



The Fiscal Decentralization Initiative
for Central and Eastern Europe

Problems of Fiscal Equalization and Decentralization of Local Governments in Azerbaijan

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A. Short Executive Summary

On December 2004, Azerbaijan witnessed the second term of elections for municipalities. Unfortunately, it seems that the country lost the chance to design appropriate institutions for local governing over the last five years. Although current legislation envisages that municipalities of poor financial capacity should receive aid from the state budget, no principle for its distribution is provided. In addition, it is noteworthy that a decree was needed to tackle the major problems municipalities faced.

This paper proposes reforms to improve the fiscal capacity of the municipalities, including amendments of the taxing principle, tax base and tax collection, as well as modernization of a government subsidy allocation mechanism. The last entails consideration of expenditure needs and the poverty level of the municipalities.

B. Introduction: General Background

In order to conduct a detailed analysis of budgets at all levels, I, like other authors, use terms such as “state budget”, “municipal budget” or “local budget”.

B.1 Current Overview of the Local Budgets

Establishing municipal institutions in Azerbaijan and promoting them to gain independence in a decision-making process increases municipalities’ responsibilities in social and economic development across the country. Obviously, local governments’ ability to realize these duties must take into account several factors including but not limited to: human resources capacity, expansion of the private sector and communication system, eco-climatic and demographic conditions in the respective region and other factors. Of course, significant financial capacity and power of local governments is of great importance and, notably, the main factor. The financial potential is generally accepted as the key to development of local governments, whereas the rest are factors of less

importance. The local budget is the financial document that reflects the real purposes of the respective municipality and its duties.

The local budget is the most popular and useful data used to assess the financial position of the municipality. If its own financial resources enable it to carry out its required responsibilities, the municipality has a strong financial capacity. Pursuant to the Law on Financial Basis of Local Governments in the Republic of Azerbaijan, a local budget is a set of assets designed and used to implement municipal budget responsibilities. To have a clear understanding of local budgets, it is important to carry out comparative analyses of both receipts and expenditure items of the municipality budgets.

C. Basic Structure of the Intergovernmental Finance System

A set of provisions concerning adjustments of mutual relationships between the state budget and local budgets have been reflected in the Law on Budget. Although this law envisages full independence of budgets at all levels, financing from the central tiers to lower tiers of the budget has been accepted as a key principle. The Law on Budget states that if self-governance institutions are unable to fulfill their responsibilities out of their own financial resources, municipalities should receive financial aids from the state budget. The aid in the said law is defined as “subsidy”, “subvention”, and “grant”. But, the legislation defines neither principles nor criteria for distribution of subsidies and subventions to local municipalities. Pursuant to Article 34.4 of the Law on Budget, subsidies to municipalities are provided according to the following two principles: first, population, and the second is the role of the region in the establishment of the country’s financial capacity. State grants are financial aids from the state to municipalities provided to cover an imbalance between receipts and expenditures of local budgets. This is non-purpose financial aid.

C.1 Local Budget Income

Appendix 2a. represents the aggregate revenues of all local budgets from year 2003 to year 2005 in the country. It shows that local budget revenues have totaled AZM 121.6 billion in 2005. That means that average income per municipality was AZM 44.5 million, while the average local budget income per capita was AZM 14,305 in that same timeframe.

Figure 1. illustrates the considerable growth of total revenues from 2003 to 2005.

It is notable that total revenues of local budgets increased by 63.0% and 38.6% from 2003 to 2004 and from 2004 to 2005, respectively. In these increases, tax revenue has no significant share in the first case, while it even decreased by about 31% in the second period. The increase in the first period was attributed to all the constituents of tax revenues except profit taxes, which, being relatively small (less than 0.05% and 0.06% of

