

THE MAIN ASPECTS OF THE INVESTMENT POLICY OF AZERBAIJAN AND DIRECTIONS FOR ITS IMPROVEMENT

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Abstract: in this article has been considered and analyzed the main directions of the investment policy of the Republic of Azerbaijan and characterized the investment activity of the country in recent years. The analysis shows that in Azerbaijan was formed a fairly favorable climate for attracting investment in the economy in recent years. The main directions of improving the investment policy should be acceleration of restructuring and privatization processes, acceleration of the transition to the application of international standards in industrial enterprises, should be based on modern technology, the development of free enterprise environment, acceleration of measures related to the promotion of investment.

Keywords: investments, investment policy, oil and non-oil sector.

ОСНОВНЫЕ АСПЕКТЫ ИНВЕСТИЦИОННОЙ ПОЛИТИКИ АЗЕРБАЙДЖАНА И НАПРАВЛЕНИЯ ЕЕ СОВЕРШЕНСТВОВАНИЯ

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Аннотация: в статье рассмотрены и проанализированы основные направления инвестиционной политики Азербайджанской Республики и охарактеризована инвестиционная деятельность страны за последние годы. Проведенный анализ показывает, что в последние годы в Азербайджане сложился довольно благоприятный климат для привлечения инвестиций в экономику. Основными направлениями совершенствования инвестиционной политики должны стать ускорение процессов реструктуризации и приватизации, ускорение перехода к применению международных стандартов в промышленных предприятиях, основанных на современной технологии, развитие среды свободного предпринимательства, ускорение мер, связанных с поощрением инвестиций.

Ключевые слова: инвестиции, инвестиционная политика, нефтяной и ненефтяной сектор.

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In the mechanism of economic management of investment is an extremely important function of the regulator of the rate of development, as a multiplier. Investment activities are subordinated to a long-term development goals, therefore, it must be implemented in accordance with the developed investment policy. Investment policy is an integral part of economic policy conducted by the state and enterprises in the form of establishing the structure and the scale of investment, determining the directions of their use. The investment policy determines the most priority directions of capital investments, on which depends the increasing of the efficiency of the economy, provision of the highest production growth and national income.

State investment policy is directed on the formation of an enabling environment which promoting the involvement and the increasing of the efficiency of investment resources in the development of the economy and social sphere. In the process of developing the investment policy it is necessary to take into account the experience of the economically developed countries of the world, but it is obligatory to adapt of foreign provisions to national conditions [1].

On features of the state investment policy formation of the Azerbaijan influenced such factors as the traditionally established strong role of the state in managing the economy, functioning of a market economy, which is designed to ensure the greatest return on the actions of the subjects of investment activity, features of the transition period, also

as a political, economic, global financial crisis, the lack of a clear and correct development of the real sector of the economy.

The investment process has begun from 20 September 1994, with the signing of the "Contract of the Century", which imply a partnership with foreign companies on development of "Azeri-Chirag-Guneshli". Since then, have been signed the new oil contracts, for execution of contracting in Azerbaijan, which attracted more than 400 companies. It was implemented the price liberalization, formed a monetary and tax and customs legal frameworks, has been created a favorable environment for business development and attracting foreign investment.

The political and economic stability is very important for the economy of the country, for investment and business climate. Unlike other countries, reforms implemented in Azerbaijan are systematic, continuity and regularity, also the investment attractiveness of the country is increasing, economy adapts to world realities and the improves business climate. Investment activity in Azerbaijan is regulated with "The Law on Investment Activities" (adopted on 13.01.1995) and the "Law on the Protection of Foreign Investments" (15.01.1992). These laws define the inviolability of property, protect the rights and interests of investors, create the same working conditions for local and foreign entrepreneurs, unimpeded using of the profits received, thereby creating a legal framework.

Along with this the government signed bilateral agreements with a number of countries on the abolition of double taxation, promotion and bilateral protection of investments. Conducted measures increased the interest of foreign investors, international financial institutions and economic organizations to Azerbaijan.

For accelerated development of entrepreneurship and the increasing the rationality of the business environment in the country and simplification of procedures the President of the Republic of Azerbaijan signed an order dated October 25, 2007 "On measures to ensure the organization of activities of business entities on the principle of" Single Window". According to the principle of "single window" the Ministry of Taxes of the Republic of Azerbaijan was appointed a single state registration body from 1 January 2008. Practice shows that after the introduction of this system, the number of procedures for starting business activities decreased from 15 to 1, and the time spent was reduced from 30 days to 3 days. To exchange the documentation with tax authorities and banks the entrepreneurs undertake through the newly created Internet Tax Administration.

In order to increase the country's export potential through the development of local production and the encouragement of attracting investments had been created the Azerbaijan Export and Investment Promotion Foundation, which carries out very important activities in building a dialogue between the public and private sectors, and also helps foreign investors in the implementation of their investment projects. For centralized regulation in 2006 was founded the state policy which carried out in the field of support for the development of entrepreneurship by the Azerbaijan Investment Company. The purpose of investment activity, which is mainly participation in shares of the authorized capital functioning in the non-oil sector of the country's economy are the joint-stock companies and other commercial organizations, including the implementation of long-term investment deposits by purchase of shares.

It should be noted that the process of Azerbaijan's integration into the world economy has taken on an intense character in recent years, in particular, in 1995-2014 more than US \$ 199 billion was invested in the country's economy, 33.9% of which was invested in the oil sector, at the same time, until 2009, foreign investments in the Azerbaijani economy constituted an advantage and trend growth. However, in the subsequent period the volume of domestic investment has risen sharply, in particular, the volume of domestic investments in 2009 was 7.5 billion, and in 2014, 16.2 billion US dollars, and the volume of foreign investment increased from 5, 5 to 11.7 billion US dollars [2].

