

# *Chapter I*

## **SOCIO-ECONOMIC CONDITIONS AND HOUSING POLICY FRAMEWORK**

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### **A. General information**

#### ***Geographic situation***

Azerbaijan is the largest country in the South Caucasus region. It is situated at the crossroads between Europe and Asia in a strategic position for economic and cultural relations. The country borders the Russian Federation to the north, the Caspian Sea to the east, Georgia to the north-west, Armenia to the west, the Islamic Republic of Iran to the south and Turkey to the south-west. The Nagorno-Karabakh region, which has an Armenian population as the majority, is situated within the borders of Azerbaijan. The Nakhchivan Autonomous Republic, located between the Islamic Republic of Iran and Armenia, is also part of Azerbaijan, but is separated from the rest of the country by a strip of Armenian territory.

Azerbaijan has a total land area of 86,600 km<sup>2</sup>, of which 54.9 per cent is agricultural land.<sup>1</sup> The country has reasonably fertile soil, adequate for growing crops, and is well endowed with natural resources, particularly oil and gas.

#### ***Political system***

On 23 September 1989, Azerbaijan was among the first Soviet republics to adopt its own Constitutional Law on Sovereignty. The retrieval of independence culminated in the adoption by the Supreme Council of the Republic of Azerbaijan of a declaration restoring State independence on 31 August 1991. This was followed on 18 October 1991 by the passage of an act establishing the State independence for the Republic of Azerbaijan.

The Constitution of the Republic of Azerbaijan was adopted through a referendum held on 12 November 1995, and amended on 24 August 2002, through a similar process. According to the Constitution, State power in Azerbaijan is divided into three branches: legislative, executive, and judicial.

Legislative power is vested in the one-chamber Parliament, the Milli Mejlis, which consists of 125 deputies elected by the Azerbaijani people, for five-year mandates.

Executive power in Azerbaijan is exercised by its President. The President appoints the Cabinet of Ministers, which carries out the President's policies and duties and is subordinate and accountable to the President. The Cabinet of Ministers consists of a Prime Minister, deputies, ministers and the heads of other central executive agencies. The results of the referendum held in March 2009 allow the President to extend his term if military operations in the eventuality of war make a Presidential election impossible. This replaces item 5 of Article 101 of the Constitution, which stated that no one can be elected as President of the Azerbaijan Republic more than twice.

Judicial power is implemented solely by the courts of the Republic of Azerbaijan. The Constitutional Court, consisting of nine judges, is the highest judicial power in Azerbaijan.

Administratively, Azerbaijan consists of one autonomous region – the Nakhchivan Autonomous Republic - and 66 districts or *rayons*. Azerbaijan has 69 cities, the largest of which is Baku, the capital, 13 districts of cities, 240 settlements and 4,279 rural settlements. Baku is a major harbour on the Caspian Sea.

The Nakhchivan Autonomous Republic consists of six districts. Nakhchivan has its own Parliament, the Ali Majlis, which holds legislative power. Its Chairman is the highest-ranking official of the Nakhichevan Autonomous Republic. Judicial power is vested in the courts of the Nakhchivan Autonomous Republic, while executive power is held by its Cabinet of Ministers.<sup>2</sup>

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<sup>1</sup> State Statistical Committee of the Republic of Azerbaijan, 2009. *Azerbaijan in Figures 2009*, p. 143.

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<sup>2</sup> Chapter VIII of Article 134 of the Constitution of the Republic of Azerbaijan.



Map No. 3761 Rev. 7 UNITED NATIONS  
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Department of Field Support  
Cartographic Section

Picture 2. Map of Azerbaijan  
Source: UN Department of field support

The Constitution of the Republic of Azerbaijan and its laws and decrees govern the whole country, including the Nakhchivan Autonomous Republic. Laws and resolutions enacted by the Government of the Nakhchivan Autonomous Republic must not contradict State laws and resolutions.

## B. Socio-economic conditions

### *Overall economic development*

The years following the retrieval of independence in 1991 were marked by radical change in the country's politics, economy and society. On top of the challenges of such transformation, Azerbaijan faced an armed conflict with Armenia over the territory of Nagorno-Karabach, resulting in the occupation of about 20

per cent of the country's territory and the displacement of more than 1 million people, or 13 per cent of the population.<sup>3</sup> As a result of the war, 16 per cent of the existing housing stock of Azerbaijan was destroyed.

