

# **Azerbaijan Country Paper/Land Policy Action Plan**

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**Present-day conditions and prospects  
of land policy in Azerbaijan**

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The agriculture is an important sector of Azerbaijan's economy with 39,9% of able-bodied population being employed. Note that its share in the country's GDP makes up approx. 21.1%. About 49.3% of the population of the Republic are residents of rural locality. Recognizing this, the economic reforms in the agriculture were priority direction of market transformations straight after the gaining of Republic's independence. With the objective of integrating into the world economy, the Azerbaijan Republic focused, together with other targets, on the implementation of land reform. Based on the principles of social justice, the land reform concentrated on the creation of new property rights to land, initiated the market economy, provided the population with foodstuffs of local production, raised the level of their material welfare.

To implement the land reform, there was established a legal foundation based on relevant laws, other legislative acts. Noteworthy is the fact that over than 30 laws and standard acts on land and economic reform had been drawn up and adopted in 1995-2000. These are Laws «On Peasant's Farms», «On Principles of Agrarian Reform», «On Reforming Sovkhozoes and Kolkhozoes», «On Land Reform», «On State Land Cadastre, Monitoring of Lands and Land-Utilization», «On Fertility of Lands», «On Entrepreneurship», «On Land Market», «On Land Tax», «On Land Leasing», «On Territories and Lands of Municipalities», etc.

It was the State Commission for Agrarian Reforms, set up by the Decree of the President of the Azerbaijan Republic prior to the beginning of the land reform, that played an important role in the preparation and implementation of the land reform. The Commission did much, especially at the stage that directly preceded the land reform. At present, its versatile activities are conducive to the realization of many aspects of the land reform. In particular, the Commission drew up standard legal acts and provisions having been approved by the Decree of the President on 10 January 1997. Object of the land reform is the unified land reserves whose integral parts are state-owned, municipal or private lands. It should be noted that the land reform had thoroughly been thrashed out before having been put into practice. Specifically, experts had studied the experience of foreign countries which were successful in solving issues arising from land relations. Contributing to the development of the concept and recommendations on the land reform were foreign specialists as well.

It has to be kept in mind that the land reform was, first of all, aimed at modifying forms of property and economic management. This, as a whole, complied with the general strategically line of reforms in the Republic's economy.

Regard must be paid to the fact that the land reform in Azerbaijan was carried out on a stage-by-stage basis with due regard for the results of the previous stage to adopt an appropriate decision at the next stage. Note that the recent large-scale reforms started straight after the adoption of the Law «On Land Reform» of 16 July 1996. It will be remembered that 2005 farms were privatised, state monopoly for land and other means of production was removed, state, municipal and private property was created. State farms, specializing in seed-growing and pedigree, were established on the basis of 41 sovkhoezes and kolkhozoes. State owned is 42.6 % of the unified agricultural land reserves of the country, 25.4 % is municipal-owned and 32.0% is private property.

Pertaining to the state-own lands are summer and winter pastures, state objects of forestry and water reserves, natural preserves, nature protection, history of culture, health-resorts, state scientific-research, educational enterprises, experimental bases, seed-growing, pedigree stations, farms, as well as lands of special designation. These lands are managed by appropriate bodies of executive power. State-owned, these lands may be granted on temporary use or on lease. According to the legislation, the use of land may be short-term (up to 15 years) and long-term (15 to 99 years), while the rent is to be paid on a contractual basis.

At present, approx. 1373202 ha of land is privately owned. The land was granted on private property to members of agricultural enterprises free of charge. As a result, 3187709 citizens became owners of land shares. Physical and legal entities of foreign states, as well as persons - non-residents of the Republic may take a land plot on lease or use only. As of 1 November 2002, 1, 373.200 ha, or 98.4 % out of 1,395.000 ha of land area designed for privatisation have so far been distributed. About 1.6 ha of land area fall on each family on the average. Rights to lands plots are properly registered, all owners are provided with documents to certify their rights of ownership to land. Owners of land plots are entitled to conclude any contracts at appropriate prices, make deposits to the authorized capital of economic subjects, pawn their land plots, grant on lease, bequeath, i.e. they may dispose it at their own discretion with no permission of state bodies.

Thus, the right to land use in Azerbaijan has become an object of market relations. Adopted in 1995, the new Constitution provides for various forms of property, including private one. As a whole, there are proper conditions in the country to successfully develop the circulation of lands. In particular, upwards of 1468 deals on land plots were made in 2002.