Of the targeted investments in the country's economy, 102.4 billion US dollars or 48.9% accounted for foreign investment. At the same time, if in 1995-2001 the volume of foreign investments amounted to only 6.9 billion dollars or 6.7% and in 2002-2014 this amount increased by 12.9 times and amounted to 88.6 billion US dollars. Of all foreign investments directed to the economy of the country in 1995-2014 years 51,1 billion dollars or 53,5% is directed to the development of the oil sector, and 4,4 billion US dollars for the development of the non-oil sector [2].

During 1995-2001, foreign investments dominated in the whole investment, but after 2008 the situation changed. For example, the share of foreign investment directed to the economy of the country amounted to 79.9% of the total investment in 2002, 68.7% in 2005, and 55.3% in 2007. Beginning in 2008, foreign investment declined from 42.2% (2008.) to 41.9% (2014) [2].

Along with this, if before 2008 foreign investments directed to the oil sector exceeded the volume of investments directed to the non-oil sector of the economy, then the next years the situation has changed. Thus, in the non-oil sector was directed in 2005 - 22.3%, 2007 - 40.0% of foreign investments, in 2008 - 51.1%, in 2010 - 64.2%, in 2013 - 53.2%. Thus, starting from 2008, most of the foreign investments are directed to the non-oil sector. This is due to the fact, that the necessary infrastructure for the implementation of the "Contract of the Century" and the construction of the Baku-Tbilisi-Ceyhan oil pipeline had been completed before 2005. In this regard, there was a decline in investment in the oil sector, in the following years.

It should be noted that, according to the State Statistics Committee of Azerbaijan, the foreign investments directed to the economy of Azerbaijan are treated as a financial loans, the investments in the oil industry, the joint ventures and enterprises with foreign investment, the oil bonuses and other investments. Studies show that over the years 1995-2014 in Azerbaijan's economy towards a more 95.5 billion. US dollars. The financial loans mainly came from financial institutions, members of the World Bank Group, the European Bank for Reconstruction and Development, the International Monetary Fund, the Islamic Development Bank and other international financial institutions. For the analyzed period, financial loans amounted to 24008.6 billion US dollars, those, 25,1% of foreign investments.

One of the types of foreign investment is foreign direct investment. They can be in different forms: payment of membership fees by the investor to the authorized capital of enterprises, issuance of corporate loans, equipping part of the company's shares, equipping it with technology and technology, etc. Investments in the oil industry, as well as, joint ventures and enterprises with foreign capital, can be considered direct investment.

Direct investments for 1995-2014 were directed to the oil industry 52.5 billion dollars, and joint ventures and enterprises with foreign capital of 8.7 billion US dollars.

Thus, the bulk of foreign investment invested in the economy of Azerbaijan is financial loans and direct investment. The main investors investing in Azerbaijan are Turkey, Great Britain, the USA, Japan, the Netherlands.

It should be noted that, since 2006, after putting into operation the international oil pipeline "Baku-Tbilisi-Ceyhan" and the gas pipeline "Baku-Arzurum" the gross domestic product increased for 5.7 times.

Over the past 15 years, the amount of investment invested in the Azerbaijani economy exceeds \$ 180 billion. Most of this amount is internal investment. Today Azerbaijan is a country investing large investments far beyond its borders. At the same time, Azerbaijan becomes a lender from the borrower. Thus, the conducted analysis shows that the economic situation in Azerbaijan is favorable, the ground for attracting financial resources to the economy of the country [3].

However, in order to reduce the country's dependence on the oil and gas industry, it is necessary to increase the share of foreign investment in the non-oil sector of the economy. Attracting investment in the development of the agricultural sector, the construction industry and modern industry are justified from the point of view of solving the problems of social development, primarily the problems of employment and poverty. Therefore, based primarily on considerations of sustainable development of society as a whole, the state has invested many billions of dollars to implement two state programs of social and economic development of the regions. These same factors are taken into account today in the formation of technology parks (Sumgait, Balakhany), industrial districts (Neftchala, Massaly), transport infrastructure.

In a market economy the resource support for the modernization of industries, the economy is impossible without attracting private capital. Consequently, one of the objectives of the state's investment policy is the formation of a system of measures, stimulating entrepreneurs to actively participate in the investment of all high-tech projects.

As noted in the Concept of Development "Azerbaijan - 2020: Look into the Future" - along with the development of traditional manufacturing industries of the non-oil industry and the expansion of their export opportunities, will be supported the new competitive manufacturing industries. Stimulating mechanisms will be used to intensify attraction of domestic and foreign investments to the non-oil sector of the country [3].

In the medium term the main goal of state policy in the field of industry should be to ensure a stable and high growth rate of industrial production, improvement of its structure and increase of rationality.

In this area, the following main measures can be envisaged: elimination of high and moral and physical wear of production equipment, increasing the competitiveness of products, and increasing investment and innovation activity in the industry, stimulating the further growth of the non-oil sector.

It is necessary to pay special attention to the following measures in the direction of the development of the non-oil sector:

- Acceleration of restructuring and privatization processes;
- Acceleration of the transition to the application of international standards in industrial enterprises based on modern technology;
- Development of a free enterprise environment;
- Acceleration of measures related to the promotion of investment.

Thus, the investment policy determines the priority directions of capital investments and the direction of their use. To improve the efficiency of the economy, should be determined an optimal ratio of the directions of investment in the oil and non-oil sectors of the economy.

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