

Chapter III

EXISTING HOUSING STOCK, NEW CONSTRUCTION AND UTILITIES

A. Existing housing stock

General description

Although construction activities in Azerbaijan have increased recently and many national projects have been carried out to develop the country's infrastructure, the housing sector still faces significant problems. Housing-related issues are not coordinated by one State institution responsible for national housing policy and relevant activities. There is no single document that sets out State housing policy. Housing-related issues are regulated by a number of normative acts, and legislation is unclear and incomplete.

After gaining independence in 1991, the new Government proclaimed that all normative acts that did not contradict the laws of the Independent State of Azerbaijan would be in force until the adoption of new legislation. The main document that defines the State housing policy is the Housing Code, adopted in the Soviet era in 1983 and still in force. During the period of the current study, a new draft Housing Code was prepared and passed to the Parliament (Milli Mejlis) for consideration. The new Code should respond to current realities, thus better defining the management of the housing stock and relations between owners and developers. It should also provide guidance for all stakeholders in the housing sector, reflecting national needs, identifying possible solutions and providing a clear map of responsibilities in the sector.

Among the strategic frameworks mentioned earlier in this study that also cover the urban and regional development, the State Programme of Social-Economic Development of the Regions of the Republic of Azerbaijan (2009–2013) targets the goal of improving the country's utilities. While it does not address the housing sector per se, one can assume that related programmes will be developed under this framework that will affect housing positively.

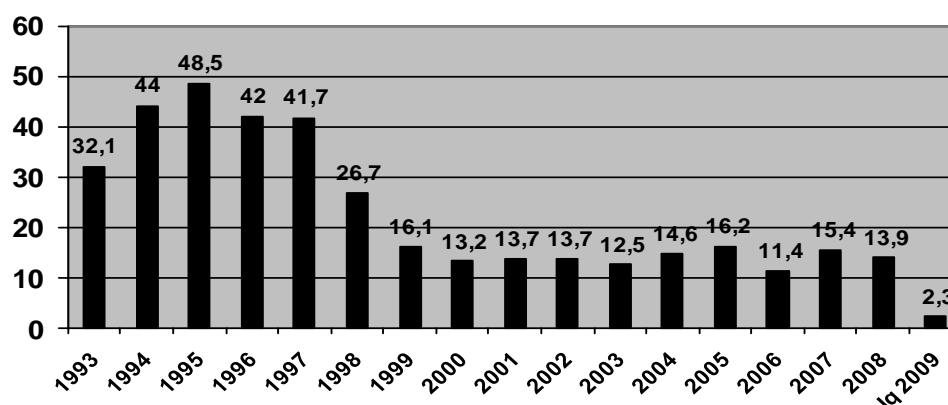
Another important document dealing with the sector is the State Programme on Poverty Reduction and Sustainable Development.

The document consists of nine strategic goals, including:

- Goal 5: Improving public infrastructure
- Goal 6: Developing an efficient and financially sustainable social protection system
- Goal 7: Improving the living conditions of IDPs

The normative document promoting private ownership in the housing sector was the Law on Privatization of the Apartment Stock, adopted in 1993. The privatization rate has currently risen to 85 per cent of the total housing stock. According to data from the State Registry of Real Estate, the privatization process proceeded rapidly in the early 1990s and, after an initial exponential growth of privatization, has now stabilized.

Figure 7.
Privatization of the housing stock (in thousands of units)



Source: State Statistical Committee of the Republic of Azerbaijan

In the 1990s, the privatization process of urban territories and public spaces also proceeded at a fast pace. Before 1993, the privatization of flats involved a very simple procedure - one would pay the nominal costs and then own the flat. During this period, certain groups did not have to pay these costs. Indeed, after the adoption of the above-mentioned laws, there was no charge for privatization. Article 3 of the Law on Privatization of the Apartment Stock lay out several principles of privatization. These include (a) absolute voluntariness in privatization and (c) fulfilment of rights of the population for the privatization of apartments they are residing in under the terms and

rules stipulated in this Law. Article 6 defines cases where privatization is not allowed: “Privatization of apartments in dormitories, repair houses, and houses in closed military settlements, as well as privatization of service apartments is not allowed”. Currently, if someone does not yet own the flat, he or she needs an “Agreement of Social Rent”, which establishes a rental cost based on the floor area of the flat. The price is very low and even families that do not benefit from social protection programmes can afford it. Table 3 shows how the country’s existing housing stock of more than 109 million m² breaks down by ownership.

