REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

MAIN DIRECTIONS OF ECONOMIC DIVERSIFICATION IN ENSURING SUSTAINABLE DEVELOPMENT OF AZERBAIJAN

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GENERAL CHARACTERISTICS OF THE RESEARCH

Relevance and degree of development of the topic. In the modern era, global changes in the world economy, deepening economic integration processes, accelerating technological progress and the actualization of environmental challenges necessitate the application of new approaches to the development strategies of national economies. In this context, sustainable development has become one of the main priorities of the socio-economic policy of states. Sustainable economic development reflects sustainable development by using resources efficiently and economically, taking into account the prospects of the economy for the future, and also taking into account social and environmental issues. Sustainable development is based on the need to maintain a balance between consumption and development in order to solve socio-economic problems. Against the background of new global and regional realities, determining the directions of sustainable development of the Azerbaijani economy is of particular importance. Which will play a key role in ensuring a higher level of social well-being by establishing a sustainable development model based on a creative and innovative base, personal initiative and the development of private business. It should be borne in mind that, in parallel with the norms and principles recommended by our partner international organizations regarding sustainable development, the normative and legal acts adopted in the country should contribute to ensuring the creation of a creative and innovative society.

In order to achieve sustainable development of the economy in our country and create a competitive production and service structure, economic diversification acts as one of the main development directions of strategic importance. The implementation of a deep diversification policy aimed at continuing the growth rates in the economy and expanding the volume of exports of goods and services constitutes the basis for building a competitive and innovative society.

Sustainable development of the national economy is possible through the transformation of the modernization of the structure of the economy into diversification. The main goal here is to ensure an increase in the share of the non-oil sector in the economy. Since the non-oil industry is considered one of the main driving factors of sustainable

development and economic growth, its importance is increasing. The main requirement of today is to pay special attention to the non-oil sector by evaluating the role of the oil and gas sector in economic progress. Taking into account the new division of economic regions, the development of small and medium-sized enterprises in the non-oil sector and the creation of sustainable jobs through the stimulation of self-employment programs are among the most important issues in the direction of forming a favorable business environment.

It is no coincidence that the Decree of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, on the establishment of the National Coordination Council for Sustainable Development in Azerbaijan, signed on December 6, 2016, as well as the Strategic Roadmaps "On the National Economy and Key Sectors of the Economy" approved by another Presidential Decree on December 6, 2016, as well as "Azerbaijan 2030: National Priorities for Social and Economic Development" approved on February 2, 2021, played a special role in the implementation of the concept of diversification aimed at sustainable development of the Azerbaijani economy. The "Socio-economic Development Strategy of the Republic of Azerbaijan for 2022-2026" is of decisive importance in determining strategic targets for the main sectors of the economy in the direction of the implementation of the approved National Priorities. In order to realize the goals set forth in these documents, there is a need for a comprehensive study of the existing potential, institutional mechanisms and economic incentives. From this perspective, identifying the main directions of economic diversification in ensuring the sustainable development of Azerbaijan and examining their scientific, theoretical and practical aspects is a relevant, multidisciplinary and strategically important research topic.

In determining the characteristics of sustainable development, identifying effective solutions for export diversification, and investigating the development directions of the non-oil sector, the country's scientists, Z.A. Samadzade, E.A. Guliyev, I.H. Aliyev, H.A. Aliyev, A.Sh. Shakaraliyev, B.Kh. Atashov, N.M. Imanov, T.N. Aliyev, M.A. Ahmadov, T.S. Guliyev, E.A. Ibrahimov, M.J. Huseynov, U.K. Alekperov, V.I. Bayramov, A.Kh. Nuriyev, R.Sh.

Hasanov, V.S. Ayyubov, I.H. Ibrahimov, S.I. Valiyeva, E.B. Mammadova, N.J. Gafarov, A.F. Abbasov, M.M. Mahmudov, R.B. Jafarova, H.A. Jafarli, T.S. Valiyev, T.A. Yadigarov and others have conducted extensive research. Regarding this problem, foreign researchers - D.E. Ozmehmet, O.Tutulmaz, Matthew T.Huber, J.Stiglitz, J.B.Foster, M.Abramovitz, D.Meadows, D.Herman, N.Stokey, K.Saito, and other scientists have conducted fundamental analyses on diversification towards a sustainable economy.

Object and subject of the study. The object of the study is the country's economy and its various sectors, which are characterized by the processes of diversification of the economy, optimization of its structure and increasing competitiveness within the framework of the sustainable development concept.

The subject of the study is the formation and development stages of the concept of sustainable economic development, theoretical and practical aspects of economic diversification, study of international experience in this area, as well as the economic relations of the development of the non-oil sector in ensuring the long-term economic sustainability of the country.

The purpose and tasks of the study. The purpose of the research work is to study the theoretical and methodological foundations of the diversification of the national economy in order to ensure sustainable economic development, to identify the possibilities of increasing competitiveness through sectoral reforms, and to develop scientifically substantiated proposals. To achieve the intended goal, the following tasks have been identified:

- systematic research and classification of theoretical approaches to sustainable economic development;
- analysis and evaluation of the concept of sustainable economic development of the national economy;
- study of the current state of state programs ensuring the sustainability of economic development and development of new approaches for their improvement;
- identification of diversification directions for sustainable economic development and making proposals;
- determination of the main parameters of a sustainable structural

policy reflecting the level of economic diversification;

- investigation of the strategic importance and development prospects of the diversification of the country's economy in individual sectors and areas;

- assessment of opportunities for increasing the efficiency of investment activities in the sustainable development of the non-oil sector;

- study of the mechanisms of influence of innovative resources on the diversification of the economy in terms of ensuring sustainable development and preparation of proposals and recommendations in this direction.