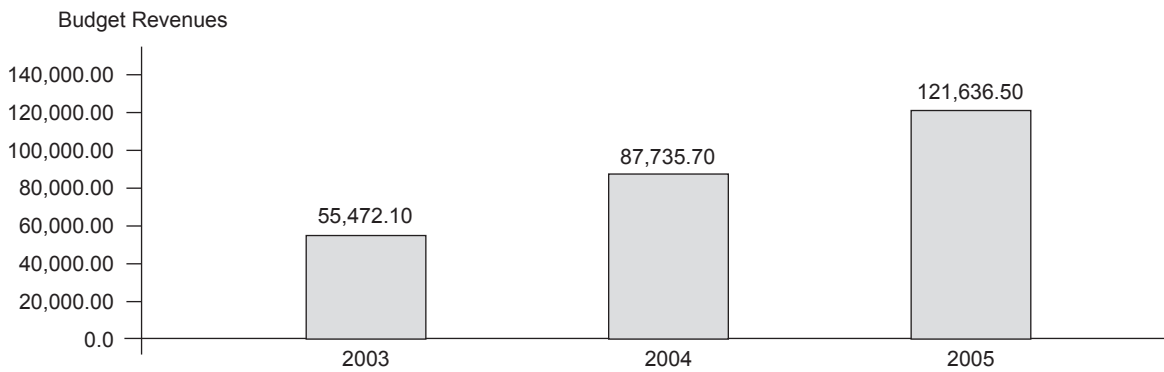
the total and tax revenue, respectively) showed a 31% decrease. The decrease in the second period was caused by a decrease of almost all significant tax revenues, which totaled 91% of the tax revenues. There were only two exceptions: fees paid for street advertisements and duties and taxes paid for car parking.

Figure 2. depicts the distribution of revenues in 2005.

C.2 Local Budget Expenditures

Next, consider budget expenditures in Azerbaijan for the last three years. Appendix 2b. highlights expenditures of local budgets from 2003 to 2005. It shows that aggregate expenditure of all local budgets was AZM 123.6 billion in 2005, while the per capita budget expenditure was AZM 14.552. Out of that, the highest share, around 28.8% was consumed for administrative costs and 23.4% on construction, including road reconstruction, while

*Figure 1.
Total Income of Local Governments (million AZM)*



*Figure 2.
Distribution of Tax Revenue in 2005 (as a share in overall budget revenues, rounded)*

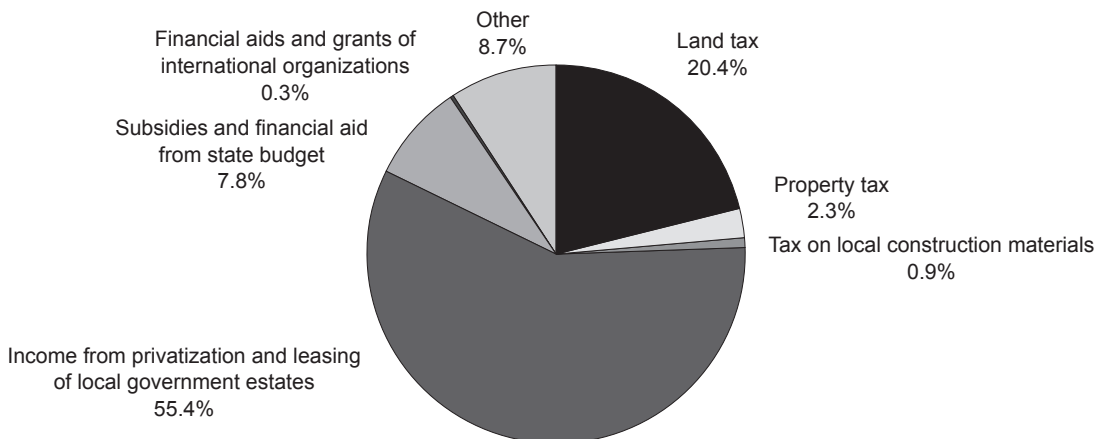
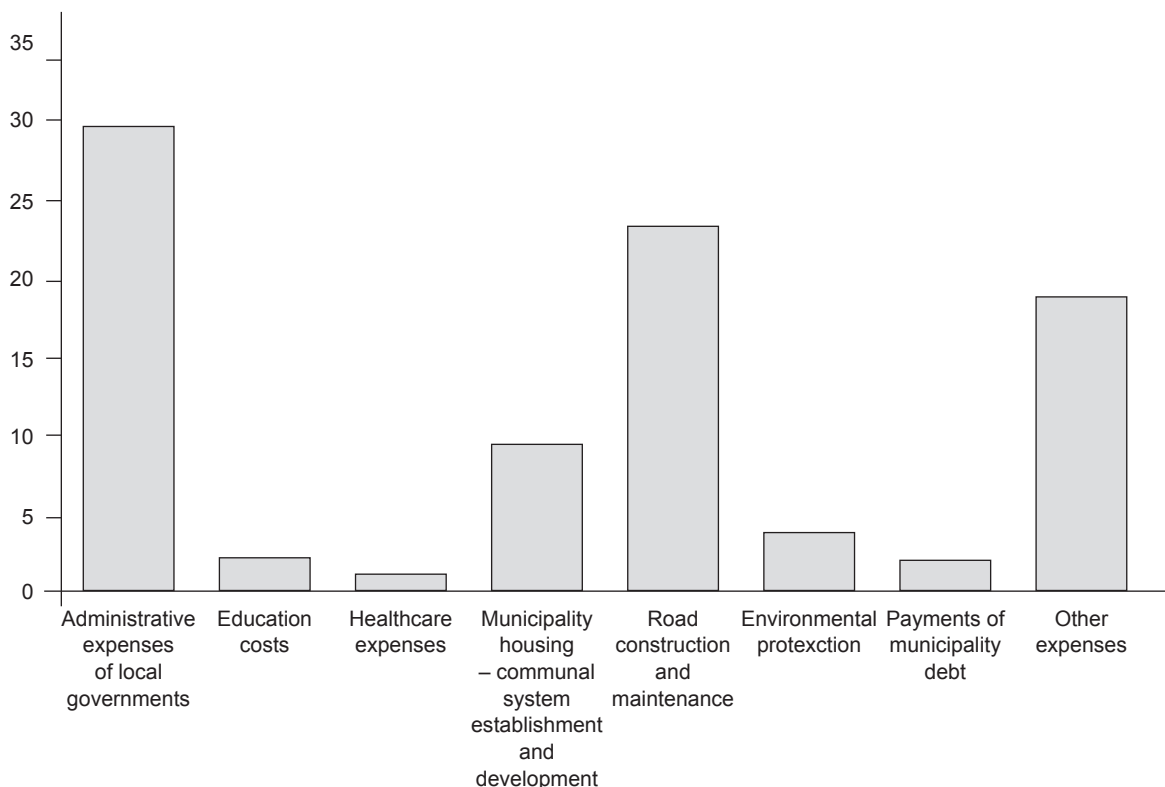


