

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Science

**ISSUES OF EFFICIENT USE OF THE INVESTMENT
POTENTIAL OF THE ECONOMY**

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THE WORK'S GENERAL CHARACTERISTICS

Relevance and development of the topic: The strategy of socio-economic development laid down by the great leader Heydar Aliyev is successfully continued by his worthy successor, President Ilham Aliyev, and the economic power of our country is growing day by day. Azerbaijan is already known internationally as a country that has its own national development model, as an investor and as a country that provides macroeconomic stability even during the global financial crisis. Over the years, under the leadership of the country's President, the Republic of Azerbaijan has gained a reputation in the world as a strong, independent country developing on the basis of advanced technologies that meet modern requirements.

Approved by the Decree of President Ilham Aliyev dated February 2, 2021, "Azerbaijan 2030: national priorities for socio-economic development"¹ correctly identified national development priorities and mobilized all the available potential of the country's economy to use intellectual resources and human capital. The economic development of the Republic, which left behind a transitional period, has recently undergone a new stage in terms of quality. One of the main goals of this stage is to increase the competitiveness of the national economy and ensure the sustainability of the country's dynamic socio-economic development in the long term by achieving effective integration into the international economic system. Thus, a new stage in the comprehensive development of Azerbaijan is currently being observed. The main features of the economic policy pursued by the head of state are its socially significant orientation, as well as the presence of economic aspects in solving each problem. The implementation of state programs, decrees and orders is important for successfully ensuring acceleration of economic development in the country, for a steady increase in the share and role of the private sector. As can be seen from these documents, the main direction of the President's economic policy is to achieve the dominance of the private sector in the country's economy along with targeted

¹ *Azerbaijan 2030: National priorities for socio-economic development.* / - Approved by the Decree of the President of the Republic of Azerbaijan dated February 2, 2021: [Electronic resource] / URL: <https://president.az/articles/50474>.

management of oil production and revenues, with special attention to the development of non-oil sectors.

Under current conditions, the implementation of socio-economic reforms and the successful implementation of strategic development goals in Azerbaijan have further strengthened macroeconomic stability and ensured economic growth. However, a significant portion of GDP growth was driven by oil and gas production. Given the stabilization of oil production in the country, future economic growth will be possible mainly due to the non-oil sector. This requires the organization of economic and social measures to diversify the existing investment potential in the non-oil sector of the country and increase this potential.

As a result of consistently and thoughtfully implemented projects and programs in our country, our foreign exchange reserves have increased from \$1.8 billion in 2004 to \$54 billion today². Foreign exchange reserves are a great asset, a guarantee of economic independence and a safety cushion. In addition, since 2004, 280 billion dollars have been invested in the country's economy, which is due to the choice of regional development as a priority and the provision of favorable socio-economic stability in the country³. At present, Azerbaijan is one of the leading countries in the world in terms of investment per capita. More than 50 percent of investments are foreign investments. This is, first of all, a key indicator of the investment climate in independent Azerbaijan. Of course, entrepreneurs, countries, companies will not invest in countries with a weak investment climate.

As a result of the purposeful economic policy pursued in Azerbaijan, 960,000 new jobs were created in our country in 2014-2018, of which 657.8 thousand are permanent. In general, 2.2 million new jobs were created in the country in 2003-2018, of which up to 1.6 million are permanent. The bulk of the newly created jobs, that is, 65 percent, are in the non-state sector, 192 thousand were created in 2019, and 129 thousand new jobs were created in 2020⁴.

The reforms are also highly rated in international reports. Thus, in recent years, according to the Global Competitiveness Report, Azerbaijan

²www.cbar.az - Official website of the Central Bank of the Republic of Azerbaijan.

³ www.azstat.org - Official web address of the State Statistics Committee of Azerbaijan.

⁴ www.azstat.org - Official web address of the State Statistics Committee of Azerbaijan.

has strengthened its leading position in the CIS. Azerbaijan has risen from 34th to 28th place in the World Bank's Doing Business 2020 report, which assesses the favorable business environment in the world. According to the report, our country is among the ten most reforming countries in the world, including China, India and Turkey⁵.

Effective organization of investments is one of the important factors for the further development of the national economy and plays an important role in increasing capital in the real sector, improving economic efficiency and forming the real sector of the economy as a whole. Effective use of the country's real investment potential is a prerequisite for increasing national welfare, being the core of the expansion of production and the creation and development of new industries. The investment potential of a country is measured by both the availability of investment resources and the ability to effectively use these resources. From this point of view, the study of investment potential allows us to determine both the level of provision of the country with economic resources, and the current state of attracting these resources to economic turnover, the possibility of using these resources and the need to increase them. They are regulated by the dynamics of the formation of opportunities to ensure the socio-economic development of the country. Therefore, in our time it is important to study these problems.

The successful implementation of the oil strategy has led to the formation of the necessary funds to finance the development of the national economy. Thus, in comparison with 2000, the nominal volume of total savings in 2010 increased by 13.7 times, and in 2015 - by almost 20 times. In 2000-2010, 60.3 percent of the total income remaining at the disposal was saved, and in 2011-2020 -41.1 percent. However, the level of use of these resources depends on the investment environment being formed in the country, the availability of enterprises capable of investing, and organizational factors. From this point of view, the assessment of the level of supply of investment resources and determination of their effective use is one of the goals and objectives of the thesis.

The government creates opportunities for activity and creates incentives by influencing costs, risk levels, and competition. From this

⁵ *Report on the activities of the Cabinet of Ministers of the Republic of Azerbaijan in 2020. Baku: 2021. - 455 p., p.10.*

point of view, the state has a major influence on the formation and implementation of the country's investment potential. Although a number of factors that affect the investment process (for example, natural resources, geographical location, etc.) do not depend on the role of the state, the tax regime, infrastructure, financial and labor markets, and other issues depend on the perfection of state regulation. Therefore, the assessment of the regulatory mechanism of investment activity in the country and the study of its compliance with the stages of economic development is of great scientific and practical importance.

The increase in public spending raises the question of their effective use. Effective stimulation of investment activity in the country depends on the structure of these costs. In this regard, the importance of improving the mechanism of state participation in financing investment activities of the private sector in the country is growing. It is known that in the last decade, AzPromo, the Azerbaijan Export and Investment Promotion Fund, which specializes in investment promotion, has been operating under the Ministry of Economy⁶. "Azerbaijan Investment Holding" was established by the Decree of the President of the country on August 7, 2020. The Charter of the Holding states that the main goal is to increase the transparency and economic efficiency of investment programs⁷.

Due to the loss of stability of the manat, after the government devaluations in February and December 2015, on behalf of the President, urgent work is being carried out, primarily to take preventive measures to strengthen the manat and improve the austerity mechanism in the real sector. In this sense, the programs aimed at the socio-economic development of the regions set goals and considered measures to attract in the future the necessary financial resources for the development of the real sector in the regions. It was recognized as expedient to use the development potential of the country and its regions to the maximum in order to minimize the dependence of certain strategic goods on imports, increase the production of competitive products and bring them to foreign

⁶ Decree of the President of the Republic of Azerbaijan on the establishment of the Azerbaijan Investment Holding. Baku, August 7, 2020.

⁷ Charter of Azerbaijan Investment Holding. Approved by the Decree of the President of the Republic of Azerbaijan dated August 7, 2020.

markets.

In accordance with the "Strategic Roadmap for the Prospects of the National Economy in the Republic of Azerbaijan", the priority of the role of investments and the investment factor in the process of improving the structure of the economy and deepening institutional reforms in 2021-2025 has increased significantly⁸. The most important point is to maintain attention to the eight priority sectors that form the fundamental basis of the Republic's economy. Among them, four belong to the manufacturing sector, namely the oil and gas industry, agrarian sector, production of consumer goods, heavy industry and machine building, two on the services sector, namely tourism industry, logistics and trade, and two to the social sector, specifically, prices for apartments and development of training. A survey report and a strategic roadmap have been developed for each of these areas. Conducting the necessary research on the development of these sectors, developing appropriate proposals and recommendations, including the effective use of existing investment potential in these areas, is the development of science itself and requires new thoughts and ideas in theoretical and practical issues.

Thus, the above shows that the research work devoted to the problems of formation and use of the country's investment potential, has scientific and practical significance, and this topic is relevant at the current stage of socio-economic development of Azerbaijan.

The level of study of the problem shows that theoretical and practical issues of investment activity are important in socio-economic research. Azerbaijani scholars - academician Z.A.Samadzade, corresponding members of ANAS Sh.M.Muradov, A.F.Musayev, professors A.J.Muradov, N.M.Muzaffarli, M.A.Ahmedov, A.Sh.Shakaraliev, A.G.Aliirzaev, A.P.Babaev, U.G.Aliev, I.A.Karimli, Sh.M.Sadigov, V.T.Novruzov, I.H.Aliyev, T.N.Aliyev, Y.A.Kalbiyev, Sh.S.Gafarov, A.I.Bayramov, R.A. Guliyev, E.M. Sadygov, Sh.T.Aliyev and many others studied the development of the Azerbaijani economy and the increase in the investment potential of the economy in these processes, its effective use, improvement of the investment climate, increase in investment potential and attractiveness.

⁸ *Strategic roadmap for the national economic prospects of the Republic of Azerbaijan. Approved by Decree of the President of the Republic of Azerbaijan dated December 6, 2016.*

The scientific views, theories and scientific works of foreign economists, including the founders and representatives of the classical school of economics consider the issues of capital movement, monetary and financial flows, the formation of investments and their effective use. Examples include A. Smith, A. Marshall, J. Keynes, P. Samuelson, W. Nordhaus, J. Schumpeter, R. Solow, P. Drucker, F. Kotler, M. Porter, N. Mankiw, and others. From Russian, as well as other Russian-speaking scientists and researchers V.K.Senchagova, N.I.Antipina, V.S.Balabanova, A.I.Basova, V.V.Bocharova, P.S.Vakhrin, Y.V.Vologdin, V.K.Lomakin, I.Y.Lukasevich, A.B.Malyshevsky, L.Y.Piterskaya, A.S.Pronin, I.V.Sergeev, Y.S.Stoyanova, V.S.Shcherbakov and others in their research work paid more attention to the study of investment activities and processes, the formation of investments, the effectiveness of investment and innovation projects, the elimination of existing problems associated with emerging risks, as well as increasing investment potential.

A number of studies and dissertations on investment issues have been carried out in Azerbaijan. The features of investments by industry and the mechanisms of their use are considered. However, the potential approach to investing, the dynamics and sources of its formation were not systematically considered. The subject of this dissertation is the systematization and regulation of the formation and prospective changes of the economy in accordance with the goals of its development.