In 1995, following the establishment of a ceasefire agreement with Armenia in 1994, Azerbaijan's economy showed clear signs of improvement for the first time since gaining its independence. This was the result of having signed petroleum exploration contracts with major international oil companies—known as the “Contract of the Century”—and the adoption of economic reform packages by the State,

<sup>3</sup> Azerbaijan Human Development Report 1996, p. 15.

implemented in partnership with national and international organizations. Subsequent years showed stable economic performance (Table 1), and in 2005 economic growth more than doubled compared to the previous year's performance.

In 2006, Azerbaijan had the highest gross domestic product (GDP) growth rate worldwide, at 34.5 per cent, mainly as a result of increased oil revenues from the record-setting oil prices in 2005. Despite the post-2007 slowdown, attributable to the global economic crisis and rising inflation rate, Azerbaijan's economy is still expanding at double-digit rates and is considered to be one of the fastest growing in the world. Economic situation in 2009 remained strong, with GDP at 9.3 per cent more than the GDP in 2008.

The oil and gas sector has been consistently leading all other economic sectors in terms of growth ratio to GDP (Table 2). From 2006 to 2008, revenues from oil and gas extraction accounted for more than 50 per cent of the GDP. While the non-oil sector—led by construction, services and agriculture—has also been growing, the oil sector's share of the economy is so large that it warrants concern and limits economic diversification.

Nonetheless, a reflection of the booming economy can be seen in the construction sector, where new projects with both residential and non-residential buildings are sprouting up, especially in Baku. Residential construction has exhibited a substantial increase since 2003: from 803,000 m<sup>2</sup> of new housing construction in 2002, the number increased to 1.339 million m<sup>2</sup> in 2003 and then averaged 1 million m<sup>2</sup> for the period 2003–2008.<sup>4</sup> The construction industry is a major source of employment and its development would mean greater employment opportunities for the population, even if these were more short-term opportunities than sustainable ones.

While the economic performance of Azerbaijan has been remarkable, long-term prospects for economic progress and sustainable growth will depend on a number of factors. These include global oil prices, the exploitation of new oil and gas pipelines, development in the private sector and the Government's ability to manage oil

revenues, diversify the economy and promote balanced and coherent regional socio-economic development. The Government of Azerbaijan has taken steps towards sustainable economic growth and continues to do so through the implementation of various measures such as:

- the creation of the State Oil Fund of the Azerbaijan Republic (SOFAR) to manage its oil and gas revenues and serve as a tool for developing and strengthening the non-oil sector, the regions, small- and medium-sized enterprises (SMEs), the large-scale development of infrastructure, the implementation of poverty-reduction measures and the development of human capital.<sup>5</sup>

- the adoption of, inter alia, a wide range of reform programmes targeting poverty reduction, the privatization of State properties, the drafting and implementation of an employment strategy, and the overall socio-economic development of the regions.

*Table 1. Gross domestic product*

Indicator	in million manat	growth in %
1995	2133.8	-11.8
1996	2732.6	1.3
1997	3158.3	5.8
1998	3440.6	10
1999	3775.1	7.4
2000	4718.1	11.1
2001	5315.6	9.9
2002	6062.5	10.3
2003	7146.5	11.2
2004	8530.2	10.2
2005	12522.5	26.4
2006	18746.2	34.5
2007	26815.1	25
2008	38005.7	10.8

*Source: Azerbaijan in Figures 2009, State Statistical Committee of the Republic of Azerbaijan.*

<sup>4</sup> *Azerbaijan in Figures 2009*; State Statistical Committee of the Republic of Azerbaijan.

<sup>5</sup> Presidential Decree No. 128, dated 27 September 2007.

Table 2. Gross domestic product by sector (percentage)

	2000	2003	2004	2005	2006	2007	2008
GDP	100	100	100	100	100	100	100
Sector:							
Industry	36.0	37.2	38.3	47.5	57.3	59.5	57.4
oil and gas extraction	27.6	27.5	28.9	39.3	50.8	53.6	52.5
Agriculture	15.9	12.2	10.8	9.0	6.7	6.4	5.7
Construction	6.5	11.2	12.5	10.0	7.7	6.7	7.6
Other	41.6	39.4	38.4	33.5	28.3	27.4	29.2

Source: Azerbaijan in Figures 2009, State Statistical Committee of the Republic of Azerbaijan

### Poverty and employment

Poverty in Azerbaijan has dropped significantly, but the Government continues to recognize it as an obstacle to sustainable development and it remains one of its key priorities. The completion of the first national poverty reduction programme, the State Programme for Poverty Reduction and Economic Development (SPPRED) 2003–2005, has contributed to reducing the country's poverty level to less than 20 per cent<sup>6</sup> in 2008. A second poverty reduction programme is currently in the implementation phase, this time a 10-year programme (2006–2015) to allow better alignment of the country's national development strategy with the United Nations Millennium Development Goals (MDGs).<sup>7</sup> Both of these programmes are in line with the global MDGs, as they share poverty reduction as an ultimate goal.

