

# How should self-government be established in the liberated territories?

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The Azerbaijani government began work to restore life in the territories liberated in II Karabakh War (09.27.2020-11.10.2020). The government's main task now is to ensure the return of the population to their lands by clearing the area of mines as soon as possible, along with building the initial infrastructure and starting the construction of houses at a later stage. However, the return of the population must be accompanied by the establishment of appropriate governance institutions. One of them is the municipalities which represent the institution of local self-government.

Azerbaijan ratified [the European Charter of Local Self-Government](#) in 2002 with a special [statement](#). The statement said that the Republic of Azerbaijan "is not able to guarantee the implementation of the provisions of the Charter in the territories occupied by the Republic of Armenia until the liberation of the occupied territories." Indeed, the occupation of Nagorno-Karabakh and the seven surrounding regions by the armed forces of the Republic of Armenia has deprived hundreds of thousands of IDPs of the right to self-government. As a result of counter-offensive operations launched on September 27, 2020, most of these territories came under the control of the Azerbaijani government.

The [administrative territorial division](#) of the territories of Azerbaijan completely and partially liberated from occupation is shown in Table 1. In [September-November](#) of this year, 6 regions of Azerbaijan – Aghdam, Jabrayil, Fuzuli, Zangilan, Gubadli, and Kalbajar rayons were completely liberated, and Shusha, Lachin, Khojavend, and Khojaly rayons were partially

liberated from occupation. Currently, Shusha city, 2 villages in Shusha rayon, Hadrut settlement, 35 villages of Khojavend rayon, and 9 villages of Khojaly rayon are under the control of Azerbaijan. As for Lachin rayon, it has been liberated except for the city of Lachin and a few villages. The remaining three occupied villages of the Tartar rayon have also been transferred to the control of the Azerbaijani government.

**Table 1: Administrative territorial division of cities and districts of the Republic of Azerbaijan**

Names of cities and rayons	Rayons	Cities	Settlements (towns)	Village settlements	Village administrative districts
<b>Republic of Azerbaijan</b>	<b>63</b>	<b>78</b>	<b>261</b>	<b>4248</b>	<b>1726</b>
<b><i>On the Upper Karabakh economic region</i></b>	<b>7</b>	<b>10</b>	<b>40</b>	<b>538</b>	<b>189</b>
Jabrayil rayon	1	1	4	92	22
Fuzuli rayon	1	2	16	82	27
Aghdam rayon	1	1	14	123	34
Tartar rayon	1	2	1	74	39
Khojaly rayon	1	1	1	50	17
Shusha rayon	1	1	1	37	12
Khojavend rayon	1	1	2	80	38
Khankendi city	–	1	1	–	–
<b><i>In Kalbajar-Lachin economic region</i></b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>442</b>	<b>150</b>
Kalbajar rayon	1	1	1	145	53
Lachin rayon	1	1	1	125	47
Gubadli rayon	1	1	–	93	30
Zangilan rayon	1	1	5	79	20

**Source: The State Statistical Committee of the Republic of Azerbaijan**

Among the [1606 municipalities](#) operating in Azerbaijan, there are also municipalities in Aghdam and Fuzuli rayons. As some areas of these regions are not occupied, there are local self-government bodies in those areas. Currently, there are 14 municipalities in 11 settlements and 79 villages in [Aghdam](#) rayon, 1 municipality in 1 city, and 16 settlements and 18 villages in [Fuzuli](#) rayon. Undoubtedly, after the settlement of the population in the liberated territories, the establishment of local self-government institutions, as well as other institutions, will begin. According to our initial estimates, it is possible to create about 259 new municipalities in the liberated administrative-territorial units (**Table 2**).