Among the scientists-economists of Azerbaijan, prof. E.M. Sadigov⁹ studied investment from the point of view of improving the efficiency of investment financing, J.B.Namazova¹⁰ on analysis of the investment climate and the role of its tax policy, prof. A. P. Babayev¹¹ on the theoretical problems of investment from the point of view of reproduction, prof. Kh. H. Kazimli opportunities to attract investment to the real estate market, prof. T. H. Huseynov¹² and

⁹ Sadigov E.M. *Improving the efficiency of investment financing. / Abstract of the dissertation of Doctor of Philosophy in Economics. / - Baku, 2013. - 26 p.*

¹⁰ J.B.Namazova *Analysis of the investment climate and the role of tax policy in its formation*

¹¹ A. P. Babayev *Theoretical and methodological study of the national model of economic development. Azerbaijan. -2011.-January 23.-p.5. - <http://www.anl.az>.*

¹² T. H. Huseynov *Investments in Azerbaijan: income, investments, industrialization, employment. 2009. (Monograph). Baku, 380 p. T. H. Huseynov Model of National Economic*

G.A.Azizova¹³ on investment policy, prof. R. A. Guliyev¹⁴ and doc. B. S. Ahmedov¹⁵ on investment problems of the national economy, prof. T. N. Aliyev¹⁶ on the economic foundations of investment projects in the oil and gas industry, Associate Professor S.Z. Isaev¹⁷ on increasing the economic efficiency of investments, researcher P.A. Valiev¹⁸ on financial and investment sources of economic security.

Despite numerous studies on investment activity, the problems of potential approaches to investment and their solutions, sectoral and territorial functionality remain one of the most controversial issues in economics. This situation requires additional investment, structural changes in the economy, efficient organization, and long-term decision making. In particular, the theoretical and practical issues related to the formation and use of investment potential in the country are insufficiently studied. When approaching this aspect, it is important to assess the investment potential of Azerbaijan and conduct scientific research on how to improve its use. In addition, it is of practical importance to substantiate at the state level a wide range of foreign and domestic investment-oriented measures to stimulate investment and improve the investment climate. In the economic studies of Azerbaijani researchers, the demand for investments for the development of economic sectors and the direction of its effective use is assessed as a science of economic sectors. We are looking at ways to assess the potential by taking into account and using

Development of Azerbaijan: Theory and Practice, Monograph. Baku, 2015. - 466 p.

¹³ Azizova, G.A. *State investment and innovation policy. Baku, Economic University Publishing House, 2012. 212 p.*

¹⁴ R. A. Guliyev *Investment problems of the formation of the national economy of Azerbaijan: / diss. Dr. Econ. Sciences. / - Baku, 2004. - 304 p.*

¹⁵ B. S. Ahmedov *The essence of the concepts of "investment" and "capital": microeconomic and macroeconomic approaches // Baku: Tax News of Azerbaijan. 1/2011. - with. 69-84.*
Akhmedov, B.S. Investment resources and ways of their formation // Baku: Economic sciences: theory and practice. - No. 1. - 2011. - P. 35-46.

¹⁶ T. N. Aliyev *Directions for the development of entrepreneurship in the liberated territories of Azerbaijan. 12/28/2020: [Electronic resource] / URL: <http://economics.com>. Aliev, T.N. Clusters: international experience and innovative development. Monograph. Baku, "Science and Knowledge", 2019 - 536 p.*

¹⁷ Isaev, S.Z. *Problems of increasing the economic efficiency of investments (based on the materials of the oil industry of the Azerbaijan Republic). / doctor of philosophical economic sciences dis. Abstract / - Baku, 2005. - 22 p.*

¹⁸ Valiev, P.A. *Financial and investment sources for ensuring economic security / P.A. Valiev. - Baku: East-West. - 2015. - 214 p.*

the characteristics of this area. Investment management depends on a number of factors. Naturally, to study these factors and assess their impact, a number of functions are used as an apparatus in terms of production and utility.

Thus, the relevance and insufficient knowledge of the problem in the country characterizes the choice of the topic of the dissertation. The study comprehensively examines the theoretical, methodological and practical aspects of the formation and use of investment potential. This is one of the factors determining the scientific novelty of the study.

Goals and objectives of the study. The purpose of the research is to develop scientifically based proposals and recommendations on the problems of forming the investment potential of the Republic of Azerbaijan and improving the efficiency of its use. In accordance with this goal, the study provides for the following tasks:

- theoretical and methodological aspects of the study of the formation and dynamics of aggregate savings in the national economy and the study of the features of the investment process;
- disclosure of the essence of investment potential and methodological aspects of the study of the factors that shape it;
- clarification of theoretical and methodological issues of preparation and evaluation of investment projects, as well as identification and risk management;
- measurement of existing investment potential and assessment of factors in the country;
- the study of research mechanisms and organization of the use of investment potential in the country at the macroeconomic and microeconomic levels;
- development of a system of criteria and indicators to assess the level of favorable investment environment;
- identification of directions for increasing the level of use of investment opportunities in the non-oil sector of the country;
- substantiation of ways to increase the efficiency of the mechanism of state regulation of investment activity;
- determination of the organizational and economic structure in the formation of the national innovation system in order to increase the efficiency of using investment potential in the country;

- propose a model for system management of investment risks in the regions

- providing ways to use the investment potential and solve efficiency problems, taking into account the territories liberated from occupation in the face of new challenges;

- development of proposals and recommendations to increase investment potential and increase the level of its use in the country.

The object of the research is the investment processes taking place in the economy of Azerbaijan, and the features of their formation.

The subject of the research is socio-economic relations in solving the problems of formation and use of investment potential in the national economy.

Research methods. The theoretical and methodological basis of the research is the works of classics and leading scientists-economists of economic science, their approaches to investment processes, to the mechanism of state regulation of these processes, and the provisions of economic growth theories. The study used the relevant legislative and regulatory acts of the Republic of Azerbaijan, decisions and orders on important socio-economic problems, normative documents of the Cabinet of Ministers, ministries of economy, finance, Central Bank, materials of research institutions of the country of advisory and methodological nature, programs of socio-economic development, including investment, and other regulatory documents.

In research work, comparative, economic and statistical analysis, scientific abstraction, system analysis, cause-and-effect dependence, program-oriented approach, economic-mathematical etc. research methods were used.

The main provisions of the defense. On the basis of scientific novelties of the dissertation, a number of important provisions are defended:

- The ways of effective use of the investment potential for the implementation of measures to intensify the development of the national economy and ensure sustainability in modern conditions are substantiated;

- The need to identify the link between the formation of aggregate savings in the national economy and the creation of investment potential

should be proved;

- It is required to develop conceptual approaches to assessing the nature and role of investment potential in the economy;

- In order for investment activity to be successful, it is important to formulate and justify new approaches to the risks of investment projects and their management;

- Accelerating the development of non-oil sectors in order to reduce the country's dependence on the oil factor determines investments and identification of their sources

- The assessment of the country's investment potential should be approached from the standpoint of the challenges of our time, since the issues of expanding the sources of investment potential and improving existing mechanisms remain relevant;

- It is necessary to improve the efficiency of investment activity mechanisms, coordinate them with sectoral and regional development goals, develop a strategy for increasing investment activity in the regions;

- It is necessary to create mechanisms to ensure investment flows in the implementation of target indicators in promising areas of the non-oil sector;

- It is necessary to increase the attractiveness of the investment climate in the country, expand its scale and update the mechanisms for stimulating investment activity;

- It is necessary to develop mechanisms for the effective use of the country's investment potential, to study and evaluate factors that have a significant impact on investment efficiency, based on world experience;

- The formation of the investment potential of the regions and the creation of system-model models for managing investment risks are relevant;

- In order to ensure the growth rate and sustainability of the national economy, attention should be paid to measures to improve the mechanisms of state support for investment activities;

- Taking into account the liberated territories, it is important to increase investment activity in the regions of the country and increase the attractiveness of the investment climate, to establish systemic risk management mechanisms;

- Approaching modern realities and prospects, the development

and application of mechanisms for strengthening the investment potential of the national economy, the effective use of investment resources, etc. are highly relevant.

Scientific originality of the research. The main scientific novelty of the study lies in the formation of theoretical and methodological foundations of conceptual approaches to the problems of assessing the investment potential of the economy and its effective use. Other novelties are as follows:

- The theoretical and methodological aspects of studying the formation and dynamics of total savings in the national economy, the features of the investment process and the role of investment in economic growth are disclosed and evaluated.

- The essence of investment potential is revealed and factors forming the methodological aspects of its research are evaluated;

- The essence of the investment potential is revealed, the factors forming the methodological aspects of its research are evaluated, the author's approaches to the theoretical and methodological issues of determining risks in investment projects and their management are substantiated;

- The possibilities of financing existing investments in the non oil sector of the country's economy and the level of use of these funds were assessed;

- From the point of view of sectoral and regional development, opportunities for investment in the country's economy were identified by stages of development of the national economy and its spheres, and a mechanism for developing an investment strategy for the regions was proposed;

- The ways of solving existing problems in the use of investment potential in the non-oil sector of the country's economy were studied and the importance of improving related activities was substantiated;

- The directions for improving the investment climate in the country, stimulating investment and innovation activities and increasing their attractiveness were determined, and action mechanisms were developed;

- The stages of evaluation of investment projects that are important for increasing the investment potential are determined, and the

sequence of stages necessary in the preparation of investment projects is substantiated;

- The importance of completing the process of forming a national innovation system was announced, the objective reality was the strengthening of the investment potential of the economy, the improvement of the mechanism of state regulation of investment activities;

- In order to improve the efficiency of using the investment potential of the economy at the regional level, the main functions of the risk management unit in the organization of investment risk management and a schematic diagram of a systemic system for managing investment risks in the regions were determined, and important provisions of the scientific concept of the regional investment strategy were developed;

- In the face of new challenges, the impact of the pandemic and the objective realities of the liberated territories, a block diagram of directions for improving the existing mechanisms for investment activity and increasing the efficiency of the investment potential of the economy is given;

- The necessity of developing and implementing the “state program to increase the efficiency of the use of the investment potential of the national economy in the Republic of Azerbaijan for 2021-2030” in order to maximize the improvement of the investment climate in the country, the creation of the “Azerbaijan State Investment Agency” to actively stimulate the attraction of foreign investment and strengthen the investment potential of the economy and optimal modeling of its use is substantiated.

Theoretical and practical significance of the research.

Theoretical provisions, methodological approaches presented in the dissertation allow enriching the existing scientific knowledge in the field of formation and use of the investment potential of the national economy, understand the features of the investment process in Azerbaijan, and eliminate theoretical and practical problems of state regulation of investment processes. The use of the main provisions of the study, proposals and recommendations in the relevant state programs can help increase and intensify the investment potential in Azerbaijan, determine investment priorities, improve the investment climate, and improve the

mechanism of state regulation of investment activities.

