

Azerbaijan's Hidden Poverty Statistics

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The government of Azerbaijan has greatly and rapidly enriched over the past twenty years. In a very short time, [oil production](#) grew by 3,6 times to 51 million tons, [oil export](#) revenues by 25 times to \$25 billion, [state budget](#) revenues by 30 times to \$23 billion, reserves of the [State Oil Fund](#) by 40 times to \$58 billion, and reserves of the [Central Bank](#) by 30 times to \$15 billion. These are clear facts that easily demonstrate this newfound wealth.

Naturally, the per-capita GDP has grown considerably. In the late 1990s, the GDP per capita of Azerbaijan with no oil and gas revenues lagged far behind that of Georgia and Armenia. Shortly after the dissolution of the USSR, the country's GDP per capita was 40% lower than Georgia's. In 1998, Georgia had a GDP per capita of more than \$800, Armenia \$580, and Azerbaijan just \$570. Nearly 15 years later, Azerbaijan's [GDP per capita](#) hit \$8,000 – almost two times higher than Georgia and Armenia's.

The government maintains that along with the rapid and large-scale enrichment of the economy, the country saw a rapid drop in the [poverty level](#), which has fallen from 49% to 5% over the past 23 years. However, the easier it is to conclude the government is rich based on its available fiscal capacity and the amount of foreign exchange reserves, the harder it is to argue that poverty is declining. This is because, first of all, either the outcomes of the economy are not always distributed among all members of the society or they are extremely unevenly distributed.

Secondly, to truly assess poverty levels the state needs to produce clear, open-access information on the generation, distribution, redistribution and use of national income, as

well as on real national output. A continuous study of households is also required. But it is not enough that household statistics be reliable and honest. Those who produce those statistics must also prepare the richest possible poverty statistics and make the results public and available. But, right now, the more extensive and accessible the statistics on the government's overall wealth are, the more limited and closed are the data and indicators on the population's real standard of living. Our central question in this article is: What kinds of indicators do we need to better assess real poverty in Azerbaijan?

The State Statistics Committee discloses significant information from the main indicators of household budgets [survey](#). But all these data together do not provide a balanced picture of the real scale of poverty in the country. The problem is not only whether the data is reliable or not. A large amount of statistical information is kept from the public; therefore, the reliability of the publicly available data is questionable. As a result, we have a poor statistical base regarding the real scale of poverty in the country. But what indicators are important among those that are currently unavailable to the public?

1. The distribution and redistribution of income reveals the total amount of income coming into households, but there is no distribution of total income by quintiles (20%) and deciles (10%) of the population. This indicator is extremely important in assessing the share of household income that reaches different population groups and measuring income inequality in the country;

2. Azerbaijan does not disclose statistical data on the share received by population group. According to the [methodology](#) of the System of National Accounts 2008, which is published jointly by leading international institutions (IMF, UN, European Commission, World Bank and OECD), households may be grouped into subsectors according to the nature of their

largest source of income. For this purpose, the following types of household income need to be distinguished: workers income; compensation of employees; property and transfer incomes. For example, what is the share of each of the poorest and richest, or middle-income groups, grouped in quintiles and deciles, in property, transfer, or workers incomes? Azerbaijan's current statistics leave this question unanswered;

3. Azerbaijani statistics currently reveal the average amount of per capita income allocated to each household members by groups of quintiles and deciles, but do not disclose the household median income. However, this indicator is extremely important for knowledge of income differentiation within the groups themselves;

4. Azerbaijani statistics currently offer no calculation of the Gini coefficient (also called Gini index). This coefficient is an important indicator used in international comparison, used to measure social stratification and income inequality in a country. As a statistical indicator, it reflects the extent to which the actual distribution of aggregate income between population groups deviates from the line of absolute equality. The Gini coefficient is calculated using the Lawrence curve, which was developed by American economist Max Otto Lawrence, and its value varies anywhere from 0 and 1 (a value of zero indicates perfect equality, and 1 indicates perfect inequality). The greater the difference in income between the group of the richest 20% and the group of the poorest 20%, the closer the Gini coefficient is to 1. This situation reflects a high level of income inequality in the country and an [unfair distribution](#) of national income. According to the data presented in the [World Bank estimate](#), the level of this indicator in European countries is much lower (e.g., 0.298 in Sweden), in African countries it is quite high (e.g., 0.630 in South Africa).

5. Azerbaijan does not disclose the P80 / 20 and P90 / 10

ratios. These ratios reflect the difference in income between the poorest and richest 10 and 20% of the population. For example, according to the latest statistics published in [Türkiye](#), the richest 20% of the population are 8,1 times richer than the poorest. However, 10 years ago this figure was 6,9 times. Thus, income inequality in Türkiye has accelerated in the last 10 years. Azerbaijan's current statistics do not allow us to trace such dynamics. Additionally, it is important to measure income inequality even within rich groups themselves. This involves calculating the stratification coefficient within the richest 10% of the population. This indicator is defined as the ratio of incomes of the richest 1% of the population to the remaining 9%.

6. Azerbaijan does not calculate the poverty depth index. This ratio is also called the *Foster–Greer–Thorbecke* indices (named after the authors who first introduced it). The indicator reflects income inequality among the poor themselves and measures the level of poverty. For example, if the poverty line in Azerbaijan is 270 AZN, but the actual average cost of living (median) of all people below this line is 200 AZN, the depth of poverty index will be 0.74. The farther away from 1, the depth of poverty is higher.

7. Azerbaijan does not assess chronic poverty. This indicator shows how long poverty lasts. For example, a household budget review should determine how long those in poverty remain in that state. People who remain poor for 1 year or more should be categorized as chronically poor.

The most important conclusion from the aforementioned points is that there is a need for comprehensive income and poverty statistics that reliably reflect the level of poverty. We should expect a reduction in poverty parallel to the rapid enrichment of the government as a result of a huge influx of oil money into the economy over the past 20 years. In the absence of such systematic statistics to determine whether this is the case, the government's one-sentence

statement—"over the past 20 years the percentage of citizens living below the poverty line fell from 49% to 5%"—does not inspire confidence.