**Table 2: Possible number of administrative-territorial organization of municipalities in the liberated territories**

<b>Names of rayons</b>	<b>City municipality</b>	<b>Settlement (town) municipality</b>	<b>Village municipality</b>	<b>Total</b>
Jabrayil rayon	1	4	22	<b>27</b>
Fuzuli rayon	1	3	21	<b>25</b>
Aghdam rayon	1	3	12	<b>16</b>
Tartar rayon	—	—	3	<b>3</b>
Khojaly rayon	—	—	9	<b>9</b>
Shusha rayon	1	—	2	<b>3</b>
Khojavend rayon	—	1	18	<b>19</b>
Kalbajar rayon	1	1	53	<b>55</b>
Lachin rayon	—	—	45	<b>45</b>

Gubadli rayon	1	–	30	<b>31</b>
Zangilan rayon	1	5	20	<b>26</b>
<b>TOTAL:</b>	<b>7</b>	<b>17</b>	<b>235</b>	<b>259</b>

**Note:** *The table is based on the author's personal opinion*

Municipalities in Azerbaijan are divided into 3 parts according to the type of administrative territory: city, settlement, and village. If the scenario shown in **Table 2** is realized, out of the 259 new municipalities to be created there will be 7 city, 17 settlement, and 235 village municipalities. According to the State Statistics Committee, there are a total of 14 cities, 47 settlements, 980 villages, and 339 village administrative districts in these areas (**Table 1**). Some parts of Tartar, Fuzuli and Aghdam rayons were unoccupied, but now these rayons are completely liberated. But some rayons were partially liberated. This means that municipalities will be created only in the newly liberated areas. The number of municipalities to be established in these areas will depend on the decision of the government.

When municipalities were established in Azerbaijan 20 years ago, these bodies were based on the principles of the boundaries of administrative territorial units, i.e. *one city – one municipality, one settlement – one municipality, one village – one municipality*. There were too many small municipalities. There was a municipality with 35 people living in its territory. With all this in mind, the government decided to merge the municipalities in 2009 and 2014, and eventually reduced their number from 2,757 to 1,606. When the government pursued this policy, it sought to bring the boundaries of the municipality into line with the boundaries of administrative districts (former soviets). That is, if there are several villages in one administrative district, the village municipalities in that area were merged. From this

point of view, it is not excluded that the organization of municipalities to be established in the liberated territories will be formed on the basis of administrative-territorial districts with minor exceptions. In this case, it is possible to create approximately 260 new municipalities. The number of municipalities may change if the government changes the number and boundaries of administrative districts or the principle of forming municipalities.

### **How should the number of municipal members be established?**

According to the [Election Code](#), members of local self-government municipalities in Azerbaijan are elected in multi-member constituencies. The number of municipal members is determined by the number of local residents. According to Article 210 of the Code, 5 members are elected in the smallest municipalities with a population of up to 500 people. In the largest municipalities of 19 members, the population should be between 100,000 and 299,999. The number of municipal members will be determined on the same principle when holding elections to local self-government bodies in the liberated areas. As there are no official statistics on the number of people living in the liberated cities, settlements, and villages, it is difficult to comment on the exact number of municipal members to be elected in those areas. The number of members to be elected to the new local self-government bodies will depend on the number of municipalities and the population living there, and it is estimated that number of members may vary around 2,000-2,500.

According to the Election Code, the term of office of municipalities is 5 years (Article 211). Elections to local self-government bodies were held 5 times (1999, 2004, 2009, 2014 and 2019) in the 20 years of operation of municipalities. Only one year has passed since the last election, and the next election will be held in 2024. In this regard, the legislation allows for new elections to be held more than 6 months before the municipal elections. However, in the current situation, it

may take a long time for the population to return to their homes for objective reasons. [Gazanfar Ahmadov](#), director of the Azerbaijan National Agency for Mine Action ([ANAMA](#)), said in a press release that it will take at least 5-6 years to clear the area of □□mines. This suggests that municipal elections in the liberated areas will soon be possible at the same time as the general municipal elections. For the creation of municipalities is possible only after the return of IDPs to their homes.