The National 2003 Household Budget Survey (HBS) shows that the poverty level in rural areas (45.3 per cent) is higher than in urban areas (44.1 per cent). In Baku, the level of poverty (35.4 per cent) is the lowest compared to all the other regions. For the same year, the poverty level of the entire country was 44.7 per cent.

The official level of registered unemployment in Azerbaijan continues to decrease. It was 6.1 per cent in 2008, but estimates based on the 1999 census data suggest that the non-registered unemployment rate is about 15.8 per cent. However, it is believed that there are high levels of informal economic activity in Azerbaijan; statistics

are difficult to gather. The informal economy may take many forms, including that of undeclared income from part-time, temporary or home-based jobs. The provision of employment to internally displaced persons (IDPs) also remains a problem. It is estimated that over 70 per cent of the working-age IDP population is without work and means of livelihood. It is likely that a number of these people also contribute to the informal economy. Rural employment is slightly better than urban employment thanks to opportunities for agricultural self-employment promoted by the land reform. Furthermore, the oil sector, which comprises the bulk of the enormous growth, is a capital-intensive industry that provides few jobs<sup>8</sup>. Creating employment opportunities in the non-oil sector is one of the challenges the Government faces. The Government recognizes that the private sector is a tool for generating employment and has promoted its development by creating an environment that encourages foreign investment and domestic business.

The State Programme of Privatization in the Republic of Azerbaijan for 1995–1998 was adopted as a basis to trigger the privatization process. A second stage of the privatization began with the adoption of the Law on Privatization of State Property and the Second State Programme on Privatization of State Property in the Republic of Azerbaijan, in August 2000.

Laws and measures have aimed at creating a favourable environment for private sector development. Measures have included removing the State control of prices and production, combating corruption (with the anti-corruption law, in force since 2005), reducing red tape and

<sup>6</sup> State Statistical Committee of the Republic of Azerbaijan.

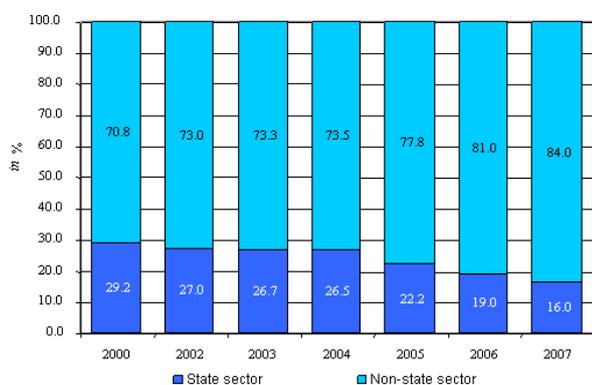
<sup>7</sup> "Progress Report 2003/2004 on SPPRED 2003–2005 and achievement of MDGs", p. 11.

<sup>8</sup> UNDP, Living Conditions in the Azerbaijan Republic 2005.

restructuring banks, among others. In 2009, the World Bank's Doing Business 2009 report ranked Azerbaijan as one of the world's top reformers in terms of streamlining business regulations. In 2008, the private sector's share of the GDP was 84.5 per cent, as compared to 30 per cent in 1995. Figure 1 shows the comparative share of GDP of the State and non-State sectors from 2000 to 2007.

The Government of Azerbaijan is also trying to sustain the country's economic progress by supporting the socio-economic development of the regions in order to improve people's living conditions and increase employment. The concentration of the country's industrial sector and construction of large infrastructures in Baku city has encouraged migration to the capital. This has had a negative effect on regional economic development and has led to the emergence of regional differences. The Government has shown its support for accelerating regional economic development through the SPSEDR in the period 2004–2008. The Programme's main objective is the consistent and coordinated implementation of measures to ensure efficient use of regional resources. It also seeks to develop sectors of particular importance to the economic regions, to further expand the production by enterprises, to stimulate the export-oriented production of goods, to increase employment by fostering local entrepreneurship, to further improve the population's standard of living and to develop the economy in a dynamic way.