Approbation and application. The main provisions and results of the dissertation were published in 47 scientific papers, including 2 monographs, 10 of which were published abroad, as well as in scientific collections and journals of the republic, as well as in Moscow, St. Petersburg, Russia, etc. 7 articles published in the cities of Eastern and Central Europe, published abroad, reflected in 26 articles, 3 abroad, presented at 19 international and republican scientific conferences. In addition, the main provisions of the dissertation can be used in the preparation of lectures on “Finance and Investments”, “Finance”, “Financial Markets” and other subjects in the teaching process at Azerbaijan State University of Economics.

Name of the organization where the dissertation work has been carried out: Azerbaijan State University of Economics.

Structure and scope of the dissertation: Cover and content (4505 symbols), introduction (3579 symbols), chapter I (107234 symbols), chapter II (81719 symbols), chapter III (91694 symbols), chapter IV (76925 symbols), chapter V (75035 symbols), conclusions (31928 symbols) and bibliography (46912 symbols). There are 597711 symbols in total in the study. The volume of the dissertation is 498550 symbols, excluding figures, tables, graphs, references and appendices.

The structure of the dissertation

Introduction

Chapter I. Theoretical and methodological foundations of research on the formation and use of investment potential in the national economy

- 1.1. Conceptual foundations for the formation and study of the total savings and investment potential in the national economy
- 1.2. Investment potential and factors and conditions determining its formation
- 1.3. Methodology of preparation and evaluation of investment projects
- 1.4. Theoretical and methodological approaches to the study of investment risks

Chapter II. Systematic analysis of the current state of the level of use of investment potential in Azerbaijan

- 2.1. Assessment of the investment climate and its impact on the use of investment potential
- 2.2. Investment activity is an important aspect of the effective use of investment potential
- 2.3. Analysis of the fiscal mechanism for realizing investment potential
- 2.4. Features of assessing the use of investment potential at the microeconomic level

Chapter III. Assessment of Azerbaijan's investment potential in the financial, foreign investment and sectoral context

- 3.1. Research of financial aspects of investment potential
- 3.2. Comprehensive analysis and assessment of the current situation in attracting foreign investment in the country's economy
- 3.3. Assessment of investment opportunities of the national economy in the sectoral context

Chapter IV. Issues of efficiency of using the investment potential of the economy at the regional level in Azerbaijan

- 4.1. Regional aspects of the formation of investment potential
- 4.2. Systemic model of investment risk management in the regions
- 4.3. Issues of efficient use of the investment potential of the Karabakh region

Chapter V. Improving the efficiency of the use of investment potential in Azerbaijan and the mechanism for its implementation

- 5.1. Priorities for increasing the level of investment opportunities in the country
- 5.2. Formation and implementation of national innovation policy in the face of new challenges - as an important direction for the effective use of investment potential
- 5.3. Directions for improving the mechanism of state regulation of investment activity and increasing the efficiency of investment potential

The result

Bibliography

MAIN PROVISIONS PROVIDED FOR DEFENSE

1. Theoretical and methodological foundations of research on the formation and use of investment potential in the national economy

The dissertation examines investment in the context of its important role in fundamental economic processes occurring both at the level of the economy as a whole and at the level of individual industries and enterprises, and concludes that the qualitative and quantitative parameters of investment depend on the country's production potential, the efficiency of production activities, the sectoral and reproductive structure of production, and the rate of economic growth. From a macroeconomic point of view, the author divides the country's total investment expenditures into groups of investments in fixed assets, investments in housing construction, and investments to increase reserves. Purchases that redistribute existing assets between different people are not considered to be investments in the economy¹⁹.

According to the author, the demand for investment in the national economy is formed due to the influence of the following factors:

–the current economic situation in the country, the possibility of financing investments, improving the channels for converting savings into investments, etc.

–production volume (demand volume), level of capacity utilization;

- the cost of using capital (including depreciation rate), prices of goods and products, the level of wages;

–retained earnings, depreciation, tax liabilities;

–interest rate, return on investment;

– the ratio between private and borrowed funds of the firm and the level of risk in this regard

– valuation of the firm by the stock market, the cost of restoring capital.

In a closed economy, aggregate savings are one of the key factors determining economic growth. It is impossible to make investments and

¹⁹ Karimova, T.I. *Investment potential of the economy: mechanisms of formation and use* // Monograph, Baku. - 2008. - 223 p. Karimova, T.I. *Problems of formation and effective use of the investment potential of the economy. Monograph, Baku, - 2017. - 371 p.*

achieve economic growth without savings. At the same time, along with the total savings in the implementation of investments in the open economy, attracting foreign investment also plays an important role. Research shows that in a closed economy, there is a direct correlation between the total savings and investment. However, in an open economy where capital is mobile, this dependence is limited, as savings are usually directed to higher-income areas at the international level.

According to the author, the economic category “investment potential” should be explained by its dual nature. Thus, the investment potential should be characterized, on the one hand, by the availability of opportunities, and on the other, by the realization of this opportunity. In the first case, the investment potential consists of the amount of investment resources available to the country at a given time, and this opportunity is realized through investment activity. Thus, the investment potential is determined by the sum of investment resources capable of ensuring the reproduction and growth of real, financial and intellectual capital by realizing the economic interests and incentives of the participants in the investment process in a favorable market environment.

According to research, when implementing the investment potential, it is necessary to take into account the structure of the investment potential, which determines the technological parameters of the investment process. On fig. 1 is a schematic diagram of the components of the investment potential of an economic system²⁰.

The investment potential structure includes eight elements (Figure 1): resource and raw materials potential; production potential; labor (intellectual) potential; financial potential; consumption potential; infrastructure potential; innovative potential; institutional capacity²¹.

²⁰ Karimova, T.I. *Investment potential of the economy: mechanisms of formation and use* // *Monograph, Baku*. - 2008. - 223 pp., pp. 15-25.

²¹ Karimova, T.I. *Problems of formation and effective use of the investment potential of the economy*. *Monograph, Baku*, - 2017. - 371 p.

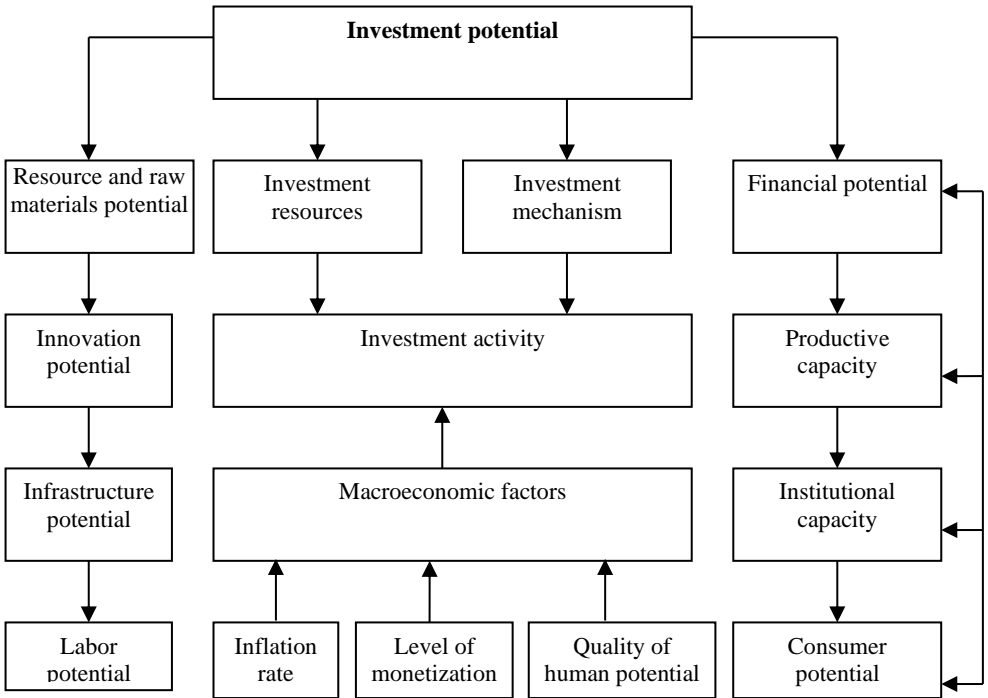


Figure 1. Block diagram of the components of the investment potential of the economic system (Compiled by the author).

These elements form the country's investment potential. Thus, in the preparation of any investment project, the number of personnel needed to implement the idea, the availability of raw materials, machinery and equipment, the volume and cost of services that will be received, etc. issues are studied. All these factors determine the feasibility of investment. Also, in the process of formation and use of investment potential, the enterprise enters into social and economic relations with various subjects of investment activity. Such relations can be established between the enterprise and the state, between the enterprises themselves and within the enterprise between employees and owners.

Thus, the investment potential is formed under the influence of many different factors. In this case, the country's investment potential may be limited by limited sources of investment financing, weak mobilization of available resources, as well as the low competitiveness of

existing economic entities and the lack of attractive investment areas.

Figure 2 shows a block diagram of conceptual approaches to the formation of aggregate savings and investment potential in the national economy.

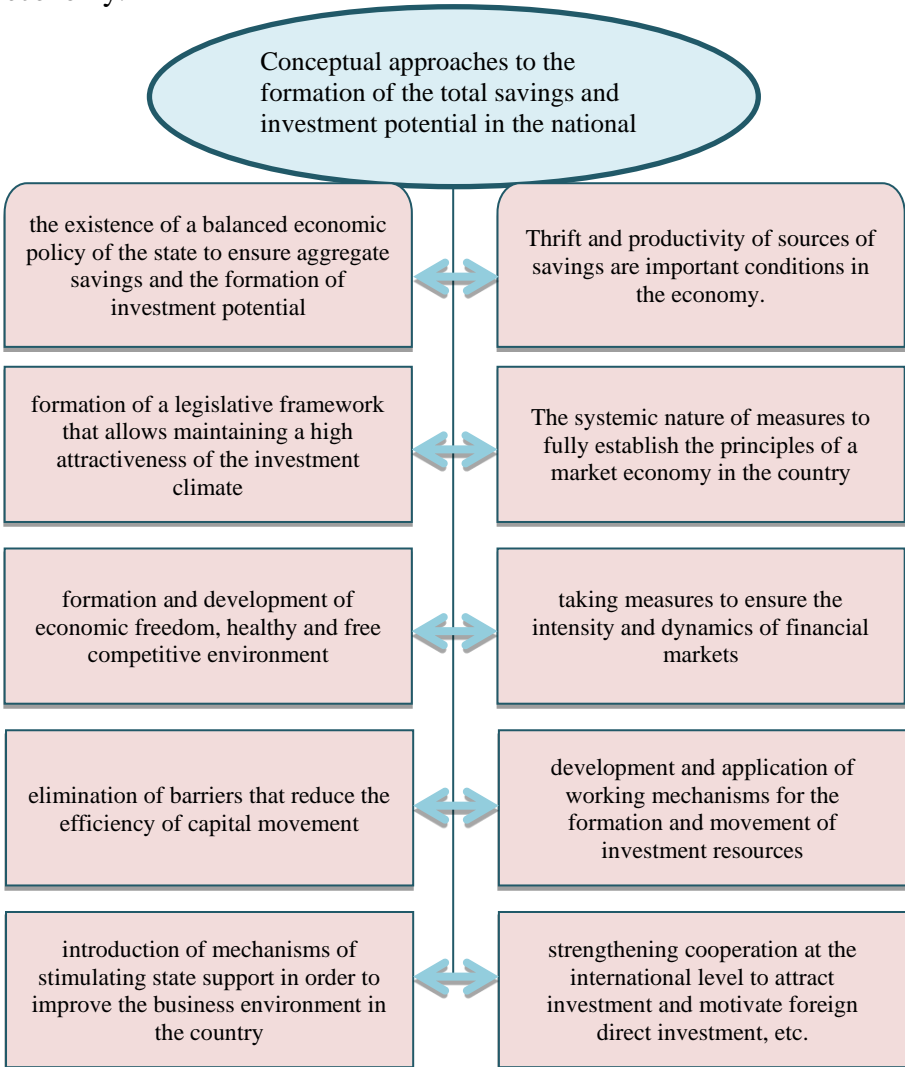


Figure 2. Conceptual approaches to the formation of aggregate savings and investment potential in the national economy (Compiled by the author).

