

REPORT ON THE MASTER THESIS

IEPS – International Economic and Political Studies, Faculty of Social Sciences, Charles University

Title of the thesis:	Distributive Impact of Social Security and Tax Systems on Income Distribution: Case of Azerbaijan
Author of the thesis:	Hikmat Aliyev
Referee (incl. titles):	Doc. ing. Vladimír Benáček, CSc.

Remark: It is a standard at the FSV UK that the Referee's Report is at least 500 words long. In case you will assess the thesis as "non-defendable", please explain the concrete reasons for that in detail.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Theoretical background (max. 20)</i>	6
<i>Contribution (max. 20)</i>	10
<i>Methods (max. 20)</i>	7
<i>Literature (max. 20)</i>	17
<i>Manuscript form (max. 20)</i>	9
TOTAL POINTS (max. 100)	49
The proposed grade (1-2-3-4)	3 (3.2)

You can even use a decimal point (e.g. giving the grade of 2.5 for 60 points).

Comments of the referee on the thesis highlights and shortcomings (following the 5 numbered aspects of your assessment indicated below).

1) Theoretical background:

Impacts of the tax and social security systems on income distribution is a cornerstone of the analysis of the public finance. This problem has a wide range of literature and analyses for many countries. Surprisingly, Azerbaijan lacks such a volume of resources and the author could not rely on analyses from many previous studies¹ – so that this thesis could be considered an original analysis of the system. Of course, my task is if this was really achieved.

The links on the world literature and the theoretical foundations:

The references to Feldstein & Liebman plus Immervoll & Richardson are well chosen. Unfortunately the author relies too much on the figures of the latter without explaining in sufficient depth what the three graphs of Figure 1 really explain and how these could be related to the case of Azerbaijan. Author missed the opportunity to give there his own views on the matter. The consequent discussion on pp. 17-18 is more instructive.

On p. 19 the chapter on literature overview ends² and with it also the theoretical introduction to the studied system covering altogether 5 pages. So, the theoretical background of this thesis is rather weak. The thesis would bear at least 3 times more in extent, relying mostly on the concepts of Public Economics. Thus the subsequent chapters of the thesis cannot rely on some well-defined criteria for their analyses. This is the main weakness of the thesis.

2) Contribution:

The main and most original contribution to the thesis is the more empirically oriented part 1, which is divided into four sections. Here I must admit that Mr. Aliyev's description of the Azeri system is quite detailed, containing some parts which required own empirical analysis.

In section 1.1 I missed an overview of values, i.e. amounts collected by individual taxes (see the list on p. 24) reported in time series, which would allow more precise analysis of trends. I also consider it a weakness that such a quantitative analysis was not undertaken. The graphs in the latter text

¹ The main resource being Məhərrəmov M., (2008).

² With the exception of some occasional references in the later text, e.g. on p. 25, which are marginal.

cannot make up for that. I also missed the explanation what is the role of oil sector in the collection of taxes. In the majority of oil-rich countries the tax revenues from oil are the dominant contributors to the state budget.

Section 1.2 on the Azeri social security system is quite detailed. Maybe the author could add a comparison of its costs (i.e. payments by contributors and the government) with its outlays.

Section 1.3 on pensions brings first data about the discussed scheme. Sorry that Table 2 reports the situation in 2001 only. There was no better data available? Further time analysis of such data could be quite an interesting author's contribution to the thesis. Nevertheless, I consider this section quite successful and original.

Section 1.4 compares the systems of taxes, social security and pensions among 6 post-Soviet countries. The analysis in Table 3 extends to 6 pages. It is quite illustrative and interesting. Unfortunately the originality of the text ends with a collection of data from a single comparative statistical almanac. Also here the author missed the chance for a more detailed analysis of similarities or differences among countries, including a comparison of evolutions in time.

Chapter 2 finishes prematurely, missing to analyze (or illustrate) the concepts introduced there more extensively on data for Azerbaijan.

Chapter 3 (pp. 47-55) is the most successful part of the thesis especially for its empirical contents and own contributions.

3) Methods:

The methods used in the analysis are mostly verbal. The only exception are pp. 47-55 where some own (not very sophisticated) quantitative analysis was introduced and their results sufficiently interpreted. This is not an exceptionally commendable contribution.

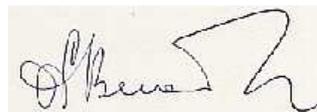
4) Literature:

I found the list of used literature sufficient, even though their impact on the theoretical side of the thesis could be much higher.

5) Manuscript form:

English is not the mother language of the author. Considering that the readability of the thesis was satisfactory. However, the text could be streamlined and structured with more sense for reader's comfort. This is related especially to the work with data, tables and the structuring of the argument.

DATE OF EVALUATION: 14 June 2013



Referee Signature

The referee should give comments to the following requirements:

1) THEORETICAL BACKGROUND: Can you recognize that the thesis was guided by some **theoretical fundamentals** relevant for this thesis topic? Were some important theoretical concepts omitted? Was the theory used in the thesis consistently incorporated with the topic and hypotheses tested?

Strong Average Weak
20 10 0 points

2) CONTRIBUTION: Evaluate if the author presents **original ideas** on the topic and aims at demonstrating **critical thinking** and ability to draw conclusions based on the knowledge of relevant theory and relevant empirical material. Is there a distinct **value added** of the thesis (relative to knowledge of a university-educated person interested in given topic)? Did the author explain **why** the observed phenomena occurred? Were the policy implications well founded?

Strong Average Weak
20 10 0 points

3) METHODS: Are the **hypotheses** for this study clearly stated, allowing their further verification and testing? Are the theoretical explanations, empirical material and **analytical tools** used in the thesis relevant to the research question being investigated, and adequate to the aspiration level of the study? Is the thesis **topic comprehensively analyzed** and does the thesis not make trivial or irrelevant detours off the main body stated in the thesis proposal? More than 10 points signal an exceptional work, **which requires your explanation "why" it is so**.

Strong Average Weak
20 10 0 points

4) LITERATURE REVIEW: The thesis demonstrates author's full understanding and **command of recent literature**. The author quotes relevant literature in a proper way and disposes with a representative bibliography. (Remark: references to Wikipedia, websites and newspaper articles are a sign of **poor research**). If they dominate you cannot give more than 8 points. References to books published by prestigious publishers and articles in renowned journals give much better impression.

Strong Average Weak
20 10 0 points

5) MANUSCRIPT FORM: The thesis is **clear and well structured**. The author uses appropriate language and style, including academic **format** for quotations, graphs and tables. The text effectively refers to graphs and tables, is easily readable and **stimulates thinking**.

Strong Average Weak
20 10 0 points

Overall grading scheme at FSV UK:

TOTAL POINTS	GRADE	Czech grading	US grading
81 – 100	1	= excellent	= A
61 – 80	2	= good	= B
51 – 60	3	= satisfactory	= C
41 – 50	3	= satisfactory	= D
0 – 40	4	= fail	= not recommended for defence