**Figure 1. GDP share of State and non-State sectors**



Source: *Azerbaijan in Figures 2008*, State Statistical Committee of the Republic of Azerbaijan website.

To continue the implementation of these objectives, a decree was signed approving the State Programme of Socio-Economic Development of

Regions of Azerbaijan for 2009–2013, which aims to further diversify the economy and integrate it into the global economy, to improve the level of infrastructure and public services, and to raise living standards.

As its fertile farmland and wide range of climatic zones are conducive to growing crops, Azerbaijan's agriculture sector is a strong potential contributor to the country's sustainable economic growth. Agriculture comes after oil and construction in Azerbaijan's economic hierarchy, but offers the greatest opportunities in terms of employment. In 2006, the agriculture sector accounted for 39.1 per cent of total employment, as compared to only 1 per cent for the oil sector.

### C. Population and migration

#### *Population and demographic trends*

The country's population was approximately 8.73 million at the end of 2008, with more than half living in urban areas. According to 2005 official data, the population of Baku city was 1,873,600 inhabitants, plus 258,300 IDPs. The density in Baku city is 25–30 persons per m<sup>2</sup>.

Statistics show a big leap in the urban population from its 24 per cent share of the total in 1913 to 36.1 per cent after the 1917 revolution. Increasing urbanization continued until the late 1950s, with the urban population accounting for 47.8 per cent of the total population in 1959. The rapid rise in urbanization was put to a halt through administrative measures taken to stop the migration of the rural population to towns and to slow down the population growth within the town.

#### *Migration*

Poverty, employment and armed conflicts are factors that have a major influence on migration processes in Azerbaijan. A significant share of migrants consists of IDPs and refugees. Most are those displaced by the past conflict over Nagorno-Karabakh. Currently, Azerbaijan has approximately 1 million refugees and IDPs<sup>9</sup>. Given Azerbaijan's population, it has the largest per capita refugee and IDP burden in the world.

<sup>9</sup> Azerbaijan Human Development Report 1996, p. 15.

The people moving from rural to urban areas, in particular to Baku and the Absheron Peninsula, are the primary drivers of the social economic migration occurring in Azerbaijan. People move to these areas in search of employment and improvement of life quality. The Government is working to encourage the return of migrants to rural areas, with corresponding measures in the SPSEDR and the State Programme on the Improvement of Living Conditions of Refugees and Internally Displaced Persons.

The development of the country's economy and its favourable geographical location are attracting foreigners to Azerbaijan and, equally important, are fostering appropriate conditions for the return of those who have left the country.

#### **D. Institutional framework**

With the dissolution of the former Soviet Union, a new economic and political system emerged in Azerbaijan.<sup>10</sup> Independence served as the foundation for a new Constitution in 1995, replacing the 1978 Constitution adopted under the Soviet rule.

Under the new Constitution, the Milli Mejlis (the Parliament) holds legislative power in Azerbaijan. The laws passed by the Parliament are submitted to the President for signature or approval. The right to initiate laws and other issues for discussion in Parliament belongs to the Members of the Parliament, the President, the Constitutional Court of Azerbaijan and the Ali Majlis of the Nakhchivan Autonomous Republic. The President does not have the right to dissolve the Milli Mejlis, but can veto its decisions.

The President, aside from monitoring the implementation of all laws adopted by Parliament, issues decrees, orders, laws, acts and instructions. The responsibilities of the President include, among others: (a) submitting the State budget to the Parliament for ratification; (b) supervising the election of Parliament members; (c) approving national economic and social programmes; (d) setting up central and local executive bodies; (e) appointing and dismissing members of the Cabinet of Ministers; (f) proposing appointments and

dismissals of Constitutional Court judges and of members of the Board Committee of the Central Bank of Azerbaijan; and (g) annulling Resolutions and Orders of the Cabinet of Ministers of the Republic of Azerbaijan, the Cabinet of Ministers of the Nakhichevan Autonomous Republic, as well as acts of central and local executive bodies.

For the President, the Cabinet of Ministers is an executive tool to ensure the implementation of State programmes and policies and to facilitate the supervision of ministries and other central executive agencies of the Office of the President. The Cabinet of Ministers is also responsible for drafting the State budget for submission to the President. The Prime Minister, appointed by the President with the consent of the Parliament, is Chairman of the Cabinet of Ministers. The Cabinet of Ministers is subordinate to the President who defines the activities of the Cabinet.

