

# THE CONSTITUTIONAL LAW OF THE REPUBLIC OF AZERBAIJAN

## **on grounds for economic independence of the Republic of Azerbaijan**

Noting that the standard of living of the Azerbaijani people is low, a large number of able-bodied people are unemployed and natural resources are in decline as a natural consequence of alienation of an employee due to a tight central planning and distribution system, appropriation of means of production and result of labor; negligence of the interests of the Republic on discretionary administration in the economy, the policy of regional development and deployment of productive forces; and implantation of non-equivalent interregional exchanges,

Understanding the responsibility for self-determination of the people of Azerbaijan and taking care of its welfare, spiritual revival the Supreme Soviet of the Republic of Azerbaijan adopts this Constitutional Law, which defines the content, purpose and basic principles for economic independence of the Republic of Azerbaijan as a sovereign state.

### **Section I. General provisions**

#### **Article I. Content and aim of economic independence**

The Republic of Azerbaijan shall independently pursue economic and social policies that are in the interests of its people and are in harmony with the international law and universal values.

The economic independence of the Republic of Azerbaijan shall consist of independently determining the structure of the national economy, its priority areas of development, financial and budgetary, monetary, pricing, investment policies; scientific and technical and foreign economic policy, and providing social security for the population.

The aim of the economic independence of the Republic of Azerbaijan shall be to preserve and enhance national wealth of the Azerbaijani people by providing decent living conditions for every citizen, satisfying spiritual needs of individuals and provide their self-expression, and creating sustainable mechanisms that encourage creative and productive work.

#### **Article 2. Main principles of economic independence**

Economic independence shall rest upon the following main principles:

- exclusive ownership over land, underground, groundwater, inland waters and territorial waters, continental shelf, flora and fauna, air basin within the territory of the Republic of Azerbaijan;
- ownership, use and disposal of the resources of the Caspian Sea economic zone adjacent to the territory of the Republic of Azerbaijan within the limits approved by the international law;
- share in created nationwide wealth;

- ownership of its share in diamond and foreign exchange funds, gold reserves of the USSR, the right to use and dispose of it for the benefit of the Republic;
- legal equality and legal protection of all forms of ownership, freedom of entrepreneurial activity, market relations of supply and demand, state regulation of the economy;
- voluntarily enter into and freely leave economic unions with other states;
- protection of foreign investments in the territory of the Republic of Azerbaijan.

## **Section II. Property right**

### **Article 3. Owner's power and forms of property**

The owner shall have the right to own, use and dispose of property within the limits established by the legislation of the Republic of Azerbaijan.

Property relations shall be established and regulated by the legislation of the Republic of Azerbaijan, international treaties and intergovernmental agreements.

The following forms of ownership shall be considered equal rights and be protected by the law in the Republic of Azerbaijan

- state property of the Republic of Azerbaijan;
- collective ownership;
- private property;
- mixed property.

Union republics and other states, their legal entities and citizens, international organizations shall be allowed to have property within its territory within the framework of the legislation of the Republic of Azerbaijan.

### **Article 4. State property of the Republic of Azerbaijan**

The legal subject of state property in the territory of the Republic of Azerbaijan shall be the sovereign state of the Republic of Azerbaijan.

The state property of the Republic of Azerbaijan shall include enterprises of across national economic sectors, energy network (system), transport and communications enterprises (except for fixed funds and means, jointly owned by the Union agreement that provide a united operation of transport and communication), state housing fund, property of public entities, cultural values and historical monuments, infrastructure facilities, including resort tourism facilities, other main funds created at the expense of public funds, state banks, financial and credit resources, securities and other property necessary for the Republic of Azerbaijan to discharge its duties as a sovereign state.

Enterprises or their parts established in the territory of other states at the expense of state financial resources of the Republic of Azerbaijan shall be also the state property of the Republic of Azerbaijan.

By the decision of the Supreme Soviet of the Republic of Azerbaijan, a part of the state property of the Republic may be transferred to the ownership of local authorities

Local public authorities shall determine the legal status of their property in accordance with the legislation of the Republic of Azerbaijan.

The objects of local government bodies may not be transferred, alienated and redistributed without their consent.

Local public authorities shall use and dispose of land and water resources, other natural resources as prescribed by the legislation of the Republic of Azerbaijan.

#### **Article 5. Collective, private and mixed ownership/property**

Collective ownership shall include property of corporate entities – legal persons, rental companies, cooperatives, joint stock companies, business partnerships and associations, trade unions and other public organizations, religious organizations, associations of citizens and civil society movements.

Collective ownership shall arise by transfer of property to ownership as prescribed by the law, creation or acquisition of property through collective or borrowed funds.