Research methods. During the research, scientific abstraction, comparative analysis, synthesis, induction and deduction methods, including economic-mathematical programming methods, were used.

The main provisions put forward for defense. The main provisions presented for the defense are characterized by the following:

- the study of the reasons for the emergence of the concept of sustainable development and its specific features in the theoretical and methodological aspect is of great importance in determining the scientific foundations and practical application areas of this concept;

- since sustainable development, which is formed on the basis of economic diversification, takes into account not only parameters related to economic growth, but also social and ecological factors, there is a need to implement generalized and complex measures;

- the need has arisen for the diversification of the economy to be possible not only by increasing product production and assortment, but also by applying unique approaches in terms of ensuring economic security, expanding maneuverability in times of crisis, and forming competitive products;

- the dynamic and optimal organization of the structure of the national economy, along with the restructuring of the extractive industry in accordance with modern requirements, has made the application of economic and legal mechanisms to eliminate technological backwardness a basic condition;

- there is a need for a systematic study of the institutional, economic and ecological mechanisms necessary for the implementation of sustainable development in agriculture, which is a promising area for

economic diversification, and for the formation of practical and scientifically based models in this area;

- the importance of establishing an efficient ecosystem based on public-private cooperation and accompanied by coordinated organization of innovative activities in order to form an innovation-oriented market economy in the country and ensure competitive advantage has increased;

- in order to accelerate the development of the non-oil sector in order to reduce the dependence of the country's economy on the oil factor, there has been a need to attract new investments to this area and determine their financial sources.

Scientific novelty of the study. The scientific novelty of the research is reflected in the following economically justified directions:

- the real state of diversification of the national economy was investigated and the future development model was analyzed, and prospects were considered for the creation of an environment and favorable sectors that create conditions for the production of products in accordance with the demands of both domestic markets and regional and international markets;

- specific directions were developed for careful monitoring of changes taking into account changing world realities and requirements in the formation of the optimal structure of the country's economy and for taking preventive measures;

- the importance of export diversification for economic stability was substantiated, and the main aspects of finding new, more profitable markets while protecting existing markets, along with increasing the range of products in the unstable economic situation observed on a regional scale, were revealed;

- the importance of the transition to an intensive farming model for the sustainable development of agriculture, which is considered the main area of the non-oil sector, was shown and its main directions were determined;

- the development directions of tourism, which is considered one of the main driving forces in economic development, were shown in specific areas, and the importance of tourism in the non-oil sector was assessed;

- to ensure sustainable development in areas related to the non-oil

sector, an innovation-investment-oriented economic model has been justified and its main components have been identified.

Theoretical and practical significance of the research. The recommendations and proposals obtained in the research work are of theoretical and practical importance in determining specific directions for building a sustainable system based on economic diversification, in preparing programs related to sustainable economic development by various state bodies, including in developing individual areas of the non-oil sector.

Also, the relevant materials of the research can be used as teaching aids for students of profile specialties in higher education institutions.

Approval and application. The author has made reports on the results obtained at scientific and scientific-practical conferences held in Azerbaijan, Turkey, Ukraine and Russia. 19 scientific works on the topic of the dissertation work, including 6 articles and 13 theses, of which 1 article and 6 theses were published abroad in prestigious local and foreign journals recommended by the Higher Attestation Commission. Among them, the thesis entitled "The role of the non-oil sector in the development of the national economy" (Baku, 2020), “Directions for increasing the role of small and medium-sized businesses in the diversification of exports in Azerbaijan” (Kharkov, 2021), The impact of the state's innovation policy on the competitive development of the economy (Mingachevir, 2021), “The application of the concept of “smart city” and “smart village” in Karabakh as the main factor that will accelerate the development of the region” (Kharkov, 2022), “Green economy prospects in the sustainable development of Azerbaijan” (Анапа, 2025), “The role of sustainable investment climate in the development of the economy of Azerbaijan” (Petrozavodsk, 2025) can be cited.

In addition, articles on the research topic titled “Economic consequences of the impact of the Coronavirus (COVID-19) pandemic on the tourism sector” (Mingachevir, 2021), “The role of export diversification in ensuring the stability of the national economy” (Moscow, 2024), “The role of diversification in the structure of the national economy in ensuring sustainable development” (Baku, 2024), “The role of agriculture in increasing the specific weight of the non-

oil sector in the direction of economic diversification" (Ganja, 2024), "Sustainable tourism: as one of the main directions of the strategy aimed at economic diversification" (Baku, 2024), "The role of diversification in the structure of the national economy in ensuring sustainable development" (Baku, 2024) have been published in prestigious scientific journals.

Name of the organization where the dissertation was carried out. Ganja State University.

Total volume of the dissertation with a mark indicating the volume of the structural sections separately. The dissertation consists of an introduction, 3 chapters, a conclusion, and a list of references. There are 15 tables, 1 graph, 6 diagrams, and 4 pictures. The introduction consists of 12693 characters, the first chapter consists of 95857 characters, the second chapter consists of 63167 characters, the third chapter consists of 55591 characters, the conclusion consists of 6686 characters, and in general, the dissertation consists of a total of 233994 characters, excluding tables, diagrams, pictures, graphs, and a list of references. 121 titles of literature were used in the work.