If we approach the analysis of Figure 2, then from the point of view of conceptual approaches to the formation of accumulative savings and investment potential in the national economy, such important conditions and approaches as the existence of a balanced state policy in this area, giving greater importance to the efficiency of savings and accumulating resources in the economy, increasing the attractiveness of the investment climate, intensification of financial markets are more characterized.

It is obvious that investment decisions are ultimately influenced by investment efficiency and investment risk. In this regard, the concept of "investment attractiveness" reflects the investor's ideas about the expediency and effectiveness of investing in objects existing in a given country, region, industry as a result of the influence of natural-geographical, socio-economic, political and other factors²².

That is, the investment attractiveness is due to the presence of favorable conditions and advantages of investing, which bring the investor profit and reduce investment risk. In this regard, it is the level of favorable investment climate and the availability of investment potential that determine the investment attractiveness of a country, region, industry (Fig.3).

²² Karimova, T.I. *Formation of the investment climate in the country and analysis of opportunities for attracting foreign capital // Completion of the transition period in the economy of Azerbaijan: analysis and results. Materials of the Republican scientific-practical conference, Baku. - 2010. - p. 265-267.*

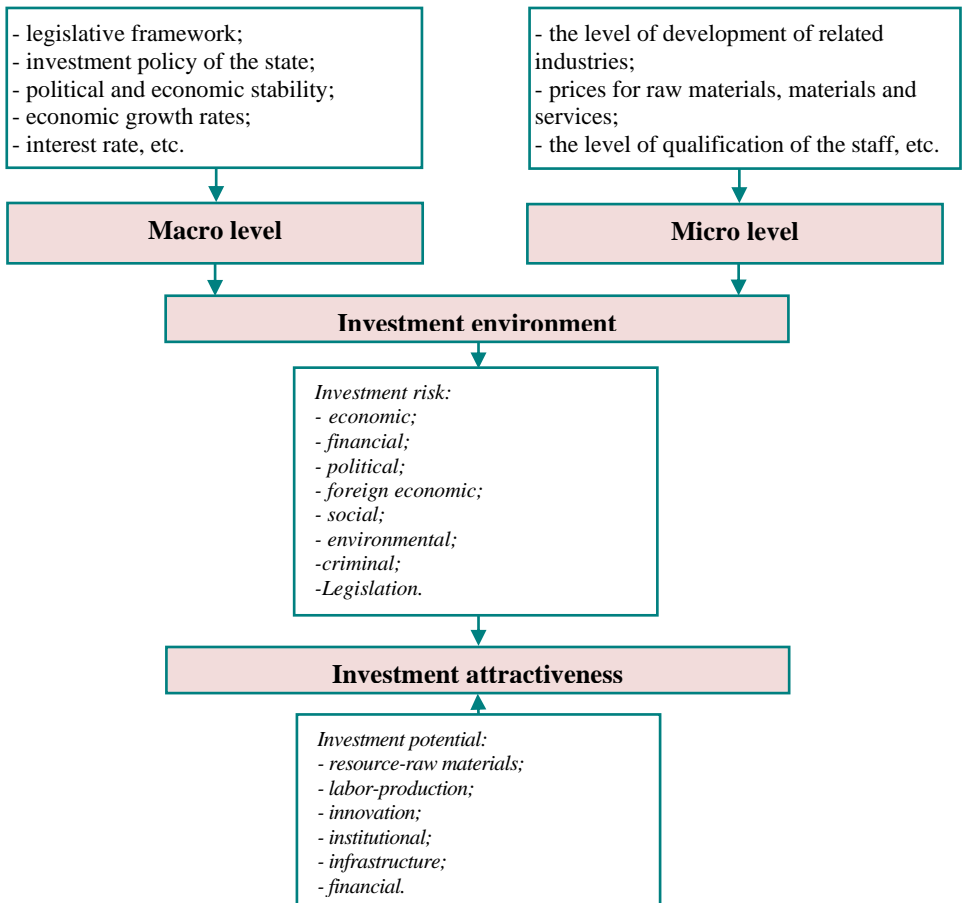


Figure 3. Principle-scheme of factors influencing investment attractiveness (compiled by the author).

Thus, the investment potential is formed under the influence of a variety of factors. At the same time, the investment potential in the country may be limited both by the limited financial and organizational resources of investment, the weakness of the possibilities of mobilizing available resources, and the low competitiveness of existing economic entities and the lack of investment-attractive industries for investment.

2. Assessment of the possibilities of financing existing investments and the level of use of these funds

The study concludes that the amount of total savings in the country determines the financial side of the investment potential. Thus,

one of the main factors limiting investment activity is budgetary constraints. If most of the income received in the country goes to consumption, then there is less money left for investment. From this point of view, both the absolute and relative size of savings in the country is one of the factors that shape the investment potential.

Based on the analysis of statistical data, it was found that the successful implementation of the oil strategy in Azerbaijan has led to rapid economic growth in the country in recent years. As a result, in 2000, oil production in the country increased from 14.0 million tons in 2010 to 50.8 million tons, in 2018-to 38.8 million tons, and gas-from 5.6 billion m³ to 26.3 billion m³ and 30.6 billion m³, respectively. As a result, the gross domestic product increased 9.0 times in 2010 compared to 2000, and 15.4 times in 2020. Such high growth has led to the formation of funds necessary for the development of the national economy. Thus, in comparison with 2000, the nominal volume of total savings in 2010 increased by 13.7 times, and in 2020 - by 13 times²³.

In recent years, the total cost savings in the country has increased significantly compared to 2000 and 2005, and in the period before 2005, the savings rate was high. However, in 2015 and 2016, total savings decreased. Thus, this figure increased from 27.5 percent in 2000 to 43.6 percent in 2009, to 47.8 percent in 2010, but in 2014 this figure fell to 45.4 percent, in 2015 to 29.5 percent, and in 2016 to 24.8 percent. In 2017, this figure rose to 30.3 percent, and in 2018- to 33.8 percent, by 2020 it has decreased to 24.7 percent. In general, over the years 2005-2020, total savings increased 3.3 times. In 2000-2010, as a whole, 48.4 percent of the income remaining at the disposal was saved, and only 51.6 percent was spent. In 2011-2020, 47.6 percent of total disposable income was saved and only 52.4 percent was consumed. Such a high level of savings provides high rates of economic growth. For example, according to our calculations based on the Harrod-Domar model, the development of aggregate savings as investment within the country in 2000-2020 would lead to a GDP growth rate of 13.3 percent due to domestic sources. Also, based on the Solow model, an increase in savings in the country in 2000-2020 should ensure economic growth²⁴.

²³ www.azstat.org - Official web address of the State Statistics Committee of Azerbaijan.

²⁴ Kerimova, T.I. *Problems of formation and effective use of the investment potential of the*

Thus, an increase in the savings rate according to this model negatively affects the optimal stationary state of capital, which ensures an increase in total output due to an increase in capital.

As already noted, the American economist S. Kuznets explained the factors limiting investment in developing countries, the lack of savings in the gross national product (GNP) as a financial instrument, the lack of real savings and the lack of foreign currency. None of these factors limited investment activity in Azerbaijan.

As a result, the share of the oil sector in GDP in 2009 amounted to 45.1 percent, in 2010-48.0 percent, in 2014-36.6 percent, in 2015-30.3 percent, in 2016-33.8 percent, in 2017-37.2 percent, in 2020-41.2 percent. The bulk of the products of this industry were also exported. Thus, in 2015, oil, gas and petroleum products accounted for 86.0 percent of exports, in 2016-86.2 percent, in 2017-88.6 percent, in 2020-91.2 percent. This was about 80 percent of the total production of this sector. As you can see, a significant part of GDP was obtained from export production, which shows that the factors mentioned by S. Kuznets do not limit investment in Azerbaijan. In addition, a significant part of the added value in the field of oil and gas is rent. So, in 2020, in this area, the share of intermediate consumption in total output was 38.2 percent, wages-16.9 percent, consumption of fixed assets-4.8 percent, and net profit-39.8 percent. Such a high share of net profit is due to the fact that it includes rent. As a result, rent creates favorable conditions for large investments in the development of existing production. Thus, the growth of total savings in recent years has led to an increase in the country's investment potential.

The analysis of statistical data shows that in the conditions of high growth of total savings in 2010-2015, the main part of it was at the disposal of the state. However, although the state's share in total savings increased slightly in 2016, a decrease was observed in 2017. Thus, the state accounted for 19.0% of total savings in 2005, 64.3% in 2010, 54.9% in 2014, 51.7% in 2015, 59.4% in 2016, in 2017 50.9%, and in 2020 61.3%. It should be noted that this was due to the implementation of oil contracts. Thus, in 2000-2004, the volume of public administration savings was either negative or very small. As a result of the implementation of oil contracts, with the start of the commissioning phase

of fixed assets in the field of oil and gas production, state revenues began to increase, and as a result, along with increased savings, the state's share increased.

Observations show that oil production has been growing rapidly since 2005, and gas production since 2006. Since 2005, government revenues have also begun to grow, leading to increased savings in public administration. Thus, the share of government savings in total savings increased to 48.1 percent in 2019 and 61.3 percent in 2020.

Most of the savings held by the state administration were accumulated in the State Oil Fund. By the end of 2020, the assets of the State Oil Fund amounted to \$43,564.3 million. These funds, unlike the reserves of the Central Bank, are formed due to the non-use of part of the economic resources and can be used both for consumption and investment.

