

# Disempowered and Unfinanced Azerbaijani Municipalities

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In 8 months Azerbaijan will hold municipal elections. However, the Azeri public shows no interest in the existence or absence of local institutions of self-government. If people woke up in the morning and found the doors of all municipal offices closed, nothing would change in their lives. For a very simple reason – municipalities do not have the real, exclusive, and necessary powers to serve people and solve local socio-economic problems.

## **Authority, Status and Financial Problems**

Before describing the real possibilities of local self-government in Azerbaijan in complicated legal terms, first just look at the area where you live: household waste is picked up by housing utility and maintenance districts, public transport is regulated by local executive authorities, you buy your drinking water from the state company, the roads are built or maintained by local executive authorities and the relevant state company, and the respective ministries are responsible for ensuring the activities of kindergartens, schools, libraries, and other cultural as well as sports and health facilities. Do you see a place for municipalities among these services?

Let us look at the most interesting aspect of the problem: where there is an opportunity to collect fees from the population (including enterprises and organizations) for local services in the administrative-territorial units as well as to receive subsidies from the state budget, government agencies, without any exception, serve these areas and municipalities cannot play any role. Collection and transportation of household waste in major cities and regional centers, drinking water supply, road maintenance, etc. are examples of this.

However, in rural areas, since the government does not provide the necessary funds to the municipalities and it is difficult to suggest paid services, at every step civil servants try to direct these responsibilities to the municipality.

It is time to shift our attention from these realities to the law. More than 20 years have passed since the establishment of municipalities in Azerbaijan. Numerous normative legal acts have been adopted in the past years on the activities of local self-government, and the European Charter of Local Self-Government [has been ratified](#). At the same time, the Azerbaijani Constitution has a separate section on the regulation of municipal activities. While the existing legal framework generally defines the sphere of municipal activities, there is parallelism in local government and the powers are not exclusive. The same functions are defined both for state authorities and local self-governance. However, municipalities have virtually no authority since the state is dominant in terms of power and financial capabilities. According to [Article 4.4](#) of the Charter on Local Self-Government, "powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law." When the uncertainty of the powers is combined with limited functionality, the picture is further darkened.

More importantly, there is an uncertainty concerning the status of Azerbaijani municipalities. According to [Article 1](#) of the Law of the Azerbaijan Republic About the Status of Municipalities, "local self-government in the Azerbaijan Republic is such system of the organization of activities of citizens which gives them opportunity for implementation of the right within the law independently and to freely resolve issues of local value and to perform part of public affairs for interests of local population according to part II of article 144 of the Constitution of the Azerbaijan Republic." But this notion does not allow the legislation to define

municipalities as structures that have the status of real power and as bodies within the general public administration. Apparently, this legal definition does not give the municipalities real power or the right to be a part of the system of state administration in Azerbaijan. However, according to [Article 3](#) of the Charter of Local Self-Government, local self-governance is about the right to regulate public affairs and govern the interests of the local population. This provision legally establishes local self-government as an institution with authority. By the way, according to [article 4.3](#) of the European Charter of Local Self-Government, “public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen.”

Finally, [the recommendation number 157](#) of the Congress of Local and Regional Authorities of the Council of Europe on local and regional democracy in Georgia, adopted in 2004, states that functions such as education, health, social security and culture “may be said to belong to a core area of local interests. Placing them outside the scope of local self-government and limiting local authorities to matters which do not have wider implications would risk relegating them to a marginal role.” The real situation of the existing powers of municipalities in Azerbaijan can be assessed more accurately based on these standards and principles.