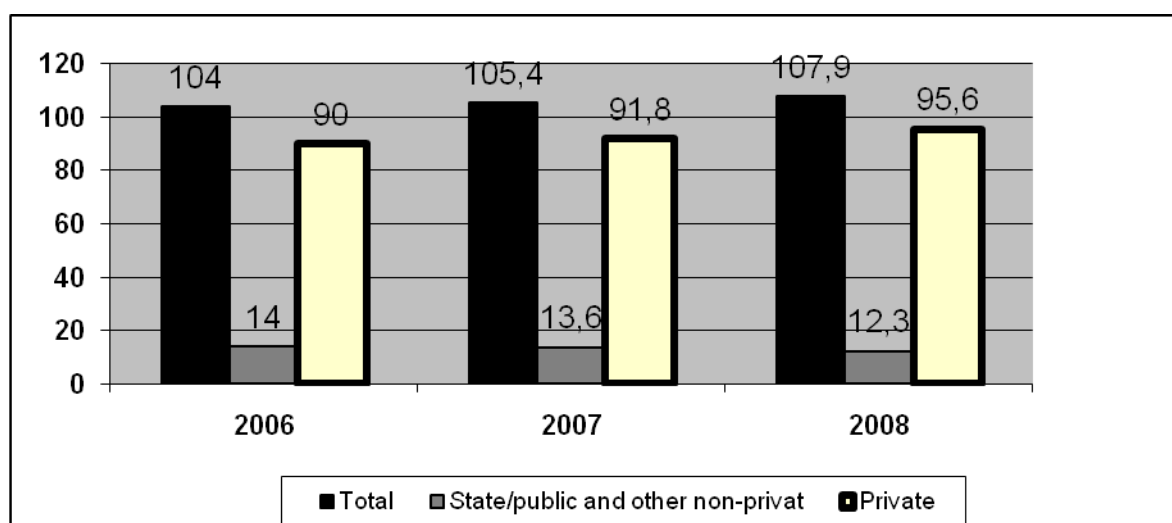
Table 3. Housing stock according to ownership (in million m²)

	Ownership type	2009
1.	Total	109.4
	State-owned	11.3
	Non-State owned	98.1
2.	Urban housing stock	
	Total	61.6
	State-owned	11.0
	Non-State owned	50.6
3.	Rural housing stock	
	Total	47.8
	State-owned	0.3
	Non-State owned	47.5

Source: State Statistical Committee of the Republic of Azerbaijan

The country’s construction boom is reflected in the increase in the total housing stock in recent years.

Figure 8. Housing stock according to ownership (in million m²)