Figure 3.
Local Budget Expenditures in 2005 (in percent)



3.4% was spent on education and healthcare systems together, 3.8% on environmental protection, etc. Figure 3. depicts the expenditure shares as of 2005.

The share of administrative costs in total budget expenditures is extremely high in several regions. The highest is in Mingechevir City, around 83.5%. In the Fuzuli district it is 53% and in Gence City 50.4%. In other districts this figure ranges from 20% to 50%. This shows that there are still economic and social development problems in the regions.

Analysis of local budgets and the current level of receipts and expenditures reveal that local governments possess extremely weak financial power. A comparison of local governments' current fiscal capacity with their responsibilities as defined by law, implies that financial resources are scarce to fulfill social and economic projects.

D. Fiscal Equalization

For institutions of self-governance, the existence of a fiscal equalization mechanism is important. To ensure

fair and effective equalization of municipal budgets, the state commenced employing a number of methods such as general purpose grants (subsidies), conditional grants (subventions), budget loans, etc. However, the transfers from the state budget allocated for equalization of municipal budgets are often spent without a specific target.

Before touching on the financial environments local governments face, I would like to draw your attention to fiscal equalization of local budgets in Azerbaijan. State subsidies for local municipalities defined during the approval process of the state budget are used as equalization means. According to the Law on the Budget System, local governments are not "defended" by state financial aids, including subsidies. That is the reason the amount of state financial aid to municipalities decreases when the state budget faces financial problems. For example, in 2002, although AZM 53 billion was planned as state financial aid to the municipalities, only AZM 24 billion (45%) was allocated. In 2005, the central government decreased the planned amount of financial aid to the municipalities to AZM 10 billion. Figure 4. portrays the

Figure 4.
Planned Financial Aid to Local Governments from the State Budget (in million AZM).