Private property shall be represented in the form of property of individuals and their families, means of production and their equivalent, non-production items and resources, in the form of money and securities and intellectual labor. They can also be used to generate income by using hired labor.

Property owned by citizens, legal entities and states can be consolidated within the limits set by the legislation of the Republic of Azerbaijan and mixed property can be created on this basis. The type of mixed property shall be determined by the status of owners combining their own funds.

#### **Article 6. Property outside the territory of the Republic of Azerbaijan**

The terms and conditions of ownership, use and disposal of the property, cooperatives, public unions and civil society movements of the state of the Republic of Azerbaijan, as well as ownership by its citizens in other states shall be determined by the laws of host countries, as well as with the international law and signed treaties. The Republic of Azerbaijan shall help the owners of this property protect it.

### **Section III. State regulation of the economy**

#### **Article 7. National economic complex of the Republic of Azerbaijan**

The national economy complex of the Republic of Azerbaijan shall consist of total enterprises, associations and organizations located in the territory of the Republic, irrespective of their forms of ownership.

Enterprises, associations and organizations shall have the right to economic independence, established by the legislation of the Republic, enter into contractual relations with any legal entities and citizens of the Republic of Azerbaijan and other states, establish branches, and open joint ventures. Production activity shall base upon free market relations, a state order shall be voluntary and be issued on a competition basis. Subjects of contracts and agreements bear responsibility for compensation for damages in case of violation of their obligations.

The national economy complex shall develop in the market environment, with the availability of consumer goods, services to the population, production facilities, capital, labor, currency and securities markets. The grounds for market relations shall be the contract and market prices, formed by agreement between the seller and the buyer on the basis of goods/money relationship, free pricing and entrepreneurship. Equal economic conditions and equal legal guarantees shall be established for entrepreneurs.

Government and administrative authorities shall not directly interfere in the economic activity of state-owned enterprises, except as specifically provided by the legislation of the Republic of Azerbaijan.

The structure of state governing bodies of national economy shall be determined by the Supreme Soviet of the Republic of Azerbaijan. In cases provided for by the legislation of the Republic of Azerbaijan, foreign bodies may be granted the right to operate enterprises in different areas on the basis of interstate agreements.

#### **Article 8. Main functions of state regulation of the economy**

The supreme public authority and management bodies of the Republic of Azerbaijan with the help of laws and economic measures shall:

- determine the most effective ways of using production-economic capacity, facilitate structural changes in the national economy, create key market structures, and regulate intellectual property relations;

- establish proportions of the use of national income, develop and promote programs of economic and social development, spiritual revival of the Azerbaijani people and assist their implementation, create special funds for development of various sectors and regions;

- protect interests of the Republic of Azerbaijan in relations with other states;

- regulate mutual relations of legal entities and citizens of the Republic of Azerbaijan with other states by issuing licenses and setting the limits for supply and sale of goods, if necessary;

- regulate the prices and tariffs for goods and services for the benefit of the population of the Republic, take measures against the monopoly, prevent activities that contradict national, social, economic, environmental and cultural interests of the Republic of Azerbaijan;

- provide efficient use of labor resources, create healthy and safe working conditions;

- realize minimum allowances, other necessary legal guarantees for social security and insurance for citizens of the republic;

- establish and maintain a system of measures to protect the population, businesses and organizations from natural disasters, industrial accidents and other emergencies and situations and eliminate their consequences.

#### **Article 9. Scientific and technical policy, structural and investment policy**

The Republic of Azerbaijan shall implement a scientific and technical policy, structural and investment policy that helps to fundamentally modernize technical and technological

aspects of production, create a highly efficient mobile economy that operates in line with national interests and global market requirements.

The Republic of Azerbaijan shall establish priority directions of fundamental and applied scientific research, organize the market of scientific and technical ideas and engineering researches, conduct international scientific and technical cooperation, and create an effective system for training scientific personnel.

Production of the structural-investment policy of the Republic of Azerbaijan shall consist of subordination of production to human interests, eliminating inconsistencies in sectorial and territorial development of the economy, increasing the share of end consumer products in total output, and advantageously develop science intensive areas, resource saving technologies, safe and environmentally friendly production.

The Republic of Azerbaijan shall regulate investment activity in its territory, promote establishment of investment markets and stock exchanges.

#### **Article 10. Local self-government and local economy**

Local self-government shall be areal self-organization on the basis of the laws of the Republic of Azerbaijan, own economic and financial base, to allow citizens to independently resolve all issues of local life either directly or by means of state and public organizations taking into account interests of the population.

