

LOCAL GOVERNMENT
STRUCTURE, FUNCTIONS
AND REVENUES IN
AZERBAIJAN

Sabuhi Yusifov

The process of decentralization in Azerbaijan

- introduction of local governments in the newly adopted Constitution on November 12 in 1995
- fourth section of the Constitution
- Emerged at the end of 1999
- Ratification of the European Charter on Local Self-Government on 15 April 2002, which entered into force in its respect on 1 August 2002
- Local government in Azerbaijan is exercised both
 - through local bodies of state administration and
 - through municipal governments.

The administrative-territorial division of Azerbaijan consists of

- villages,
 - settlements,
 - regions and
 - cities.
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- There are **73 city**, **147 settlement** and **1387 village** municipalities, **1607** altogether

- Each municipality is
 - ▣ independent juridical entity
 - ▣ neither horizontal nor vertical subordination
 - ▣ No minimum number of citizens - Election code
 - number of municipal members - number of population in their territories

Functions include

- Municipalities perform local programs not covered by state programs.
- **Local social protection and social development programs** address issues in the areas of
 - education,
 - health,
 - culture,
 - local infrastructure and roads,
 - celebratory services,
 - communication services,
 - cultural facilities, and assistance to old, poor and sick people and children without parents.

Functions include

- **Local economic development programs** are intended to resolve important local economic development issues in areas such as
 - agriculture,
 - industry,
 - communication, and
 - transport.

Functions include

- **Local ecological programs** are aimed at raising awareness of environmental issues among the local population and addressing these issues. In particular, programs focus on those issues that *complement or are not in the State's ecological programs*. These programs can include
 - ▣ maintaining the ecological balance in the local area,
 - ▣ cleaning and improving the territory of the municipality,
 - ▣ collecting and recycling waste materials,
 - ▣ protecting water, air and land from pollution, and
 - ▣ implementing ecological measures in conjunction with neighboring municipalities or with State institutions.

What is the economic basis of municipalities?

- The ***economic basis of municipalities*** consists of the following:
 - ▣ municipal property;
 - ▣ municipal lands;
 - ▣ allocations from the State budget;
 - ▣ local budget; and
 - ▣ municipal activities in production, services, and other economic activities.

Sources of income

- **Law on Municipal Finance, defines** the following sources of income for the local budget :
 - land tax from natural persons;
 - property tax from natural persons;
 - tax on the use of natural resources upon building materials of local importance;
 - municipal enterprise profit tax;
 - fees for advertising on municipal property;
 - hotel tax, parking fees and other local taxes or duties stipulated by the law;
 - subventions from the state budget;
 - profit from privatization or the lease of municipal property
 - income from lotteries or other municipal activities;
 - financial aid from private entities and international organizations or funds
 - compensation from the state for expenses incurred due to state decisions.

Local budget expenditures include

- operational expenses,
- maintenance of social, housing, cultural and sports establishments and
- maintenance of public streets, parks and squares.
- Local budgets may also designate funding for
 - ▣ social protection programs,
 - ▣ environmental programs and
 - ▣ social and economic development programs.
- Local budget deficits may be partially covered by funding from the state budget.

Funding from state budget

- According to the **Law on budget system** of Azerbaijan, **funding from state budget** takes the following forms:
- **Budgetary loan** — funds allocated from the state budget to the local budgets to be repaid in a certain period of time;
- **Donation** — funds donated to the local budgets to regulate their incomes and expenditures;
- **Grant** — targeted funds donated at the expenditure of internal and external sources;
- **Subvention** — funds allocated from the state budget to the local budgets for specific purposes, being repaid if not used for those purposes or in a certain period;
- **Subsidy** — funds donated from the state budget to the local budgets with no strings attached