THE CONCEPTUAL BASES OF SELF-GOVERNANCE FINANCIAL SOURCES IN THE AZERBAIJAN REPUBLIC

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Methods. The main idea of this article analyzing conceptual foundations and statue, budget, revenues of municipalities in Azerbaijan Republic.

Result. Self -governances should increase their administrative role, action in order to provide both social and economic fields in the interests of local citizens.

Scientific novelty. The analysis of municipality activities during the last period gives ground to come to a conclusion that though some solutions have been achieved in the local self-governance field in Azerbaijan.

Key words: expenditure, annual revenue, municipality, torts, duties, tax, income, budget, resource.

1. Conceptual principles of local governance

The significance of local authorities lies not only in their performance of local services, but also in their contribution to the improvement of democratic culture. The formation, powers, duties are regulated by law in accordance with the principle of constitution.

Amongst many factors that highlight the increasing significance of local government worldwide are developing political, technological, socio-economic growth and acceleration in the process of democratization, a movement away from centralized forms of governance in different levels.

Local authorities are democratic governmental organizations founded outside the central administration to carry out local public services. The establishment, responsibilities of self-governance are governed by law principles. Local self-governances are autonomous organizations [2].

Most local authorities have a great untapped potential of human resources which if motivated and trained could make a significant impact on productivity and municipal effectiveness. This is a cost - effective method of organizational development that local authorities should take advantage of.

- Enabling people in the local government to develop and utilize their full capacity and potentials:

This is other face of workforce mobilization, looked at from the perspective of the people in the organization themselves. Developing the capacity of those working in local government both serves their needs and interests and those of local authority.

- Integrating human resource policies with municipal plans, programs and developing a management culture suitable to the needs of local government:

Human resource policies must be viewed in a holistic perspective, not in isolation and must be an integral part of the values and goals which are the driving force of the organization [6, p.5].

Lots of activities were undertaken at the previous stage in the field of municipalities' formation and actions. They cover a broad spectrum of activities related to practical activity of municipalities and development of their legal framework. The work carried out in the development of municipalities legal framework is pretty significant. Thus, more than 20 laws and other legal acts have been adopted directly on local self-governance institutions. Provisions related to the activity of municipalities are also included in some other legislative acts. We would like to emphasize another aspect of this issue. Not long ago Azerbaijan was adopted in Council of Europe and one of its commitments before the Council was connected with municipalities. In compliance with the commitments, the European Charter Of Local Self-Governance was ratified on December 25, 2001 and this international act was included in the legislative system of the country.

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But along with all the mentioned, the stage revealed a number of serious problems in the activity of municipalities. The issues related to status of municipalities and their financial-economic bases have most principal character.

2. The status of municipalities

The provisions on self-governance bodies are provided for in Section Four "Local Self-Governance" of the Constitution. Part III of Article 142 of the same Section reads that the essentials of municipalities' status are defined by the Constitution. And the Constitutions defines the municipalities' status as non-political bodies. Thus, the provisions on local self-governance bodies are provided for not in the section of the Constitution that identifies state governance body systems, but in a separate section. This means municipalities are not included in the state governance body system.

- ***Identification of local taxes and fees;***
- ***Approval of local budget and reports on its implementation;***
- ***Ownership on the municipal property, its use and direction on it;***
- ***Receipt and implementation of local social protection and social development programs;***
- ***Receipt and implementation of local economic development programs;***
- ***Receipt and implementation of local ecology programs.***

It should be noted that economic, ecology, social development and social protection programs attributed to the municipality authorities are envisaged as additional programs to the state programs.

The Constitution establishes legal bases for a number of principal moments related to municipalities' status: organization of local self-governance, organization of municipalities' activities and their authorities, municipal decisions and ensuring of their independence and others.

The primary objective of the project of "Law and Development" Public Union named "Benefiting from initial experience in municipal governance and its perspectives" and implemented by support of Open Society Institution, was to study successes of municipalities in Azerbaijan during the last period, their problems and perspectives, as well as analyzing and systemizing of the issues.

The analysis of the processes shows that another serious obstacle for establishment of civil relationships between municipalities and local executive authorities and for normal operation of municipalities is linked to financial-economic activity of municipalities. Presently, in most of the cases municipalities cannot use their leverages in governance due to lack of minimum property that may provide capacity for carry out their activity. Due to lack of sufficient finance so far local self-governance bodies could not implement serious socioeconomic and social protection programs. At present, there are no broad service facilities operating and owned by municipalities.

Economic activities of local authorities cannot be underestimated from the viewpoint of mobilizing local potentialities, organizing community development scheme, etc. However these activities should not be exaggerated within the system of a planned economy as the macro-economic objectives, such as the rate of growth, the amount of investments and their break-down by sectors, fiscal and monetary measures, employment problems are dealt within the national plans, micro-economic activities of the local bodies.

