insurance system (offering services from digital platforms of a civil nature, etc.) and increasing its share in total employment;

– Negative change in the ratio (replacement ratio) between active payers of the insurance and pension system (insured persons paying insurance premiums) and pensioners due to the aging of the population;

– Regulation of the financial burden of expenditures related to the solution of the problem of poverty, as well as the evasion of the principle of insurance in the implementation of other politically important state goals and functions;

– Ensuring the coverage (expansion of coverage) of the insurance and pension system (in relation to population groups, location by distance, etc.);

– Increasing the coverage of electronic activities (services on electronic platforms) in the society;

– Due to the inability of pension systems based on the conditional savings system (based on the "pay as you go" principle) to meet the needs of the growing population and changing views, the growing international tendency to seek new social protection products and the formation of global common goals in this area the need to strengthen cooperation and exchange experiences level of digitalization

At the end, we think, the SSPF's main strategic goals for the mid-term should cover the following fundamental areas, based on the problems related to the activity,

the strategic directions and goals classified in the direction of the regulation of these problems:

1. Facilitate long-term assessment of processes related to the social-insurance and pension system based on actuarial calculations and calculations in accordance with international requirements to ensure the long-term financial sustainability of the pension system, while contributing to optimal systemic decision-making, especially establishment of effective management with the level of competence to set long-term forecasts in pension system (Ministry, as well as in the SSPF system);

2. Ensuring the improvement of the existing management and operational infrastructure, as well as the legislative and other regulatory framework in accordance with the goal of ensuring the long-term financial sustainability of the pension system (including revision of the system's regulation of non-insurance costs);

3. Ensuring the transition to a three-tier pension system, taking into account international requirements and the results of research and international cooperation projects;

4. Completion of automation of all processes related to the appointment of pensions;

5. Achieving full automation of the process of appointment and payment of benefits paid at the expense of mandatory state social insurance premiums;

6. Ensuring the inclusiveness of the needs of the population in the liberated territories of Azerbaijan from occupation by taking control of all relevant social protection problems as soon as possible and developing special programs in this regard;

7. Continuation of measures to facilitate and increase the accessibility of services provided to the population through the SSPF in the next period.

Note: In places, where the sources are not indicated, the calculations by author were used based on official statistics of AZSTAT.

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