SUMMARY OF THE RESEARCH

The **introductory** part of the dissertation explains the relevance of the topic, the state of study of the problem, the goals and objectives of the research, its object, subject, scientific novelty, practical significance, and approval.

Chapter I of the dissertation entitled **"Theoretical foundations, objective regularities and principles of sustainable economic development"** describes the content of sustainable economic development, theoretical approaches to sustainable economic development, the main features and principles inherent in sustainable economic development, the necessity of sustainable economic development in our country, its goals and trends.

Sustainable economic development is a process in which the level and direction of resource exploitation, modern technological realities, and social welfare society add value to current goals and future plans. Sustainable economic development creates a number of tasks for the

state. One of these tasks and the most important is internal stability. Because internal stability must be achieved in order to ensure the effectiveness of economic reforms and protect against the negative effects of external competition.

In the process of analyzing the theory of sustainable development, two aspects are mainly given priority. The first aspect combines the dynamics of sustainable economic development, criteria, including the selection of indicators that determine the level of development. The second aspect covers the principles of selecting the main forms and methods of management under the concept of sustainable economic development. In the modern era, when international trade is expanding and the globalization process is increasing, the transformation to a sustainable economic development model in many countries is taking on a new meaning. There are problems and issues to be solved, some of which are sectoral, and some are demographic in nature.

Sustainability is about ensuring coexistence and respecting the events and processes occurring in the ecosystem. Although there are many definitions in the literature on sustainable development, there are almost no unambiguous, universally accepted ideas about its content. In our time, “sustainable development” is understood as economic development that does not harm the environment, aims to create order between the ecological, economic and social aspects of human life, and is aimed at solving social problems.

A sustainable economy means that the achievement of economic efficiency is based on social justice, and also makes the obligation to protect ecological balance a matter of discussion. It is precisely the establishment of a green economy, which is an integral part of the idea of a sustainable society, that is of inescapable importance for the future of mankind.

Academician Z. Samadzade notes: *"The concept of sustainable development constitutes a civilized approach that, regardless of the nature of socio-economic systems and development models, it is necessary to ensure the development of the national economy in such a way that, as the application and development of scientific and technological progress are strengthened, the principles of sustainable living of people are maintained and the environmental*

balance is not disturbed".[1]

Russian economist Leonid Ivanovich Abalkin notes: *"The sustainability of the national economy should be determined based on the criteria of its safe and stable development, constant innovation and self-improvement. Only in this case can we talk about the development of the national economy as a system in the future."*

The English thinker John Stuart Mill believes that the improvement of human well-being can be ensured through relationships based on mutual understanding and a focus on sustainability.

Sustainable development involves determining the conditions for meeting the needs of humanity for its existence and continued existence. The satisfaction of social needs and the use of resources should be aimed at protecting the biosphere itself, while not suppressing the essential interests of future generations.

It is required to minimize the impact of the farms included in their economies on biodiversity or to control their activities. For this purpose, the problem of accessibility of clean technologies, the solution of which is necessary among the goals of a society based on market laws, aimed at presenting the circulation of goods and services as an indispensable element of social life, will continue to have a detrimental effect on the biosphere as long as the problem of access to clean technologies is not solved.

The first approaches to the philosophical essence of sustainable development, currently accepted by the scientific community, are found in the reports of the Club of Rome in 1972. The authors of the report, Dennis Meadows and Donella Meadows, considered sustainable development as a development model that is ready for crises, has sustainable features and meets the living requirements of the time. Prominent representatives of the Club of Rome, such as J. Forrester, E. Pestel, U. Colombo, considered it acceptable to look at human-society relations not at the individual or group level, but from the point of view of human interests.

The concept of development applied in the socio-economic

[1] Samadzade, Z.A. Economy of Azerbaijan in 100 years (in 4 volumes) / Z.A. Samadzade. – Baku: Economic Encyclopedia House, – 2022. – 636 p.

progress models of countries that have achieved great achievements in economic terms has been directed in a different direction from the traditional form and has become an improved system. The traditional development path was mainly applied by underdeveloped countries. As a result, it has led to the deepening and sharpening of sharp socio-economic differences in the countries of the world, and minimizing these differences has become a major global issue. In 1992, the UN Conference on Environment and Development was held in Rio de Janeiro. The Concept of Sustainable Development, which is extremely important for human society, was adopted at the conference. In 2002, the International Summit on Sustainable Development was held in Johannesburg, South Africa, organized by the UN. Poverty reduction, a healthy economy, a clean agricultural sector, and the creation of modern education and health infrastructure were the main topics discussed at the summit. The summit also brought to attention issues such as minimizing the negative impacts of globalization and creating efficient production and consumption patterns.

In July 2014, the UN General Assembly approved a number of documents reflecting environmental, economic and social issues in order to achieve sustainable development under the Sustainable Development Goals. The sustainable development goals presented in the documents serve to reduce poverty, inequality, move away from the negative impacts of society and realize the Millennium Development Goals.

