



**NGO ALLIANCE
FOR MUNICIPALITY DEVELOPMENT**

**CURRENT SITUATION OF LOCAL SELF-
GOVERNANCE IN AZERBAIJAN**

REVIEW

Baku - 2011

ABOUT NGO ALLIANCE FOR MUNICIPALITY DEVELOPMENT

NGO Alliance For Municipality Development was found in May 2009 by NGOs working towards development of self-government in Azerbaijan. The main purpose of the Alliance is to develop and implement ideal strategies on development of local self-governance (municipality) system, and coordinate cooperation and functions of NGOs working to empower and develop the organizational and institutional potentials of municipalities. The Alliance mission is to support the development of decentralization and democratic processes.

The Alliance consists of the following organizations:

- *“Support for Economic Initiatives” Public Union*
- *Towards Civil Society Center*
- *“Aran” Humanitarian and Regional Development Center*
- *Economic Research Centre*
- *“For the Civil Society” Independent Consultation and Assistance Center*
- *“Multimedia” Information Systems and Technologies Center*
- *“Solidarity Among Women” Public Union*

The Alliance was first funded by Great Britain humanitarian organization of Oxfam, Open Society Institute Assistance Foundation and Marshall Fund. The Alliance has a strategic plan of activities for 2009-2012 years.

The activities of the Alliance include holding round tables on a range of self-governance issues, organizing journalist researches to report municipal problems on Media broadly, forming an review on present situation of self-governance in Azerbaijan, developing policy papers on different self-governance problems and making recommendations to the government and carrying out advocacy campaign of suggestions made.

More information on Alliance is available on www.localdemocracy.az website.

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EXECUTIVE SUMMARY

Major findings

There are various approaches regarding the present situation of the local self-governance system in Azerbaijan. The authorities with decision-making power acknowledge that there are problems in local self-governance system in Azerbaijan and also stress that that system of municipality is developing in the country. Yet, many independent experts and civil society institutes, as well as, authors of this review hold that local self-governance development is not at a desirable level and substantial reforms need to be carried out. The reason is that in spite of the fact that the local self-government institutions have been functioning since 1999, they are still deprived of solving problems of local importance and opportunity of providing quality public services to people.

The major reason for the nowadays situation of municipalities is that the government has not carried out important decentralization reforms and limited them only to a few legislative and normative acts to regulate municipalities. The existing legislative basis fails to effectively organize local self-governance and conform it to the requirements of the European Charter of Local Self-government. Therefore, there are still problems in local self-governance system. According to the conclusion arrived at by the review authors, the main problems are the following:

- Local self-government institutions have limited jurisdictions and do not enjoy full and exclusive authorities as required by the European Charter of Local Self-government.
- There is a parallelism in local self-governance system. Local self-governance is carried out both by local authorities and municipalities. The authorities are not properly distributed among these institutions. This causes a clash of authorities and groundless interferences in the activities of municipalities by local authorities;
- The financial potential of municipalities is poor. The municipalities do not have stable financial sources. The per capita annual revenue of municipalities in the country was 3.2 manats in 2010. The municipalities fail to completely make use of income sources considered for them, because most municipalities do not have most of those sources and tax collection mechanisms are not advanced. The state provided transfers to municipalities are insignificant; a total of 3.8 million manats unconditional transfers were allocated to municipalities from the state budget in 2010. No conditional transfers have been provided to municipalities so far.
- The municipalities have failed to receive either their property, including also administrative buildings or documents confirming property right to their property thus far. Although it is 11 years since municipality institutions were established in Azerbaijan, majority of them still do not have administrative buildings. Central apparatus of most rural municipalities are temporarily located in several rooms of the executive committee representative building based in the same village.
- The human resources (staff) potential of municipalities is poor. There are few trained personnel in the municipalities who are able to make effective and prompt decisions on issues of local importance. This is due to lack of the training, re-training and capacity building system for municipal staff.

- Municipal associations are weak. Although three national associations of municipalities (urban, rural, town) were established, they are rather passively supporting the interests of municipalities and suggesting improved concepts and strategies on self-governance;
- Different types of administrative control are exerted on municipalities in Azerbaijan. Yet, the insight into these forms of control reveals that they do not contribute to effective organization and implementation of municipalities' functions. There are serious problems with supervision both internally by the municipality itself and the public. The problems also exist on supervision implemented by state agencies. The problems are due to the harder state supervision of municipalities. The constitutional amendments on the accountability of municipalities before the parliament could be assessed as an essential part of this tendency.
- Since there are not single municipalities in Baku and Ganja cities, efficiency of local self-governance is limited. Especially, the non-recognition of Baku's status as a capital and the fact that it has not yet been given a local self-government status creates numerous problems in city management.
- The effectiveness of local self-governance turns out low because there is no single municipality in such big cities as Baku and Ganja. Especially, since Baku's status of capital is not recognized and it has not been granted the right to self-governance lead to numerous problems in city management.

Recommendations

The authors of the review consider that it is necessary to carry out complex reforms towards administrative and financial decentralization to solve existing problems and develop local self-governance. The priority reform areas recommended are the following:

Municipal competencies

1. *The legislation should contain norms providing for the status of municipalities as bodies of local self-governance;*
2. *In line with the European Charter of Local self-government municipalities must be given full and exceptional competencies;*
3. *There must be a clear-cut division of competencies between municipalities and local state bodies.*

Optimal Size of Municipalities

1. *Boundaries of administrative territories should be compared to those of municipalities.*
2. *The representation quota of citizens in communities of merged municipalities should be ensured.*
3. *Limitations should be defined for the low number of people required to establish local self-governments.*
4. *The limitation over the ceiling number of citizens should be removed.*

Enhanced financial potential of municipalities

- *The legal basis should be established for the application of the “minimum budget provision” mechanism in order for municipalities to have adequate financial resources to carry out their competencies;*
- *Municipalities should be given sustainable financial sources that can enable them to carry out their competencies properly, tax-sharing system should be applied by making appropriate changes to the tax law*
- *Tax-charging mechanisms should be improved to ensure that municipalities make the efficient use of current tax sources*
- *The current transfer mechanisms from state budget into the municipal budget should be improved, conditional transfer be given along with unconditional ones and transfers be increased;*
- *For municipalities to be able to access to credits, a proper set of mechanisms should be put in place, and various funds be established to facilitate the development of municipalities.*

Larger property potential of municipalities

- *As per the law on “granting properties to municipalities” all municipalities should be provided with administrative buildings by the state;*
- *Relevant authorities should finalize the granting of certificates to municipalities confirming their property rights to their properties, especially over the lands in the capital;*
- *Before municipal lands are put on auctions or a special competition, they should be valued by an independent auditor and their real market prices;*
- *The methodology of competition and auctions should be developed in the relevant legislation and the procedural aspects of the both processes should be improved;*
- *The sale, renting and auction principles of the lands should be included into the relevant legislation depending on the assignments of lands.*

Organization of municipalities and division of competencies among municipal members

- *A mechanism should be developed to elect the municipal head through the public voting and along with the elections for municipal members, elections should also be held for municipal head;*
- *The scope of municipal competencies and duties should be specified and reflected in the legislation.*

Municipal associations

- *Municipal associations should be accepted by the central government as an equal partner in the process of policy-making regarding local self-governance and legal mechanisms be established for such partnership;*
- *Consultation body should be established on permanent basis to ensure the regular consultations between central government bodies and municipalities;*
- *Real warranties should be granted to municipal associations for their independent functioning;*

- *In compliance with the European Charter of Local self-government, the national legislation should grant the right to municipal associations to become a member of international associations;*
- *Municipal associations should design their own mid- and long-term action plan and strategy so as to become professional entities and have clear understanding of future activities;*
- *Associations should embark upon IT application in their management, especially websites so as to effectively communicate with and update the member municipalities, and arrange the online legislation service for municipalities;*
- *Associations should be held more accountable to member municipalities and their activities be grounded in transparency and accountability principles;*
- *Inter-municipal cooperation should be encouraged in each and every district, town and particular areas and municipalities should be totally free to choose the way of cooperation and free from any kind of administrative pressure;*
- *Associations should review the municipal legislation on a regular basis and propose legislative initiatives to the parliament based on these reviews and collected reviews.*

Baku's status

- *Legal obstacles should be removed for the establishment of single municipality of Baku city and the law on "Status of Baku city" be adopted to regulate the complexities around the status of Baku;*
- *Conditions for the elections to Municipal Council of Baku city, number of elected municipal people irrespective of the type of municipality and representation guidelines for all administrative units within the boundaries of the capital city should be reflected in the legislation;*
- *The division of competencies between to-be-established Baku municipality and Baku City Executive Committee and other state bodies and coordination of activities between them should be regulated through the law;*
- *The law on the "Status of municipalities" should clearly identify the competencies of the Baku City Municipal Council, status of the City administration to be founded through the Council's decree and structure and scope of competencies of local administrative units;*
- *The municipality of Baku should be provided with necessary financial resources to effectively function and carry out its duties properly*
- *The limitations in the Election Code set upon the ceiling number of residents required to establish a municipality within the same territorial unit should be removed, and necessary legal basis should be created for the principles and mechanisms of forming large city municipalities..*

Staff capacity of municipalities

- *Training System for Municipal Staff should be built, teaching curriculum be improved, and official accreditation be organized for the teaching-training programs*
- *Capacity-building courses should be based on needs-assessment. Municipal associations and authority state bodies should design mechanism to enable the proper and regular assessment of the capacity needs;*
- *The cabinet of Ministers should set out qualification standards for municipal servants.*

- *A national strategy should be worked out to train and retrain the municipal servants and regional training-retraining centers be established in the regions to cover majority of municipal servants.*

Accountability of municipalities and supervision over functions of municipal institutions

- *The ambiguity regarding the accountability of municipalities should be removed from the current legislation;*
- *The administrative supervision of municipalities should be carried out only to ensure their compliance with the constitution and not be used as a tool of pressure over them.*

Future perspectives

The future perspectives of local self-governance reforms depend on will and initiatives of the government, municipal associations, civil society institutes and international organizations. There are already some signs of the government going for the reforms in this regard. For instance, "The State Program on poverty reduction and sustainable development in the Azerbaijan Republic 2008-2015" includes carrying out reforms on strengthening financial and personnel potential of municipalities, enhancement of public supervision mechanisms on activities of municipalities, granting a status of local self-governance to big cities and other important issues. The recent statements of officials about giving competencies conditional transfers to municipalities give a rise to optimism. The NGO Alliance for Municipality Development declared to support the reforms together with other institutions. The international organizations, especially the Council of Europe Congress of Local and Regional Powers are expected to take active part in acceleration of reforms. If the municipal associations should become more active, the possibilities to improve the local self-governance system in a short while would look very realistic.