Local self-government in Azerbaijan is carried out by the municipalities. Their authority includes the adoption of local taxes and duties, the approval of the local budget, decisions on the use and disposal of municipal property, implementation of local programmes on social protection, and promotion of social and economic development. Actions taken by the municipalities should be based on the current legal framework and must not contradict Azerbaijan's Constitution and laws, or any of the decrees of the President and the Cabinet of Ministers.

Prior to 1993, housing policies at the national and local levels were administered by the Ministry of Housing and Communal Services of the Republic of Azerbaijan. In May 1993, the Ministry was reorganized and became the Committee of Housing and Communal Services under the Cabinet of Ministers of the Republic of Azerbaijan. In April 2001, a Presidential decree abolished the Committee and transferred its national-level functions to the State Committee for Construction and Architecture. The State Committee for Construction and Architecture was abolished in 2006. It was responsible for the elaboration, approval, and regulation of standard legal principles of the country's urban development. After gaining independence, Azerbaijan had to modify its Construction Standards and Regulations, as these had been previously intended for the entire territory of the former Soviet Union and were not properly customized to local conditions in Azerbaijan. The State Committee was

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<sup>10</sup> UNDP Azerbaijan, E-Governance in Azerbaijan, <http://www.un-az.org/undp/doc/egov/part1.php>.

engaged in elaborating new standards and rules to develop towns and other settlements. These standards and rules, as far as State construction is concerned, are as follows:

(a) Regulation of development, agreement, examination and approval of urban planning documents;

(b) Urban development and regulations for the planning, building, and improvement of towns, settlements, and rural populated areas. Looking ahead, it was recognized that it is imperative to develop standards and rules for condominiums, as they constitute an important element of the management of the housing sector.

At present, national housing policies are administered by the Cabinet of Ministers, with the involvement of the following institutions:

*State Agency of Control on Security in Construction and the Ministry of Emergency Situations*

The State Agency of Control on Security in Construction (hereinafter, the Agency) of the Ministry of Emergency Situations (MES) was confirmed by Order No. 511 of the President of Republic of Azerbaijan on 29 December 2006. Its main task is to take part in preparing national-level policies relating to safety in all stages of construction projects on the country's territory. The Agency abides by and follows the Constitution, international agreements, and decrees and orders from the President, the Cabinet of Ministers and MES. The Agency's staff and its departments are assigned by MES. The Chief of the Agency, also assigned by MES, supervises the Agency's activities. The Agency's directions and tasks are established by the President. Its main activities involve:

- Preparing proposals:
  - For developing State policy and regulating mechanisms for protecting territory, sites and buildings against natural disasters, and ensuring safety in construction;
  - For improving the rules for determining the technical requisites of land allocated for construction, for architecture planning permissions, and also ensuring the engineering of the construction;

- Taking part in:
  - Preparing legal documents in matters concerning construction;
  - Developing the national concept of Azerbaijan regarding the prevention of emergency situations and reduction of their impacts;
  - Creating a geographic information system (GIS) for emergency situations management;
  - Identifying areas prone to natural disasters.
- Developing programmes containing measures for improving the seismic stability of buildings;
- Identifying the causes of damage to buildings and construction;
- Carrying out rehabilitation works;
- Preparing general plans, projects, and zoning regulations of cities and regional centres;
- Oversight of other State organs and self-governments, to ensure that they follow norms and requirements regarding safety in urban planning and land use;
- Organizing State inspections of construction sites and issuing decisions on the following:
  - Compliance of towns' and regional centres' general plans vis-à-vis safety norms;
  - Compliance of buildings under construction with norms for construction safety and seismic stability.
- Taking part in the certification of imported and domestic construction materials, equipment and mechanisms;
- Accrediting the laboratories that analyse construction materials;
- Establishing prices for structures constructed under the State budget;
- Taking part in accepting sites under construction or repaired buildings, regardless of ownership type;
- Creating a single information and archive system for documents related to topographic, geodesy and engineering/geological, construction and rehabilitation works.

A Presidential decree was issued on 31 August 2007 giving additional authority to MES to intervene in construction projects. The move was designed to ensure quality standards in construction, hence strengthening governmental control over this sector. MES ensures that construction regulations are enforced and stops

construction activities that do not comply with established standards and norms.

