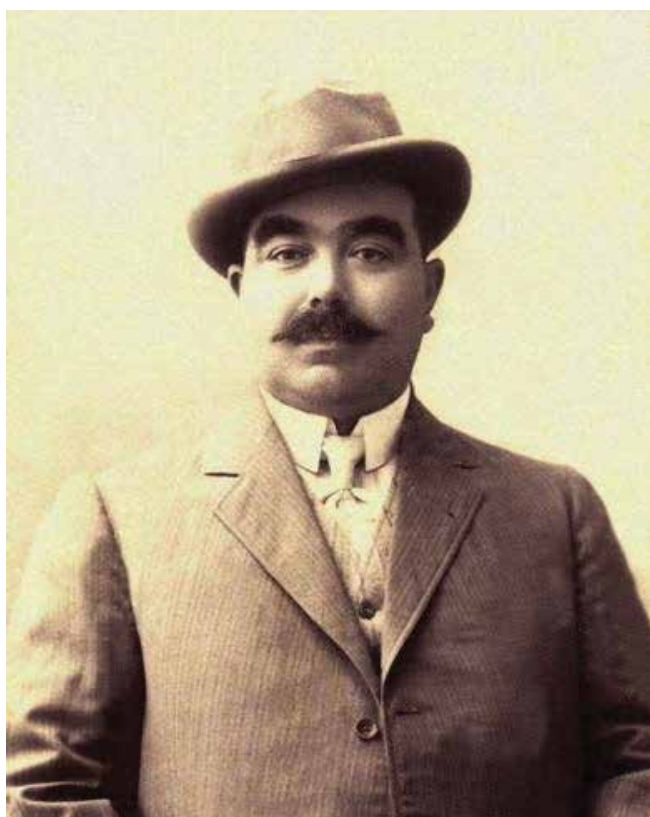


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# ON THE FIRST PREMIUM BONDS OF THE AZERBAIJAN REPUBLIC IN 1919



*Ardent supporter of premium bonds, ADR Finance Minister Aliaga Hasanov (1868-1933), founder of the State Bank of the ADR, national currency “manat”, and author of Azerbaijan’s first luxury tax, a connoisseur of literature who was in communication with Lev Tolstoy and translated a number of his works into Arabic*

One of the most interesting and important moments in the history of money circulation in the Azerbaijan Republic is the issue of the first internal premium bonds of the Baku City Public Administration in 1919.

Given the increased expenses on the maintenance and management of the city economy, the Baku City

Public Administration (briefly the Baku City Council) prepared a report on financial problems and their solutions on 1 July 1919 and submitted them for consideration by the City Duma (the legislative body of the city) (1). The report provided a detailed analysis of the financial situation of the city economy in the first half of 1919 and mentioned the recent allocation of a loan in the amount of 10 million rubles with a 5-per-cent annual term for three years according to a decision of the Parliament of the Azerbaijan Republic adopted on 26 May 1919. However, it was not enough.

A further summary of estimates on the city economy in 1919 showed that the city’s expenses exceeded its revenues in the amount of 43,630,000 (2) rubles. Finding ways to fill this gap and given that the government was no longer able provide additional funding (for lending), the Administration recommended that the City Duma distribute among the population 50 million rubles in nominal value with winnings in the form of internal bonds (3). A draft statute “On the premium bonds worth 50,000,000 rubles in nominal value” was attached to the report (4).

The bonds recommended by the City Council, in addition to their vital necessity, represented a significant benefit for the city. According to the “Statute”, they had to be repaid within 52.5 years and were more convenient for the city than the government bonds given for short periods, considering that the winnings in the bonds amounted to 66,000,000 rubles, which accounted for 5%. The report ends with a request to approve it and give consent to filing a petition with the government to allow the Baku City Council to issue bonds worth 50 million rubles (5).

Having received the consent of the City Council on 14 July 1919 in letter № 3398 (6), the city head (chairman of the Baku City Council) sends a request to the Minister of

*First premium bond of the ADR. Private collection, Baku.  
Front side*

Internal Affairs for authorization by the parliament.

According to the decree of the Government of the Azerbaijan Republic, all appeals to the parliament and the government were to be made only through the Ministry of Internal Affairs. After appealing to the Interior Ministry, in letter № 3469 (7) dated 16 July 1919, the city head sends all materials to the Minister of Finance for consideration.

On 19 July, the Office of the Minister of Finance sent letter № 4657 (8), which contained the materials that had been received, to the credit department for the preparation of a report on the feasibility of the issue of premium bonds worth 50 million rubles.