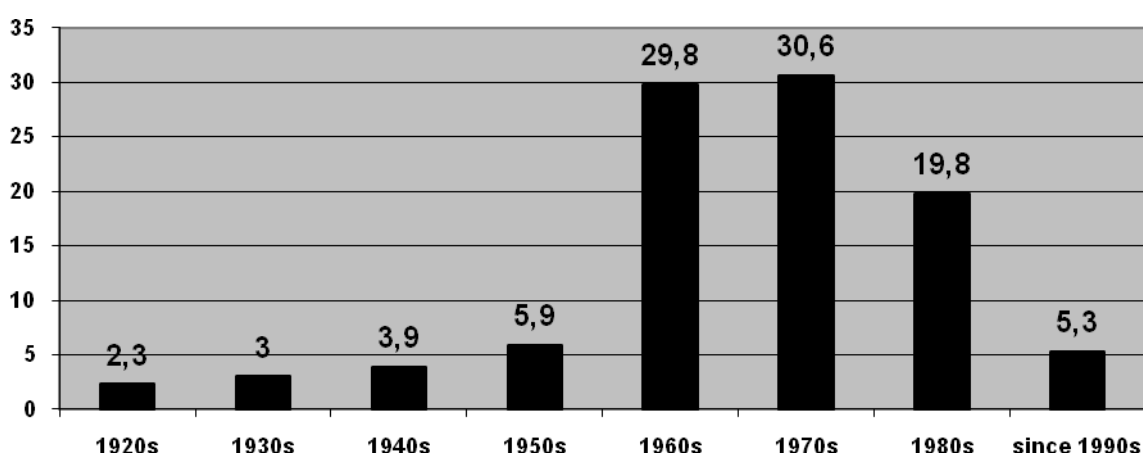


Source: State Statistical Committee of the Republic of Azerbaijan

The housing stock of Azerbaijan consists of existing housing and new housing estates. The existing housing stock can be classified by the period of its construction:

- Housing estates constructed before the Soviet period (i.e. prior to the 1920s), which are located mainly in the historical parts of the cities. In general, these estates are in need of reconstruction and renovation to achieve modern housing standards. Parts of these homes are in a very poor physical condition.
- Housing estates built before the Second World War (1920–1940) are mainly situated in rural areas. Those constructed in urban areas have shared kitchens and bathrooms.
- Housing estates constructed after the Second World War. The mass construction of prefabricated housing began in the 1960s. Many new districts were planned and constructed with these houses. The level of these estates fall below modern standards, especially in terms of construction and technical condition. Energy efficiency is a major concern due to the low quality materials used in these buildings.
- After Azerbaijan gained its independence, the pace of housing construction declined during the 1990s, with mainly private cottage-type estates being constructed. After 2000, the so-called “cooperative construction” became more widespread, especially for multifamily complexes in the country’s larger cities.

Figure 9. Share of apartments by decade of construction (percentage)



Source: Housing and Communal Services in the South Caucasus; Multi-apartment Housing in Azerbaijan, 2006.

According to the data in Figure 9, more than 80 per cent of all residential buildings were constructed some 40–50 years ago and about 30 per cent are in urgent need of renovation or even reconstruction. In total, 18 per cent of the housing stock is made up of *khrushchevki*—prefabricated multifamily housing estates constructed in the 1950s and early 1960s throughout the former Soviet Union. The main purpose of the prefabricated *khrushchevki* was to satisfy the housing needs of population, especially migrants from rural areas and industrial workers. These estates had an operational period of 25 years and

are now experiencing significant physical and structural damage.

At present, Azerbaijan is experiencing a construction boom, especially in the residential sector. Nonetheless, the average floor space per inhabitant is still very low: around 12.5 m², excluding IDP housing.³² In a State Department of

³² State Department of Statistics of Republic of Azerbaijan.

Statistics population survey of April 2009, a general questionnaire also included an annex elaborating city planning and housing issues. The results of this survey will reveal the current conditions in the housing sector and thus provide a better basis for planning future activities.

Illegal construction

As noted in chapter II, like other countries in the region Azerbaijan faces problems of illegal settlements and illegal construction. The number of illegal buildings is quite high, which creates serious barriers not only for their registration, but also for the proper functioning of the housing sector and for general urban development. After independence and the conflict with Armenia in the 1990s, the country faced huge problems relating to IDPs, which number around 600,000 lacking shelter. Many IDP families started construction on “free” land without any legal documentation. At the same time, many houses were built in dangerous areas, such as near gas pipes and electricity lines.

At the moment, there are approximately 800,000 illegal constructions in the country, with 500,000 located in the Baku region. Most have no construction permits or relevant documentation; some have not been accepted by State registration bodies. In Baku city, there are many low-rise illegal buildings mainly constructed by IDPs. These constitute about 90 per cent of the total number of illegal buildings.