Thus, at present, in addition to general savings as an internal source of investments, taking into account the funds of the State Oil Fund, it is concluded that there are no problems in the field of financing investments.

Recently, the deposits of the population in banks have increased significantly. Thus, in comparison with 2000, the volume of attracted deposits of the population increased 6.3 times in 2005, 38.3 times in 2010, 119.5 times in 2015, and 108.9 times in 2019.

Research shows that the amount of loans issued by banks to finance capital investments amounted to a very small part of the savings of the population. As a result, the ratio of investments financed by bank loans to household deposits was 1.18 in 2009, 1.21 in 2010, 1.20 in 2011, 1.38 in 2015, 1.25 in 2016, it was 1.31 in 2017 and 1.85 in 2019.

On September 20, 1994, the "Contract of the Century" was signed with the world's leading oil companies concerning the development of the Chirag and Azerineft fields located in the Caspian Sea, as well as the deepest part of the Guneshli field. Since the conclusion of this agreement, about 30 new contracts have been signed in the oil and gas production sector, the Tbilisi-Baku-Ceyhan oil pipeline and the Tbilisi-Baku-Erzurum gas pipeline have been put into operation. In the following years, TANAP and TAP projects were implemented at the regional and international level, which are important for turning Azerbaijan into a

reliable partner in the energy security of the European Union. Azerbaijan's natural gas, along with oil exports to various countries of the world, was delivered to the European market on December 31, 2020. During this period, foreign investment in the country's economy has increased significantly, despite the relative decrease in the intensity of the negative consequences of the global financial crisis that began at the end of 2008, the flow of foreign investment into our country continues to grow every year. Table 1 analyzes the dynamics of attracting foreign investments into the economy of Azerbaijan in 2000-2020.

Table 1
Foreign investments in the economy of Azerbaijan
(million US dollars)

Indicators	2000	2005	2010	2014	2015	2016	2017	2018	2019	2020	Ratio 2020 to 2000
Total foreign investments, Including:	927	4893,2	8247,8	11500,0	0 719,1	10161,1	9120,5	8236,5	7129,1	6125,4	6,6
Financial loans	262,9	698,4	3405,8	2162,8	2 210,2	2197,8	1783,3	2880,0	1736,1	1004,4	3,8
Oil industry	546,1	3799,9	2955,3	6500,5	6 622,7	5617,4	4900,8	3142,0	3345,2	3922,1	7,2
Direct investments in the non-oil sector	118	230,5	659,6	1119,8	860,4	1706,2	813,0	967,1	930,1	605,6	5,1
Oil bonus	-	1,0	2,0	17,0	2,0	0,1	1,4	450,1	450,8	451,6	-
Other investments	-	163,4	1225,0	1699,8	1 023,8	639,6	1622,0	797,3	666,9	141,7	-

Source: statistical indicators of Azerbaijan 2008, p.380; 2011, p.413; 2012, p. 401; 2018, p.405; Azerbaijan in figures 2015, p. 132-133; 2020, p. 397; 2021, p. 380.

Table 1 shows that the volume of foreign investments in the country's economy has increased significantly recently. As a result, the volume of foreign investment in the country's economy in 2020 amounted to 6,125.4 million manats. This is 6.6 times more than the corresponding level in 2000. The share of the oil industry in the volume of attracted foreign investments decreased from 58.8% in 2000 to 39.4% in 2011, increased from 2012 to 61.8% in 2015 and grew. It declined to 53.7% in 2017, to 38.2% in 2018, but increased again to 46.9% in 2019 and to 64.0% in 2020. It is important to emphasize that the share of foreign investments in fixed assets decreased from 54.8% in 2000 to 30% in 2011, increased to 43.2% during 2015, amounted to 58.9% in 2016, decreased

again to 49.7% in 2017, to 31.1% in 2018, to 30.6% in 2019 and in 2020, it was 29.9%.

In 1994-2018, more than 200 loan agreements worth USD 14.169 billion were concluded between international financial and credit institutions and the Government. In this regard, the implementation of 133 projects and programs has been completed, the rest are currently being implemented. As of January 1, 2019, the total amount of loans used amounted to US\$ 12.394 billion. This represents 87.5 percent of the total amount of signed loan agreements.

As of January 1, 2021, Azerbaijan cooperated with international financial and credit institutions for a total amount of USD 13.031 billion, provided directly to the government and serviced at the expense of the state budget. A loan agreement in US dollars has been signed. In accordance with these agreements, 11.833 billion US dollars (up to 95%) were used out of the loans provided for attraction, including \$470.7 million during 2020.

Over the last two quarters of 2018, the remaining debt of 840.0 million on a loan of about \$1.5 billion aimed at financing 8 projects with terms covering 2020-2030 was repaid ahead of schedule to creditors. External public debt "as of January 1, 2020 was about \$9.1 billion, of which about 59% is direct government borrowing." The dynamics of Azerbaijan's external debt is shown in Figure 5, while a significant increase in the amount of external debt has not been observed in recent years.

However, despite the fact that in 2017 the ratio of external public debt to GDP increased by about 2.3 percentage points compared to 2003, in 2019 this indicator decreased by 1.6 percentage points and amounted to 18.9 percent, and in 2020 - by 1.8 percent and amounted to 20.7 percent. But at the same time, this indicator is at a favorable level both in terms of macroeconomic stability and economic growth, and attracting foreign investment.

3. Sectoral problems of the formation of investment potential²⁵.

²⁵ Kerimova, T.I. *Assessment of investment opportunities in the sectoral context of the national economy // "Strategic roadmap of the economy of Azerbaijan: problems of accountability and transparency", International Scientific and Practical Conference, Baku, 2017. - p. 366-368.*
Kerimova, T.I. *Assessment of the investment potential of the national economy by sector // "II International Conference of Young Scientists", Ganja. - 2017. - p. 104-106.*

To assess the investment potential of various sectors of the economy, it is considered appropriate to use the following indicators. An assessment of the investment potential in various sectors of the economy was carried out (Table 2). Based on the indicator of the investment potential rating calculated by industry, the first 3 places are occupied by industries, agriculture, as well as transport.

Table 2
Rating of investment potential by sectors of the economy of the Republic of Azerbaijan in 2020

Branches of the economy	1	2	3	4	5	6	7	8	9	10	Ranq
1. Industry	0,52	0,95	0,64	0,08	0,40	0,08	0,98	0,53	0,88	0,65	1
2. Agriculture	0,12	1,02	0,74	0,05	0,03	1,06	0,68	0,03	1,00	0,05	2
3. Transport	0,07	1,05	0,05	0,02	0,21	1,01	0,96	0,12	0,00	0,03	3
4. Communication	0,02	1,01	0,01	0,02	0,02	1,00	0,62	0,01	0,01	0,01	4
5. Construction	0,08	0,91	0,13	0,22	0,07	1,00	0,90	0,19	0,00	0,00	6
6. Trade and service	0,13	0,90	0,02	0,15	0,08	1,01	0,71	0,01	0,01	0,01	5

Source: calculated by the author on the basis of data from the State Statistical Committee of the Republic of Azerbaijan.

The investment attractiveness of the fuel sector has significantly affected the fact that the industry is in the first place . In particular, the development of industry and agriculture in the country creates opportunities for the development of other industries. As a result, communications, trade, transport, finance, and other areas are mainly concerned with organizing material, information, and financial flows. This usually depends on the progress of industry and agriculture.

It is believed that the task of assessing the investment potential of any sector is to determine a set of socio-economic indicators that reflect the investment process in this area. In this case, individual factors or groups of factors may be used, depending on the purpose of the analysis.

Investment potential includes all the main macroeconomic indicators of the sector: number of enterprises, profitability, production volume, labor productivity and the level of modernization and renewal of technical base, you should consider the structure of income and expenses. To conduct the study, the investment potential was divided into four main elements-financial, investment, production and export potential.

Given the above, it is known that it is necessary to use the

following index system, which creates conditions for obtaining a reliable rating of the investment potential of industrial sectors.

Statistics for the corresponding years are used to assess the investment potential of industries. At the same time, the index method and the modification of the comparative analysis, converted into coefficients, are given. The final potential indicators of the field should be calculated according to the synergetic effect. The main sources of information are data from the state statistics Committee of Azerbaijan, the Central Bank, the Ministry of economy, the Ministry of Finance, the Ministry of Transport, Communications and High Technologies.

Table 3
Rating of the investment potential of the industry in 2020

Name of industries	1	2	3	4	5	6	7	8	9	10	rank
Electric power industry	0,06	1,12	1,02	0,05	0,05	0,69	1,77	0,08	0,83	0,01	6
Fuel industry	0,81	0,86	0,71	0,85	0,27	1,35	0,95	0,46	1,73	0,71	1
Metallurgical industry	0,02	1,81	1,09	1,82	0,21	1,06	4,53	0,02	1,33	0,10	4
Chemical, petrochemical industry	0,01	1,11	1,22	0,80	0,21	1,11	1,05	0,01	1,10	0,01	5
Mechanical engineering, metalworking	0,02	1,15	0,82	0,79	0,06	0,91	0,38	0,00	1,05	0,01	3
Wood, woodworking, pulp and paper	0,00	1,20	1,76	0,01	0,02	0,89	1,35	0,01	0,01	0,00	8
Light industry	0,00	1,22	1,52	0,02	0,01	1,09	0,52	0,00	1,01	0,01	7
Food industry	0,01	1,03	1,59	1,08	0,01	1,02	2,15	0,02	1,08	0,02	2

Note: based on the author's personal calculations

As can be seen from table the fuel industry ranks first among industries in terms of investment potential. The food industry, machine building and metal processing, which are the second and third largest in the country, also have great development potential. Thus, the progress of the agricultural sector, the improvement of the supply of raw materials to this sector, and the growth of regional markets have a positive impact on the growth of markets for products in this area. And the rating indicators of other areas were close to each other.

It is important to emphasize that the investment potential should

not be understood as a set of resources, opportunities for their use. The use of resources is always aimed at meeting the needs of economic entities in a certain order. For this reason, it is not enough to identify areas where indices are highly rated to determine investment potential. In other words, the classification of areas and investment volume is not enough to reliably assess the current situation in the industry. Given the above, to determine the investment potential of the industry, it is advisable to calculate the coefficients of investment distribution in relation to the volume of output (table 4), as well as to the cost of fixed assets (table 5).

Table 4
Investment distribution coefficients by output volume by industry

Industry	2000	2005	2010	2015	2019	2020
Energy	0,25	0,28	0,49	0,68	0,24	0,22
Fuel	0,31	0,37	1,18	0,67	0,18	0,31
Metallurgy	1,91	0,90	0,14	0,03	0,03	0,03
Chemistry and petrochemistry	0,04	0,04	0,05	0,04	1,62	1,41
Mechanical engineering and metalworking	0,08	0,01	0,01	0,10	0,14	0,03
Wood, woodworking, pulp and paper	0,13	0,01	0,04	0,00	0,07	0,08
Light industry	0,01	0,01	0,00	0,07	0,03	0,11
Food industry	0,06	0,02	0,01	0,03	0,05	0,06

Source: calculated by the author on the basis of data from the State Statistical Committee of the Republic of Azerbaijan.