Local self-government shall be carried out within the boundaries of relevant administrative territorial units of the Republic of Azerbaijan.

The main stage in the system of local self-government shall be local soviets of deputies that unite and coordinate activities of all other levels of local self-government in their territory.

The local economy shall provide immediate coverage of population needs and consist of enterprises, associations, organizations, production and social infrastructure facilities that are the property of the relevant administrative territorial unit.

Local soviets of people's deputies shall coordinate activities of local businesses, associations and organizations, assist in the development of entrepreneurship and small businesses. Economic activity in the territory of local soviets of people's deputies shall be carried out with their permission.

Local soviets of people's deputies shall have an independent budget.

Relationship of local authorities with businesses, associations and organizations not owned by them shall base upon taxes and contracts.

Decisions made by local soviets of people's deputies within their competence shall be binding for all enterprises, organizations and agencies located in the area.

#### **Article 11. Foreign economic activity and inter-republic relations**

Economic relations with the republics of the Union and other states shall be carried out in accordance with the legislation of the Republic of Azerbaijan on the principles of mutual benefit and equality at the state level, at the level of legal entities and citizens.

The Republic of Azerbaijan shall independently manage foreign economic activity, create a customs system, independently solve the issues of establishing free economic

zones, various foreign economic organizations, firms, trading and stock companies, banks and other organizations, open trade and economic representations abroad.

The Republic of Azerbaijan shall create a foreign exchange fund and independently settle the issues of its use. The sources of the currency fund creation shall be foreign currency inflows of all enterprises and organizations located throughout the republic from foreign economic activities, including from foreign tourism, cultural, sport and other events, inflows from operations with securities and bonds, customs duties.

International agreements of the Republic of Azerbaijan on economic activity shall be concluded in accordance with the legislation of the Republic of Azerbaijan and approved by the Supreme Soviet of the Republic of Azerbaijan.

#### **Article 12. State control**

Only relevant bodies of the Republic of Azerbaijan shall have the right to exercise state control over the economic activity of enterprises, associations and organizations in the Republic of Azerbaijan.

### **Section IV. Financial-budgetary, credit and monetary system of the Republic of Azerbaijan**

#### **Article 13. Financial-budgetary system**

The Republic of Azerbaijan shall have its own financial system. This system shall include a budget and a pension fund of the Republic of Azerbaijan, a social insurance fund, state and personal insurance, foreign insurance, funds of the public sector, trade unions and other public organizations and off-budgetary funds established in accordance with the legislation of the Republic of Azerbaijan. The budget of the Republic of Azerbaijan shall consist of the republican budget, the budget of the Nakhichevan Autonomous Republic, the NKAR and the local soviets of people's deputies.

The procedure for drafting, reviewing, approving and executing the republican budget of the Republic of Azerbaijan, as well as their interactions shall be determined by laws of the Republic of Azerbaijan on budget system, taxation, local self-governance and local economy.

Sources of revenues of the republican budget of the Republic of Azerbaijan, budgets of Nakhichevan Autonomous Republic and NKAR State Budget and local budgets shall be state taxes, deductions, incomes and subventions.

The Republic of Azerbaijan shall implement an independent tax policy in its territory. Types and rates of taxes, as well as taxation rules shall be established by the legislation of the Republic of Azerbaijan and shall be valid for all legal entities and citizens.

All types of taxes and duties levied on enterprises, associations and organizations, as well as citizens in the territory of the Republic of Azerbaijan shall be transferred to the republican budget and local budgets completely.

The budget of the Republic of Azerbaijan, the budget of the Nakhichevan Autonomous Republic and the NKAR State Budget, and local budgets shall be channeled to finance

development and state regulation of the national economy, coverage of public and social needs and discharge of public administration functions.

The Republic of Azerbaijan may participate in targeted financing of joint projects and programs with other countries and international organizations with its own budget on a contractual basis.

The Republic of Azerbaijan shall allocate funds to cover expenses related to exercising powers of the Supreme Soviet of the Republic of Azerbaijan voluntarily transferred to the supreme authority of the Union.

In case of non-fulfillment of this power by the Union, by the decision of the Supreme Council of the Republic of Azerbaijan allocation of funds shall be stopped and previously paid arrangements required back.

#### **Article 14. The banking system and money circulation**

The Republic of Azerbaijan shall independently organize banking and currency circulation in its territory.

The banking system shall consist of the National Bank of the Republic of Azerbaijan, the Foreign Economic Activity Bank, national banks and other joint stock commercial banks, other credit offices of various forms of ownership. Banking offices shall be economically independent and be guided by the legislation of the Republic of Azerbaijan in their activities.