This problem of illegal construction has several origins. First, there are families with no living space applying for construction permits, but the level of bureaucracy is very high and getting a response from the authorities can take several months. Families do not want to wait to start constructing their dwellings. Also, there is no strict control of or penalties targeted at illegal construction. Many already constructed and inhabited buildings still have no legal documentation. The absence of modern urban development plans and projects further exacerbates the problem.³³ In addition, the problem is also connected to systemic corruption and ineffective

management of services. Finally, squatter settlements are part of the problem. Large parcels of land, where many illegal buildings are located, belong to the State or municipalities. The squatters living on them are mainly IDPs.

The most common cases of illegal construction feature:

- Squatting on another person’s land (including State or municipal property);
- No legal documentation (including construction permits);
- Unsafe structures and locations (buildings erected on utility/infrastructure pipelines and gas, oil and electricity networks);
- Extensions of existing buildings with no construction permits;
- Violations of the requirements for construction permits (including technical norms and standards).

Many cases of “illegality” fall into the categories of squatting and the absence of legal documentation. The Government has developed some changes and amendments to current legislation allowing the population to legalize these buildings. Also, the Government has taken a liberal policy towards IDPs who have already constructed their buildings and are now living in illegal settlements.



Picture 13. Informal settlement in Azerbaijan, May 2009
Source: UNECE

³³ Urban planning documentation still in force was elaborated and adopted in the Soviet era, during the 1980s. Many of these documents are already outdated.

Box 2. Urban sprawl and informal settlements in Greater Baku and Khirdalan Municipality



Picture 14. Illegal settlements outside of Baku. Source: UNECE

There are approximately 800,000 illegal constructions in Azerbaijan. Of these, about 350,000 are located in Absheron, Baku and adjacent areas. Estimates indicate that about 30 per cent of the population lives in illegal developments and that half of Baku's population (4 million) lives in illegal housing. Ninety per cent of illegal buildings in Baku are thought to be temporary residences for IDPs, but no reliable figures have been available since 1969 (SSRRE, November 2008). The population growth and urban sprawl in Baku have been driven by several major changes. During the period of political instability between 1988 and 1993, about 350 refugees and IDPs from Nagorno-Karabakh and Armenia arrived in Baku (Caucas Euronews, 2009), settled on State-owned land and built houses with their own means. No planning regulations for the territory were enforced and that led to chaotic organization of the living space. Since 1992, the environs of Baku have been further flooded by migration from poverty-stricken provinces; oil-driven economic growth has also intensified urban sprawl. The migrants illegally occupied the land of the former State agricultural enterprises, further exacerbating the spread of informal residential construction.

Nowadays, there is a growing concern about these settlements and communities operating beyond formal regulations. While illegal residents remain socially, environmentally and politically vulnerable, the authorities are experiencing difficulties with properly managing the land.

In addition, there are huge illegal settlement areas in the Khirdalan Municipality of Absheron economic region. These include squatter settlements, illegally occupied lands and self-built illegal housing. Khirdalan received the status of city by Presidential decree in November 2006. The city has 210,000 inhabitants and a total area of 1,800 ha (findings drawn from the interviews conducted in Khirdalan Municipality). Khirdalan has a strategic location: the southern part borders with Shamakhi Highway (M1) and the Moscow–Rostov-on-Don–Baku railway, while the northern part is adjacent to the Jeyranbatan Reservoir. In general, Khirdalan informal settlements feature mixed-quality housing and varied access to basic utilities. Illegal houses lack addresses and are not connected to basic utilities such as running water. A number of positive improvements occurred between 2005 and 2009, when more parks and schools, roads, and new houses were provided by the State. In recent years, some of these illegal residences have gained access to new infrastructure through projects carried out by the State-run water company Azersu and the World Bank (World Bank, 2007). As part of its Utility Project, the World Bank is now undertaking a legalization project for illegally occupied land. Nevertheless, it is not sufficient to address the multidimensional informal settlement phenomenon by solving title registration problems. Informalization around Baku also has clear social and environmental aspects that need to be considered. Since 2009, the World Bank has expanded its Utility Project for the Absheron region into a broader framework. The project now includes the spatial planning component: a sub-project to develop a Greater Baku Regional Development Plan (this information is based on an interview with specialists working for the World Bank Baku office). These recent developments provide hope that the problem of informal settlements will be addressed more comprehensively in the near future.