According to the author, a comparison of the investment structure with the structure of production volumes allows us to determine the degree to which existing investment priorities match the role of a particular industry in the overall product. According to this information, the industry is divided into two areas: “more invested” (more than a ratio unit) and “partially invested” (less than a ratio unit).

Table 5

**The coefficient of distribution of investments in relation
to the cost of fixed production assets**

Industry	2000	2005	2010	2015	2019	2020
Electric power industry	0,09	0,09	0,13	0,15	0,16	0,18
Fuel industry	0,11	0,14	0,33	0,25	0,26	0,18
Metallurgy	0,00	0,06	0,05	0,01	0,02	0,01
Chemical and petrochemical industry	0,01	0,01	0,04	0,02	0,02	0,02
Mechanical engineering and metalworking	0,00	0,01	0,01	0,04	0,03	0,03
Forestry, woodworking and pulp and paper industry	0,06	0,04	0,03	0,00	0,00	0,00
Light industry	0,00	0,01	0,00	0,09	0,12	0,11
Food industry	0,09	0,03	0,02	0,05	0,10	0,12

Note: based on the author's personal calculations

Compared to the share of production, more investments were made in fuel, machine building and metallurgy, electric power industry, and light industry.

As for fixed assets, investments were made to a greater extent in the fuel and energy sector, light and food industries (table 6). More investment in the food industry is due to the fact that there is a lower capital intensity of the product compared to other industries. In particular, insufficient investment is provided in such areas as the metallurgical industry, forestry, woodworking, pulp and paper industry, chemical and petrochemical industry.

The accuracy of our long-term research fully indicates that the presidential decree “the main directions of the Strategic road map for the development of the national economy and basic industries of the national economy”, approved March 16, 2016, a special consideration of the eight priority industries that are a vital part of the economy of the Republic. Four of them are manufacturing, i.e. oil and gas, agricultural, heavy industry, including mechanical engineering, as well as the production of consumer goods. It was called upon to identify the strengths and weaknesses of the economy of the Republic of Azerbaijan, its real possibilities and potential threats, and to conduct a 360-degree diagnosis based on facts. Each of these key units was entrusted with the preparation

of a diagnostic report and a roadmap.

As a result of the fulfillment of this order, Presidential Decree No. 1138 of December 6, 2016 “About approval of strategic road maps on national economy and the main sectors of economy” developed strategic roadmaps in the following areas:

1.1. "The strategic road map on prospect of national economy of the Azerbaijan Republic";

1.2. "The strategic road map concerning development of the oil and gas industry (including chemical products) the Azerbaijan Republic";

1.3. "The strategic road map concerning production and conversion of agricultural products in the Azerbaijan Republic";

1.4. "The strategic road map concerning production of consumer goods at the level of small and medium business in the Azerbaijan Republic";

1.5. "The strategic road map concerning development of the heavy industry and mechanical engineering in the Azerbaijan Republic";

1.6. "The strategic road map concerning development of the industry of specialized tourism in the Azerbaijan Republic";

1.7. "The strategic road map concerning development of logistics and trade in the Azerbaijan Republic";

1.8. "The strategic road map concerning development of provision of housing in reasonable price in the Azerbaijan Republic";

1.9. "The strategic road map concerning development of professional education and training in the Azerbaijan Republic";

1.10. "The strategic road map concerning development of financial services in the Azerbaijan Republic";

1.11. "The strategic road map concerning development of telecommunication and information technologies in the Azerbaijan Republic";

1.12. "The strategic road map concerning development of utilities (electrical and heat energy, water and gas) in the Azerbaijan Republic".

4. Directions for improving the investment climate in Azerbaijan.

The leading role in the main directions of the strategic roadmap is to create a favorable investment climate in the country as an important factor in ensuring investment activity and using investment potential. Along with the existing investment potential, the investment climate is

one of the main factors determining the investment attractiveness of the country. The investment climate is a combination of socio-economic and financial, as well as organizational, legal, political, socio-cultural factors that determine the attraction and inflow of investments. As a result of these factors, investment risk is formed that does not go unnoticed when making investment decisions. The risk generated depending on the level of investment climate favorability is a systemic risk. It is impossible to reduce such risks by diversifying investments²⁶.

The increase in budget expenditures and incomes of the population, as well as the growth in aggregate demand as a result of favorable external economic conditions, played an important role in ensuring high rates of economic growth in the country. The increase in aggregate demand directly affects the growth of investment activity. The increase in demand creates the need to create additional production capacities, which is possible due to additional investments. In 2020, final consumption expenditures increased by 8.4 times compared to 2005, government consumption expenditures - by 3.8 times, investments in fixed assets - by almost 3 times.

Ensuring macroeconomic stability in the country is one of the necessary conditions for determining a favorable investment climate. The ability of businesses and investors to conduct efficient operations in the face of uncertainty and high risk is limited. In addition, ensuring macroeconomic stability affects the trust of business entities in the existing economic and political system of the country. High inflation in the country leads to a number of costs, which leads to a decrease in investment activity.

One of the forms of influence of inflation on the activity of firms is a decrease in the cost of depreciation charges. Thus, according to the rules in force in Azerbaijan, depreciation charges are calculated based on the initial residual value of fixed assets. At the same time, as inflation increases, the cost of restoring fixed assets increases, and accrued depreciation charges fall in value. If companies increase the price of the product that they produce to compensate for these losses, then the amount of profit increases and, as a result, the amount of income tax paid

²⁶ Kerimova, T.I. *System management of investment risks // Scientific and pedagogical news of Odlar Yurdu University, Baku. - 2012. - No. 33. - S. 68-71.*

increases. This factor reduces investment efficiency by reducing the real cash flow of the enterprise. Therefore, the ability to regulate inflation in the country within certain limits increases the favorable investment climate. The inflation rate in Azerbaijan in recent years has been relatively high. So, the inflation rate in 2004 was 6.7%, in 2005–9. 6%, in 2006-8. 3%, in 2007 - 16.7%, in 2008 - 20.8%, in 2010 - 5.7%, in 2011 - 7.9%, in 2012 - 1, 1%, in 2013 - 2.4, despite a decrease to 1.4% in 2014, it increased by 4.0% in 2015, by 12.4% in 2016 and by 12.9% in 2017. In recent years, this indicator has decreased significantly, amounting to 2.3% in 2018, 2.6% in 2019 and 2.8% in 2020. The inflationary trend occurred due to demand, supply, as well as external factors. Thus, as already mentioned, an increase in consumer and investment spending in the country increases the demand for both domestic and imported products. An increase in demand for local products affects the rise in prices for these products. At the same time, in recent years, the world market has seen an increase in prices, which leads to an acceleration in the rate of inflation due to an increase in prices for imported products.

From the studies it was found out that in the country there are problems in the field of connecting business entities to the power grid. According to a study conducted within the framework of the world Bank's "Doing Business" project, Azerbaijan ranks 173rd among 183 countries in this indicator. It is considered that it is advisable to reduce the number and timing of procedures for joining the country's business entities to the energy systems. In addition, there is a need to implement measures to increase responsibility for the implementation of obligations between economic entities of the country. According to the author, in the country there is a need to improve the mechanism for determining and compensating damage to the enterprise for non-fulfillment of obligations at the necessary level by economic entities that provide services and provide them on a contractual basis, in particular, companies that provide electricity.

5. Systematic research and assessment of the use of investment potential in Azerbaijan.

The successful implementation of the oil strategy made it possible to take measures for progress and reconstruction in many areas of the national economy, which led to an increase in investment activity. As a

result, compared with 2005, investments in fixed assets in comparable prices increased 1.7 times in 2010, 3.1 times in 2017 and in 2020 by 3.0 times. If earlier investment activity in the Republic of Azerbaijan was associated with attracting foreign investment, recently the share of local sources in investment has increased significantly.

Table 6
Volume of investments in the country's economy
(million manats)

	In total for 2005- 2009	In total for 2010- 2014	In total for 2015-2020	2010-2014 comparison as a percentage to 1995-1999	2015-2019- comparison as a percentage to 2010-2014	In total for 1995-2020
Total	37144,7	73581,5	140573,9	19,3	160,5	268068,4
Foreign investments	13729,6	17841,0	79447,1	7,6	370,1	122602,8
Domestic investments	23415,1	55740,5	61126,8	37,7	88,0	145465,6

Note: the table was compiled by the author.

As can be seen from the data in Table 6, the volume of attracted investments in the country's economy from domestic sources in 2005-2009 amounted to 63.0 percent, in 2010-2014 -75.8 percent, in 2015-2019-54.3 percent, and in 2020 -53.7 percent. It is advisable to increase the share of foreign capital in investments made in the country to 20%, as well as the share of investments made at the expense of domestic opportunities to 80%.

As can be seen from Table 11, the share of services in investments in fixed capital decreased from 18.3% in 2000 to 16.9% in 2005 and increased to 43% in 2010, and in 2015 and 2020 and decreased to 31.3 and 25.9%, respectively.

In recent years, progress in infrastructure has mainly been related to public investment. Large investments in this area have a positive impact on the growth of efficiency of private sector investments.

Table 7

Distribution of investment in fixed capital between production and services (percentage)

	2000	2005	2010	2015	2017	2018	2019	2020
to production areas	70,2	73,8	48,7	62,3	74,7	67,1	66,1	66,0
to service areas	18,3	16,9	43,0	31,3	19,9	24,7	26,8	25,9
for the construction of residential buildings	11,5	9,3	8,3	6,4	5,4	8,2	7,1	8,1
General	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Note: the table was compiled by the author.

However, since this effect manifests itself after a certain period of time, it is advisable to invest in infrastructure at the same time as increasing the financial opportunities of the private sector for investment. Although the volume of investments in fixed assets in the country increased by 6.7 times in 2010 compared to 2000, and by 17.8 times in 2020, the volume of investments from the budget increased by 143.3 and 209.3 times, respectively. As a result, the share of budget funds in financing investments in fixed assets increased from 2.4% in 2000 to 32.8% in 2010, but in 2017 it decreased to 18.7%, in 2018 and 2019 it increased again to 25.8 and 28.8%, respectively, and in 2020 to 27.5%.

The processes of forming a model that includes the impact of budget revenues, attracted deposits of the population, profits of enterprises and organizations, credit investments in the economy on investments in fixed assets and computer-generated results are given in this sequence. The method of grouping data and indicators for calculations in accordance with the conducted research is given.