INTRODUCTION

It has been 11 years since the municipalities were established. During this period, nearly 30 laws have been adopted to regulate the local self-government institutions. Along with laws and normative acts (President's decrees, decisions of the Cabinet of Minister and so on), the European Charter of Local Self-government [2] is also an integral part of the legislation in Azerbaijan Republic and has been ratified with the decree of December 25, 2001 on "the approval of European Charter of Local Self-government" and came into force in Azerbaijan on August 1st, 2002.

By ratifying the European Charter of Local Self-government, Azerbaijan has taken on several commitments on self-governance. Prior to the ratification of the Charter, the competencies envisaged in Article 2 of the Charter (Constitutional and legal foundation for local self-government) had already been fulfilled. That is, the fourth part (Articles 142-146) of the Constitution of the Azerbaijan Republic of 1995 was fully dedicated to the self-governance and several legislation acts were adopted on regulating activities of municipalities. A few other competencies were fulfilled following the Recommendation 126 (May 21, 2003) of the Congress of Local and Regional Authorities of the Council of Europe on "Local and regional democracy in Azerbaijan". That is, as required by Recommendation 126 of the Congress of Local and Regional Authorities of the Council of Europe, the concept of self-government was adapted to the Article 3 of the European Charter of Local Self-government with the decision of 30 December 2004 and the national associations of municipalities were established at the end of 2006. Yet, a number of commitments still remain unfulfilled.

Until now, various reports and reviews have been produced by different organizations on the system and status of the implementation of commitments regarding local self-governments. The report [17] and No 126 Recommendation [20] developed by the Congress of Local and Regional Authorities of the Council of Europe in 2003 are especially important in this regard. However, the Congress has not carried out any monitoring (except 2009 Municipality Elections) and made any report since 2003 except a few visits to Azerbaijan paid and declarations made by the Congress members. As far as the local national non-governmental organizations are concerned, annual review paper on "Current situation of local self-governance in Azerbaijan" has been developed and presented by the NGO Alliance for Municipal Development starting from 2009. The NGO Alliance for Municipality Development intends to continue the annual review of the situation of local self-governance in the country. The future reviews will be developed on the basis of the 2010 year developments and further updates will be incorporated into the annual reviews.

The main purpose of preparing annual reviews is to describe the present situation of the local self-governance system in Azerbaijan, attract the attention of the public authorities and people into the local self-governance problems and make recommendations representing joint position of different organizations on solution of these problems. This review does not entail all of the issues regarding local self-governance, but more fundamental ones. The review paper consists of the following sections:

Local self-governance system and status of municipalities; This section deals with the present situation of local governance system in Azerbaijan. The section concludes that overlapping in local governance, unclear division of competencies between the local executive authorities and municipalities, and limited and unexceptional competencies/jurisdictions of local self-governments are the major reasons for the lower efficiency in local self-governance.

Municipalities after the amalgamation. This section talks about the initial findings regarding the performance of merged municipalities as a result of the amalgamation processes.

Financial resources of municipalities: This section talks about the existing financial potential of municipalities, where it is argued that the financial resources of municipalities are rather limited preventing them from properly fulfilling their competencies. The section looks into the current revenue sources of municipalities, majority of which turn out to be unsustainable.

Municipal Property: This section deals with the properties of municipalities, the right to property and problems regarding its use.

Baku's status: this section discusses the reasons why the status of Baku city has not been defined yet and singles out the major measures to address this problem.

Staff potential of municipalities: This section describes the present situation of capacity of municipal staff highlighting the importance of training, retraining and improving skills of municipal staff.

Organization of municipalities and division of competencies among them: This section outlines the existing mechanisms to form municipal institutions, particularly elect municipal heads as well as divide competencies among the municipal members.

Municipal associations: This section describes the performance of municipal associations and how to apply opportunities of municipal associations in practice and states that the national associations of municipalities failed to establish their activities in accordance with the goals they set out at the time of establishing associations.

Accountability of municipalities and supervision over municipalities: This section sheds light on the current transparency and accountability in municipalities. It is stated that though there are legal mechanisms providing for transparency and accountability in the activities of municipalities, they are not adequate. **It also** highlights the current administrative control arrangements over municipalities.

Conclusions and recommendations: The conclusion part of the paper makes specific recommendations to improve local self-governance system in Azerbaijan.

A number of methodological approaches and information sources have been applied and referred to in developing the paper. That is, a number of legislative acts about municipalities were looked into and the reports and recommendations of international organizations and the Congress of Local and Regional Powers of the Council of Europe reviewed. The reports of state bodies, especially annual reports of the Ministry of Justice Department for Work with Municipalities, which is in charge of administrative supervision over municipalities, were used as reference sources in preparing this review paper.

Moreover, the statistics about municipalities across years were analysed, and the results of surveys and interviews carried out by the members of the Alliance in the regions were incorporated into the review. The recommendations made in public discussions were taken into consideration in preparing the review.

The proposals raised by the municipalities, municipal associations, state bodies, NGOs and independent experts at the round-table discussions organized by the member organizations of the Alliance both in Baku and in the regions were incorporated in the review paper. At the same time, the experience of leading countries in local self-governance was cross-studied and compared with the local experience. Besides, figures from different years and the experience of municipalities were cross-analyzed and many perspectives were heard.

As the situation of municipalities is more substantially covered in the "Concept of strengthening the municipalities in Azerbaijan" [24], which was developed by the experts

of the organizations that are members of the Alliance, rather general approach was chosen to summarize the issues regarding municipalities in this paper.

The review was jointly worked out by the member organizations of the Alliance. Special thanks are conveyed to International Humanitarian Organization Oxfam GB in Azerbaijan and to experts for their support.

1. LOCAL SELF-GOVERNANCE SYSTEM: LOCAL EXECUTIVE COMMITTEES AND STATUS OF MUNICIPALITIES

The expectations that there would be changes to the status and scope of jurisdictions of municipalities after the December, 2009 year election that was held with the newly merged municipalities did not come true. The executive committees continued to be more influential and superior to municipalities. Municipalities continued to work within the limited scope of jurisdictions they were granted with and no considerable change happened to the legislation to extend the role of municipalities.

The local self-governance system is based on the Constitution of Azerbaijan (1) that was adopted on November 12, 1995 and defines Azerbaijan as a presidential republic with a democratic state. Although unitary according to the territorial structure, the country has Nakhchivan Autonomous Republic as its integral part. The autonomous status of Nakhchivan Republic is due to its location that holds a geopolitical importance. The conflict with the Armenian Republic and absence of direct link with other territories of Azerbaijan leads to giving autonomy to Nakhchivan to manage internal affairs. The fundamentals of the public structure of the Nakhchivan Autonomous Republic are defined by the Constitution of the Azerbaijan Republic. Nakhchivan Autonomous Republic is unitary according to its territorial structure and includes 7 administrative districts. Those administrative districts have the same powers as other administrative districts of Azerbaijan.

According to the Azerbaijan Republic Law on «Territorial structure and administrative territorial division» [20] of June 13, 2000, the territorial structure of the Azerbaijan Republic consists of the territorial units enjoying the status of district, city, settlement and village. The territorial units are granted a status of a city, a settlement and a village depending on the number of permanent residents or type of activity (household) of most residents, the social and economic development of the territory, specialization of industry or socio-cultural infrastructure and public functions implemented in specific areas.

The districts of the Azerbaijan Republic are comprised of different cities, towns, villages and administrative territorial units located within their territories. The territories of those cities are divided into districts when it is necessary to effectively organize and simplify the administration of cities with large territories as well as satisfy socio-cultural and financial needs of people and provide the rule of law. Two cities of Azerbaijan – Baku and Ganja - are divided into districts.

The local self-governance system used to be based on the - centralized administration system until 1999. The establishment of municipalities in 1999 was an important step towards decentralization serving as a basis for substantial modifications of local self-governance system. Since then local governance has been realized by two different local authorities –municipalities and the local executive committees.

The constitutional basis of local executive committees is Article 124 [1] of the Constitution. As per this article, the heads of executive committees are in charge of the local executive governance. The authority to assign or dismiss heads of the executive committees lies totally with the President of the Azerbaijan Republic. The competencies of

the local executive committees are determined by the President". The Regulations on "Local executive committees" [24] approved upon the President's Decree of June 16, 1999 defines the scope of jurisdictions and organizational structure, as well as, competencies of local executive committees. According to the Regulations, the executive governance is realized by corresponding heads of the executive committees in regions, towns and cities. In cities with the attachment to districts, towns and villages, executive committees have representations, which are headed by people appointed by the executive committee heads.

Executive committee heads have broader powers according to the Regulations that encompass competences of social and economic development, management of utilities, construction, transportation, communication, agriculture, land use, social protection of people, rule of law, naming of streets and squares, environmental protection and other issues.

Some of the competencies of executive committees in the Regulations have also been recognized as the competencies of municipalities. More often, the unclear split of powers competencies between municipalities and local executive committees results in contradictory situations which adversely affects the effectiveness of governance.