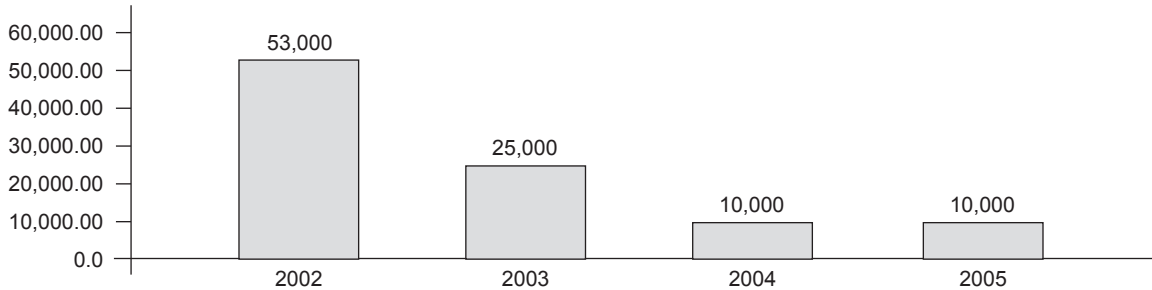
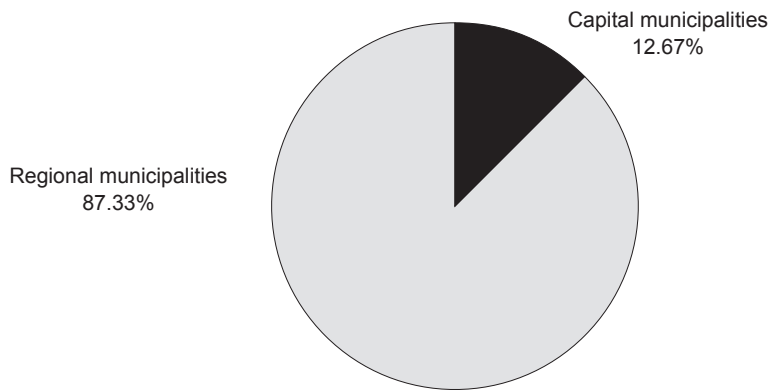


Figure 5.
Share of State Grants per Capital and Regional Municipalities



amount of planned state financial aid (in AZM millions) to municipalities for the years 2002–2005.

Actual financial aids to municipalities are as follows:

- 2002 – AZM 24 billion (execution level – 45.2%)
- 2003 – AZM 5 billion (execution level – 20%)
- 2004 – AZM 9.8 billion (execution level – 98%)
- 2005 – AZM 9.54 billion (execution level – 95.4%)

Government statistics shows that the inclusion of a subsidy provision principle in the legislation is of a formal nature and so called visual approaches (i.e. how close relationships are established between the local government and central government representatives) prevail in the state grant allocation process. Appendix 3. represents subsidies to municipalities in 2004.

The role of the region in the establishment of the country’s financial capacity is in the limelight not only because of its formality, but also due to its lack of speci-

ficity. For the country, “financial capacity” is a broader term, and it is a challenge to assess the real situation by region under this notion. The point is about the role of regions in the formation of state budgetary receipts.

Figure 5. shows that in 2005, 12.67% of total financial aid was appropriated to only Baku’s municipalities, which is quite a big share.

E. Conclusion

E.1 Weaknesses of the Intergovernmental Finance System

As mentioned above, the main problem of local government is the lack of financial resources. This is caused for several reasons. First of all, although land tax seems to be an attractive tax source for local government, in practice, revenue generated from this source is insignificant. In 2005, local governments collected AZM 24.8 billion only.

Second, there are problems in both the calculation and collection of property tax, thus the main obstacles to collecting this major revenue yielding tax. The first reason is the absence of a special registration system of properties owned by individuals; the second is the irrelevant calculation of the value of registered property; the third is that underestimation of property value has a serious impact on the amount of property tax collected; and finally, local governments are not duly authorized to collect property taxes. In 2005, the amount of property tax collected was AZM 2.8 billion only. Mining tax is an income source for only a few municipalities because there are construction materials in the territory of just 20-25% of municipalities. In 2005, only AZM 1.12 billion was collected from this source.

The third problem concerns the collection of local fees and taxes. Municipalities are unable to collect all fees and taxes. In 2005, only 56.5% of planned land tax and 59.5% of planned property tax was collected.

Finally, the last reason for the lack of financial resources of municipalities is the symbolic state financial aid. If, in 2002, 45% of local government's income was generated from state financial aid, this share was only 8.7% in 2005. Of course, full dependence on state financial aid is not favorable at all. Since external financial assistance is not a permanent and reliable source for municipalities, they might face crises any time. In other words, in Azerbaijan, municipalities not only lack specific income sources, but also have problems with financial aids allocated from the state budget. An example points to the significance of the problem: the budget income of local governments is less than 1.2% of the state budget income, although this figure amounts to 20-25% in the post-socialist countries.

The problem is not only linked with the formation of the budget. There are weakness in budget execution, and in the real cost determination of social and public services delivered by municipalities. Unfortunately, during the state budget development process, budget income is projected and expenditures are adjusted without considering the above drawback. To eliminate this drawback, legislation should set priorities for local budget spending. Since legislation which controls local institutions' activity defined the responsibilities of municipalities, it would be reasonable to look for priorities for spending budget assets in this framework.