Azerbaijan is reputed to be a country with the least provision of land resources. The country disposes of land stock with area of 8,641,506 ha, of which about 60 % fall on the share of mountainous regions. Note that 0.17 ha of ploughed field fell on 1 average statistical resident of the Republic. About 87.8 % of agricultural lands are managed by family and farm economies. As a result of the land reform, half-natural and small-scale commodity sector sprang up in rural locality. Thus, in 2002 the number of land users rose by 830000 farms as compared with 1996. The reform has been carried out by means of accelerated de-collectivisation with breaking agricultural enterprises into smaller units. The process of reforms proceeded consecutively, with no sharp contradictions. As a consequence, the land use required payment. Note that the system of taxation is governed by the Law «On Land Tax». Major directions of tax policy found their parallel in the Tax Code which came into force since 1 January 2002. Under the Law, a tax rate for agricultural land is 0.3 % of tax-free monthly income per conventional point. Irrespective of the results of economic activity, physical and legal entities annually pay a land tax for land plots they own or use.

Note that the land tax levied from enterprises is paid to the state budget, while that from physical entities - to the local municipal budget. In 2001, the volume of the land tax made up 52.1 manats with its share in tax revenues of the country constituting 1.8%. Nevertheless, the land tax is scanty, and scores of sectors are exempt from taxation.

Other types of tax are applied in the agriculture of Azerbaijan. Under the Presidential Decree, agricultural producers have been exempt from all other taxes since 1999 for a term of 5 years, except for the land tax.

Objects of the reform also include urban territories in terms of ownership of land, property, immovable, financing and housing. Acquisition of rights to immovable in the form of direct purchase, redemption, succession, donation, exchange, related procedures and regulations are governed by the Laws «On Property» and «On Privatisation of Housing Stock in Azerbaijan».

It has to be kept in mind that the town-planning policy is pursued to comply with the Law «On Principles of Town-Planning». The State Committee for Building and Architecture under the Cabinet of Ministers of the Azerbaijan Republic is responsible of the elaboration of new standards and rules in town development. Organizational and legal security of town planning stems from the principles of territorial self-government and division of functions, rights and duties between the bodies of municipal power, non-state strictures of administration.

Noteworthy is the fact that the land reform in transition is bound up to ecological problems as well. Functions of the state control and management of environmental protection are entrusted with the Ministry of Ecology and Natural Resources of the Azerbaijan Republic. The newly established structure disposes of the broad network of controlling organizations to embrace the entire territory of the country.

It will be remembered that the Law of the Azerbaijan Republic «On State Land Cadastre, Monitoring of Lands and Land-Utilization» provides for the formation of the unified system of state land cadastre both at vertical and horizontal levels pursuant to the administrative-territorial division. Cadastre centres have been set up in ten regions of the country to improve land cadastre operations.

All the issues arising from the use of land reserves of the Republic are governed by the «Land Code of the Azerbaijan Republic», adopted on 25 July 1999. At the same time, the adoption of numerous legislative and standard documents does not necessarily imply that the work over normative-legal principles of the land reform has come to an end. The deepening and improvement of the land reform, development of new land relations give rise to various problems which call for the elaboration and application of new legislative acts with due regard for international experience on this track.

To sum up, the land reform in Azerbaijan contributed to:

- ■..... establishment of the principles of market economy and implementation of radical transformations;
- ■..... liquidation of state monopoly of land;
- ■..... transition to various forms of land property and management;
- ■..... free re-distribution of land in favour of citizens;
- ■..... registration of rights to land plots;
- ■..... transition to the paid land utilisation;
- ■..... conditions for civil circulation of lands;
- ■..... shaping of the stratum of peasant farms and economies;
- ■..... creation of goal-oriented land stock for individual housing construction;
- ■..... establishment of the new system of state land cadastre;
- ■..... formation of the system of state control over the use and protection of lands.

As a consequence of the land reform, production relations have radically changed for the better, following which there sprang up an economic environment with effective components of market relations.

The land market, financial means and credit resources are gradually being shaped; competition and bankruptcy have been introduced into agricultural practice. It should be recalled that the land reform proceeded smoothly, by mutual agreement of parties involved. The world experience of the development of land relations and international cooperation found its parallel in the introduction of the institution of private property of land. However, much has still to be done in the nearest future, including:

- ■..... improvement of land legislation, creation of legal base, strengthening of scientific and methodical work to further develop the land reform, land utilization, cadastre, etc.;
- ■..... improvement of technologies in land organization, prospecting, cadastre work;
- ■..... legislative security of the property rights to lands, land use, their protection, registration of land deals;
- ■..... continuation of price zoning of methodical approaches to land estimation for purchase / sale purposes, mortgage;
- ■..... completion of the arrangement of regional branches of land cadastre, creation of the unified automated information system of land cadastre;
- ■..... satisfaction of the needs in all the types of surveys, mapping, geodetic and levelling data;
- ■..... strengthening of state control over the use and protection of lands;
  
- n implementation of land utilization, cadastre, digital charting, monitoring and estimation of lands, soil and geo-botanical studies to comply with state programs and applications of legal and physical entities.

To accomplish the goals as shown above, it is essential to draw up and approve the national program to manage land resources and use them in a rational manner. The solution of the said problems is sure to be based on potentialities of land and natural resources available, promote the further development of the land reform, agrarian policy in line with long-term priorities, as set forth in the program documents having already been elaborated.