Energy efficiency in the construction sector

Given the abundance of gas and oil resources in Azerbaijan, energy efficiency in the construction sector does not seem to be a concern. However, some governmental bodies address this issue within the frameworks under their competence. For example, the Ministry of Environment has the responsibility of identifying new sources of energy, and the Ministry of Energy is responsible for the energy supply of all buildings in the country.

In 2004, the State Programme on the Use of Alternative and Renewable Energy Sources in the Azerbaijan Republic for 2005–2015 was adopted by a Presidential decree.³⁴ This programme concentrates on developing new energy resources, however, it covers the construction sector only to a very limited extent. Action 15 of this programme urges different ministries to cooperate in providing buildings with alternative energy resources, prompting them to “provide heat to residential, institutional, and other buildings by using the thermal energy of geothermal waters” (2005–2013). The Ministry of Energy is also working to forecast heating and energy demands relating to ongoing construction projects, as it manages the country’s gas and oil reserves. During the last 4–5 years, meters for energy and gas consumption have been installed almost everywhere, which has led to a minimization of loss and a more rational use of these services by the population.

There is no separate law on energy efficiency, but there is a Law on the Utilization of Energy Resources³⁵. Some amendments are planned for this law, which also covers the issue of advanced technologies for producing and transporting energy. The Law also addresses the development of alternative energy resources. A very important activity in terms of saving energy in buildings is the mass replacement of existing windows by more efficient ones with mechanisms for conserving heat. In addition, architectural planning has an important role in broader efforts to enhance energy savings, through better insulation, correct solar orientation, etc. The Ministry of Energy has made

some calculations and forecasts for energy savings in terms of developing alternative sources. For example, if Azerbaijan was to increase its use of solar energy, the energy savings would be some 30–40 per cent. This option would be especially effective during the summer, as it could generate some 2.5 kW/hour per m². In 2004, the Government adopted the State Programme for the Development of Alternative Renewable Energy, which focuses on alternative energy sources such as wind, hydroenergy and biogas and draws up plans for their development. At the moment, the Government is completing an energy audit with the involvement of international experts.

B. Affordable and social housing

No definition of social housing exists at the national or local governmental levels, nor are there official documents elaborating or regulating social housing issues. There is no single institution responsible for housing, including the social housing sector. For an important part of the population, the improvement of living conditions is not accessible.

At the same time, the State Committee on Affairs of Refugees and IDPs addresses housing conditions of certain vulnerable groups. State social policy in housing mostly concentrates on IDPs, whose number—according to the State Committee—reached 603,251 in January 2009. This translates to approximately 120,650 families. The majority of IDPs live in Baku and Sumgayit, in approximately 360 collective centres. Most of these collective centres are overcrowded and lack kitchens and minimal utilities such as individual toilets and bathrooms. Although there are many different categories of vulnerable groups needing improvement of living conditions, State programmes mostly focus on IDPs and a few other groups. The State provides temporary shelters as well as collective centres for IDPs. Since 2000, the Government has started constructing new settlements for IDPs. Between 2004 and 2008, it built 61 new settlements for more than 17,000 IDP families and approximately 75,000 individuals. By the end of 2009, the Government plans to have constructed new settlements and multifamily buildings for about 20,000 IDP families. The State is also financing the central infrastructure of these IDP settlements.

A second group supported by the State comprises those injured during the conflict with

³⁴ Approved by Presidential Decree No. 462, dated 21 October 2004.

³⁵ Adopted in 1999.

Armenia (numbering approximately 120,000 persons, including 83,000 veterans and invalids). For this group, the Government is providing flats in multifamily residential buildings or constructing independent cottage-type houses. The State also has specific programmes for schoolteachers in rural areas. Recently, it began constructing small houses for schoolteachers, as there is a lack of teachers in these areas. By providing housing, the State hopes to give teachers incentives to move to rural areas and develop education systems there. A further vulnerable group in need of State assistance is children from orphanages, who are obliged to leave these establishments once they turn 18. However, for this category there is no programme supporting their access to affordable housing or shelter.