According to the Law on the Status of Municipalities, municipalities have to implement three main activities. First, is the realization of local economic development programs. These programs have an impact

on major areas of the economy, including agriculture, industry, communication, etc. Second, is the realization of ecological programs, which concern social protection and social development. Since in Azerbaijan, more than 29% of the population lives under the poverty line, social protection should be given priority. This also corresponds to the recommendation of the Congress of Local and Regional Authorities of the Council of Europe, which suggests increasing activities to promote social and economic development and employment in various regions.

E.2 Why Do Municipalities Face Difficulties in Financing?

Any answer to this rhetorical question might be simpler than we think. First, a political factor cannot be avoided here. Neither the central government nor local executive powers are interested in turning municipalities into a real power at all. Most officials logically associate conversion of municipalities into strong self-government institutions with the establishment of a "state within the state". They probably seem to be right if they measure by their own bushel. Moreover, if municipalities are formed at large, according to the requirements set by the Council of Europe, the extremely corrupted state machinery will lose control of a gigantic bribery system. No matter what the public opinion is, one thing is as clear as noon-day: unlike the state machinery, no favorable conditions for corruption and bribery can be rooted within municipalities, as the latter, being an elective organ, is close to communities and in contact with people every day. Namely, a lack of mature civil authorities meets no interests of the political elite. The second is caused by insufficiency of taxes and payments to municipalities, and in most cases, by the impossibility of collecting them. At first sight, land tax may seem an attractive source of revenue for local municipalities, however, in reality that is not the case. As this problem is different in the cities versus the regions, we will consider each separately. During 2003, ordinary persons paid AZM 20 billion totally to local budgets from land tax. It is estimated that if all municipal lands (which are the basis of assessment) are subjected to taxation for a year and if the citizens have no tax debts, it is possible to double these receipts. Even if it looks like more than the actual situation of local budgets, this amount is not enough to increase municipalities' overall financial potential. In rural areas, the root of this problem is attributed to excluding a significant part of arable land from the list under the pretext of the State Land Fund

when these lands are grouped as government, municipal, and private properties. We are far from criticizing why such a State Land Fund exists. Nevertheless, everybody should reserve an equal right to usage of these lands. However, our researches have found that the significant part of the State Land Fund is either at the disposal of local executives or belongs to entrepreneurs who, in reality, are public officials residing in Baku and/or persons having close relationships to them. If, during the process of land distribution, some share of these lands were given to private bodies ensuring more effective employment, the per capita possession would be not 0.5 ha, but let's say 0.8 ha, thus bringing more funds to local budgets through property tax paid by ordinary persons. It is obvious today that the failure of the development of the agrarian sector is a result of scarce allotment of the land to private ownership.

Over the past ten years, the number of farmers in the country has decreased more than five times. The main reason for this tendency is that the volume of lands under private ownership fails to fit conditions for such farmers. In some regions, a person received 0.2 ha land. We should not disregard an important point: to increase the export potential of agricultural products in agrarian countries requires establishment of major economies. Otherwise, family farms cannot go much further than covering their home needs, and feudal - natural relations, which predominate in the region, will not be replaced by market-oriented relations. No land has been distributed among citizens in the urban and regional administrative-territorial units. Since before municipalities were formed, some individuals (with the benediction of local executives) illegally occupied a huge part of homestead lands, collecting taxes from them is almost a challenge.

Collection of the property tax is another challenge for municipalities. When inventory bureaus issue a certificate on the property, they show a lower value than the one above where legislation imposes tax on a building. According to the Tax Code, if the value of the building under private ownership is more than AZM 33 million, it is subjected to taxation. The situation in big towns and regions is more sorrowful: a considerable part of the living fund in administrative-territorial units consists of multi-story buildings. Not the municipalities, but so-called housing offices who gather money for each square kilometer, collect property tax from those residents. Besides, there are many constructions that executives consider illegal constructions, and therefore, municipalities retain no right to impose the property tax on them. Losses of this source will probably amount to billions of manats.

A similar situation arises concerning the taxation of transportation facilities. Although the Tax Code prohibits technical maintenance of those vehicles which evade paying property tax, the State Road Police, in most cases, fails to comply with this request. As a consequence, during 2003 ordinary persons transferred to local budgets AZM 4.7 billion in total (\$950 thousand) as property tax. Considering that there are approximately three million private real estates and vehicles in the country, this figure should be much higher.