The status and jurisdiction of municipalities in Azerbaijan are determined by the Constitution and Law on "Status of municipalities". Pursuant to Article 1 of the law on "Status of municipalities" [3], the local self-governance in the Azerbaijan Republic is a system that enables the citizens to resolve issues of local importance independently within the law and fulfil a certain public affairs as specified in the Constitution [1] (Article 144). Yet, this provision coming from the European Charter of Local Self-government is not reflected in the competencies of municipalities. It indicates, first of all, the limited scope of competencies. In practice, the so-called "natural" competencies (communal services, renovations, registration and certification of people residing in the territory of municipalities, arrangement of social services, water supply, etc) of municipalities are carried out by the state bodies in Azerbaijan.

At present the actual scope of municipal competencies in the country is limited to maintaining municipal roads, providing social aids to people with low income who are not included in the state social programs as well as maintaining cemeteries and organizing mourning ceremonies. Paragraph 8.2.2. of Recommendation 126 [30] (May 21, 2003) on "Local and regional democracy in Azerbaijan" of European Congress of Local and Regional Authorities under the Council of Europe specifies that the competencies of municipalities in Azerbaijan are quite limited and substantial part of public affairs are not included among the competencies of municipalities, which contradicts the requirements of the European Charter of Local Self-government. Paragraph 4.3 of the Charter [2] states that « Public affairs shall generally be exercised, in preference, by those authorities which are the closest to the citizens».

One of the main commitments that Azerbaijan undertook by ratifying the European Charter of Local Self-government is about the increasing competencies of municipalities. Pursuant to paragraph 4 of article 4 of the Charter, powers given to local authorities shall normally be full and exclusive. However, the municipalities of Azerbaijan do not have such powers yet. On the other hand, there is a problem of parallelism or overlap in the powers between municipalities and local executive bodies meaning that by law the same powers that are granted to municipalities are also given to another executive institution. For instance, the Law on "Status of municipalities" (3) stipulates powers for municipalities to organize and maintain sanitary institutions, and to collect, transport and process wastes. As per Article 12 of the law on «production and household waste» [18] and Article 6 of the law on "sanitary, hygienic and environmental standards of the settlements and temporary storage, transportation and rendering harmless of household waste" (Cabinet of Ministers,

decree 74) [25] waste management and processing will be carried out by local executive committees. The same problem of overlapping powers applies to water supply and sewerage system.

Finally, the relations between the municipalities and local executive committees are based on the principles of “domination” and “dependence”. At present, the municipalities and representatives of public authorities – local executive committee representations - also act simultaneously in the smallest administrative territorial units. This both decreases the efficiency of management and creates suitable space for local executive committees to exert informal control over municipalities. The existing principles of public administration by administrative territorial units in Azerbaijan are the heritage of USSR. That is, the local administration model called “territorial (village, settlement, or city) soviets” of soviet time have been replaced by “territorial (village, settlement, or city) executive representations” organized by administrative territorial units existing during that period. According to the Azerbaijan Republic Law of [20] June 13, 2000 on “Territorial structure and administrative territorial division”, by its administrative territorial structure, Azerbaijan consists of one autonomous republic, 66 districts (also widely know as “rayons”), 13 city districts and 77 big cities, 258 towns, 4257 villages and 1704 village territorial constituencies..

The absence of legislation regulating the relations between the municipalities and public authorities more often results in the violations of the right to local self-governance. Such a necessity is provided in the paragraph of 8.2.3 [30] of Recommendation 126 (May 21, 2003) on “local and regional democracy in Azerbaijan” by European Congress of Local and Regional Authorities under Council of Europe. Also, the Constitution of the country and the legislation regulating municipalities prohibits any intervention on the side of local executive committees in the activity of municipalities and defines them as totally independent. It is true that the formation of hierarchical relationship system between municipalities and executive committees, which is mostly in favour of the latter, is a grievous obstacle for the development of municipalities. The studies reveal out that local executive committees intervene in the activity of municipalities in different ways. On the one hand, if this dependence emanates from the legislation (for example, from the legal norms specifying sale and leasing of municipal lands through auctions held by the State Land and Mapping Committee), on the other hand, it just happens informally. Among these informal dependence, the first one relates with the independent decision-making on local budget resources by municipalities. The legislation in force considers using the local budgets to satisfy the needs of the municipality and people in its territory. However, the studies conducted show that the local executive committees regularly give informal instructions to municipalities to allocate funds for renovation works implemented in the rayon as opposed the fact that funding rayon or city-wide activities is the directly provided from the state budget. In a number of cases, local executive committees intervene in the financial aids allocated to the municipal budget from the state budget and it happens on the background of multiple social and economic problems in the territories of municipalities that wait to be resolved.

2. MUNICIPALITIES AFTER THE AMALGAMATION PROCESS

Municipalities were noticed to decrease in number and merge with others since they were first established in 1999 and this process was finalized in 2009. Initially, the number of municipalities used to be 2757 in 2008 as compared to 2667 when they were first established.. Due to the advocacy campaigning by civil society institutions that are now members of the Alliance for Municipality Development, the government took several measures to enlarge the municipalities.

The legislation of Azerbaijan considers mergence of municipalities based on voluntary principle. The government introduced changes to the legislation on “Joint activity, mergence, separation and liquidation of municipalities” twice and simplified the procedure in order to stimulate the voluntary mergence. However, unlike the voluntary principle that the government initially chose in relation to merging the municipalities, it had to shift to merging them through administrative means given the failure of voluntary mechanism.

As a consequence of informal instructions that municipalities received, they held “voluntary” hearings to make the decision on the mergence with other municipalities. After the decisions were made at hearings, those that wished to merge applied to the parliament, which adopted relevant laws [32-33] to reduce the number of municipalities from 2757 to 1718. Around 1718 municipalities were annulled and new 5 municipalities formed, which ultimately means the reduction by 1039 municipalities or by 38 per cent.

The amalgamation took place among the village municipalities and covered a great part of administrative territory of Azerbaijan. In big cities, like Ganja, Sumgayit, Shirvan, Mingachevir, Naftalan, the merging was not carried out. Nor did this amalgamation apply to the municipalities of Absheron, Agdam, Gabala and Agstafa. the highest reduction in the number of municipalities was in Northern and Southern areas. In the Northern districts of Guba, Gusar and Devechi, the number of municipalities decreased 2.3 times from 277 to 122 and in the southern districts (Astara, Masalli, Lenkoran and Lerik) it was 2.6 times from 381 to 147 municipalities.

While the number of municipalities was 34 per one hundred thousand citizens before the amalgamation, it was reduced to 19 after the amalgamation. Municipalities with fewer than 1000 people went down in number drastically, which used to account for almost half of the municipalities with 46 per cent. They came to make up only 18.3 per cent of all municipalities after the amalgamation. The analysis of municipalities grouped as per the number of population reveals that there are no municipalities with a population of 1000 citizens in 17 administrative rayons. Such small-size municipalities are common in Shabuz with 59.1 percent, Ordubad with 53.3 percent, Gabala with 52.7 percent, Khizi with 50 percent.

The majority of municipalities in Azerbaijan have a population of 1000-5000 citizens, which increased from 46.8 per cent to 63.8 per cent in the aftermath of the amalgamation. There are no such municipalities with 1000-5000 residents in the citizen of Baku, Mingachevir, Ganja, Shirvan and Sumgayit. They are more common in Gadabay with 96.8 per cent, Gobustan with 93.8 per cent, in Khachmaz with 90 per cent, in Imishli with 89.7 per cent and Tartar with 89.7 per cent of municipalities having 1000-5000 residents (50).

A change was also noticed in the number of municipalities with a population of more than 5000 residents, from 7.2 per cent to the final 17.9 percent. While the people in municipalities of Agstafa (86.2 percent) and Agdam (85.7 per cent) exceed 5000 citizens, there are no such municipalities in Khizi, Shabuz, Ordubad, Gobustan and Yardimli districts. Only a small percentage of municipalities have more than 5000 citizens in Barda (1.5 per cent), Sharur (1.9 per cent), Agsu (3.1 per cent), Gadabay (3.2 per cent), Goranboy (3.9 per cent), Lerik (3.5 per cent), Zardab (3.7 per cent) and Tartar (3.4 per cent).

The conducted studies demonstrate that a number of problems have been noticed since the municipalities were enlarged in Azerbaijan, which lowered the expectations that preceded the amalgamation process. On one hand, these problems are attributable to the mistakes of technical nature that accompanies the amalgamation, whereas, on the other hand, part of them originate from the imperfect legislation. These problems can be grouped in the following way:

- *Single municipality within one administrative territorial unit.* One of the optimizing ways of the local self-governance system in Azerbaijan was thought to organize local self-governance within the existing administrative territorial structure (45). This mechanism entailed a single municipality in one administrative territorial unit of the country. The merging of municipalities was done following this mechanism. However, still there are cases like 2 and even 7 municipalities in one single administrative territorial unit. For example, following the amalgamation, the number of municipalities per administrative territorial unit of Barda rayon declined from 3.3 municipalities to 2 municipalities. In Ismayilli rayon, there is even a municipality operating in two administrative territorial units.
- *Representation of people in merged municipalities.* the representation of people of different communities in single merged municipalities is an important element in terms of ensuring people' right to their self-governance. Unfortunately, this aspect was not taken into account in merging the municipalities. For example, Agdash municipality of Jalilabad rayon covers 11 villages, Perlikash municipality and Siyaku municipalities of Astara rayon represent 11 and 13 villages respectively, and Rustov municipality of Guba rayon covers 16 villages. It would be more useful to establish representation quotas for the interests of individual municipalities to be considered in the decision-making at a municipality.
- *Re-registration of merged municipalities.* the amalgamation processes was accompanied by the need to develop statutes for newly established municipalities in accordance with the legislation and their re-registration with the Ministry of Justice. Some municipalities faced delays in their preparation of statutes and re-registration with the Ministry of Justice. Even through, a majority of municipalities were able to submit their statutes in time, their re-registration took quite a long while. These delays caused negative consequences for the activity of municipalities in the 1st quarter of 2010.
- *Limitations over conducting financial transactions.* The untimely submittal of the statutes of merged municipalities and the resulting absence of the stamp caused restraints over making financial transactions, which resulted in municipalities not paying the salaries and other kinds of transactions.
- *Drastic disparities among the merged municipalities.* since some of the municipalities did not have their financial and legal documentation read and, in some cases, did have any at all, as well as, improper arrangement of the local taxation system and management of the municipal property posed a few challenges to the operation of newly merged municipalities.