#### *State Real Estate Registry Service*

Presidential Decree No.188, issued on 7 February 2005, established the State Real Estate Registry Service (hereinafter, the Service) to act as the central executive body fulfilling State registration of property rights. The Service has 24 territorial departments, which cover all regions of the country. As the result of the conflict with Armenia, only 20 territorial departments operate at present. The central apparatus of the Service is funded by the State budget, while its regional bodies are self-financed. The apparatus and territorial departments of the Service, as well as the State Real Estate Register Service of the Nakhchivan Autonomous Republic, make up the united system of the Service. The Service's activities include:

Implementing State registration of property rights to real estate and other property rights in the State register (known as the State registration of rights);

- Designing and carrying out the unified real estate cadastre;
- Conducting inventory works required for the State registration of rights, as well as developing relevant technical documentation;
- Drafting new plans for land areas according to the regulations;
- Ensuring that real values of construction, including buildings, plants, dwelling and non-dwelling areas, individual dwelling units and property complexes are assessed based on their inventory and market position.

The Service is managed by a Chief appointed by the President and has two deputies appointed by the Prime Minister. The President also approves the number of employees of the Service.

In May 2009, a Presidential Decree established the State Committee of Property Affairs of Azerbaijan, which assures that the State Property Management Committee and State Real Estate Register Service operate under the newly established Committee. The decision was made to improve the efficiency of State management of

privatization and State registration of ownership rights for real estate.<sup>11</sup>

#### *State Committee on Urban Planning and Architecture*

On 3 December 2007, Order No. 31 of the Republic of Azerbaijan established the State Committee on Urban Planning and Architecture (SCUPA). SCUPA is the central organ of power that implements State policy and regulations in urban planning and architecture. SCUPA operates according to the Constitution, laws, decrees and orders of the President and is financed by the State budget and other sources. SCUPA is led by a Chairman with two Deputies, appointed by the President. The Board of SCUPA consists of the Chairman, the Deputy Chairman, the Chief of the Nakhchivan Autonomous Republic responsible for urban planning and architecture, and scientists and specialists. The Board members and its size are confirmed by the Cabinet of Ministries.

The Committee is responsible for:

- Participating in the development of a single State policy on urban planning and architecture, and coordinating its implementation;
- In cooperation with other executive organs, preserving the historical city structure and the national architecture;
- Creating normative methodologies for the State urban planning cadastre;
- Improving the quality and sustainability of architectural design.

Housing policies at the local level are administered by local executive agencies, while the municipalities are not directly involved in these processes.

#### *Local executive offices*

As an example, the Baku City Executive Authority is profiled here.

The Baku City Housing Department was established on the basis of Order 444 dated 12 May 1999, issued by the Head of Baku City Executive

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<sup>11</sup> Azerbaijan Business Centre website, accessed 20 May 2009 ([http://abc.az/eng/news\\_20\\_05\\_2009\\_35015.html](http://abc.az/eng/news_20_05_2009_35015.html)).

Authority and entitled “On actions of improvement of the management system of Baku city’s housing”. The Department was established as the sole management body dealing with the city’s housing under the Head of the Baku City Executive Authority. The Department seeks to improve housing so as to fully meet the population’s housing needs. It manages the housing under its jurisdiction and adopts measures to protect it. The Department is in charge of ensuring proper sanitation for the city and it also performs functions within the limits of the mandate given by Baku City Executive Authority in the field of basic repairs and construction. The area of Department’s activities cover: (a) basic repairs, modernization and construction of houses and communal establishments; (b) technical service for elevator breakdowns and the replacement of elevators, when necessary; (c) operations and repair of city roads; (d) protection and reconstruction of cemeteries and alleys; (e) operations and repair of fountains and underground passages; and (g) other functions relating to city housing.

The Housing Department’s structure includes:

- The Management Office of the Department
- Housing Units
- The “Lifttemir” Production Unit
- Population Citizenship Service Trust
- Baku City Road Operations Department
- Administrative Buildings Operations Department
- Special Assigned Motor Transport Department
- Supply and Completion Department
- Baku City Fountains Operations Department
- Other services.

The Baku City Main Fundamental Construction and Repair Department is responsible for construction and basic repairs of residential units, communal establishments, roads and a number of public buildings. It assists citizens and organizations with the construction of dwellings and organizes technical inspections.

#### *Main Department for Architecture and Town Building*

In accordance with an Order of the Cabinet of Ministers of the Republic of Azerbaijan, the Department for Architecture and Construction has been functioning as the Main Department for

Architecture and Town Building since 1969. The Baku City Advertisement and Information Department and the city district’s construction design departments are operated by the Main Department for Architecture and Town Building. The tasks of the Main Department for Architecture and Town Building include:

- Managing design and construction in the city;
- Managing implementation of the main plan for the city and suburban areas;
- Ensuring effective and purposeful construction;
- Designing and building new dwellings and industrial districts;
- Reconstruction of existing dwellings and industry districts, to provide more suitable housing conditions for the population;
- Directing and supervising the protection, restoration and use of monuments;
- Submitting proposals on rules concerning construction, reconstruction, restoration, basic repair, greening issues and the improvement of design and construction norms.