Credit resources of the Republic of Azerbaijan shall include banks' own funds, balances on bank accounts of enterprises, associations and organizations located in the territory of the Republic, funds in interbank settlements, savings of the population, other monetary reserves and the Republic of Azerbaijan shall create its own currency, if necessary, to protect its interests.

The National Bank of the Republic of Azerbaijan shall be accountable to the Supreme Soviet of the Republic, be the supreme emission office, pursue state policy in credit, currency circulation, settlements and foreign exchange relations, regulate the banking system as a whole, discharge reserve bank functions in its interrelation with the USSR State Bank.

#### **Article 15. Pricing**

The Republic of Azerbaijan shall independently implement its pricing policy for the benefit of its development.

Trade with the Union republics and other countries shall be carried out primarily at world prices.

The list of goods and services whose prices and tariffs should be regulated by the state, shall be determined by the legislation of the Republic of Azerbaijan.

### **Section V. Social security of the population of the Republic of Azerbaijan**

#### **Article 16. Social security system**

The basic principles of the social security system created in the Republic of Azerbaijan shall be the following:

- create necessary conditions for employment, protection against unemployment, retraining and specialization of temporarily unemployed citizens on the basis of free choice of profession;
- availability of qualified medical care for everybody;
- free secondary, vocational and mostly higher education;
- establish minimum consumer budget and on its basis full or partial compensation of population's losses; set compensation payments;
- indexation of income of the population;
- exercise workers' rights to healthy and safe working conditions;
- realize practical measures for protection of mothers and children, radically improve working and living conditions of women.

Social security shall be provided by public institutions and offices, state, cooperative and mixed enterprises, trade unions and other public organizations and private owners.

#### **Article 17. Salary and working hours**

Amount of salaries in self-supported businesses, associations and organizations shall depend on each worker's contribution and relate to income from their economic activities.

The maximum amount of salary shall not be capped, its state-controlled minimum threshold should ensure minimum cost of living established by the legislation of the Republic of Azerbaijan.

Working hours and time off work, labor rates, rates and procedures for payment shall be determined in accordance with the current legislation.

#### **Article 18. Management of demographic processes**

The Republic of Azerbaijan shall develop and implement set of economic and social measures that ensure optimization of demographic processes, expansion of population growth and elimination of gender/age differences, harmonization of women's social and maternal functions, and creation of favorable conditions for family development and upbringing of younger generation.

#### **Article 19. Social security and social insurance**

Citizens' social insurance shall be available in the Republic of Azerbaijan.

Social insurance shall be provided in connection with temporary loss of capacity to labor, pregnancy and birth, disability, loss of head of a family, old age and unemployment.

The Republic of Azerbaijan shall provide social and economic protection for the elderly, pensioners, the disabled, single-parent and large families. Amount of pensions for disability, old age, or loss of the head of the family shall correspond to the contribution of the disabled, old or family head and not fall below the minimum cost of living.

#### **Article 20. Protecting employees' interests**

The Republic of Azerbaijan shall protect the balance of interests of all social strata and groups, fair demands and rights of all citizens.

Hired employees of private enterprises shall enjoy all social benefits that employees of the public sector have.

To protect consumers' interests, products shall be monitored in terms of safety, harmlessness and quality control.

Trade unions and other unions of the workfolk shall have the rights and authority in accordance with the legislation to protect social and economic interests of the workfolk and staff in the Republic of Azerbaijan.

Social security of the workfolk in case of labor disputes related to socio-economic issues shall be protected by the legislation of the Republic of Azerbaijan.

#### **Article 21. Guarantees for environmental protection**

The Republic of Azerbaijan shall ensure the right of citizens for environmental security, take necessary measures for preservation of natural complexes, protection and enhancement of rare and extinct flora and fauna.

The rules for use of nature shall be determined by the legislation of the republic

### **Section VI. Economic legislation of the Republic of Azerbaijan**

#### **Article 22. Economic legislation**

Economic independence of the Republic of Azerbaijan shall be based upon the Constitution of the Republic of Azerbaijan, this Constitutional Law and other relevant laws and regulations on property, land, taxation, rent, enterprises, businesses, anti-monopoly, protection of investments, bankruptcy, banking, the budgeting and monetary system, foreign economic relations, employment, social security and other laws and regulations.

#### **Article 23. Legal responsibility**

Illegal actions or inaction in the exercise of economic independence of the Republic of Azerbaijan shall be interpreted as conspiracy against state sovereignty and be punished by law.

The law shall take effect from the day of its adoption.

**A.Mutallibov**

**President of the Republic of Azerbaijan**

Baku city, 25 May 1991.

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