The financial resources of the Azerbaijani municipalities are also extremely limited. For example, in 2017, the budget of all municipalities in Azerbaijan (including municipalities in Baku) was [36 million manats](#) (\$21 million). This is equivalent to 22,500 manats (\$13,000) for each municipality. The annual budget revenues of a municipality outside Baku city are on average about 16,000 manats, and even less than 10,000 manats for rural municipalities. For a municipality with 4-5 staff, this budget is not enough even to pay salaries and administrative costs. The average monthly salary of an employee at the state oil and gas companies is much higher

than the monthly budget revenues of rural municipalities. This fact alone is a clear example of how to evaluate the real capabilities of municipalities in Azerbaijan. Let us ignore the big cities for a moment; what functions can a small village municipality perform with 10-15 thousand manats per year?

In local budgets, the amount of financial support municipalities receive from the state budget is not much either and accounts for approximately [15 percent of all local revenues](#) (about 5 million manats or \$3 million). For comparison, it is worth noting that according to the evaluations made by European Council experts about European countries, for the effective functioning of the local self-governance system, the minimum allowable limit for the total amount of municipal budgets to GDP is considered [7 percent](#). In Azerbaijan, this figure is 0.04 percent and the amount of municipal income per capita is 3.5 manats (\$2).

### **Regional Comparison: How Does the Image of the Municipal Institution in Azerbaijan Look from the Outside?**

One of the more accurate approaches to see the real portrait of the municipal institution in Azerbaijan is the comparison of powers and financial resources of the Azerbaijani municipalities with their counterparts in other countries. Undoubtedly, it would not be fair or acceptable to compare Azerbaijan with counties that have 100-200 years of experience in designing the municipal system. From this point of view, it is possible to compare Azerbaijan with some other countries in the region, which had similar political systems for decades and gained state independence at the same time as Azerbaijan.

For example, in the mid-1990s, Georgia took serious steps to form local self-governance institutions and managed to establish local self-government in the country, especially at the regional and local levels. Although the number of municipalities was high in the first decade, it was

significantly reduced in the second wave of local self-governance reform in 2013. According to the [new legislation package adopted in 2017](#), the population in Georgia elects municipalities at the level of cities and towns, and the villages are managed by people appointed by regional municipalities. Municipalities are formed on the basis of the party system. There are 12 regions in the country. Among them only Tbilisi, as the capital, has a special status of local self-government. The capital city is governed by a city council and a mayor elected by the general vote of the residents. Two autonomous republics (Abkhazia and Adjara) and the other 11 regions are governed by the central commissioners [appointed by the central authorities rather than the elected persons](#).

64 municipalities operate within the borders 12 Georgian administrative units; while 5 of them are urban (Tbilisi, Kutaisi, Rustavi, Poti, and Batumi), 59 of them have regional self-government status. Both urban and regional municipalities have the same authority. The only difference between them is that cities are autonomous and have the status of city self-governance only within the boundaries of the city's administrative territory. Regional municipalities, however, are considered to be major agglomerations covering villages and settlements, and they have local self-government status.

Municipalities in Georgia consist of 3 constituencies: the elected legislature or the Council (*sakrebulo*), the administrative body (*gamgeoba*) and the head of municipality, that is the mayor (*meri*). Municipalities have broad powers in accordance with the Georgian Local Self Government Code of 2013, and [Article 16](#) of the document defines the scope of the specific and exclusive powers of municipalities. According to this article, territorial planning, engineering infrastructure development, construction permits and controls, cemetery services, local motorway management, organization and regulation of public transport, organization of parking spaces, collection and transportation of domestic waste,

landscaping and lighting, water and sanitation supply, ensuring the functioning of pre-school and secondary education institutions, developing an appropriate infrastructure for the organization and maintenance of leisure time for children and elderly people, and registration of homeless citizens is among the exclusive powers of municipalities. According to the Code, public authorities, by allocating the appropriate funding, may delegate some of their authority to municipalities.