The movement for measures on sustainable economic development has begun to gain momentum in individual countries and is considered the main roadmap facing the 21st century. Under the organizational leadership of the UN, new medium and long-term goals and objectives that will lay the foundation for sustainable economic development have been adopted. At the World Summit held on September 25-27, 2015, where 193 countries made commitments to sustainable development, 17 goals and 169 targets covering the years 2015-2030 were defined.

President Ilham Aliyev has set obligations to ensure comprehensive coordination of the tasks to be performed by state bodies and organize their implementation in accordance with the commitments related to "Transforming our world: The 2030 Agenda for Sustainable Development". For this purpose, the "National Coordination Council

for Sustainable Development", approved by the decree of the President of the country dated October 6, 2016, was established. The purpose of the Council is to determine national priorities in accordance with the identified goals, ensure the compliance of regulatory and legal acts adopted in the country with the Sustainable Development Goals, and prepare reports in accordance with these goals. The Council has the right to create working groups, attract local and foreign experts, as well as use the experience of international organizations.

The decree signed by President Ilham Aliyev on February 2, 2021, approved "Azerbaijan 2030: National Priorities for Socio-Economic Development". As noted in the decree, the rapid development and modernization of the national economy is at a turning point. Azerbaijan has gained the status of a reliable partner, being a participant and author of major projects not only at the regional but also at the international level. The economic achievements achieved and the political and social influence gained by our country played a decisive role in increasing our military power, which ultimately led us to the victory that resulted in the liberation of our lands from enemy occupation and the restoration of our sovereignty. The victory gained laid the foundation for new reforms and the establishment of a sustainable future in the coming period.

The "Socio-Economic Development Strategy of the Republic of Azerbaijan for 2022–2026" was approved by the Decree No. 3378 of the President dated July 22, 2022. The Decree signed by the Head of State aims to implement National Priorities.

In Chapter II of the dissertation entitled **"Analysis and assessment of the current state of sustainable economic development in the Republic of Azerbaijan",** the socio-economic factors ensuring sustainable development in Azerbaijan, the structural analysis of the diversification of Azerbaijan's sustainable economic development through the non-oil sector, and the assessment of the impact of the non-oil sector on sustainable economic development in the regions were investigated and analyzed.

In modern times, the concept of diversification emerges as the main driving force in characterizing the development parameters and trends of the national economy, as well as in dividing economic entities into

groups according to their activity characteristics. It is necessary to take into account the reality that diversification measures are not easy to implement, as they are a coordinated and complex process. In some cases, the policy implemented to achieve the targeted results may have counterproductive effects and end up putting other sectors under pressure.[2]

The country's future economic progress depends on a number of important factors, which are of particular importance:

- ensuring sustainable economic growth through the development of non-oil sectors;
- promoting balanced development in various sectors;
- reducing the share of revenues based on natural resources in the GDP structure, increasing the role and importance of the non-oil sector.

The transformation of oil revenues into capital investments for the development of individual sectors of the Azerbaijani economy is of particular importance for maintaining sustainable development trends.

The main goals are to ensure rapid development in the non-oil sector, increase per capita GDP due to this sector and significantly increase the share of the non-oil sector in its structure, as well as ensure the growth of non-oil exports per capita.

In 2022 and 2023, the share of the mining industry in GDP was 36.0% and 26.2%, respectively. Considering that this sector accounted for 22.9% of GDP in 2024, this is the lowest indicator since 2021 in the period we studied.

The main indicator determining the dynamics of the mining industry in the structure of GDP is oil and gas production. It should be noted that the transformation of oil revenues into capital investments for the development of individual sectors of the Azerbaijani economy is of particular importance for maintaining sustainable development trends (diagram 1).

The diagram shows that the growth and recovery rates of oil and gas GDP are slower than those of the non-oil sector GDP. If we pay attention to the general trend of change, the decrease in GDP generated

[2] Shakaraliyev, A.Sh. State economic policy: the triumph of sustainable and continuous development / A.Sh. Shakaraliyev. – Baku. Publishing house of the University of Economics, – 2011. – 542 p.

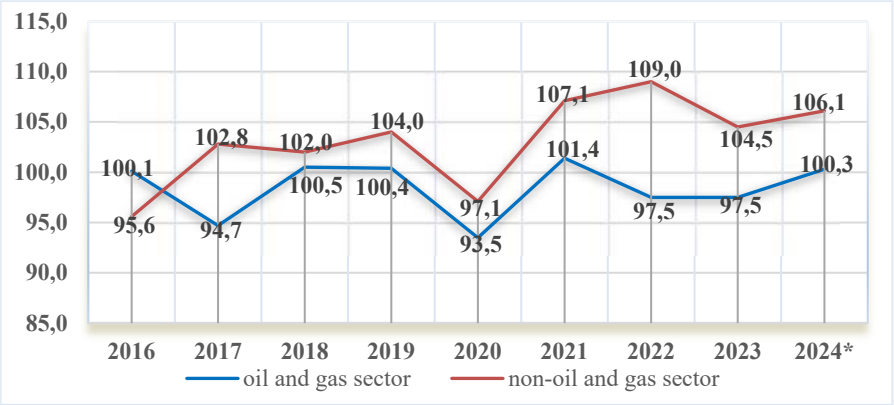


Diagram 1. GDP growth rates in the oil and gas and non-oil sectors, compared to the previous year, in percentages

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/system_nat_accounts/

in the oil and gas sector has manifested itself more sharply. Thus, the decrease in oil and gas GDP in the 2020s was at the level of 6.5%. The maximum decrease in GDP generated in the non-oil sector occurred in 2016 and amounted to 4.4%. Thus, the highest indicator in the growth of GDP produced in the non-oil sector was recorded in 2022. The increase was equal to 9%. In the next two years, namely in 2023 and 2024, the growth rates weakened and corresponded to 4.5 and 6.1%.