There is no need to focus on the income tax of municipal enterprises, because such enterprises can be counted on the fingers of one hand. Regarding the mine tax from construction materials of local importance, studies show that since the very materials are produced in one out of every five to six municipalities, they can not be regarded as a sustainable financial source for municipalities.

Finally, regarding local duties and payments, since they are of limited amount, collecting them is problematic as well. Let's consider, for instance, payments for advertising in both municipal and non-municipal areas. Since a business atmosphere is lacking in the regions, the advertising market is at its lowest level thus generating minor income to local budgets. In big towns, although advertising is quite common, executive authorities manage to keep municipalities away from receiving these funds. This concerns also payments on permanent and temporary parking lots, including hotels, sanatoriums, health resorts, and tourism. For example in 2005, the share of the mentioned earnings in aggregate income of the local budgets accounted for only 0.4%.

E.3 Possible Reforms or How to Improve Fiscal Capacity

In order to increase local budgets' income, it is essential to proceed towards following three trends. The first is improving the tax and payments collection method by local authorities. To that end, the following measures should be taken. First, register all movable and immovable properties in the country.

Second, eliminate the existing method of private property taxation that is currently based on property value. This has to be done by amending tax legislation, and collecting property tax from ordinary persons per square kilometer at a constant tax rate (this method is currently used for courtyard area taxation). Simply, the tax rate for each square kilometer may be differentiated according to the location - capital, big cities (Mingechevir, Gence, etc.), regional centers, and rural communities

might have different tax rates. Differentiation may also be applied to private properties and multistory buildings. Another type of differentiation may consider the age of the building. For instance, houses built in the years 1950–1970, in 1970–1990, and after 1990 should be subject to taxation at different rates.

Third, houses that cause no damage to the General Plan of residential units¹ and are situated along neither plumbing installations nor communication lines and considered to be illegal by local/senior executives, shall be declared amnesty in the very short term, and provided with certificates that confirm private ownership. The consequence will be that they would be subject to taxation.

Fourth, local and city executive bodies should relinquish housing and communal services to municipalities. In this case, the multistory building lots will be automatically transferred to the municipal balance, thus enabling local budgets to gain property tax from these flats.

The last is the tax on vehicles collected during checkups from ordinary persons. These taxes collected should be transferred to a special account of the treasury and assigned to municipalities as grants (subsidies). This mechanism is probably the most difficult. Nevertheless, since it is urgent to improve the mechanism of fund allocation to local budgets from the mentioned income source, the recommendation above might further be enhanced.

The second important trend toward increasing local budget revenues is extension of municipalities' fiscal capacity through additional taxes and payments. This involves the following. First, the income tax on buses and minibuses, which currently are public transport, may be replaced by a patent payment, and funds thus gained may be transferred to municipal budgets. The existing Tax Code established such a complicated transport taxation mechanism that it is practically impossible to collect taxes from the mentioned means of transport. It is well known that installing taxi meters was a challenge. Besides, the Cabinet of Ministers failed to develop the taxation mechanism based on the number of bus seats and tax rates differentiated from region to region. It should be noted that public transport is a separate area of activity, whereas state tax bodies work locally. Since regional tax departments cannot control this sphere, most buses and taxis work illegally. Undoubtedly, no other organiza-

tion can be better than the municipality to achieve full legalization of the public transport system. According to a variety of investigations, the actual number of public transport means (i.e. buses and minibuses) is over 50,000 in Azerbaijan. If each carrier, for instance, pays to a local budget the patent payment of up to AZM ten thousand per month (in aggregate AZM 120 thousand per year), it will bring in income of at least AZM 6–7 billion (\$1.2–\$1.4 million) to local budgets. Evidently, not even one fifth of the mentioned amount is transferred to the state budget due to the illegal activities of the considerable majority of these carriers.

Second, all the receipts gained from different types of advertisements should be transferred to local budgets. Municipalities and executive powers will thereby quit disputing the income from advertisement.

Finally, the third important source to increase the income of local budgets might be the transfer of arable lands which are currently the property of the State Land Fund, to the surplus fund of the municipalities. If accomplished, it would avoid a land monopoly and increase municipalities' rental incomes. Due to the lack of public control, there is no guarantee for legal use of these lands currently.

Recommendations aimed at increasing municipalities' financial potential may also encompass modernization of the government subsidy allocation mechanism. This should address both an increase in the subsidy amount from state to local budgets and an improvement of the allocation methods. It is urgent to put in practice the following guidelines. First, subsidies allotted for local budgets, should be included in the protected expenditure items. This requires amendments to the Law on the Budget System.