On 22 July 1919, in its letter № 6892 (9), the Ministry of Internal Affairs sent materials on premium bonds to the Ministry of Finance for opinion. The letter is urgently sent to the credit department. The comrade (i.e. deputy) of the Minister of Finance examined the materials prepared by the finance department about the premium bonds worth 50 million rubles and sent a detailed note to the minister on 27 July 1919 (10). Despite the strong condemnation of the issue of premium bonds by the existing theory and practice of financial affairs - the report says - it is obvious that today the Baku City Council is in dire financial straits and urban management requires greater expenditure, which results in a large city budget deficit. The expected level of the deficit will be 45 million rubles. Given the abundance of money available in the hands of the majority of the population and the relatively low price of bonds worth 500 rubles, the bonds will most likely be a great success.

In accordance with the recommendations set forth in a report by the comrade of the minister of finance, the credit department prepared a detailed report to the Council of Ministers attaching the draft law on the issue of premium bonds. On 28 July 1919, with its letters № 1614 (11), № 1615 (12) and № 1618 (13), the Ministry of Finance sent the aforesaid documents to the Minister of Internal Affairs, the Council of Ministers and the chairman of the Financial and Economic Council. The report signed by the Minister of Finance describes in detail the circumstances that prompted the Baku City Council to issue the bonds, the positive and negative aspects of this project and the necessary measures to ensure the successful completion of the issue.

On 20 August 1919, a meeting of the Azerbaijani government hears out the report of the Minister of Finance on premium bonds worth 50 million rubles issued by the Baku City Public Administration. An extract



(14) from the journal of government regulations of the Azerbaijan Republic dated 20 August 1919 says: "1. The project of the Minister of Finance on the premium bonds worth 50 million rubles issued by the Baku City Council is approved."

According to the approved statute "On the internal interest-free premium bonds of the Baku City Public Administration" (15), the notes had to be issued to the bearer in denominations of 500 rubles and in the amount of one million pieces divided into 2,000 series with 50 notes in each. All notes issued were provided with stamps of the Baku city head, council members, the chief of the financial department and the signature of the chief accountant and in all cases without exception, they were to be accepted by the Baku City Council as a pledge in their nominal value.

According to the founders' idea, it was planned to hold 55 draws within the terms specified in the schedule of these draws. In each draw, it was planned to collect the following prizes:

- 1..... 200,000 rubles
- 2..... 1,000,000 rubles



Reverse side of the bond

3..... 50,000 rubles  
 Two 25,000 rubles each..... 50,000 rubles  
 Ten 10,000 rubles each.....100,000 rubles  
 Twenty 5,000 rubles each..... 100,000 rubles  
 One hundred 3,000 rubles each.....300,000 rubles  
 Three hundred 1,000 rubles each.....300 000 rubles

According to the Statute, the dates of the draws were indicated on each printed note, namely: 1920 – 1 July; 1921 - 2 January and 1 July; 1922 – 2 January and 1 July; in 1923 and subsequent years up to 1972 inclusive - once on 2 January. The issuance of winnings and the payment of released notes in their nominal value were to be carried out three months after each draw at the box office of the Baku City Council.

One of the important and necessary conditions for the organization of premium bonds is their legitimacy. The bonds could be considered successful only when the total amount of notes sold reached 12.5 million rubles (one fourth of the circulation).

According to the requirements of the Statute, notes of

premium bonds were printed in both Turkic and Russian.