### **Sources of funding the municipal budget**

In order for municipalities to exercise their powers, they must have financial support, that is, an annual budget. According to the [Law on the Fundamentals of Municipal Finance](#), local budget revenues are provided by tax and non-tax revenues. Tax revenues include 4 types of taxes – *land taxes from physical persons; property taxes from physical persons; mining tax on construction materials of local importance; income tax from enterprises and organizations owned by the municipality*. Non-tax revenues include *payments for the placement of advertisements; resort, hotel, and parking fees; financial assistance from the state budget; privatization; lease and use of municipal property; and other local fees*. The main source of revenue for municipal budgets is usually non-tax revenues, of which the main sources are revenues from the privatization, lease, and use of municipal property, as well as subsidies, subventions and loans from the state budget. For example, in [2019](#), 58.8% of local budget revenues in the country fell to non-tax revenues, 38.7% to taxes, and 2.6% to other revenues. Revenues from the privatization, lease, and use of municipal property accounted for 36% of the total budget, and subsidies and subventions from the state budget accounted for 15.6%. As for tax revenues, the share of land tax from physical persons in total budget revenues was 14.6%, and the share of property tax from physical persons was 20.8%. In fact, 75% of local budget revenues are generated through taxes and the privatization and lease of municipal property.

When municipalities are established in the liberated areas, it will be impossible to generate budget revenues for these institutions at the initial stage. For at a time when life is just beginning and the population is not fully settled, it does not seem realistic to subject them to local taxation. Due to the lack of land reform in these areas, the lands and properties owned by the municipalities have not been identified yet. In such a situation, it is impossible to sell, lease, or use municipal land and property. At the same time, the unknown status of municipal property makes it impossible to generate revenues from *advertising, trade, catering and other services, parking and parking funds* located on the municipal property.

In a situation where not all sources are available, only *subsidies and subventions from the state budget* will be the main donors of local budget revenues. The state should increase its financial assistance to ensure the functioning of municipalities created in the liberated areas. In this case, financial assistance should provide 100%, rather than 1/6 of budget revenues, as in other municipalities. For this, the amount of subsidies and subventions to be allocated to new municipalities in the state budget must be at least 10 million AZN. In recent years, the annual amount of financial assistance allocated from the state budget to all municipalities is slightly more than [5 million AZN](#).

### **New municipalities: current or advanced version?**

**Thanks** to Azerbaijan's 20 years of municipal experience, the establishment of local self-government institutions in the liberated territories will not be technically difficult. Urban municipalities will be established in city and district centers, settlement municipalities in settlements, and rural municipalities in one or more villages. The experience of the formation of budget revenues and the use of budget expenditures will also be projected on the new municipalities.

However, the government has two choices: 1) extending the current governance approach of local self-government institutions to new areas; or 2) establishing a municipal system with real power through decentralization reforms and spreading it to new areas.

Citizens have high expectations for the governance of the liberated territories. The expectation is that the government will apply the best practices in those areas. A similar expectation has arisen with municipalities. It is assumed that the new municipalities will have more authority. Regardless of our wishes, there will be no serious deviation from the existing system of governance in local self-government institutions. While all municipalities in the country have no authority and limited funding, it is not possible for new municipalities to operate on a different level. Article 4.3 of the European Charter of Local Self-Government, to which Azerbaijan is a party, [states](#) that "the exercise of public responsibilities should, as a rule, be entrusted to the authorities closest to the citizen." This paragraph envisages general principles of the decentralization of public responsibilities. The charter envisages municipalities with local government as the authorities closest to the citizens. For it is believed that, unlike the central authorities, municipalities are well aware of local problems.

*The government must carry out decentralization reforms before the next elections to ensure that municipalities become real local governments. To do this, first of all, their status must be determined, and then their powers must be increased and appropriate financial security must be provided. Decentralization reforms require constitutional reforms. In this regard, the government should develop a strategy for constitutional reform without any delay.*