The major reasons for the amalgamation of municipalities were to increase their financial and good-quality staff potential and reduce their administrative expenditures. However, despite the fact that the expectations were not completely fulfilled within the one year post-amalgamation time, there have been some positive changes.

The 2010 municipal budget revenues were seen to increase as compared to the 2009 year budget, by 8 per cent or by a total of 2 million mantas. An average municipality saw their budget grow from 9.684 manat to 16.806 manats. The southern region that had the most municipalities merged was recorded to grow most in budget revenues as well, e.g. 30% in Astara, 6% in Jalilabad, 85% in Lenkoran and 112% in Masalli municipalities. However, the budgets of municipalities in Lerik and Yardimli rayons went down by 26 and 35.5 per cent respectively. Also, through some of the Northern municipalities also had increased budgets, some of them faced declined budget revenues (37).

The fact that the share of municipal taxes in the state total budget revenues increased from 37.1 per cent to 38.9 per cent as a result of the amalgamation can also be

considered as a positive implication. The amalgamation also resulted in the growing number of municipalities with administrative office buildings. The administrative expenditures also shrank from 51.8 to 51.4 per cent in their share of the total budget expenditures (37).

Meetings and consultations with municipalities also indicate that no substantial advance was made with regard to the staffing potential and formation of the municipal structure as a result of the amalgamation.

The studies also pointed out that the amalgamation did not yield the expected outcome as the core reason of the merging of municipalities was to achieve institutionally stronger municipalities.

3. FINANCIAL RESOURCES OF MUNICIPALITIES

Compared to the previous year of 2009, the financial resources of municipalities expanded at least to a small extent. The total municipal revenues in the country increased by 2.2 million manats or 28.9 per cent reaching a total of 28.9 million manats with an average municipality having an increased budget of 16.8 thousand manats. However, such an increased figure of the average municipality is due to the inclusion of big-city municipalities in the calculation. For example, without the revenues of municipalities in Baku and Absheron peninsula, as well as, in Sumgayit, Ganja, Shirvan and Mingachevir, the per-municipality revenues would be 10.9 thousand manats on average. It is even below in some rayons. For example, the per-municipality revenues are 1.8 thousand manats in Lerik, 1.9 thousand manats in Yardimli, 4.1 thousand manats in Gabala, 2.8 thousand manats in Dashkesen, 4.3 thousand manats in Imsayilli, 5 thousand in Agsu, and 6.5 thousand manats in Barda.

The per-capita revenues of municipalities comprised 3.2 manats on average in the county. It is scant in individual municipalities. For example, it is 0.7 manats in Lerik, 1 manat in Yardimli, 1.6 manats in Dashkesen and Tovuz, 1.8 manats in Hajigabul and Imishli, 2.3 manats in Sumgayit and 2.6 manats in Baku.

As is seen from the analyses above, municipalities have considerably weak financial potential as opposed to the first paragraph of Article 9 of the European Charter of Local Self-government which states that "Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers." The share of the total revenues of all municipalities in the consolidated state budget is less than 0.2 per cent.

It is true that the existing legislation – Tax Code, «Local (municipal) taxes and fees » and «financial resources of municipalities » and the law on "Budget System" - provide for a few sources of revenues for local municipalities. Yet, In fact, quite a significant part of these sources are not sustainable and do not form a good basis of incomes.

The studies show that despite more than 10 revenue sources are provided for in the legislation, only three of them play a substantial role in forming the municipal budget. Local land sales or rentals contributed 10.6 million AZN to the local budget which comprised 39.3 per cent of all 2010 budget revenues. Land taxes made up 24.5% of all the budget revenues or 7.1 million manats in the municipal budgets in 2010 and during the reporting period for 2010, the land taxes increased by 206 thousand manats or 3%. However, it is still low given the land potential from which municipalities can charge taxes. According to the official statistics, there are 1.7 million hectares of land under private ownership in Azerbaijan. Including 1.44 million hectares for agriculture and 260 thousand hectares of yards. Thus, each hectare of land is charged 4 manats on average and the land tax rate has not changed over the ten years and remained the same despite the fact that

there was inflation, increasing budget revenues and increasing market value of lands. The land leasing brought 12.2 million manats thus comprising 42.5% of the total municipal revenues. In 2010, municipalities gained an increased amount of revenues by 1.6 million manats or 24.1% from land leasing. In some rayons, the dependence of municipalities on land sales and leases is too high. For example, 94 percent of municipal revenues in Shabran rayon, 72 per cent in Masalli rayon and 55 per cent in Gakh rayon came from municipal land sale or lease. Although municipalities have large land plots for agriculture purposes under the ownership, they can not act as a viable revenue source for municipalities. As per the land legislation, lands for agriculture cannot be privatized. They can only be rented out to physical or legal persons on a fee basis. There was 1.13 million hectares of land for agriculture under the ownership of municipalities in 2010 and they brought a total of 3.9 million manats to the municipal budget, which is 3.4 manats of revenue per hectare in the country. It is 15 or 20 times low the prices of land leases in the land market for rural areas.

So, these two sources of revenue contributed a total of 19.7 million manats or 67% of the municipal budget.

Another revenue source for municipalities is state budget transfers, which comprised 13.3% of the total municipal revenues. Yet, in absolute terms, this figure can not be regarded as much given the financial burden of municipalities. Unconditional transfers from the state budget comprised were 3.8 million AZN, 2.2 thousand manats per municipality. The problem is not only limited to these transfers being scant It is also a problem of imperfect allocation mechanisms of these unconditional transfers and it is not clear which criteria are used to calculate the amount of transfers for different municipalities and how the financial needs of municipalities are assessed. As per the law on budget system, the number of citizens is considered in the calculation of the amount of the transfer. However, the studies point out that this principle is not followed in practice. For example, the city of Naftalan did not receive any transfers in 2010 and Ganja city received 6 cent-per-capita-transfers whereas the city of Sumgayit got transfers in the amount of 0.6 manat per capita and some 30 or 40 rayons received transfers in the amount of 0.3-0.4 cent per capita. In some cases, the basis of the calculation of the amount of transfers is totally unknown such as Zagatala economic region has a total population of 257 thousand and the per-capita amount of the transfers it received accounted for 0.5 manats. However, in the case of Shamkir economic region, which has (193 thousand) twice and a half as few as the population of Zagatala economic region, the per capita amount of transfers was 2.5 manats. Thus not criteria are in place to calculate and distribute the transfers across various municipalities and consider their potential of their own internal recourses.

No step was made towards allocating conditional transfers, especially towards establishing necessary legal basis for doing so. In fact, the legislation should entail precise criteria and principles of conditional transfers and how to use them on particular directions. The law on budget system provide for the right of municipalities to applying for and receiving conditional transfers from the state budget. According to Article 32.2.2 of the law, if the local socio-economic programmes can not be financed from the local budget, grants or subventions can be allocated from the central budget.

Unlike the previous years, the share of property tax inflows in the total local tax collections of municipalities drastically increased by 6.5% finally comprising 2.7 million manats. It is around 9.3 per cent of the local taxes. However, the majority of property taxes, 85 percent, originate from the cities of Baku, Ganja, Sumgayit, Mingachevir and Shirvan (37). In view of this, it turns out that this source of tax is not sustainable and thus can not act as a reliable source of income for municipalities.

The revenue contributions from the other five sources – municipal enterprise profit tax, local mining tax for construction materials of local importance, property taxes from

physical entities, street advertisement and parking fees and resort and hotel fees - were 4.53 per cent or 1.3 million AZN all together.

Last year, no necessary measures were taken to improve the calculation of mining and property taxes, as well as, the fees from the street advertisements. The analysis reveals that the limited contributions from the majority of specified income sources of municipalities, that these income sources do not significantly contribute to the local budget and that these kinds of income sources are not sustainable do not result from the limited tax bases, but from the fact that impractical taxation tools.

The last year did not also witness any step in relation to providing the access to credits, which is one of the reasons for the weaker financial position of municipalities in Azerbaijan. Many transitional states that have the same starting position as Azerbaijan have gained success in providing credits to municipalities. Financial institutions such as municipality banks or municipality development funds are established with the direct engagement and support of the government to facilitate the access of municipalities to financial markets in many countries.

. Credit resources are an important tool to develop the local infrastructure and increase the image of municipalities as working institutions. The credits also facilitate to develop skills to work with financial instruments at municipalities, push them to establish necessary bank of staff and reinforce their cooperation with the private sector. This is why the ability of municipalities to borrow is one of the integral directions of local self-governance reforms in different countries of the world. That is, the practice of applying the right to borrow, which has always pertained to state bodies, is quite common.

In the current situation, the fact that municipalities do not have access to credit resources is directly due to the weak financial potential of local self-governments in Azerbaijan; the inability to repay the credits and cover the current expenditures from the revenues keep them from borrowing and on the other hand financial institutions are themselves not interested to give credits to these entities with weak income potential. Besides, municipalities are not commercial entities and it is impossible for them to take credits on commercial terms and since these credits are aimed for creating public goods or services, they should be favorable terms for municipalities to take credits.