Second, when subsidies are allocated, together with the population number in a region, the poverty level, being an important indicator, should also be considered. Thus, our calculations show that if the mentioned measures are taken, the municipalities' financial potential might in the very short term, rise by 10–15 times its present level.

Summary of Basic Findings

The problems municipalities have faced are vast. The most important is the poor fiscal capacity of local self-governments. Suffice it to say, as Yearbook 2005 presents, that the monthly budget per municipality was less than \$824. This hinders not only significant social and economic problem solving at the local level, but also

¹ All constructions are done within the framework set in this plan.

impedes proper functioning of municipal authorities. There is no need to cite the Yearbook for additional facts to grasp the financial situation within particular municipalities of Azerbaijan. In this situation, the improvement appears to be in expanding fiscal equalization processes (appropriate horizontal and vertical sharing techniques) in Azerbaijan.

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Appendix 1

Local Budget Revenues from 2003 to 2005

	2003*		2004**		2005***	
	Budget Revenues (in million AZM)	Share of Budget Revenues (%)	Budget Revenues (in million AZM)	Share of Budget Revenues (%)	Budget Revenues (in million AZM)	Share of Budget Revenues (%)
Total Revenues Across Republic (I + II + III)	55,472.10	100.00	87,735.70	100.00	121,636.50	100.00
I. Tax revenues, including	26,985.80	48.6	28,473.30	32.5	31,199.00	25.6
• Land taxes collected from physical bodies	20,362.10	36.7	20,679.10	23.6	24,819.00	20.4
• Property taxes collected from physical bodies	4,713.60	8.5	5,593.00	6.4	2,832.50	2.3
• Subsoil taxes on local construction materials	214.50	0.4	261.50	0.3	1,128.0	0.9
• Profit taxes from companies and organizations operating under municipalities	23.80	0.04	16.40	0.01	12.00	0.00
• Fees paid for street advertisements	100.80	0.2	112.30	0.1	172.50	0.1
• Fees from the services provided in the territory of municipality	283.9	0.5	190.4	0.2	183.00	0.2
• Recreational duties, hotel duties, fees for touristic services	415.00	0.7	479.00	0.5	470.00	0.4
• Duties and taxes levied on car parking areas	840.30	1.5	1,106.90	1.3	1,546.50	1.3
II. Non-tax revenues, including	24,748.80	44.6	54,073.40	61.6	79,853.50	65.6
• Fees from the use of municipal property	620.40	1.1	955.20	1.1	386.50	0.3
• Revenues other than obligatory fees and duties paid by entities under municipal property	72.00	0.1	84.20	0.1	311.50	0.3
• Revenues from privatization and rent of municipal properties	18,253.40	32.9	42,676.40	48.6	67,356.00	55.4
• Financial aids from physical and legal bodies	308.60	0.6	401.80	0.5	1,835.00	1.5
• Financial aids and grants from international organizations and funds	647.90	1.2	559.00	0.6	420.00	0.3
• State Budget Subsidies	4,846.50	8.7	9,396.80	10.7	9,544.50	7.8
III. Other revenues	3,737.50	6.7	5,189.00	5.9	10,584.00	8.7