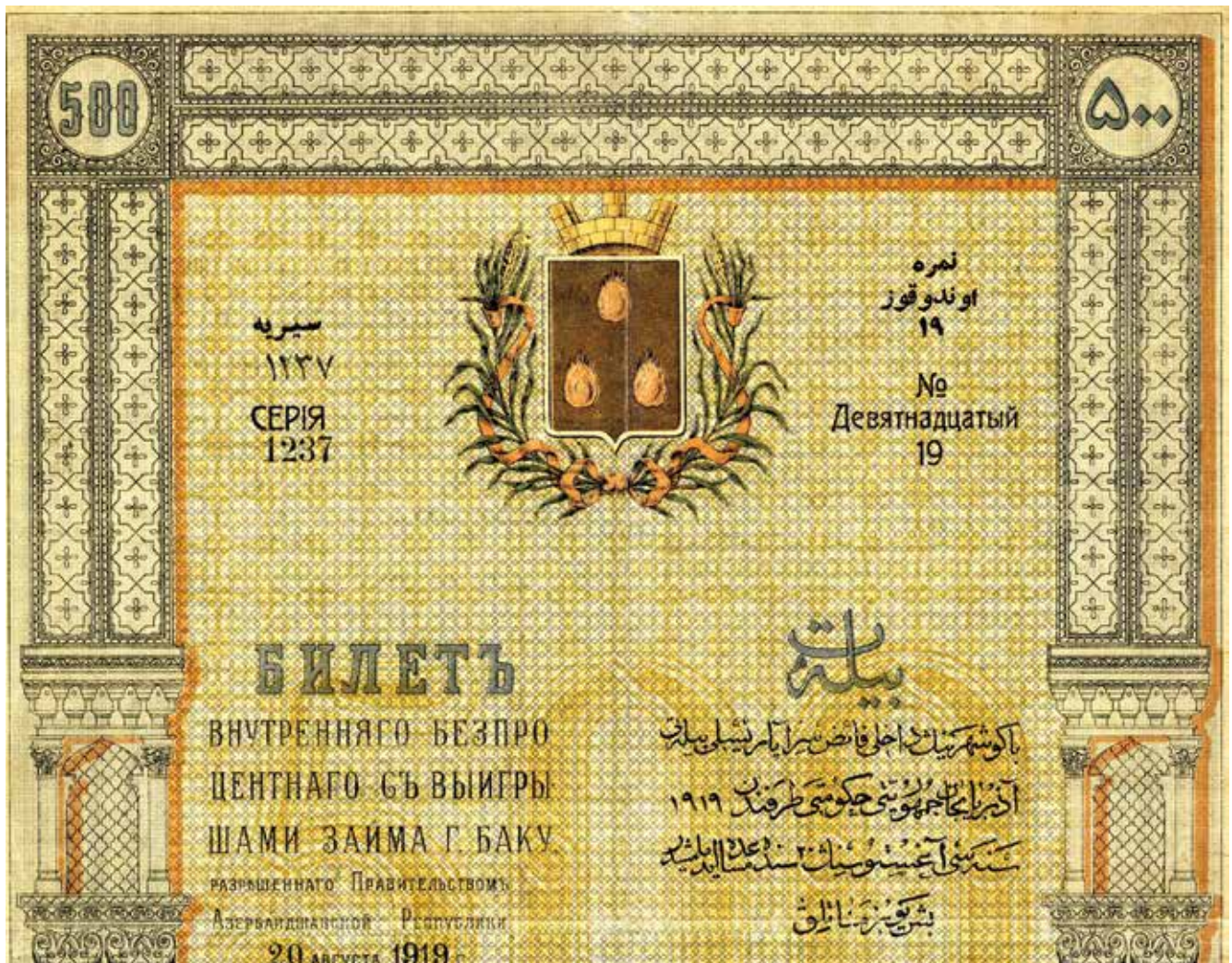
In his letter № 6308 (16) dated 20 October 1919 to the Minister of Internal Affairs, the city head described in detail the differences on individual items of the approved Statute, and along with the request to file another petition with the government and parliament for the partial change of some points in favor of the city, described in detail the costs of printing notes of the bonds (total – 796,969 rubles).

In addition, due to the need to print notes on paper with water marks and, given the increasing price of paper, the City Council and Finance Committee asked to approve a loan for the issue of bonds in the amount of one million rubles.

The printing of notes of the interest-free premium bonds of the Baku City Council in 1919 was entrusted to the Expedition for the Preparation of State Paper (17), which, along with this order, printed all banknotes, postage and official stamps and other securities. Notes were printed at the Society of A. M. Dagesov and R. K. Zalinov located at the intersection of Karantinnaya and Krasnovodskaya streets (now Samad Vurgun Street around the corner of Hazi Aslanov Street) (18).

The design of notes of the domestic interest-free bonds of the Baku City Council issued for the first time in the young Azerbaijani state had its inherent unique oriental flavor and was different for its style and content from the banknotes, which had only just appeared in circulation. In the center of the note at the top, the majestic emblem of the city of Baku was located. At the bottom, in the left corner of the note, a facsimile of the stamp of the Baku City Council was depicted. The ticket was printed on yellow paper with a size of 325x220 mm, while the size of the pattern was 303x201 mm. The pattern itself consisted of a rectangular arch made in the national oriental style, which is supported by two pillars embodying the financial wellbeing of the project. The text of the note was made in Russian and Azerbaijani. The reverse side of the note is bordered with a wide frame with ornaments and is made in one color. Dividing the note into two parts, the founders placed on it an extract from the Statute on the premium bonds in both languages.

Putting notes of internal interest-free premium bonds into circulation, the government was able not only to solve the problem of financing the city economy, but also received securities that functioned as money on a par with banknotes. Along with its economic significance,



the issue of the bonds was also of considerable political importance. Winning the confidence of the population in a very short time, they started functioning as a pledge long before the bonds were announced valid.

At the State Archives of the Azerbaijan Republic, along with materials "On premium bonds worth 50,000,000 rubles" issued by the Baku City Public Administration", in correspondence with the Ministry of Finance "On the interest-free premium bonds of Baku", there is a letter from the city head to the Minister of Finance requesting him to allow the city authorities to accept sold notes as a pledge pending their announcement as valid. 🌟

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