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.

There are 73 city, 147 settlement and 1387 village municipalities, 1607 altogether.
- Each municipality is an 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.
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.
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.
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