Notes: * Currency rate is: 1 USD / 4,920 AZM

** Currency rate is: 1 USD / 4,902 AZM

*** Currency rate is: 1 USD / 4,500 AZM

Appendix 2

Local Budget Expenditures in 2003–2005

	2003		2004		2005	
	Million AZM	Share of Budget Revenues (%)	Million AZM	Share of Budget Revenues (%)	Million AZM	Share of Budget Revenues (%)
Total Expenditure Across Republic, including	57,241.9	100.00	85,784.8	100.00	123,693.5	100.00
• expenditures for local executive bodies maintenance	22,833.2	39.9	28,756.8	33.5	35,588.0	28.8
• expenditures on education	2,020.7	3.5	2,608.3	3.0	2,732.50	2.2
• health expenditures	239.2	0.4	525.4	0.6	1,423.50	1.2
• cultural and mass media expenditures	854.1	1.5	1,111.7	1.3	1,497.50	1.2
• sport expenditures	349.3	0.6	458.5	0.5	1,083.00	0.9
• expenditures for formation, development and maintenance of state entities, including municipalities and local executive bodies	703.5	1.2	789.0	0.9	593.00	0.5
• expenditures for public rule protection, relevant municipal organs maintenance	94.9	0.2	497.1	0.6	610.50	0.5
• expenditures for formation, development and maintenance of municipal home-communal economies	2,914.2	5.1	6,493.3	7.6	11,725.50	9.5
• road pavement and maintenance	7,088.8	12.4	18,106.6	21.1	28,894.50	23.4
• protection of environment in municipalities	1,682.3	2.9	3,860.3	4.5	4,752.50	3.8
• municipal debt payments	2,335.5	4.1	3,059.2	3.6	2,656.00	2.1
• government aid for industry, construction, agricultural, automobile and water (river) transportation, communication and road transport, subway	1,182.9	2.1	1,551.0	1.8	6,470.00	5.2
• utilities expenditures	1,616.0	2.8	1,343.0	1.6	2,236.5	1.8
• strategic objects and fire department maintenance	94.8	0.2	6.9	0.0	47.00	0.0
• other expenses	13,232.5	23.1	16,617.9	19.4	23,383.00	18.9
Surplus (+), deficit (-)	(1,769.70)		1,950.9		(1,953.00)	

Appendix 3

Subsidies to Municipalities in 2004

City/Region	Population (thousand)	Subsidy per Capita (in AZM 1,000)	Subsidies to Municipalities (in AZM 1,000)	Share of Regions (Cities) in Distribution of State Grants to Local Governments (%)
Nahchivan	370	1,759	651,080	6.51
Baky City	1,840	688	1,266,870	12.67
Gence	303	771	233,585	2.34
Sumgayit	291	1,097	319,410	3.19
Ali-Bayramly	72	719	51,785	0.52
Yevlakh	112	1,126	126,140	1.26
Lenkaran	196	1,160	227,475	2.27
Mingechevir	95	842	80,015	0.80
Sheki	163	1,428	232,735	2.33
Absheron	90	876	78,860	0.79
Agdam	163	366	59,645	0.60
Agdash	93	1,569	145,905	1.46
Agstafa	76	1,072	81,500	0.82
Agsu	66	2,401	158,485	1.58
Agcabedi	113	1,309	147,895	1.48
Astara	90	1,572	141,500	1.42
Balaken	86	1,078	92,700	0.93
Beylagan	81	1,540	124,785	1.25
Barda	135	2,236	301,885	3.02
Belasuvar	80	1,259	100,770	1.01
Gazax	84	979	82,245	0.82
Gax	53	2,613	138,500	1.39
Gabala	88	1,778	156,500	1.57
Gobustan	37	1,865	69,000	0.69
Guba	142	1,966	279,175	2.79
Gusar	84	2,162	181,610	1.82
Dashkesan	32	2,640	84,500	0.85
Davachi	48	2,135	102,475	1.02
Zagatala	111	1,087	120,690	1.21
Zardab	49	2,214	108,500	1.09
Imishli	108	1,495	161,525	1.62
Ismailli	76	2,316	176,000	1.76
Yardimli	53	2,962	157,000	1.57
Kurdamir	97	1,911	185,425	1.85
Gedabek	89	1,337	119,000	1.19
Goranboy	90	1,833	165,000	1.65
Naftalan	8	875	7,000	0.07
Goychay	104	1,296	134,780	1.35
Lerik	68	3,698	251,500	2.52

City/Region	Population (thousand)	Subsidy per Capita (in AZM 1,000)	Subsidies to Municipalities (in AZM 1,000)	Share of Regions (cities) in Distribution of State Grants to Local Governments (%)
Masalli	182	1,607	292,500	2.93
Neftchala	75	1,200	90,055	0.90
Oguz	38	2,250	85,500	0.86
Saatli	86	1,510	129,875	1.30
Sabirabad	142	1,489	211,485	2.11
Salyan	116	1,268	147,150	1.47
Samux	51	1,941	99,000	0.99
Siyazen	35	1,302	48,595	0.49
Tartar	95	1,240	117,860	1.18
Tovuz	149	1,358	202,305	2.02
Ucar	74	1,309	96,895	0.97
Fuzuli	120	1,309	52,000	0.52
Xanlar	55	1,612	88,690	0.89
Xachmaz	151	1,435	216,725	2.17
Xizi	14	2,696	37,750	0.38
Hacigabul	61	1,215	74,135	0.74
Calilabad	180	1,910	343,825	3.44
Shamaxi	85	1,753	149,025	1.49
Shamkir	180	1,184	213,170	2.13
Total: (region /city)	7 849		10.000.000	100.0