In Azerbaijan's national economic development, the non-oil sector is of great importance in terms of increasing the export potential, protecting national interests, and successfully integrating the country into the global economic system.[3]

Since the start of the Russia-Ukraine war, we have been facing periodic problems in transporting products to these two countries, which are considered our main export partners, have extensive trade relations with Azerbaijan, and are the main importers of important types of products exported by our country. This negative trend can be clearly seen in the decrease in the volume of trade turnover between Azerbaijan and Ukraine. The trade turnover between the two countries decreased by

[3] Musayeva, J.G. Economy of Azerbaijan. Textbook / J.G.Musayeva, A.M.Taghiyev, – Baku: European Publishing House, – 2018. – 432 p.

922,483.5 thousand manats in 2021 and amounted to 617,704.1 thousand manats in 2022. The similar indicator amounted to 353,774.6 thousand manats in 2023, and a trade turnover of 61.6% less than in 2021 and 41.8% less than in 2022 was recorded. In 2024, the volume of trade with Ukraine lags behind the figures of 2021 by more than two times.

This shows that uncertainty can arise at any time in traditional markets for export destinations. Conflicts in the countries of the region, which we consider to be favorable access opportunities, confront us with the realities of diversifying export routes. The need for diversification in export markets is related to risk management in the event of conflict and crisis that we may encounter in regional or global markets.

We can see this problem more clearly in the export data in Table 1 below.

Table 1.

Countries that ranked first in terms of exports of some important types of products in 2024 (excluding oil and gas and petrochemical products)

Pro-ducts	Potato	Vegetable oils	Canned fruits and vegetables	Fresh vegetab-les	Fresh Fruit	Electricity
Countries	Russia	Iraq	Russia	Russia	Russia	Georgia
	Ukraine	Turkey	Georgia	Georgia	Ukraine	Turkey
	Belarus	Tajikistan	Kazakhstan	Belarus	Kazakhstan	Russia
	Kazak-histan	Georgia	Belarus	Ukraine	United Arab Emirates	Islamic Republic of Iran
	Other countries	Spain	USA	Iraq	Turkey	Electricity

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/trade/

The table reflects the countries that are included in the top five consecutive countries in which our country's exports in 5 directions predominate in 2024. As can be seen, the OECD has a large weight in terms of exported product types. In electricity exports, we can see neighboring countries - Georgia, Turkey, Russia and the Islamic Republic of Iran. We are pleased to see Spain, one of the largest

economies in Western Europe, in vegetable oil exports. Considering the high purchasing power of the population of the European Union countries and the risks in traditional export routes, the prospective diversification of our exports in this direction should be one of the main goals. This can also become an opportunity for other sectors of the economy to create conditions for mutual cooperation in the future.

The foundation of the national economy is the industrial sector. The development of industries such as electric power, mechanical engineering and the chemical industry creates the basis for further acceleration of scientific and technological progress in the economy. Heavy industry in particular forms the foundation of the economy and, along with the development of various sectors of the country, creates conditions for the implementation of extensive remanufacturing processes. The development of light and food industries plays an important role in providing the population with consumer goods (table 2).

Table 2.

Structural distribution of Azerbaijani industry for 2013-2024, in percent

	Mining industry	Processing industry	Production, distribution and supply of electricity, gas and steam	Water supply, waste treatment and processing
2013	72,7	21,4	5,2	0,7
2014	68,5	25,1	5,7	0,7
2015	62,1	29,9	7,1	0,9
2016	65,6	27,6	6,0	0,8
2017	70,3	24,4	4,6	0,7
2018	73,3	21,9	4,1	0,7
2019	69,9	25,1	4,3	0,7
2020	61,3	31,8	6,0	0,9
2021	65,6	28,8	4,8	0,8
2022	74,9	21,0	3,5	0,6
2023	67,0	27,4	4,7	0,9
2024	63,9	30,1	5,0	1,0

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/industry/

If we look at the table, we can see that the indicators expressing the state of the industrial sector of the country's economy are not very positive

and stable. Although, according to statistical indicators, a decrease in the weight of the mining industry in the country's industry was observed in 2023 compared to 2022. That is, the mining industry decreased from a share of 74.9% in 2022 to 67.4% in 2023 and to 63.9% in 2024. However, we should note one thing: the 63.9% indicator is not the most positive indicator for the years listed for analysis in the table. Thus, in 2015, the share of the mining industry was 62.1%, and in 2020 it was 61.3%.

The current situation in the main industrial and production funds of the country's processing industry entities, the level of their renewal, hinder the creation and export of competitive and world-standard products of the mentioned industrial enterprises. The insufficient development of processing industry enterprises is influenced by factors such as insufficient satisfaction of the needs of domestic and foreign consumers.

In order to make the long-term development strategy of the national economy a reality, it is of great importance to increase the funds allocated to agriculture in order to increase labor productivity. As a result of the measures taken, it becomes necessary to find effective ways to prevent the degradation of lands due to excessive use and minimize their negative impact on the ecological environment (table 3).