4. MUNICIPAL PROPERTY

The Constitution adopted in 1995 functions as the basis for the local self-government properties in Azerbaijan. As per article 13 of the constitution, municipal property is one of the property types in the country. According to the law on "status of municipalities" (Article 54.1), the state undertakes to give out necessary land and state-owned facilities to municipalities for them to be able to handle local issues.

Although 11 years have passed since they were formed, municipalities have not yet gained full ownership over their properties. Inconsistent legislation, limited competencies, weaker financial potential, limited right to make independent decisions over their properties create serious challenges for their activities. They end up underperforming their responsibilities that are assigned to them by law. Shortcomings in the property management and decision-making of municipalities is one of the factors preventing municipalities from institutional development. These shortcomings are due to the following reasons:

The state has not fully carried out its duty to give property to municipalities: The municipal properties have been formed on the basis of what have been granted from the state in accordance with the law of the Azerbaijan Republic on "granting properties to municipalities" [27]. As a result of the law enacted in 1999, a number of properties have

been granted to municipalities. As per Section 5, Paragraph 4 of the law and a memorandum for the rules and periods of granting state properties to municipalities [28] with a presidential decree and the list of properties to be granted to municipalities with a decision of Cabinet of Ministers [29] were approved. According to the law, a number of properties including administrative buildings have been granted to the property of municipalities. According to the Cabinet of Ministers' decision, 52 municipalities have been provided with administrative buildings or rooms for municipalities. On top of that municipalities were given 14 parks, 9 fountains, 4 gardens, 3 hotels, 2 monument complexes, 1 boulevard and 1 kinder garden. A total of 62 municipalities have received prosperities for different purposes. As is seen, only 52 out of the previous 2670 municipalities were provided with administrative buildings, whereas according to Article 4 of the law on "granting properties to municipalities" [27], municipalities need to have administrative buildings, rooms and equipment in order to facilitate their operation. The studies show that despite the fact that it is already 11 years since the municipalities were established in Azerbaijan, the majority of them do not have their administrative office buildings. The office of majority of village municipalities are temporarily in several rooms of the office building of the executive committee representations, which is also situated in the same village. in some cases, they even share the same room with executive committee representatives. although the issue of providing office space for municipalities was partly resolved in the process of merging, it still remains an issue. Municipalities have not yet been able to receive the certificates from relevant state authorities affirming their ownership right over the properties.

Boundaries between state lands and municipal lands are blurred. the fact that some municipalities do not have certification confirming their right to their properties and lands create problems for their activities. in some cases, the boundaries of state and municipal lands are not clear and it results in state intervening in municipal lands and vice-versa, which is due to both subjective and objective reasons. According to the report of Ministry of Justice Department for work with municipalities, the unlawful decisions that municipalities made in 2010 to give land plots of 79,07 hectares to different persons, lease lands of 3210,54 hectares and give land plots of 27,85 hectares to the use of different people unlawfully were annulled by the courts. The problems that arise from the unclear boundaries of municipalities can also be seen in the example of Baku city. the territories of capital-based municipalities have not yet been defined and therefore, municipalities cannot identify their boundaries. such misidentification of territories result in the incapability of municipalities to collect fees for commercials that are within their territories. They are collected by the Executive Committee of Baku city.

Another problem is related with municipal properties. According to the Water Code of the Azerbaijan Republic and law on "water farming of municipalities" water sources of local importance that are located with the territories of municipalities but are under the state ownership are to be given to municipalities. However, the studies demonstrate that after the collapse of the "kolkhoz" a number of facilities were transferred to the municipal ownership through special acts, they have not been provided with special certificates of property over these facilities. Due to the non-provision of acts for certain water facilities in some municipalities, they remain without any ownership.

Limited discretion of municipalities to decide on their own properties. As per Article 29 of the Constitution of the Azerbaijan Republic, properties are not distinguished and the right to property applies to a person owning a property, sharing it with others, using it and giving it to the discretion of others. However, the changes made to the sale and renting of municipal lands made the state ownership of properties superior to the municipal ownership of properties. The mechanism of acquiring the right to ownership or renting of

properties only through land auctions or contests not only restricted the discretionary power of municipalities over their properties, but also resulted in the decline of municipal revenues.

Lands under the property of the local self-governments have been granted by the state to them in accordance with the law on “land reform” [30]. The general principles of renting or granting municipal lands to somebody’s property are contained in the law on “**management of municipal lands**” [6]. As a result of the changes made to the law on «**Management of municipal lands**» [6] with presidential decree 2523 of November 23, 2007, municipalities are forbidden to directly sell municipal lands. According to the presidential decree of December 10, 2008 [31] signed for the purpose of forming the legal basis for land sales through auctions, the responsibility to carry out the auctions or contests for land sales or rents was assigned to State Land and Mapping Committee (SLMC). There were established land auction committees in each of the regions consistent of 5 people – 2 people from SLMC departments, 1 person from the executive committee, 1 from the municipal council and 1 from the public. Chairman of the district land committee is also appointed as the chairman of the committee. The first auction of municipal land took place after 16 months in April, 2009 and until January 1st, 2011, there had been held 223 auctions and 2121 contests. The results of some of the auctions and contests were annulled. The studies (51) reveal that there are a series of shortcomings with the auctions and contests these shortcomings emerge both from the legislation and experience.

The shortcomings associated with the legislation include the following: municipal lands on auctions or contests are not valued and sold below the real market prices, problems exist with the documentation of the lands (**double taxation**, higher documentation costs etc.), mechanisms for the assessment of initial land prices are imperfect, public is inadequately represented by the Auction Commissions, there are not legal norms and mechanisms for the land auctions or contests. The practical challenges are inadequate information publication and dissemination among the people, limitations of public participation in the auction processes, absence of competitive environment, existence of unofficial payment for the documentation of lands, etc.

Following the recent changes, municipalities have to go through a number procedures, apply to numerous state bodies and get their approvals. Otherwise, municipalities would not be able to sell or lease out their lands. Such a myriad of state bodies that municipalities have to work with results in the accumulation of interests of these bodies over municipal lands create unnecessary dependence of municipalities on them thus restricting municipalities discretionary power over their properties.

The incomes from the sale of lands form the major income source of local budgets. While 17.5 per cent of the 2002 year municipal budget revenues originated from land sales or rents, it went up to 48.6% in 2004, 55.4% in 2005, and 72% in 2007 [37].

Limited financial resources of municipalities. Since municipalities do not have adequate and sustainable financial resources, they cannot properly manage the properties in their possession (See the section on “*Financial resources of municipalities*”).

The government has enacted several laws to determine the boundaries of both state and municipal properties. On February 10, 2010, the president signed a decree authorizing the application of the law of the Azerbaijan Republic on “State registry and provision of municipalities with proper certificates”. As per the decree, the State land and Mapping Committee is to work out and submit maps of the municipal lands to the body in charge of state registry of municipalities by January 1st of 2013. These maps are to cover, on different scales, the settlements, their titles, postal offices, railways and highways, rivers, water channels and collectors, major oil and gas pipelines, railways stations, state-owned,

municipal and private land plots, as well as, turning points defining the vicinities of the boundaries of municipalities, and their size of territories.

The extent of the effectiveness of these laws and fulfillment of planned activities as per the laws will be known in 2012.

5. BAKU'S STATUS

The year 2010 did not witness any step in the legislation towards the creation of single municipality in Baku, as well as, in Sumgayit, Ganja and Shrivani cities. The mayoral elections is one of the Council of Europe's recommendations to the government of Azerbaijan.

Council of Europe's Recommendation 126 of May 21, 2003 on "local and regional democracy in Azerbaijan" (Article 8.2.6) mentions that Baku city is managed by an executive body. It should be noted that a capital city is supposed to address issues that go beyond the local interests and a democratic council covering the whole city should be established to ensure the efficient and effective management. The Council of Europe holds the position that such a council does not come in contradiction with an idea of establishing municipalities in small areas. Its role is limited to founding a municipality that would cover and represent the whole city» [40].

The capital city plays a significant role in the local self-governance system. As capital cities they are symbolically meaningful and possess a special status in a state's local self-governance system. In other words, capital cities that sometimes represent the whole country in international arena are basically considered to be political, economic and cultural centers. Capital cities with major political institutions and above-average population sizes maintain a substantial role in the economies of countries they represent and contribute a larger share of national incomes.

Due to these above mentioned common specificities, there emerges a need to distinguish capital cities from other large settlements and industrial centers and ascertain a special status for them. Although no international conventions or standards are present for the status of capital cities in international experience, common provisions are provided in different documents regarding the status of this type of cities (for instance, European Charter on Local Self-governments and Council of Europe's recommendations based on the studies carried out in member states).

The general position of Council of Europe is that such large administrative territorial units as capital cities should be kept outside any type of agglomeration of a state. These territorial units are connected with each other through dense infrastructure network. In the event of no single management and coordination among them, there would be a chaos and anarchy in the management of a capital city economy. Capital cities are such an intricate and permanently developing mechanism that in case of the absence of agreed-upon strategy the consequences would, on the one hand, require a lot of resources of the country to be liquidated. On the other hand, in such a complex arrangement, all the residents within the same city must have an equal access to public services. It would otherwise be hard to eliminate the imbalance in case if there were not integrity of the management.

Through the lenses of these requirements, it is impossible not to see the current disparities in the access to services in Baku: the provision of electricity, gas, water supply, road infrastructure and public transport system is much worse in Sabunchu, Garadagh or Surakhani districts of Baku compared to Nasimi and Sabail districts. Another important rationale for the management integrity in a capital city is the fair distribution of financial resources via equalization mechanisms across different areas of the capital. Undoubtedly, the resources of richer areas with businesses and more population need to be scaled up

towards rather poor areas. In view of Article 4.3 requirements of the European Charter on Local self-governments ('subsidiarity' principle states that the competencies for carrying out public affairs related with local issues should be devolved to local self-government that are the closest to the residents), there is a need to delegate competencies of Executive Committee of Baku city, which is centrally appointed and not accountable to its residents, to a mayoral institution through democratic elections. Given all these, the Congress of Local and Regional Authorities recommends to the government of Azerbaijan that it should adopt a law on the capital city in the near future.