#### *Housing Cooperative Farm Department*

The functions of the Housing Cooperative Farm Department are:

- Registering housing construction cooperatives (HCCs);
- Approving statutes of HCCs;
- Granting orders on the basis of documents submitted by HCC management;
- Enacting orders on the re-registration of flats on the basis of documents submitted by HCCs;
- Studying complaints and applications received by HCCs and taking appropriate measures.

Other institutions that deal with housing and housing-related needs are the following:

*The State Oil Fund under the Cabinet of Ministers of the Republic of Azerbaijan (SOFAZ)* is a legal entity and an extra budgetary institution. It was established in 1999 through the Presidential Decree No. 240 of the Republic of Azerbaijan for the purpose of ensuring intergenerational, equal and beneficial sharing of the country’s oil wealth. In compliance with regulations relating to SOFAZ, the Fund’s assets may be used for construction and reconstruction of strategically important infrastructure to support the socio-economic

progress.<sup>12</sup> One of its major projects is the building of housing and the general improvement of socio-economic conditions of refugees and IDPs forced to flee their native lands as a result of the Armenian-Azerbaijani conflict. Since 2001, SOFAZ has been allocating money for this purpose. The Fund's assets have been utilized to develop settlements' infrastructure and for the construction of housing and social facilities for refugees and IDPs in different regions of Azerbaijan.<sup>13</sup>

Resources allocated for projects are transferred by SOFAZ to the State treasury accounts of the *State Committee on Affairs of Refugees and Internally Displaced Persons*, as well as to the *Social Development Fund for Internally Displaced Persons*, based on their written, substantiated requests. These are subsequently disbursed to contractors by the implementing agencies.<sup>14</sup> The *Social Development Fund for Internally Displaced Persons under the Cabinet of Ministers of the Republic of Azerbaijan and the Agency for Rehabilitation and Reconstruction of Liberated Areas* execute projects associated with the settlement of IDPs and refugees. These agencies are responsible for overall supervision of projects' implementation, for carrying out bidding processes and other relevant proceedings, and for the organization and coordination of projects through local offices.<sup>15</sup>

The *State Committee of the Azerbaijan Republic on Affairs of Refugees and IDPs* is based on Presidential Decree No. 187 dated February 2005. The Committee's main duty is to help formulate and implement State policy resolving matters related to Azerbaijan's refugees and IDPs, inter alia temporary settlements, improving living conditions in regions evacuated after the conflict with Armenia and carrying out construction and repair work. The Committee has a central apparatus, regional departments and other sections. The number of staff and the list of organizations under the Committee are approved by the Cabinet

of Ministers. The Committee is headed by a Chairman who, together with the Deputy Chairman, is appointed by the President.

The *State Statistical Committee of the Republic of Azerbaijan* (SSC) was created by Presidential Decree No. 323 on 24 November 2005, to act as the central executive body for State policy in the field of statistics. It is mandated to collect official statistics on the country's social, economic and demographic situation on the basis of a unified methodology. Its activities are guided by the Constitution and laws of Azerbaijan, by decrees and orders of the President, by decisions and orders of the Cabinet of Ministers, and by its Statute. The central office and local divisions of SSC are financed through the State budget.

SSC conducts population censuses and household budget surveys and also produces official statistics on several topics, including construction. SSC publishes an annual statistical yearbook (*Construction in Azerbaijan*) that contains indicators for construction development in the country. The yearbook reports information on new enterprises, the volume of foreign and domestic investment in construction, the volume of construction activities, the number of employees engaged in construction projects, residential construction, living conditions of the population, and many other related indicators.

By a Presidential order of 11 June 2004 entitled "On improvement of management in the field of water supply system in the Republic of Azerbaijan", the Absheron Regional Joint Stock Water Company became the *Azersu Joint Stock Company* (Azersu JSC). The former had been established in 1995 by decision of Milli Majlis to improve the water supply in the cities of Baku and Sumgayit and on the Absheron peninsula. All Azersu JSC stocks are owned by the State. The main functions of the company are: (a) managing subordinate institutions; (b) coordinating and supervising their actions organizing water supply and sewage services; and (c) developing proposals regarding the implementation of State policy in this area.