As can be seen from Table 3, the value of the total agricultural product in 2018 was 7010 million manat. In 2019, this indicator was 7836.7 million manat, and in 2020, it was 8428.9 million manat. The positive trend continued in 2021. Thus, in the year we mentioned, agricultural production of 9163.4 million manat was achieved. This indicator, which increased to 10984.2 million manat in 2022, was recorded as 12210.6 million manat in 2023, and 12,995.2 million manat in 2024.

Sustainable economic development requires the inclusion of natural, human and geographical resources in efficient economic circulation. The basis of development in the republic is ensuring a high standard of living and safe life activities through the integrated use of resources. Based on the assessment of the role of tourism as a socio-economic factor in the implementation of global goals, the development of this sector is regulated as part of the overall economic development strategy and strategic planning. The table below presents the main socio-economic indicators related to the tourism sector of our country.

Table 3.

Economic efficiency indicators of agricultural production

Indicators	2018	2019	2020	2021	2022	2023	2024
Gross agricultural output, million manats	7010	7836,7	8428,9	9163,4	10984,2	12210,6	12995,2
Import of mineral fertilizers by type, in physical weight, thousand tons	286,7	335,5	350,5	129,9	103,3	137,1	161,0
Gross agricultural output per capita, manats	714	791	845	915	1088	1203	1274
Agricultural land area, thousand ha	4779,5	4779,7	4780,1	4780,6	4780,5	4779,6	4774,2
Agricultural land area per capita, hectares	0.48	0.48	0.48	0.48	0.47	0.47	0,47
Per capita consumption of meat and meat products (converted to meat) kg	40	41	41	41	42	43	45
Labor costs per quintal of crop in agricultural enterprises for cereals, man/hour	8,8	9,5	8,5	9,5	8,4	8,0	7,2

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/agriculture/

Looking at Table 4, in the second column, we can see that there are increases in the income of hotels and hotel-type facilities by economic regions compared to 2023. The Mil-Mugan economic region attracted more attention, where the decrease in income was 47% compared to 2023. The decrease in income of hotels and hotel-type facilities in the Dagly Shirvan economic region, which is distinguished by its unique natural landscape and climate, has favorable geographical opportunities for both summer and winter tourism, and is not far from the capital, is very disappointing.

Table 4.

Key socio-economic indicators of the tourism sector by economic regions and administrative territorial units in 2024

	One-time capacity, space in hotels and hotel-type facilities by economic regions	Revenues of hotels and hotel-type facilities by economic regions, thousand manats	Income of travel agents and tour operators by economic regions and administrative territorial units, thousand manats	Number of tourism envelopes sold by economic regions and administrative territorial units, units Total number of blanks
Baku	28980	474197,8 *(+50,9%)*	155.189,8 *(2,2 dəfə artıb)*	71836
Nakhchivan AR	1437	4283 *(-11,9%)*	322,4 *(9,7 dəfə artıb)*	214
Absheron-Khizi	1249	2.597,7 (+7,3%)	3.121,1 *(+31,1%)*	1086
Mountainous Shirvan	2414	12.493,8 (-6,6%)	5,9 (-)	-
Ganja-Dashkasan	4140	25.121,3 (+40,3%)	4031 *(14,2 dəfə artıb)*	1711
Karabakh	3296	7.696,8 (+26,6%)	0,9 (-)	-
Gazakh-Tovuz	1113	1.362,1 (+9,8%)	210,2 *(2,6 dəfə azalıb)*	167
Guba-Khachmaz	12033	99.618,7 (+44,4%)	21,9 *(36,5 dəfə artıb)*	-
Lankaran-Astara	4876	18.438,8 (+18,8%)	193,8 *(3,2 dəfə azalıb)*	72
Central Aran	1496	2.130,0 (+32,2)	1.098,5 *(2,3 dəfə artıb)*	833
Mil-Mugan	440	644,3 (-47,7%)	*97,4 (8,2 dəfə artıb)*	168
Sheki-Zagatala	5360	44.900,1 (+8,9%)	2.092,2 *(+21,9%)*	2354
Eastern Zangezur	-	-	-	-
Shirvan-Salyan	524	677,8 (+77,6)	7,2 (+2,8%)	6

The brackets in the cells indicate the percentage or times change compared to 2023, respectively.

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/tourism/

Looking at international experience, we see that municipalities have an important role in the development of tourism at the local and regional levels. In many countries around the world, regional tourism associations, including municipalities, operate to promote regional and local tourism. These organizations represent and promote the tourism-related interests of not only local governments but also other stakeholders, such as businesses, various population groups, investors, suppliers, and service providers, at the regional level.

Balanced and harmonious development of regions is of great importance in ensuring the socio-economic stability and long-term development of the country. Economic policy measures implemented to reduce regional differences and eliminate inter-regional economic imbalances are one of the strategic priorities of the state. Sustainable development of regions is one of the important features of their socio-economic systems.

While the total volume of investments in fixed capital in the country was 22106 million manats in 2024, this indicator in Baku was 12442.9 million manats. We can also see differences in industrial output, which is considered one of the most important indicators. Thus, the total output in the country was 64867.4 million manats, and in the capital it was 53661.7 million manats. 82.7% of industrial output falls on the share of Baku.