Council of Europe has addressed 2 recommendations over the last six years to its member states. As per Recommendation 133 on «Governance of capital cities», there need to be such conditions and resources in the capital cities that they can independently carry out their administrative functions [43]. According to Article 12 of the recommendation paper, one of the major conditionalities of the governance of any capital city is the public participation in decision-making process.

Moreover, Council of Europe's Recommendation 219 on «Status of capital cities » (adopted in 2007) stipulates single local self-governance principles in central cities [42]. Article 8 of the paper states that bodies under the supervision of the central government can not compensate the affairs of the capital city's local self-government bodies.

Finally, based on the CoE experts' studies among the member states, the following generalized findings emerged regarding the capital cities of the member states and the recommendations were developed on the basis of these findings. According to the recommendations and European Charter of Local Self-governments, unlike other cities, the capital cities with a special importance must have a single local self-government and capital cities must be allowed to create their own local self-governance system to ensure the principles of local self-governance are in place upon establishing the status of the capital city and centralized local self-government. Capital cities must also have adequate sources to generate their own incomes. Council of Europe believes that the management of capital cities by appointed executives or local governments comes in contradiction with the principles of European Charter.

The governance of Baku is currently realized by 11 executive committees covering different administrative districts and one Baku City Executive Committee that provides overall management over the other district-level executive committees. The relations between Baku City Executive Committee and district level executive committees are bottom-up and based on mutual cooperation. Despite the fact that there is a local executive committee covering the whole city in Baku, there is not a municipality at the city level. As per the law on «municipal territories and lands» there are 52 municipalities in Baku city. Since the municipalities are all part of the same tier, there is not subordination among them and each of the municipalities is only responsible for the socio-economic issues and their management in its territory. The current local self-governance system excludes the establishment of a single municipality in cities including Baku with many districts. The municipality of Baku cannot be established because of the Election Code of the Azerbaijan Republic either (23); according to the election code the number of members of municipalities in Azerbaijan is defined based on the number of population in their territories. The maximum number of the population in the election code is set to be up to 299 999 people so that municipal members are elected and now in Baku there are around 3 million people.

The status of Baku city is ascertained by the law of the Azerbaijan Republic on «territorial structure and administrative territorial division » and Article 5.9 of the law states that there must be adopted a law about Baku city.

It is critical important to form a big city municipality in Azerbaijan. The existing election code imposes restrictions on creating local self-governments in the areas where more than 300 thousand people reside. Therefore, there are more than one municipality in the two big cities – Ganja and Sumgayit – of the country with more than 300 thousand residents. It should be noted that like capital cities, such cities have infrastructure system and when the same big city is divided among municipalities that are independent of each other, it becomes harder to effectively run the infrastructure and make flexible decisions that would serve the resolution of common issues. It is therefore necessary that the ban over the establishment of single municipalities due to the maximum number of residents should be removed from the legislation of Azerbaijan. Such an approach would involve two-tier municipal system both in the capital and other large cities. In this case, along with the individual municipalities in intra-city administrative units, there would be established a single council for the whole city representing the interests of all the administrative territorial units within the same city and each of these units would be represented on a council based on the representation norm.

6. STAFF POTENTIAL OF MUNICIPALITIES

One of the major factors for the efficient operation of local self-governments is their staff potential. Much depends on the skills level of municipal officers for the effective, flexible decisions on issues of local importance and their successful implementation. There are more than 15 thousand elected members in the municipality system of Azerbaijan and even more municipal clerks.

The studies show that the current staff potential of municipalities is not capable of efficient management of local self-governance [38]. This is on the one hand because of unfair and not free municipal elections, while on the other hand because of the legislation. The law on “Municipal Service” does not set out any professional qualifications for specific duties in municipal service and nor does it specify competition conditions for the staff recruitment process. It has a rather different approach to the recruitment of municipal servants. The fifth article of the law states that chairpersons of executive structures established within municipalities for public service delivery and implementing social and economic development programs are appointed by the municipal head with the municipality’s decision, whereas other employees are directly appointed by the municipal heads. That is why the law does not create necessary legal basis for the qualified staff building in municipalities and when there are no criteria for selection, it becomes legally easy for unprofessional, random people to become employed.

Despite the recent mergence of municipalities, they are still small-sized municipalities with weak financial potential that happen to be also obstacles for developing the staff capacity of municipalities. As a result of these reasons, municipal commissions are not completely formed. There is a shortage of professional personnel since municipalities do not afford to retain and develop them, which ultimately leads to the municipal service sector becoming less attractive for employment.

The staff capacity of municipalities is also weak because there is not a special system in place to train, retrain and specialize municipal employees. It is true that over the past period there have been some measures to train, retrain and enhance the qualification level of municipal employees. Nonetheless, these measures cannot be considered to be significant in terms of their impact on the improvement of municipal management.

The training of personnel for local self-governance is carried out in the Academy of Public Administration under the President of the Azerbaijan Republic, State Economic University, Baku Business University, Qafqaz University, Azerbaijan International

University, Nakhchivan State University and Ganja State University. The enrolment capacity for the specialization in “state and municipal governance” at Ganja State University was 150 seats in 2009. There is no significant change recorded in the number of seats for 2010. Since there is not any staff capacity development system for municipalities, appropriate curriculum planning and development is not carried out and advanced teaching methodology and technologies are not adequately applied in the teaching process. The training opportunities for staff capacity are not so many compared to their needs (there are more than 15 officials working in municipal service). Since there is no vocational school education system in Azerbaijan, it still remains a challenge to divert the school leavers into municipality specializations.

There is so-called unsystematic approach towards the development of municipal staff capacity and it comes from the law on “municipal service”. According to article 6 of the law, municipal servant has the right to increase specialization and qualification level, whereas in practice municipal servants are not that interested to realize their right as the law does not contain the classification of municipal servants and specify the particular qualification requirements. This results in the chairman of the executive apparatus making any changes the way he thinks within the municipality.

Every year there are short-term courses organized at for municipal servants at the Public Administration Academy under the President for and Academy of Justice. However, it is not clear how the training needs and criteria are assessed for these courses (training topics). Besides, the number of course attendants are not that many compared to the total number of municipal servants in the country. The 2010 yearly Ministry of Justice Report on the administrative control over municipalities states that the Academy of Justice organized 17 capacity building courses for 327 newly elected municipal servants. Besides, the Academy of Public Administration also provided capacity-building courses. Overall, the capacity-building courses were attended by 381 participants, which is 24 per cent more than in 2009 (35). From the official statistics, it can be inferred that there is a need for more expedient capacity building and retraining for municipal staff.

As a result of the fact that there is not a single state policy on retraining and capacity building for municipal staff, only a small part of the municipal servant can benefit from the short-term courses organized by individual institutions. Also, for there is not an accreditation system for the programs covered in training courses of various institutions, the provided training courses sometimes end up having lower quality.

Despite the fact that the challenges of municipalities with competencies and funding have been partially resolved, the lower qualification level of staff could lead to people having limited access to quality services. That is why it is inevitable to take some measures to enhance the staff capacity of municipalities. There are some measures taken under the state programme on “Poverty Reduction and Sustainable Development in the Azerbaijan Republic 2008-2015” [26] are highly appreciated. The programme envisages that there will be training workshops for municipal servants and members to enhance their skills and potential, which will be in the format of exposure visits both in the country and internationally. Also, there will be activities in the education system to train qualified professionals for the management of municipalities.

7. ORGANIZATION OF MUNICIPALITIES AND DIVISION OF COMPETENCIES AMONG THEM

One of the obstacles for the efficient municipality building is that there are uncertainties with regard to the current mechanisms of forming municipalities and dividing competencies among them.

The challenges with the formation of municipalities, first of all, stem from the legislation. As per Article 19 of the law on “status of municipalities” [3] municipal heads are elected from the members of municipality through open or secret voting right in the first sitting. Municipal head is elected if he wins more than half of the votes. This article also states that municipal head can also be fired out of his post earlier in the same way. The practice shows that there are some disadvantages of this mechanism. Firstly, in many cases in the voting process for chairman through this mechanism municipal members that have gained fewer votes at the general elections can be elected a head. The fact that the municipal head voting process is possible to interfere is another reality that turned out to be true. Secondly, the legislation also enables to discharge the municipal head at any time. The practice shows that this is a serious obstacle for the effective municipal management. It has been recorded that some municipal heads were discharged from the posts based on subjective assumptions just because they did not satisfy some echelons (especially, heads of executive committees, groupings of municipal members etc.). There are even municipalities that have changed their heads several times during the same 5 year post term. The frequent turnover of municipal heads hinders the effective and flexible management since according to Article 18 of the law on “status of municipalities” [3] the executive apparatus of municipalities is managed by the municipal head. The observations and facts show that the dependency of the head on municipal members and the risk of losing their posts very easily cause them a psychological discomfort. Also, since there is not a strategic or planned approach towards the competencies each newly elected municipal head tries to create his own way of management that is different from the previous head’s way of doing. Very often, it affects decision-making and implementation negatively.

Problems also exist regarding the organization of municipal commissions. The smallest municipality has 5 members and the biggest municipality has 19 members in Azerbaijan. If the municipality wishes to create 3 or 4 commissions, municipalities with 5, 7 and 9 members are faced with a serious challenge. The representation of one and the same member in several commissions is not effective.

Another important hindrance for the effective management of the municipalities is that there is not clear-cut responsibility division between municipal members. The legislation does not entail such a provision of clear division of competencies among them. Though the legislation envisages certain standards regarding the competencies of the executive committee, standing and other commissions, the scope of the municipal head’s competencies is not specified. It only describes general competencies of executive committee heads to provide overall management over the committees.