The State Committee is also discussing ways to support young families who are in need of better living conditions.³⁶ A programme was initiated by the President for the “Adoption of the State Programme in the Sector of Demography and Development of Population in the Republic of Azerbaijan”. Its Article 3 is entitled “The improvement of living conditions for young families”. The programme also defines concrete actions, responsible institutions and the period of implementation. It covers the following activities: (a) creation of a system of affordable loans for young families needing to improve their living conditions; and (b) the allotment of rural land for young families wishing to start building.

The Ministry of Social Protection is also involved in defining vulnerable groups and planning new housing constructions for them. The Ministry receives information from the regions on the numbers of IDPs present in a given area. The identification of vulnerable persons is the responsibility of local authorities, who provide lists according to certain criteria adopted by the Cabinet of Ministers of Azerbaijan. Based on this information, the Ministry plans different types of construction. The Ministry is also responsible for the construction of shelters for disabled persons. For these activities, it organizes public tenders and coordinates the construction process. Most of the vulnerable groups listed above are now becoming owners of flats or houses; in some cases, these

belong to the Ministry of Social Protection or to other State executive bodies.

The Azerbaijan Mortgage Fund was established in 2005 on the basis of a draft regulation in line with the Presidential decree on development of the mortgage market. It makes mortgages available to certain groups. Specific categories can receive loans at 4 per cent interest, quite low in comparison to many other post-Soviet countries. The Law on Mortgage covers the housing needs of socially vulnerable groups. The State also pays the costs of utilities serving IDPs. In some cases, it also provides a fixed monthly amount to certain categories, covering bills for electricity and other utilities. Apart from private and State-supported housing construction, some private businesses and State companies (i.e. oil companies) also provide housing for their employees. All other vulnerable groups not supported by the State have to improve their living conditions by themselves, through the free market. Despite the construction boom, which should increase competition and balance prices, vulnerable groups still cannot afford modern housing units.

C. Housing maintenance and management

As mentioned, housing estates in Azerbaijan often face the problems with poor structural and technical conditions, the result of ineffective management and maintenance. Even so, the country has no special legislation on condominiums. Flat owners in multifamily estates do not own the surrounding land and common property. These properties belong to the State or the municipality, and their management is the responsibility of local government units, namely the Housing and Communal Service Departments. Inhabitants, regardless of whether they live in a privatized, cooperative or State apartment, have to pay a fee for their buildings’ maintenance and management. Owners of flats have to pay annually from 0.01 AZN per m² in buildings without any services, to 0.02 AZN per m² in well-served buildings. In privatized apartments, the fee is 0.015 AZN (1.8 cents) per m².³⁷ These fees are compulsory, but mechanisms defining how the municipality can intervene when residents are not paying do not exist. In interviews, experts noted

³⁶ The term of “young family” applies to families in which one partner is under 35 years of age.

³⁷ Cabinet of Ministers Decision No. 40, 10 March 2000.

that many households do not pay for maintenance. The payment and billing systems are ineffective, as are mechanisms for oversight.

Many of Azerbaijan's housing estates (especially multifamily estates) were constructed some 40-50 years ago, when construction standards were low because the speed and quantity- rather than the quality- of mass construction was prioritized. Maintenance was not managed effectively even in the Soviet era because it required large investments the State could not afford. After the dissolution of the Soviet Union, the situation worsened. The main problems are leaking and unsafe roofs, non-functioning elevators, the lack of proper insulation, neglected common areas and structural problems with buildings.

As of the beginning of 2009, Azerbaijan had 1,082,100 residential houses, of which 7,500 had more than 5 storeys. Over the last 15 years, the majority of multifamily housing estates never underwent repairs or benefited from renovations. Moreover, it is still unclear how much funding would be required for maintenance of the country's housing stock. Faced with ineffective management and insufficient financing, some municipalities have prioritized certain types of repair work. For example, in Baku the Housing and Communal Services Department has emphasized repairs of roofs.