The implementation of the state's regional policy is carried out at the state level, within the framework of regional structures, with the participation of local executive authorities and local self-government bodies. Uneven development of regions can lead to disproportionate use of economic resources, increased mechanical movement of the population, and deepening differences in living standards.[4]

The specialization of regions in individual products and services is based on the development of entrepreneurship. Taking this factor into account, diagram 2 reflects the distribution of operating entrepreneurial entities by economic regions.

Increasing support measures for the development of entrepreneurship will lead to further development of public-private

[4] Nuriyev, A.Kh. Fundamentals of regional management / A.Kh. Nuriyev, – Baku: Science and Education Publishing House – Printing House, – 2007. – 427 p.

partnerships. Many business entities are not familiar with the activities of SME centers. For this, systematic and intensive work should be carried out to involve entrepreneurs in consulting and training on the basis of voluntary negotiations.[5]

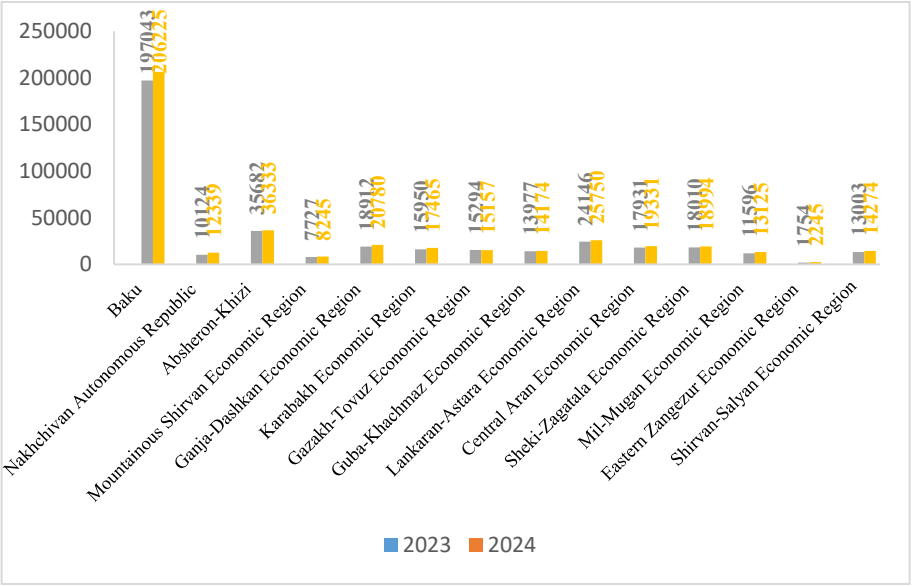


Diagram 2. Distribution of the number of active business entities by economic regions

Source: Compiled by the author based on data from the Constituent Assembly. https://www.stat.gov.az/source/entrepreneurship/

Chapter III of the dissertation entitled **"Directions for Improving the Sustainability-Based Diversification of the Azerbaijani Economy"** reflects the important directions of the state's investment strategy in ensuring its sustainability based on the non-oil sector, the priorities of innovation-oriented sustainable development in the diversification of the country's economy, and the prospects of a green economy aimed at sustainable economic development in the Republic of Azerbaijan.

[5] Rzayev, I.M. Sustainable social and economic development of regions in the Republic of Azerbaijan: current situation and future prospects / I.M.Rzayev. – Baku, 2010. – 512 p.

Improving indicators at the macro level in the national economy necessitates an increase in the weight of the non-oil sector, especially areas of strategic importance, in the diversified production structure. State regulations are of practical importance in managing investments directed to the economy for the creation of production and service sectors and the expansion of financial assets. The active participation of the state in the field of investment strengthens private entrepreneurship and public-private cooperation based on the modern characteristics of the economic system.

Table 5 reflects investments made in the Azerbaijani economy in the period 2018-2024.

One of the most important indicators that determine the competitive and sustainable development of the national economy is the dynamics of investments. The table shows that in 2018, the total volume of investments directed to the Azerbaijani economy was 25,877.0 million manat. In 2019, a decrease was recorded in investment in the national economy. In the year in question, the investment volume amounted to 24,986.6 million manat, and unfortunately, the decrease continued in 2020. Thus, this year, investment in the national economy amounted to 22,484.0 million manat, a decrease of 10% compared to the corresponding indicators of 2019 and close to 13.2% compared to the indicators of 2018. In 2021, total investment increased by close to 12.6% compared to the previous year and reached 25,313.8 million manat. In 2022, total investment reached 29135.1 million manat, and in 2023 and 2024, it reached 32080.9 and 33135.6 million manat, respectively, the highest indicator was achieved among the years we took as a basis for analysis.

Although investments play an exceptional role in diversifying the country's economy, Baku's high share in the investments directed is noticeable. We can see this both in total investment and in the volume of investment directed to fixed capital.

For the balanced and efficient development of the national economy, it is of particular importance to take the following measures to ensure the existence of a high-level energy complex, transport system, industry and agriculture, sales system, etc. in the regions:

- increasing opportunities for directing investment to competitive areas;

Table 5.