Observations and surveys with municipal members demonstrate that majority of municipal members do not think positively of the current mechanisms for electing municipal heads and of the current responsibility division among them. They believe that the current procedures make it difficult to effectively organize the management. The Congress of Local and Regional Authorities’ Recommendation 126 of May 21, 2003 on “local and regional democracy in Azerbaijan” [30] also proposes the adoption of a law for municipal members to independently carry out their competencies.

8. MUNICIPAL ASSOCIATIONS

An effective municipality institution much depends on effective local self-government associations. Sometimes, these associations are thought to be only a form of inter-municipal relations. However, such an approach discredits the status of local self-government associations. Municipal associations are more than the relationship among municipalities and represent the interests of municipalities in relation with the central

government. That is why in international experience the effectiveness of municipal associations is judged based on their ability to represent the interests of its members.

It is already four years since the municipal associations were established in Azerbaijan. Three - rural, town and urban- municipal associations were established in the fall of 2006 in Azerbaijan. Currently, about 81.5 per cent of municipalities (1400 municipalities) are united under the rural, 13.9 per cent under the town (240 municipalities), and the rest of the municipalities (80 municipalities) under the urban associations. However, no further decentralization was noticed over the past period and nor did the local self-government associations make any serious initiatives in terms of developing the municipal institutions. The operation of municipal associations in line with their mandate and necessary resources (human resources, in particular) they need to function are questionable since their very first establishment. In world practice municipal associations exist as a rule to share the best practices of management, form an information environment to have the municipalities effectively cooperate with each other mutually using their resources, defend municipalities' interests vis-à-vis the government, participate in law-making process that concern the interests of municipalities, hold a regular monitoring of municipalities' problems, and lastly assist with training, retraining and capacity building of municipal servants. The municipal associations in Azerbaijan are doing none of the above activities.

The legal basis of the municipal associations in Azerbaijan is the law on «status of municipalities». Article 10 of the law states that municipalities can found associations to coordinate their activities, realize and protect their rights effectively. Compared to European standards, experience and legislation of different countries regarding the municipal associations, there are grave shortcomings with the normative-legal basis of the municipal associations. *Firstly*, Article 10.2 of the European Charter of Local self-governments requires that local authorities should have the right to belong to an international association of local authorities in each member state. However, there is no such provision in the legislation of Azerbaijan. Also, Articles 4.5 and 5 of the Charter as well as 7th paragraph of Recommendation 171 that Council of Europe adopted in 2005, which is entitled as “consultations with local authorities”, stress that upon planning and making decisions that concern local self-governments, the government shall consult local authorities. Yet, there is no such consultation mechanism provided in the legislation of Azerbaijan. Only Article 13 of the law on “status of municipalities” states that the establishment and alteration of municipal areas as well as the re-establishment or alteration of municipal areas upon founding, merging, separating, reorganizing or cancelling municipalities are regulated by the law with the consideration of the social-economic status, history and other local specificities of a certain territory along with the reviews of citizens living there. Apparently, there is no provision about engagement of local self-governments in making important decisions regarding the alteration of the boundaries of a certain area.

There are even more challenges with the operation of municipal associations in Azerbaijan. They do not, first of all, have a professionally designed strategy, while such a strategic plan is an indicator of any powerful organization not working on an ad-hoc basis and they do not have a clear vision into the future and effective mechanisms in place to effectively use the resources that are at their disposal. The municipal associations in Azerbaijan do not have internet page and periodic publications, whereas without such communication mechanisms it would be impossible to provide the member municipalities of the associations with information on a regular basis and facilitate the mutual cooperation among them.

9. ACCOUNTABILITY AND SUPERVISION IN MUNICIPALITIES

The efficiency in local self-governance also depends on how transparent and accountable the municipalities are. The legislation of Azerbaijan imposes some accountability duties over the municipalities and envisages the public and administrative supervision over their performance.

The provisions regarding the municipal accountability and transparency can be encountered in several legislative acts. For instance, the law on “status of municipalities” [3] states municipality shall build their activities in a transparent way. As per Article 15 of the law municipal members shall report to their constituents no less than once every six months. Nevertheless, the law does not specify the format and guidelines for the reporting, as a result of which it is difficult to supervise and assess the level of accountability of municipal members. Many experts believe that not only the accountability of individual members of municipality but also the requirement about the overall accountability of the elected body of municipality must be provided in the legislation. Besides, Article 52.1 of the law on “status of municipalities” [3] stipulates the competencies of municipalities to disclose and make the information easily and equally accessible for all. Article 30 of the law also states that municipalities and municipal councilors shall respond to citizens’ requests accordingly within one month. Moreover, as per the law on “access to information” [17], municipalities are identified to be carriers of information, which also includes the websites form municipalities.

The analyses over the past period show that there is hardly any transparency and accountability in the performance of municipalities or their members; they do not report to the people and inform their citizens about the municipal sittings and events. This creates serious problems for the provision of accountability and transparency in their operations and for the public engagement in the local self-governance process, which undermines people’s trust in local self-governments. Additionally, the legislation does not entail specific provisions for the breach of accountability and transparency requirements by the municipalities.

Regarding the municipal websites, majority of the municipalities do not have internet resources. It is partly because of weak financial resources of municipalities (especially, village municipalities), and partly because municipalities themselves are not tempted to disclose the information. In the past, some NGOs realized projects to create websites for municipalities, yet, this has not contributed to the solution of the problem. Only one per cent of municipalities have websites in the country.

There are some provisions in the law about the supervision over the activities of municipalities; Article 10 of the law on «financial sources of municipalities» [4] states that the draft budget for the next year shall be published to let the local people have an idea of it within ten days of discussing it in a municipal sitting. Article 11 of the law also notes that people must be provided with the annual reports of the local budget implementation. Article 12 of the law on «local (municipal) taxes and fees» [5] provides that supervision over the collection, transfer into the local budgets of the local taxes and fees and their use is carried out by appropriate municipal commissions, or by those not employed by elected bodies or in municipal service, who are proposed in the local “mahalla” (quarter) or citizens’ gatherings, or by supervision commissions that are approved at municipal sittings. If need be, an independent outside auditor can be involved to carry out the appropriate investigations upon the decision of municipalities in order to make things clear with the collection and use of local taxes and fees. The collection and use of local taxes and fees must be done in a completely transparent way. As per the legislation, for the transparency, municipalities and a corresponding supervision commission must report to

their citizens, publish brochures, and post their annual reports on boards in front of their municipal buildings. Also, the law on “management of municipal lands” [6] states that municipalities shall report to their citizens about the turnover of lands (yet, this provision is not specific enough and does not entail the punishment for the municipalities that breach this law. Hence, majority of the municipalities do not report to their citizens). Unfortunately, the above mentioned provisions in the legislation were not followed by the municipalities over the past period. Some NGOs have carried out projects to address the increased public participation in local decision-making and public supervision over the municipalities, the overall level of public participation across the country municipalities was low. The closer investigations reveal that most of the municipalities are not interested in public participation and supervision over their activities. Moreover, the overall processes are negatively affected by the lower participation rate of local citizens.

The investigations show that such a negative practice in local self-governance arise from the fact that local elections are not held fair and free along with some other factors; municipal members who are not elected with the real will of the people but rather with the illegal intervention and support of the executive committee feel accountable not to the people but executive committees that “elect” them. Hence, they are not interested in terms of carrying out their accountability and transparency duties.

Along with the public supervision, the legislation also provides for the administrative supervision over the municipalities, which is regulated by the law on “administrative supervision over the municipalities” [16]. The purpose behind the administrative supervision over the municipalities is to check whether municipalities and their officials abide by the constitution or other normative-legal acts. The administrative supervision is in fact the state supervision over the municipalities and performed by the Ministry of Justice Department for the Work with Municipalities, which drafts and submits the reports for the discussion in the parliament [28].

Article 4 of the law on “administrative supervision over the municipalities” puts forward a series of requirements to ensure the efficient administrative supervision (3). For instance, Article 4.4 states that administrative supervision cannot limit the right of municipalities to settle issues of local importance in an independent way within the framework of the law. Or Article 4.5 states that any intervention with the operations of municipality during the administrative supervision must be correspond to the purpose specified in the law. These principles are obviously very important to build a supervision system to ensure the effective municipalities. However, Article 5 of the law where the basis for such administrative supervision is laid out leads to the breach of these principles in practice; this article considers the requests of the state body, physical or legal entities, which claim that their rights or lawful positions were breached by the municipality, as the basis for the administrative supervision. This contradicts with the goals of the supervision carried out by the Ministry of Justice Department for the Work with Municipalities and creates additional interventions for the work of municipalities. In fact state bodies, legal and physical entities that accuse municipalities of violating their rights are entitled to directly go to the court.

Despite the fact that last year, no substantial step was taken to increase the management capacity of municipalities, there were official initiatives to strengthen the state control over the municipalities. Being in charge of carrying out administrative control over local self-governments, the Ministry of Justice applied to the Parliament asking for necessary financial support from the state budget so as to inspect the financial-budget performance of municipalities. The Ministry recommended that the parliament should make some changes to the legislative acts, which contradicts with the laws that regulate the activities of the Accounting Chamber. According to Article 2 of the law on “Accounting

Chamber”, the supreme auditing body of the state shall exert control and check whether the funds that municipalities receive from the state budget are spent in an assigned way. In the event of violations of the laws during the inspection, the chamber is authorized to submit the necessary documents to the Supreme Prosecutor’s Office. According to Article 16 of the law, the Chamber is to inspect the financial and budget performance of the municipalities on the basis of an appeal from the Ministry of Justice, prepare a review and, if necessary, carry out an auditing. Obviously, there would be one more state body with the right to inspect the financial and budget activities of the municipalities, if such an initiative came true.