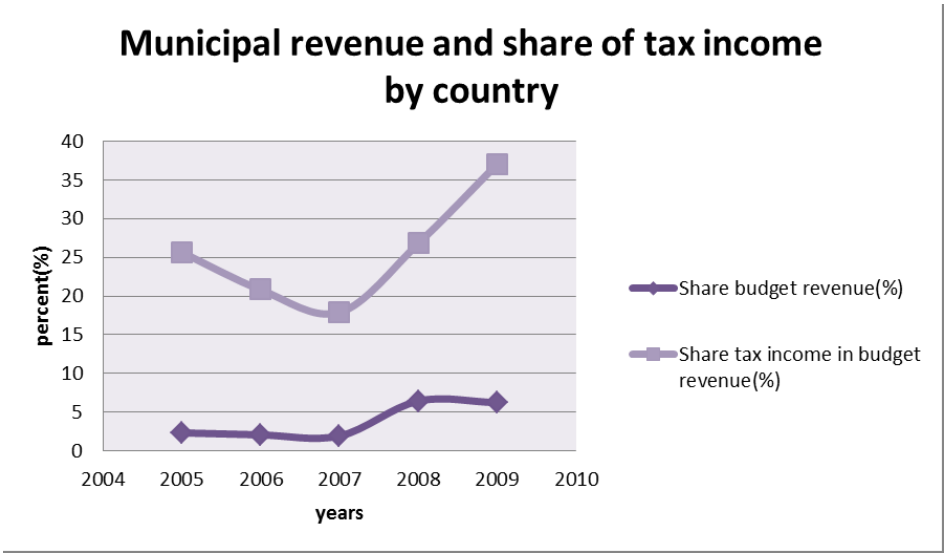


Рис. 1

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In accordance with the Constitution of the Republic of Azerbaijan, a new institution of local self-governance in the form of municipalities has been established. Municipal institutions were created to decentralize governmental management systems and mobilize civil society to collectively resolve public issues. Relevant legislative acts give municipalities a wide range of responsibilities for resolving different social, economic and ecological problems within the territories of municipalities that are outside control of the relevant State programs. In accordance with Azerbaijan constitution there are some duties for self-governance:

Article 142: Organisation of local self-government:
1. Local self-government is carried out by municipalities.
2. Municipalities are formed based on elections.
3. Procedure of elections to municipalities and status of municipalities are specified in laws.

Article 143: Organisation of work of municipalities:
1. Activity of municipalities is carried out by way of meetings, permanent and other commissions.
2. Meetings of municipalities are summoned by their chairmen.

Article 144: Authority of municipalities:
1. The following questions are settled at the meetings of municipalities: recognition of authority of municipality members, loss of their authority and termination of their authority according to legislation;

i. approval of in-house regulations of municipality;

ii. elections of the chairman of municipality, his deputies, permanent and other commissions;

iii. establishment of local taxes and duties;

iv. approval of local budget and reports on its implementation;

v. possession of municipal property, use and disposal thereof;

vi. acceptance and implementation of local programs of social protection and social development;

vii. acceptance and implementation of local programs of economic development;

viii. acceptance and implementation of local ecological programs [1, p. 5-6].

In the code of Azerbaijan Republic to provide environment and ecological security in the period of constructional building is essential.

In accordance with this code, first of all there should be ecological estimation before constructing buildings, enterprises, repairing roads .Especially, in accordance with Azerbaijan Building Code providing security constructional building is highlighted. Here is taken as fire security, safety of construction , rules of labor safety issues to pay attention . Reckon with the density buildings in Baku, the square of-greeness is 3 m2, although normally indicator is 11 m2 and this makes the situation more difficult.

Municipalities may be given additional authorities of legislative and executive power. To implement these authorities respective financing is required. Implementation of such authorities will be controlled respectively by legislative and executive power bodies.

3. Financial sources and investments of municipalities in Azerbaijan

The financial condition is the amount of various demands and positive torts, responsibilities for economic social, cultural, democratic development between central power and local governments. Municipalities should possess financial sources in order to be in modern standards position.[1] This resources should be provided by the government bodies within social standards. In 2012 annual revenue of local self governances is 35.86 billion manat (*1 AZN* = 1.27502 *USD*), common expenditures is 35.81 billion manat (AZN). In comparison with previous years, in Azerbaijan Republic the annual revenue of all municipalities in 2012 was 1.75 billion manat or 5.1% , but expenditure was 2.8 billion manat or 8.5%. Mainly 41% of the budget in rural municipalities is regulated within selling and renting of the lands in the territory of self-governance [5, p.26]. Obviously, this tendency is observed in rural municipalities.

The highest pace of property tax growth was achieved in 2008, when tax receipts saw a 18,7% increase despite the fact that there was a 13.85% decrease in the budget revenue at that time. The significant increase in property tax was due to the change of the mechanism for sales of lands in the municipal ownership. Since December 2007, local governments have been banned to sell lands until new regulations are endorsed and this restriction that lasted till April 2009 resulted in the loss of income source of the budget. Since the share of income from privatization of municipal lands in the budget revenues averaged 40-70% by years. The sharp decrease in the income from the major source stimulated municipals to focus on tax collection. As a result, tax receipts were about 30% up in a year. In that same timeframe property tax incomes rose three-fold to 2.8 million manats from 967,300 manats (**Pic. 1**).

To sum up, the result of these changes is that the enhanced role of self-governance, related to administrative action, fast urbanization base on more complex demands in the management, as well as technical and financial capacities of local authorities. Training programs, certain abilities and skills including the ability to manage technical specialists, to delegate and control and to have a broader view of problems and issues, to be flexible and to work with less hierarchical situations, to facilitate teamwork

in complex organizations and to use constantly evolving managerial tools as computers and information systems or production processes incentive methods may also become necessary. Therefore, the analysis of municipality activities during the last period gives ground to come to a conclusion that though some solutions have been achieved in the local self-governance field in Azerbaijan. Reasoning from the abovementioned we can come to a finding that the problems are not simple, but fundamental. The existing problems cover important issues of principle nature. They include such important issues like **status of municipalities, its place in the political system, division of powers between municipalities and executive authorities, taxes, budget sources, economic fundamentals of local self-governance.** The reforms in this direction should be based on the principles of decentralization of the state power and democratization of local self-governance. All of these are dominant factors for the social- economic development of any municipality in Azerbaijan Republic . If these factors are utilized rationally, according to the fairly methodology, will be productive for future purposes. The conceptual bases of local governance shall be accepted in domestic legislation and even in the constitution. Municipalities should realize that, they are foundation of the nation in their territory.

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