The *Azerbaijan Mortgage Fund* (AMF, under the Central Bank of Azerbaijan) was established in December 2005 on the basis of a draft regulation in line with the Presidential decree on development of the mortgage market. The document regulates long-term soft loans to allow individuals to buy

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<sup>12</sup> Azerbaijan Online Portal, accessed 3 April 2009 ([http://www.azerbaijan.az/\\_StatePower/\\_CommitteeConcern/\\_committeeConcern\\_e.html#3](http://www.azerbaijan.az/_StatePower/_CommitteeConcern/_committeeConcern_e.html#3)).

<sup>13</sup> State Oil Fund of the Republic of Azerbaijan. Online. 30 April 2009. <http://www.oilfund.az/en/content/10/87>.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

apartments. AMF started extending mortgages in March 2006. However, in June 2007 it stopped issuing mortgages because of a shortage of finances. In 2009, the State budget allocated funds to AMF for the purpose of resuming mortgages for the non-disadvantaged. This will enable citizens to purchase apartments through mortgages in both new buildings and the secondary market.

### *International and national organizations*

The *United Nations system in Azerbaijan* supports Azerbaijan's development by creating an enabling environment for improving good governance, reducing poverty, ensuring respect for human rights and gender equality, and meeting people's basic health and education needs. The United Nations system is represented in the country by the United Nations Department of Public Information, the Food and Agriculture Organization of the United Nations (FAO), the International Labour Organization (ILO), the International Office for Migration (IOM), the International Monetary Fund (IMF), the Office of the High Commissioner for Human Rights (OHCHR), the United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF), the United Nations High Commissioner for Refugees (UNHCR), the United Nations Office on Drugs and Crime (UNODC), the World Bank, the World Food Programme and the World Health Organization (WHO). Specific projects related to the housing and land management are mentioned in the chapters below.

UNDP helped establish the *Azerbaijan Reconstruction and Rehabilitation Agency*, a local NGO responsible for (a) coordinating reconstruction activities in war-torn areas, (b) supporting the resettlement of IDPs and refugees, and (c) funding activities generating incomes for vulnerable populations.<sup>16</sup>

The *World Bank Group* focuses on assisting national and local governments with formulating policies and programmes relating to two aspects of the housing sector: (a) linking real estate market

development to overall economic development; and (b) making the housing market more efficient to provide adequate shelter for all city dwellers. Through its *International Finance Corporation* (IFC), the World Bank engages in housing programmes that help develop the country's mortgage sector and increase home buyers' access to funding. IFC finances private sector investments, mobilizes private capital in local and international financial markets, and provides advisory services to businesses and Governments to help foster sustainable economic growth.

Operations of the *Asian Development Bank* (ADB) in Azerbaijan began in 2000 and have included projects administered or directly funded by ADB that aim to reduce poverty. ADB was also involved in a housing project that substantially improved the living conditions of IDPs.

The *Union of Architects of Azerbaijan* is a public entity that acts as a consultative body. It develops creative concepts, and together with State organs promotes the country's architecture. It also protects historical architecture. In addition, the Union works to improve architectural education through better professional qualifications for architects. It is involved in architectural studies, issues public opinions on architectural matters, and initiates public involvement in discussions related to projects. The Union promotes the accomplishments of Azerbaijan's architecture, organizes competitions and promotes artistic works. It cooperates with unions of architects in other countries and other creative unions.

The Union of Architects operates according to the Constitution of the Republic of Azerbaijan, Azerbaijani laws and the Union of Architects charter. The Union's sources of financing are membership dues collected from State planning organizations using architects' services, volunteer citizens and organizations, and sales from artistic work.

The *Azerbaijan University of Construction and Architecture* was initially a construction institute within the Baku State University. Since 1930, the University has evolved into a State-financed higher-education institution. In 2000, it was given the name Azerbaijan University of Construction and Architecture by a Presidential decree. The University has about 5,000 students who study in seven sections: Architecture, Construction, Water Supply and Communication

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<sup>16</sup> UNDP Azerbaijan, <http://www.un-az.org/undp/sehife.php?lang=eng&page=0101>, accessed 3 April 2009.

Systems Engineering, Transport, Construction Technology, Construction-Economy, and Mechanization and Automation. The University is also involved in scientific research work that examines architectural problems and construction.



Picture 3. Multifamily housing in Baku  
Source: UNECE