Along with the current legislation laying down the administrative supervision provisions over the municipalities, the constitutional changes raised on referendum on March 18, 2009 put forward the accountability of municipalities to the ‘Milli Majlis’ (Parliament). This change already in effect comes in contradiction with Article 8 of the European Charter of Local Self-government [2]; as per Article 8 of the Charter, “any administrative supervision of the activities of the local authorities shall normally aim only at ensuring compliance with the law and with constitutional principles”. Since there is a separate law as a basis for the administrative supervision of municipalities and such supervision is already carried out, it is irrelevant and not understandable why additional supervision forms should be applied. Unsurprisingly, the Congress of Local and Regional Authorities under Council of Europe objected to the changes raised on the referendum.

Afterwards, on March 5, 2010, a law was adopted to make changes and amendments to certain legislative acts as required by the Referendum Act of the Azerbaijan Republic on “changes and amendments to the Constitution of the Azerbaijan Republic” following the referendum results of 18th March, 2009. Consequently, amendment 52.2 titled “Reporting by municipalities” was made to the law on “status of municipalities”. According to this amendment, municipalities will have to submit reports to the Milli Mejlis (Parliament) about the following issues:

- 1) Performance of competencies that municipalities are granted in accordance with per section 2 of Article 144 of the Constitution;

- 2) Utilization of the funds that are allocated from the state budget of the Azerbaijan Republic in the cases that are allowed by this law.

In fact, such an amendment to the legislation does not seem enough to understand the reason behind holding municipalities accountable vis-à-vis the Milli Mejlis.

Another important issue related with the accountability of municipalities is that they are asked to submit the reports that are not specified by the law. That is, municipalities have to report to Ministry of Justice, Ministry of Taxes, State Social Protection Fund, State Statistics Committee and they follow these requirements of the legislation. Apart from this, municipalities are required by the local executive committees to report on the turnover of lands every month and on the financial situation every six months. This requirement does not have any legal basis and thus serves to restrict the independence of municipalities.

The public control over the municipalities is also included in the state programme on «Poverty reduction and sustainable development of the Azerbaijan Republic 2008-2015» [26]. It states that state and people’s supervision over municipalities will be improved. Under this state programme, civil society is expected to be strengthened, the role of communities will be more involved in the settlement of local issues and NGOs will be supported to encourage the community-based development.

CONCLUSION AND RECOMMENDATIONS

Through the analysis of the current situation, it can be concluded that the development of local self-governance much depends on the complex administrative and fiscal decentralization reforms. It presupposes necessary changes to the legislation and proper administrative measures, which in its turn calls for the successful design of package of reforms. The NGO Alliance For Municipality Development is ready to closely participate in this process and proposes the following recommendations that are reflected in the review:

Municipal competencies:

1. *The legislation must entail norms specifying the status of municipalities as the local self-government bodies;*
2. *In line with the European Charter of Local self-government municipalities must be given full and exceptional competencies. In doing so, the natural competencies and those that can be delegated must be distinguished from each other, and each of the competencies must be clear in its scope. Status and responsibility reforms should result in liquidating the parallel local governance;*
3. *There must be a clear-cut division of competencies between municipalities and local state bodies. A legislative act should be enacted to regulate the relations between state and local bodies.*

Optimal Size of Municipalities

1. *Boundaries of administrative territories should be compared to those of municipalities. The number of municipalities is minimized within administrative territorial units and there should not be more than one municipality. In exceptional cases (such as, settlements on a mountainous areas which are quite far away from the centre of the administrative territorial unit), there might be more than 2 municipalities.*
2. *The representation quota of citizens in communities of merged municipalities should be ensured. Appropriate changes are made to the Election Code and new norms of the representation are established to ensure that citizens of different settlements are represented in the single municipality.*
3. *Limitations should be defined for the low number of people required to establish local self-governments. Appropriate changes are made to the election code and the law on «status of municipalities» and limitations are imposed on the minimum number of residents for the establishment of a municipality.*
4. *The limitation over the ceiling number of citizens should be removed. Appropriate changes are made to Articles 210.2.1 and 210.2.8 and the limitation over the maximum number of residents for the establishment of a municipality.*

Enhanced financial potential of municipalities

1. *The legal basis should be established for the application of the “minimum budget provision” mechanism in order for municipalities to have adequate financial resources to carry out their competencies;*

2. *Municipalities should be given sustainable financial sources that can enable them to carry out their competencies properly, tax-sharing system should be applied by making appropriate changes to the tax law*
3. *Tax-charging mechanisms should be improved to ensure that municipalities make the efficient use of current tax sources*
4. *The current transfer mechanisms from state budget into the municipal budget should be improved, conditional transfer be given along with unconditional ones and transfers be increased;*
5. *For municipalities to be able to access to credits, a proper set of mechanisms should be put in place, and various funds be established to facilitate the development of municipalities.*

Larger property potential of municipalities

1. *As per the law on “granting properties to municipalities” all municipalities should be provided with administrative buildings by the state;*
2. *Authority state bodies should give certificates affirming the property rights of municipalities over their properties, especially over the lands in the capital;*
3. *Before municipal lands are put on auctions or a special competition, they should be valued by an independent auditor and their real market prices;*
4. *The number of auction and competition commission members should be increased from 5 to 7, and should be consistent of permanent and temporary members. 3 permanent people should be from the state bodies (2 people from district department of SSAC and 1 person from the executive committee), 4 temporary people from the public (the elderly of the village, municipal member, NGO and Mass-media and they are one-time);*
5. *The methodology of competition and auctions should be developed in the relevant legislation and the procedural aspects of the both processes should be improved;*
6. *The sale principles of the lands should be included into the relevant legislation depending on the assignments of lands. These principles should entail the conditions as to which cases the lands can be put on sale or rented or can be raised for auction or competition.*

Organization of municipalities and division of competencies among municipal members

1. *A mechanism should be developed to elect the municipal head through the public voting and along with the elections for municipal members, elections should also be held for municipal head;*
2. *The number of municipal members should be reviewed in line with the administrative territorial structure of municipalities and municipal elections be transparent and fair;*
3. *The scope of municipal competencies and duties should be specified and reflected in the legislation.*

Stronger municipal associations

1. *Municipal associations should be accepted by the central government as an equal partner in the process of policy-making regarding local self-governance and legal mechanisms be established for such partnership;*

2. *Consultation body should be established on permanent basis to ensure the regular consultations between central government bodies and municipalities;*
3. *Real warranties should be granted to municipal associations for their independent functioning;*
4. *In compliance with the European Charter of Local self-government, the national legislation should grant the right to municipal associations to become a member of international associations;*
5. *Municipal associations should design their own mid- and long-term action plan and strategy so as to become professional entities and have clear understanding of future activities;*
6. *Associations should embark upon IT application in their management, especially websites so as to effectively communicate with and update the member municipalities, and arrange the online legislation service for municipalities;*
7. *Associations should be held more accountable to member municipalities and their activities be grounded in transparency and accountability principles;*
8. *Inter-municipal cooperation should be encouraged in each and every district, town and particular areas and municipalities should be totally free to choose the way of cooperation and free from any kind of administrative pressure;*
9. *Associations should build cooperation with universities to the effective designing of personnel training for municipalities;*
10. *Associations should maintain close relationships with international organizations to recruit the necessary resources for the development of municipalities;*
11. *Associations should have a special PR service to facilitate the effective communication and cooperation with the public, especially NGOs and Mass-media;*
12. *Associations should review the municipal legislation on a regular basis and propose legislative initiatives to the parliament based on these reviews and collected reviews.*

Baku's status

1. *Legal obstacles should be removed for the establishment of single municipality of Baku city and the law on "Status of Baku city" be adopted to regulate the complexities around the status of Baku;*
2. *Conditions for the elections to Municipal Council of Baku city, number of elected municipal people irrespective of the type of municipality and representation guidelines for all administrative units within the boundaries of the capital city should be reflected in the legislation;*
3. *The division of competencies between to-be-established Baku municipality and Baku City Executive Committee and other state bodies and coordination of activities between them should be regulated through the law;*
4. *The law on the "Status of municipalities" should clearly identify the competencies of the Baku City Municipal Council, status of the City administration to be founded through the Council's decree and structure and scope of competencies of local administrative units;*
5. *The municipality of Baku should be provided with necessary financial resources to effectively function and carry out its duties properly.*

Staff capacity of municipalities

1. *The law on “municipal service” should be improved, qualification standards should be set for particular positions in municipal services and job recruitment conditions be set out;*
2. *Training System for Municipal Staff should be built, teaching curriculum be improved, and official accreditation be organized for the teaching-training programs;*
3. *The comprehensive re-training and specialization courses should be provided under the Public Administration Academy and special institute be created for qualified municipal officers;*
4. *Capacity-building courses should be based on needs-assessment. Municipal associations and authority state bodies should design mechanism to enable the proper and regular assessment of the capacity needs;*
5. *Cabinet of Ministers should establish qualification and professional standards for municipal service. It is possible to prepare the qualification-profession survey book similar to those that are already available for a number of professions (e.g. education and healthcare workers);*
6. *Municipal associations should establish an information bank for the training and re-training and capacity building of municipal associations, where the number of undergraduates or graduates, trained and retrained staff members in municipal issues for each municipality and the list of topics provided during the courses throughout the year would be recorded. When there is no such information it is virtually impossible to assess the current qualification level of municipal members and identify the future development perspectives;*
7. *A national strategy on re-training and capacity building of municipal officers should be worked out along with the establishment of regional teaching and training centers that would cover the majority of municipal members.*

Accountability and control in municipalities

1. *The ambiguity regarding the accountability of municipalities should be removed from the current legislation;*
2. *Special measures should be set out for the breach of accountability requirements by the municipalities;*
3. *The administrative supervision of municipalities should be carried out only to ensure their compliance with the constitution and not be used as a tool of pressure over them.*

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