Information on investments directed to the Azerbaijani economy and its dynamics

Indicators	Years						
	2018	2019	2020	2021	2022	2023	2024
Total investment, million manats	25877,0	24986,6	22484,0	25313,8	29135,1	32080,9	33135,6
Investments in the oil and gas sector (thousand manats)	5995208.6	5848882.9	5987590.7	5813463.9	5464883.7	6306842.4	5852061.5
Foreign investments in fixed capital (thousand manats)	5370008.3	5672408.6	5155311.8	4253608.5	3622318.6	3900971.6	3331637.8
Investments in fixed capital in non-oil and gas sectors (thousand manats)	11249654.3	12690593.6	11238520.0	11001995.1	12413281.4	15003863.1	16254272.7
Investments in fixed capital in non-state-owned enterprises and organizations (thousand manats)	8812500.4	9728696.5	8694369.0	9134229.8	8515939.1	9421145.3	8753430.7

Source: Compiled by the author based on data from the Constituent Assembly. https://www.azstat.gov.az/portal/search/search.do

- improving state regulation mechanisms in investment;
- identifying and expanding new sources of investment;
- ensuring investment stability, etc.

The formation of an “innovation ecosystem” plays a decisive role

in the realization of the goals of the state in accordance with the non-oil strategy. This includes factors such as the launch of institutions necessary for the existence of a sustainable innovation environment, the regulation of external relations of these institutions, and the establishment of the necessary infrastructure. The policy of promoting the innovation ecosystem provided by the state is implemented within the interests of the participating parties. This can be realized by establishing mutual relations between scientific research institutes, institutions related to “start-ups”, and internal innovation structural units that prepare proposals for the promotion of innovations.

The effectiveness of innovation policy depends on three factors.

1. Establishment of efficient and coordinated mechanisms of state management within the framework of the modern innovation space envisaged in the National Priorities to ensure the socio-economic development of the Republic of Azerbaijan.

2. Strengthening measures to reduce administrative procedures in terms of promoting innovation.

3. Strengthening coordination within innovation participants (implementation of effective joint cooperation between the business world, industrial enterprises and organizations engaged in scientific and research activities).

The establishment of a non-oil industry in Azerbaijan, in line with the innovation system, capable of competing on a regional and international scale, is possible through the implementation of targeted measures and directions. The modern era of rapid development of economic relations and the constant advancement of economic ties is impossible to imagine without innovative entrepreneurship.

Significant measures and initiatives are being implemented in our country to transition to the concept of "green economy". It is no coincidence that "Azerbaijan 2030: National Priorities for Socio-Economic Development", adopted in the direction of the implementation of this concept, is the main strategic document reflecting the future contours of the Azerbaijani economy. In this development concept, which reflects five National Priorities, the fifth priority, called "A Country of Clean Environment and Green Growth", includes its predecessors. It is clear that the establishment of a green

economy is precisely through green growth and a healthy environment.

The National Priorities reflect specific directions for the creation of a clean environment and a “green growth” country. The effective implementation of the goals in these directions will depend on achieving the goal of improving the quality of the ecological environment and creating a green energy space. Minimizing the negative environmental impacts and threats of economic and demographic growth is an inevitable reality.

CONCLUSION

Based on the research conducted, it is appropriate and necessary to implement the following measures in order to achieve sustainable economic development through diversification of the economy.

1. Against the background of possible changes in oil prices and a decrease in production, the fund's revenues may also decrease, which may affect the stability of the state budget in the coming years. In such a situation, one of the main priorities should be to increase non-oil revenues, improve the entrepreneurial environment and increase investment attractiveness. This will both form economic growth on a sounder basis and create more sustainable financial sources for financing social and infrastructure projects.

2. Looking at the current industrial structure, it is clear that the mining sector dominates the overall industrial production. This sector is especially dominant in the industrial sector with its activities related to oil and gas production. However, such a structure may create risks in terms of long-term economic development. Because the raw material-oriented industrial sector does not create a sufficient value chain for the development of other sectors of the economy and has limited opportunities in terms of added value.

3. Strengthening the role of the processing industry is of particular importance. The processing industry - including the food industry, light industry, chemistry, mechanical engineering and metallurgy - is an area that creates high added value, has export potential and creates more jobs. Therefore, strategic approaches should be formulated and practical measures should be taken to develop the processing industry in the country.

4. Sustainable development of the agricultural sector and increasing product production necessitate the application of highly productive and resource-saving technologies in the modern era. Measures taken in this direction require the formation of an agricultural model with new technological foundations, the expansion of the use of advanced equipment and the application of genetically productive plant and animal varieties.

5. The role of tourism in sustainable development and economic diversification is very important. The benefits of sustainable tourism to the economy are multifaceted and focused on the long-term perspective. This type of tourism not only ensures the development of the local economy, but also supports the protection of natural and cultural resources. The local population earns income by working in the tourism sector or providing products and services, thus revitalizing the region's economy.

6. The predominance of hydrocarbon-based products in the export structure reduces the risks of sustainability in the macroeconomic situation. Another issue of particular importance is the diversification of export markets. Part of the products produced within the country is directed to foreign markets. In the event of a crisis in these markets, sharp declines in exports may occur. Therefore, the diversification of export markets can also create conditions for guaranteeing domestic production.

7. Consistent implementation of public investments has a positive impact on the renewal of infrastructure, the implementation of social projects and the development of various sectors of industry. However, sustainable and long-term economic development cannot be ensured only at the expense of state funds. In this regard, it is necessary to attract private investment sources and conduct detailed research in this direction.

8. As a result of the research, it was found that the main problems facing innovative development include insufficient formation of innovation infrastructure, weakness of science-education-production relations, etc. Although the state has taken important institutional and normative-legal steps towards the implementation of innovation policy, a more systematic and integrated approach is needed to transform these measures into real economic results.

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