Municipalities in Georgia also have extensive financial resources compared to Azerbaijan. For example, in 2018, the budget of the Tbilisi city municipality was 897 million lari (\$345 million), which is about 20 times more than the [budget of all 1,606](#) Azerbaijani municipalities combined. While approximately 57 percent of the city budget is formed by the municipality itself (taxes, dues, property privatization and leasing, service fees, etc.), the remaining 43 percent comes from the central budget as a balanced transfer

In general, the total budget allocated by all municipalities in Georgia is close to [\\$2 billion lari \(\\$800 million\), of which 29 percent \(\\$223 million\)](#) is received from the central government in the form of grants and balancing transfers. The remaining local budget revenues are formed from the private sources of municipalities. Apparently, the volume of financial resources at the disposal of municipalities in Georgia is about 40 times more than in Azerbaijan. The real portrait of the local self-governance system – the powers and financial opportunities of municipalities – in Azerbaijan seems to be more clear when compared to economically weak countries such as Georgia, which experienced political and economic transformations similar to Azerbaijan's.

### **Where to Start for Urgent Reforms?**

The need to launch local self-governance reforms on the eve of the 5th municipal elections in Azerbaijan should be acknowledged by the government and reforms should be started

without any delay.

First of all, it is vital to establish a metropolitan municipality in the capital and some large cities and to hold mayoral elections in these cities in December 2019. We need to take into account that Azerbaijan is the only country in the Council of Europe which has not created a big city municipality in the capital (single elected council covering the entire city). However, in the last 18 years, the Council has twice submitted recommendations concerning this issue to Azerbaijan. The general position of the Council of Europe is that any agglomeration of any country does not incorporate numerous administrative-territorial units as its capital city. Each of these territorial units is closely linked to one another. A lack of unity in management and coordination among them creates chaos and disparity in the management of the capital cities. The capital city is such a complex and ever-growing mechanism that if there is no agreed strategy, the elimination of consequences can cost a lot of resources for the country. On the other hand, all residents within the same city should have equal access to public services. It is extremely difficult to eliminate this imbalance without ensuring the integrity of management.

The Council of Europe has sent [two recommendations](#) to Member States over the past six years concerning the capital cities. According to the [Recommendation 133](#) on the Government of Capital Cities, capital cities should be provided such conditions and resources which would be enable them to independently exercise their administrative functions. According to paragraph 12 of the Recommendation, one of the main conditions for the government of any capital city is to ensure the participation of citizens in the decision-making process.

In addition, Recommendation 219 of the Council of Europe On the Status of Capital Cities (also adopted in 2007) envisages the application of uniform local self-governance principles in



central cities. [Paragraph 8](#) of the recommendation states that “existence of subdivisions in a capital city cannot compensate for the absence of a local self-government structure.”

On the other hand, the recognition of municipalities as the leading local-level government bodies, the transfer of authority concerning local socio-economic problems to municipal authorities elected by the people, and the recognition of the legal status of locally elected officials as the same as that of parliamentarians, as well as granting the status of official authorities to the municipalities should be ensured. Finally, municipalities should be provided with financial resources in accordance with their new powers, and their financial autonomy should be recognized.

Everyone's acceptance of this reality would be socially beneficial: local self-governance is an alternative mechanism for effectively managing your decision-making and finances without going outside of the place you live and waiting for the signature of an official sitting in the capital, sometimes with delays for months and years, to make decision about your most important needs. Without local self-governance, the smallest local problems become major problems for the whole country, even requiring presidential intervention to build a road in a remote village. There is no need for the highest ranking state official, who is responsible for the major problems of the country, to deal with the local socio-economic problems of 3,500-4,000 villages and 75-80 cities. Local self-governance is not only an important institution for solving the socio-economic problems of the country. These institutions are also a training ground for the country's vast supply of human resources, some of which later become people who define the country's fate (e.g., Erdogan of Turkey). Without local self-governance, great human potential is lost. This institution also guarantees democracy and pluralism through a multiparty system and eventually through community involvement. Currently, there is no country that has achieved economic development and democracy without achieving local



self-sufficiency. Let us take into account that local self-governance is a fundamental precondition for the transition from a governed society to a free, self-governed one.