Here are the main parameters:

Y – investments in fixed assets;

X₁ – budget revenues;

X₂ – savings attracted from the population;

X₃ – profit of enterprises and organizations;

X₄ – credit investments in the economy.

Empirical studies and theoretical foundations for the construction

of the model as a whole were given. When building a model, preference is given to identification and verification. That is, the theoretical foundations, the specification of the model, the evaluation of parameters, the verification of the quality of the model, the adequacy of the model, and finally, the analysis and forecasting are important.

Calculation results:

	ESAS_KAP...	BUDCE_G...	CELB EDI...	IQTISADIYY...	MUESSISE...
ESAS_KAP...	1.000000	0.951815	0.934270	0.887864	0.825104
BUDCE_G...	0.951815	1.000000	0.907943	0.843554	0.926431
CELB EDI...	0.934270	0.907943	1.000000	0.918066	0.772720
IQTISADIYY...	0.887864	0.843554	0.918066	1.000000	0.614042
MUESSISE...	0.825104	0.926431	0.772720	0.614042	1.000000

In the theory of fixed capital investment, an adequate model is obtained as a result of including factors that initially affect it in the model, and later excluding factors that do not have a significant impact from the model, and, in addition, including the shock of the 2009 global financial crisis as a fictitious variable in the model.

$$\text{LOG}_y = 4.4 + 295\text{LOG}_{x2} + 0.275\text{LOG}_{x4} (1) - 0.379 \text{ DUMMY}(2009)$$

Here; LOG_y - natural logarithm of investment in fixed assets;

LOG_{x2} - natural logarithm of attracted deposits;

$\text{LOG}_{x4} (1)$ = natural logarithm of lending to the economy next year.

Based on the results, the following conclusions can be drawn:

- 1) The 2009 crisis reduced investment in fixed assets by 37%.
- 2) An increase in credit investments in the economy by 1% increases investment in fixed assets by 0.27% in a year.
- 3) An increase in attracted deposits by 1% increases investments in fixed assets by 0.29%.

According to the author, the impact of state budget expenditures on investment activity affects the growth of demand and investment at the same time. Thus, although domestic demand in the country in 2000 was 17.3%, in 2001-15.8% due to state budget expenditures, in 2005 this figure was 19.3%, in 2008-48.2%, in 2010-43.7%, in 2020-43.0%. In

2020, 48.8% of the growth in domestic demand compared to 2000 was provided by the state budget. Given that the increase in domestic demand is an important condition for investment activity, the author came to the conclusion that revenues from the state budget play an important role in the formation of investment demand.

6. Issues of efficient use of the investment potential of the Karabakh region

After the victory in the Great Patriotic War in the Karabakh region, as well as in 7 adjacent regions, there are strategic tasks ahead, such as creating added value in the country's economy, as well as effectively using opportunities to increase investment potential. These territories occupied an important place in the economy of Azerbaijan during the Soviet Union. It is known that every war has its end, and after peace is established, revival and construction work are required. The principles and criteria for carrying out revival and restoration work in the liberated territories should be determined and improved in the most orderly and organized manner in accordance with modern conditions.

It should be noted that in our time there are many global problems, and countries around the world are working to reduce the impact of global problems. On the one hand, the problems caused by the new conditions created by the COVID-19 pandemic have put the lives of 100 million people at risk. All this requires large resources, including financial ones, it is necessary to restore the dynamics of life and economic development, to revive the paralyzed sectors of the economy.

It should be noted that the formation and increase of investment potential, the intensification of the arrival of more real investors in the region, the reasonable presentation of specific investment and innovative projects at the disposal of specialized international investment and financial companies can have a great effect. For this, it is important to more objectively assess the large and productive natural and economic potential of Karabakh and Eastern Zangezur and take adequate measures. It is important to deeply study the features of self-development of the liberated territories, conduct fundamental research, objectively assess the existing investment potential, create conditions that can ensure the effective use of these resources, and take measures to apply the necessary mechanisms and tools. 25% of the country's forest potential is

concentrated in the Karabakh region, as well as half of our water resources, on the other hand, in the times of the former USSR, about 40% of the country's agricultural products were produced in these regions. In Aghdam and Fizuli regions they were engaged in grain growing and cotton growing, viticulture, in Jabrayil and Zangilan regions - viticulture, and animal husbandry was developed in Gubadli, Lachin and Kelbajar districts. In these regions, there were many secondary processing enterprises processing agricultural products. There were many wineries that processed grapes, and cotton factories that processed cotton. The enemy wiped it all off the face of the earth, and there was nothing left. It is no coincidence that a group of economists speaks of the high potential of the liberated territories. It is believed that the presence of a strong natural and economic potential in the Karabakh region, the availability of resources, as well as the formation of appropriate working conditions on favorable terms and without bureaucracy will be attractive for local and foreign investments.

In addition, the implementation of large-scale projects in the Karabakh region and the liberated regions adjacent to it requires significant financial resources and investments. In 2021, 2.2 billion manats were allocated from the state budget for these purposes. At the same time, the “Karabakh Revival Fund” was created, priority projects are being developed and implemented in post-conflict areas. From the point of view of increasing the investment potential in Karabakh, there are great opportunities, in particular due to natural resources, including ore and non-metallic, it is possible to create enterprises of a wide processing network and the formation of sources that create added value. Along with traditional animal husbandry, there are powerful ore and non-metallic deposits in the Kelbajar district for the development of the mining industry. Shusha, Kelbajar and Lachin regions can create very strong tourist and recreational complexes and become one of the most attractive tourist regions in the world. From the point of view of increasing investment potential, it is important to take into account the fact that the Karabakh region will be completely rebuilt and a “construction boom” will be inevitable. On the other hand, the prioritization of smart village and smart city projects in the liberated territories underlined the importance of intensive investment channels, including the inflow of

foreign investment. Many projects have already been launched in this region, the Ahmedbeyli-Fizuli-Shusha (Victory Road) highway has been opened in the Fizuli region. Füzuli The international airport has been put into operation. This year, the Zangilan International Airport is expected to open, railway lines are being restored, other new roads are being built, and a network of infrastructure facilities is being created. All this will significantly increase the level of efficiency in the use of the investment potential of the Karabakh region. We believe that this region, which is of strategic importance for our country, has a strong resource and real opportunities to increase investment potential. In the coming years, the main priority should be the systematic and consistent implementation of related issues at a high level and the maximum improvement of the investment climate in the Karabakh region, which is important for our country, the creation of favorable conditions for investors and the intensification of investment flows, etc.

7. Problems of increasing the level of use of investment potential in Azerbaijan and ways to solve them

The study showed that ensuring economic growth and increasing employment in the Republic of Azerbaijan will largely depend on the development of the non-oil sector. The existing opportunities for investment growth within the country do not directly provide for the development of the non-oil sector. Therefore, to ensure the progress of the non-oil sector within the country, the necessary structural, institutional, and cultural foundations must be created, in other words, the commodity and money markets must be improved, specialists for the non-oil sector must be trained and attracted, a class representing entrepreneurship, an effective administrative system, etc. should be created. The formation of new production structures within the country includes determining the type of products produced, providing its production with raw materials, determining production volumes, as well as sales markets, organizing production and selecting technology, building a financing scheme, distributing risks, and so on. Inexperience in this area limits the development of the non-oil sector within the country and the use of oil revenues as investments. The influence of this factor on the development of the non-oil sector in the country, especially in the field of oil refining, is usually higher than the limited sources of financing

for the development of these areas.

The government needs to take comprehensive measures over a long period of time to improve the country's processing industry. It is believed that such a program contributes not only to the progress of the industry, but also to its raw materials supply, progress in areas that serve this sector, training issues, etc. One of the main issues in the process of developing such a program is the correct definition of the industry's progress model. Therefore, it is advisable to pay attention to the following projects for the formation of processing industry enterprises:

- projects that can be implemented by a private sector or foreign partners
- to projects that allow the application of scientific and technological progress
- projects leading to the development of export-oriented industries, etc.

The level of protection of investors' rights is significantly affected by the progress of corporate governance in the country. Corporate governance is a system of organizational, economic, legal and managerial relations between business entities interested in the organization's activities. It should be noted that improved corporate governance, as a rule, allows you to effectively control the management of the company, takes into account the interests of most of the economic entities interested in its activities, has a decisive impact on the effectiveness of the organization, as well as on its achievement of additional competitive advantages.

The competitiveness of an organization, as well as the success of its activities, is the result of collective work with the participation of investors, creditors, employees, suppliers, etc., participating in its work.

Therefore, the development of mutually beneficial cooperation with interested parties meets the long-term interests of the company. Thus, one of the most important ways to improve the investment climate in the country is to improve corporate governance.

In the modern world, innovation is of particular importance for increasing the competitiveness of the national economy, as well as for ensuring sustainable growth. Innovative economies are more efficient and have a higher level of development.

At present, both the volume of innovative products and the funds spent on innovations in Azerbaijan are very low in terms of the transition of the national economy to the innovative stage of development. For example, in the country's industry in 2020, the volume of production of newly introduced and improved products that made significant changes amounted to 28.6 million manat, which is not even 0.1 percent of industrial production. Such a small volume of production of newly introduced products has become characteristic of recent years. Thus, in 2010-2020, the total volume of production of industrial products that have undergone significant changes, as well as innovative and improved products amounted to 246.5 million manats. Also, expenditures on product and process innovations in industry amounted to 1.3 million manats in 2006, in 2011-31.6 million manats, in 2015-35.2 million manats, in 2016-27.9 million manats, in 2017-16.1 million manats, in 2018-34.4 million manats, in 2019-48.0 million manats and in 2020-35.9 million manats. Research shows that there has been virtually no cost in the industry across the country to create product and process innovations.

Ensuring innovation in the country, the constant development of technology is the result of interconnected actions that form business structures, universities, research institutes and government bodies. Therefore, it is advisable to create a National Innovation Center in the country for the effective coordination of these entities and institutions. The National Innovation Center characterizes the network of public and private sector institutions working and interacting in connection with the creation, import, modification and dissemination of new technologies. The need to create a national innovation center is due to the fact that technological and information flows between people, enterprises and institutions are crucial for the innovation process.²⁷

The scheme of the National Innovation Center is presented below (Fig. 4). The creation of this center will allow the government to further intensify innovation activities, as well as determine the means of influence to increase the competitiveness of the national economy, and coordinate state policy with the promotion of innovation. From this point

²⁷ Kerimova, T.I. *Problems of development of the national innovation system / Proceedings of the international scientific conference "Problems of innovation-oriented development of the economy of the Republic of Azerbaijan and ways to solve them" Sumgayit. - 2010. - p. 87-88.*

of view, government policy aimed at establishing interaction between the above-mentioned stakeholders to increase the innovative potential of local firms, especially their ability to create and master new technologies, is of great importance from the point of view of economic development.