According to a study of the Environmentally and Socially Sustainable Development Network (ECSSD) on Europe and the Central Asian Region³⁸, "urban households are more dissatisfied with housing maintenance than with any other urban service. Households outside Baku were especially dissatisfied, but even within Baku, dissatisfaction levels were high." Privately owned individual houses are in rather good condition compared with multi-storey flat estates. A large number of poorer owners cannot afford the housing maintenance fees due to the low level of land reform for multifamily houses, the lack of decentralization and limited financing. These are all significant obstacles, which serve to exacerbate the deterioration of Azerbaijan's multifamily housing stock.

³⁸ "Multi-apartment Housing in Azerbaijan, 2006", World Bank, 2004.

D. New housing construction

The construction sector of Azerbaijan includes private, cooperative, public and international companies. Several State structures are involved in the sector. However, there is no legislation regulating relations between developers and flat owners. A new Construction Code has been drafted and forwarded to the Parliament, but had not yet been adopted at the time of this study.

Prior to the global economic crisis, Azerbaijan experienced a construction boom that strongly stimulated multifamily housing construction. Yet in many parts of the country, construction has grown chaotically. As explained in chapter II, after the dissolution of the Soviet Union, new master plans were not developed. This situation prevented proper planning for urban areas and effective regulation of new construction activities. In 2009, the Government decided to elaborate master plans for 10 cities in the country.³⁹ These master plans will also address construction issues, including those relating to residential houses. The work will be financed from the State budget (see chapter II).

Starting in the 1990s, new construction has been occurring mostly in city centres and in recreational areas across the country. After 2000, construction activities increased significantly and the housing sector has been an important part in the country's economic growth. Development of multifamily high-rise estates supported increased demand for modern new housing. Many private companies were established for this purpose, and the commercial housing stock became the major supplier of flats to the population. Prices have increased accordingly; in 2007–2008, for instance, the price of 1 m² ranged from 1,000–2,500 AZN, depending on the location.

Since 2000, certain patterns of particular concern have been evident in the real estate market. Developers are pre-selling apartments prior to the start of construction. Secondly, developers often only finish the outsides of apartments/buildings from, leaving the responsibility for completion of the inside to the buyer himself. This obviously leads to various and often insufficient standards regarding electrical installation, heating elements and other technical

³⁹ There are 70 cities in the Republic of Azerbaijan.

necessities, depending on the financial capability of the owner. Also, most new buildings are not accessible to disabled people.

It is also clear that many flats in these new houses are purchased for investment purposes only, meaning that families often are owners elsewhere. Families rarely rent out these flats and they remain empty. The result is more than 1 million m² of non-used housing stock in the country.

The post-2000 construction boom was not accompanied by proper institutional and legislative mechanisms, which has contributed to chaotic and sometimes unsafe construction activities. There has been very poor oversight of construction quality, as well as high rates of bureaucracy and corruption. In 2001, a normative document was adopted on the “Safety of the Housing Stock.” Its implementation is now the responsibility of the local executive governments. As mentioned, in 2006 the Government established the State Agency for Control over Safety in Construction in the Ministry of Emergency Situations. This Agency is involved in almost the whole aspect of the construction cycle. When the developers have a project design and cost calculations ready, they apply to the Agency for additional evaluation. The Agency then vets the structural design of the project for safety and quality. If the Agency approves the project, the municipality can issue the appropriate permits. The Agency also has the right to verify quality during construction at any stage and time. It also has the right to bring court cases against developers and oblige them to undertake the necessary procedures for safe construction.

Construction procedures, permits and certificates

Due to the post-2000 boom, the building sector has become one of the cornerstones of Azerbaijan’s economy, ranking just after the oil and gas sector. Construction permits remain an important aspect of the process. Yet the steps to receive construction permits are too numerous and complicated (see Chapter II). To initiate construction, a private entrepreneur needs to pass through seven stages vis-à-vis different State and municipal bodies:

It takes a minimum of six months to receive the permits. Once construction is finished, a unit from the State Commission inspects the site and approves the building for operation. Azerbaijan

still uses construction norms inherited from the Soviet period, and there are more than 1,700 norms and technical documents having the status of normative standards. Each new construction has to meet the requirements of such construction norms. The inspecting body for ongoing construction is the main Architectural Construction Inspectorate. The State Agency for Control over Safety in Construction oversees the Architectural Construction Inspection in certain categories of construction. There are three types of construction: types I and II are those of State importance, which include multi-storey housing and other public buildings. Construction permits for buildings of types I and II are issued at the local level. It is obligatory for municipalities and developers to reach agreement on every new construction regarding taxation: about 10 per cent of the cost of construction goes to the municipal budget.

Before 2009, there was no obligatory licensing in the construction sector. But beginning in 2009, according to a Presidential decree, construction activities must be licensed. The licenses are issued by the Committee of Architecture and City Planning for design activities. The Ministry of Emergency Situations issues the licenses for the construction of type I and II buildings. All the licenses are centralized, and all the physical and juridical structures must satisfy the conditions of licensing. There are three types of licensing: (a) project design; (b) engineering-operational works; and (c) construction-assembly works. The new Construction Code, likely to be adopted soon, also defines different types of sanctions against illegal and unsafe construction.

While the construction boom has supported the development of a national construction materials industry, Azerbaijan remains very much dependent on imports. For example, iron and steel reinforcement for concrete are imported from Ukraine, wood from the Russian Federation and revetment materials from Turkey. Even though local concrete and brick industries do exist, the private sector claims that there is a deficit of certain construction materials, for example concrete. In Azerbaijan, many imported and locally produced construction materials are neither standardized nor certified. Most of construction equipment used dates from the Soviet period. The construction sector also lacks local professionals, especially highly qualified engineers and construction supervisors. The majority of workers

are locals. This was confirmed as well by the interviews undertaken for the development of this study.

E. Utilities

Responsibility for providing utilities in buildings falls under the authority of local governments. The providers are State companies (e.g. for electricity, gas and sanitation). Waste management is provided by both public and private companies.

Regulations for the quality of utilities are weak. Some international organizations are helping to finance infrastructure projects, for example, the Asian Development Bank is involved in the water and sanitation supply sectors, as is the World Bank. In 1999, the Concept for Reforms in Housing and Communal Services was elaborated and adopted, but has not proved effective in reforming the sector. The country still faces problems in terms of the quality of the water supply. Depending on location and time, water supplies may be regulated by schedules and accessed only at certain hours in the day. The water and sanitation system suffers from physical damage and is of low quality.

Every building has meters for electricity and gas, but not for water. Only some buildings in Baku have meters for water consumption. In 2007, the tariffs for energy supply and water consumption were increased. The approximate price for water consumption per person is about \$10 annually. The price for electricity is 6 qapiks (approximately 7 cents) for 1 kW/hour. One household consumes about 120–130 kW/month.

The oil industries have to pay 2 qapiks for night usage and 4 qapiks for day usage. On behalf of the members of certain vulnerable groups, the Government pays the utility costs directly to the service providers.

An important institutional body determining and adopting tariffs is the Council for Tariffs of the Azerbaijan Republic. The Council is an independent organization⁴⁰ chaired by the Minister for Economic Development. Every company that supplies utilities (gas, electricity, water, public transport, communications, etc.) contacts this Council to set tariffs for services. The Council is not a policymaking body and has none of the attributes of a regulator. It does not have authority over methods of tariff calculation.

Table 4. Communal services in multifamily housing stock

Service	2004	2005	2006	2007	2008
Water pipelines	94.3	92.8	92.4	92.3	89.8
Waste water	92.6	90.9	90.6	90.5	85.6
Heating	76.7	73.1	72.6	72.3	68.1
Gas	93.8	92.8	92.5	92.6	87.4
Hot water	19.2	18.2	16.9	12.3	11.7

Source: Housing and Communal Services in the South Caucasus; Multi-apartment Housing in Azerbaijan

According to the World Bank, households are very dissatisfied with the provision of utility services. As they do not meet the expectations of the population, households are not willing to pay for them.

⁴⁰ Here, “independent” means that the Council has no governmental supervisory/executive body.