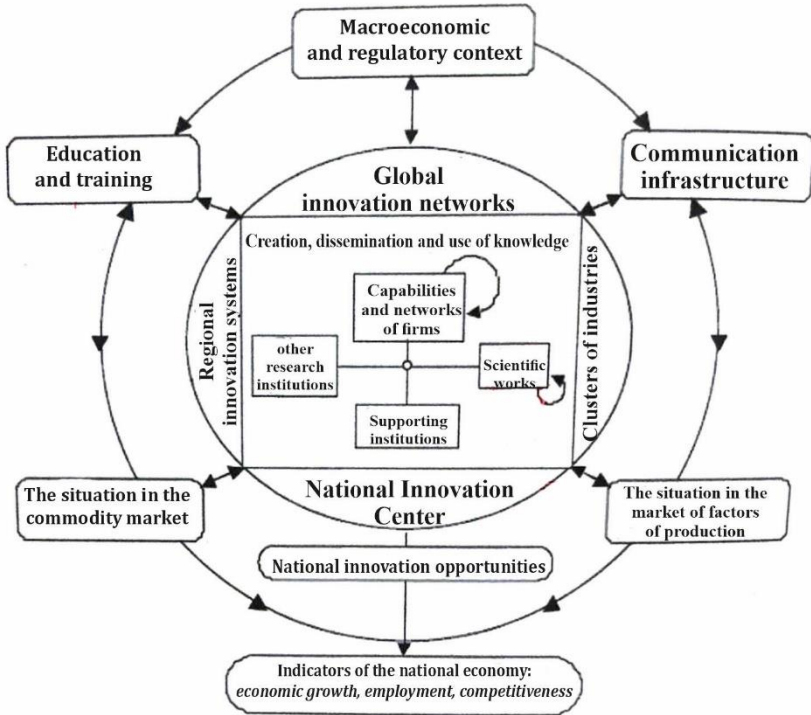


Figure 4. Participants in innovation activities and interactions between them

The state should create organizations that can carry out innovative activities in the country and participate in financing the innovative activities of these firms. To do this, it is advisable to create an Innovation Fund in the country. The real purpose of this fund should be to finance local firms involved in developing their material and technical markets, acquiring products and technological innovations from abroad, including implementing innovative activities. At the same time, the fund can act as a shareholder in the authorized capital of an organization or its subsidiary in order to finance specific projects. As noted, the risks in

innovation are very high. However, when the innovation project is successfully completed, the benefits to the economy are great. This fund evaluates the feasibility study of the proposed innovation projects, assesses the risks, economic and technical expected results. As a result of this assessment, decisions are made on financing investment projects with a real degree of risk. At the same time, the Innovation Fund actively participates in the management of the innovation project it finances. As a result, there is an urgent need to create development institutions aimed at increasing innovative activity in the country, and these institutions should be involved in creating the basis for the transition of the national economy to innovative development. However, it is possible to strengthen socio-economic progress in the country by organizing an improved innovation system linking the country's scientific potential with production potential²⁸.

8. Ways to improve the mechanism of state regulation of investment activity

Government agencies create opportunities and incentives for companies by influencing costs, risks, and competition. These three factors are important not only for companies, but also for economic growth and poverty reduction. Thus, investment activity within a country depends on the country's regulatory mechanism.

The choice of methods of government influence on investment activity depends on which model it prefers when implementing investment policy. There are three main models of investment policy. These models are based on the principle of stimulating one or another aspect of investment.

The first model, which includes tax incentives for private investment, gives tax instruments a key role in public investment policy. At the same time, a consistent liberal macroeconomic policy is being pursued aimed at stabilizing prices and interest rates using market-based instruments. In the context of this system, banks play a subordinate role. The stock exchange is a mechanism of strict control over the efficient allocation of investment resources. By developing the securities market, you can ensure the successful implementation of this model. The state

²⁸ Kerimova, T.I. *Problems of formation and effective use of the investment potential of the economy. Monograph, Baku, - 2017. - 371 p., p.288-308.*

helps the problem of coordination by collecting, analyzing and distributing high-quality economic information about the state and forecast of the country's economy. The model provides an effective allocation of investment resources in the presence of the necessary economic prerequisites. The disadvantage of this model is the lack of a special incentive for investment and the inability to sharply increase savings.

In the second model, preference is given to financing special projects by the state. This model provides for active cooperation between the state and private investors. It uses state control over the banking sector, deposits of the population are mobilized independently, and these funds are exchanged and delivered to corporations on preferential terms.

According to the third model, it is planned to eliminate the shortcomings in the creation and coordination of mechanisms for coordinating decisions of private investors. The state creates only the necessary infrastructure and encourages investment in human capital. According to this model, the main issue is the creation by the state of special mechanisms for coordinating investment decisions. Therefore, it is important to form a set of institutions that are necessary to create a favorable investment climate for the implementation of an effective investment policy model. At the same time, any successful business model is based on a market system that more fully uses the strengths of the national economy.

One of the important macroeconomic factors affecting investment activity in the country is the level of interest rates. Thus, the interest rate directly affects the cost of funds for investment activities in the country. As the interest rate decreases, investment activity increases. Currently, the interest rate in the country remains high. Thus, the interest rate on long-term commercial loans in the domestic market is higher than 20 percent. Given the fact that the country has available funds, it is necessary to improve the mechanism for financing local investments, including the private sector.²⁹

In 2020, the net growth in the volume of loans invested in the

²⁹ Kerimova, *TI Issues of improving investment policy in the system of socio-economic development of the country // Consumer cooperation: theory, methodology, practice of "Russian University of Cooperation" .- Moscow. - 2010. - p. 202-207.*

country's economy amounted to 2278 million manats, and the total deposit base of banks formed from internal sources (excluding financial organizations) - 1658,6 million manats. In such circumstances, it is possible to significantly reduce the interest rate by placing a relatively small part of the State oil Fund's funds in banks within the country. According to the author, the placement of funds of the Oil Fund is possible by obtaining certificates of Deposit from banks that meet certain requirements.

There are two types of government influence on investment activity through taxes. First, the state affects the level of aggregate savings, depreciation and profit of enterprises, net cash flows and potential sources of investment financing using taxes, and second, the volume and structure of investments using state tax incentives. According to the study, there are currently limited opportunities for increasing investment activity in the country by reducing the overall level of taxes. However, there are opportunities for increasing investment activity through the introduction of tax incentives, and in the future it is necessary to expand the use of tax incentives. Tax incentives perform compensatory and incentive functions. The provision of compensatory benefits is aimed at fully or partially reimbursing business entities for additional expenses caused by an unfavorable investment environment in a certain territory or territory, and stimulating tax benefits are aimed at ensuring the development of priority areas of the economy. In this regard, it is necessary to widely use tax incentives in order to improve the territorial and sectoral structure of the national economy.

In connection with the importance of insurance in agriculture, it is necessary to educate rural producers and create a specialized insurance company that insures agricultural products. In addition, in the field of agriculture, it is advisable to pay all insurance premiums for the first period, and then a gradually decreasing part (50 percent) from the state budget. It is believed that this will not require much resources, and secondly, after farmers see its effectiveness, the scale of insurance will increase.

According to the author, it is important to assess the impact of public investment on certain sectors of the national economy and the socio-economic development of regions. Currently, the impact of the state

investment program on economic development is not evaluated. To determine the optimal set of public investment, it is first of all important to develop a methodology for evaluating the effectiveness of the program. Such an assessment can be made using the net present value method, which is currently used in the evaluation of investment projects. It is easy to determine investment costs with financial prices in any project. However, to determine the cost of the project at economic prices, it is necessary to calculate conversion factors. Conversion factors are used to translate financial prices into economic prices. These coefficients allow you to eliminate deviations from prices formed in competitive market conditions under the influence of factors such as market tariffs, government price regulation, and allow you to accurately determine the project's income and expenses. The developed methodology should also allow us to determine the impact of public investment on the development of individual sectors of the economy, as well as regions and the well-being of various groups of the population. Thus, there are several ways to analyze the distribution of the impact of public investment. First, project impacts can be shared between individual project participants, usually suppliers, consumers, owners, lenders, workers, manufacturers, and the government. The second is related to the analysis of the distribution of project income and expenses between national and foreign participants. Such an analysis allows us to assess the impact of the investment project on the growth of income and outflows in the country. Third, project revenues and expenses can be shared between the public and private sectors. An assessment of this impact is important in assessing the effectiveness of public investment in infrastructure development, which creates favorable conditions for the development of the private sector. Fourth - to determine the distribution of benefits from the investment project among individual participants, including those with different incomes. Fifth, an assessment of the project's revenue distribution for consumption and savings. Conducting such assessments allows you to choose more effective investment projects that will allow investment entities to achieve their goals.

Based on the research conducted in the dissertation, the following conclusions and recommendations have been made:

In recent years, many decisions have been made in our country for

the successful implementation of the model of efficient use of investment potential and enhancing investment activity, significant work has been done to improve the business environment, stimulate investment activity and non-oil exports. Nevertheless, we conclude from our research and analysis that the decisions made and the measures taken are still insufficient to increase the efficiency of using the investment potential in the country. Therefore, we consider it necessary to implement the proposed recommendations in the following areas in order to ensure the effective use of investment potential:

- in order to choose the application of the model of innovative and investment economic growth and achieve successful implementation of reforms, it is necessary to ensure an extremely high-quality and effective organization of work in the institutions of state economic regulation;

- it is necessary to develop and implement a comprehensive system of measures to attract foreign direct investment in the non-oil sector of the country's economy, especially in the export-oriented processing industry;

- it is extremely important to develop a unified state investment policy in order to increase investment activity in the country and stimulate investment. The content and provisions of this policy should reflect negative factors that may limit the activity of potential investors, and specific economic measures aimed at eliminating them;

- to improve the investment climate in the country, it is necessary to review the mechanisms for protecting property rights, prevent hidden business activities of officials and ensure that they receive income declarations.

- monetary, fiscal, credit, pricing, customs and investment policies of the state should be effectively coordinated;

- It is necessary to adopt new laws "On investment activity" and "On the protection of foreign investment", "Competition Code".

- the development of "human capital" should be considered a key priority in the investment activity of the state. It is important to focus on improving the quality of education at all levels in the country, bringing it into line with modern market standards and accelerating the development of technical education.

- it is necessary to continue measures to reduce the size of the

public sector, improve the efficiency of state-owned enterprises, and introduce an effective management system and corporate governance standards that meet modern requirements;

- work on improving and implementing mechanisms and criteria for evaluating investment projects should be accelerated;

- the most important issues are the development of criteria and mechanisms for selecting industries that are considered priority by the state, participation in special support programs, their justification, ensuring fairness and objectivity, and preference for the choice of manufacturing industries;

- When providing loans from the Entrepreneurship Development Fund, it is advisable to give preference to micro and small entrepreneurs, especially novice entrepreneurs, etc.

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