

Ministry of Education
Republic of Azerbaijan

**Modern problems of entrepreneurship
development in the regions and main
directions of state care in this area**

Aida Aliyeva

UNEC SABAH

Azerbaijan State University of Economics



May 2018

Acknowledgements

First I would like to thank my leading supervisor, Sabuhi Miledin Tanriverdiyev; Director of Distance, Part-time and Supplementary Education Center for sharing his expertise, valuable guidance, tireless support, useful comments and enthusiasm during my tenure. Besides my advisor, I would like to express my sincere gratitude to my family and friends for their audaciousness and patience love which relieve me to complete this thesis.

Contents

1. INTRODUCTION	4
1.1. LITERATURE REVIEW	6
2. THE ROLE OF ENTREPRENEURIAL ACTIVITY IN ENSURING REGIONAL DEVELOPMENT IN THE NATIONAL ECONOMY	8
2.1. The importance of entrepreneurship in the development of national economy	8
2.2. Analysis and evaluation of the current state of regional entrepreneurship in the Republic of Azerbaijan	17
2.3. Promoting entrepreneurial activity as a factor for regional development	22
3. ISSUES OF ENTREPRENEURSHIP DEVELOPMENT IN THE REGIONS OF THE REPUBLIC OF AZERBAIJAN AND DIRECTIONS OF THE STATE SUPPORT TO THIS AREA.....	31
3.1. World experience of state regulation of entrepreneurial activity in the regions	31
3.2. Problems of entrepreneurial activity stimulation in the regions of the Republic of Azerbaijan	40
3.3. The main directions of improving the economic mechanism of entrepreneurial activity in the regions of Azerbaijan.....	51
CONCLUSION.....	59
REFERENCES	62

1. INTRODUCTION

Actuality of the study. In the modern world, the role of entrepreneurship in the economies of countries is enormous, and in the regions the products of economic activity of entrepreneurs have a significant share in WTO. The question of the development of small and medium-sized business in the current economic and financial crisis, as well as the high monopolization of regional markets is still topical in the Azerbaijan. At present, the position of the "middle class" has not received its further development in the country, which directly affects the quality of goods, works and services produced on the consumer market as a result of market monopolistic competition.

Considering the region as an economic subsystem within the entire economy of the country, for today's conditions an important moment in the development of the business economy should be new tasks in the development and support of entrepreneurs. Looking into the depth of the economic history of the developed countries of the world, we can state an economic fact that during the collapse of monetary policy, inflationary shocks, the onset of economic stagnation, the smallest business was the most mobile and flexible subject of economic relations under changing economic conditions.

At the moment in the economy, the named market entity is the most mobile in the financial and economic crisis. In this connection, the issue of development and support of entrepreneurship for the state should be on the first place. In order to obtain a positive economic effect of growth in the country's economy, and in particular the economy of the

region, an up-to-date state policy should be pursued in the development of small and medium-sized businesses in accordance with the new economic conditions that have come, to present a whole range of legal, political, economic, social, , consulting, educational, organizational nature, which should be aimed at ensuring the receipt of big economic indicators in the region.

The urgency of the research is that, knowing the reasons and the real economic situation for the development and support of entrepreneurships in the regions, it should be noted that only an effective infrastructure of development and support of entrepreneurship in the region that is appropriate to the realities of economic relations within the WTO will help to find a competitive and favorable economic environment for the said subjects of economic relations, which will lead, in general, to the economic growth of the entire economy of the country.

Purpose of the study is to identify the patterns of functioning and develop a strategy for the development of entrepreneurships as a sector of the regional economy to improve its effectiveness. Achieving this goal required solving a complex of interrelated tasks:

- Identify patterns of business dynamics in the regional context and identify problems that impede the development of entrepreneurship in Azerbaijan;
- To study methodological approaches to the study of the functioning of entrepreneurship in the regions;
- Assess the regional business policy and develop a strategy for entrepreneurship development in the regions;
- Develop a methodology for assessing the economic efficiency of entrepreneurship development in the regions.

Object of the study are regions of Azerbaijan Republic.

Subject of the study are the patterns of functioning and direction of entrepreneurship development in the region under conditions of market transformation.

1.1. LITERATURE REVIEW

Entrepreneurship in agriculture called upon to fulfill extremely important economic and social functions. It should ensure the functioning of the material production sector, the development of which has a determining influence on the state of the entire economy, the growth of the gross regional product, the standard of living of the population, ensuring food security, and, in general, the reproduction process in the region.

On the path of entrepreneurship development in agriculture there are many obstacles and unresolved problems. They require the adoption of effective measures for their elimination and solution, which requires in-depth scientific research and sound practical recommendations. Therefore, the search for ways to develop and effective methods of state support of entrepreneurship in agriculture is a very urgent scientific and practical problem.

The theoretical foundations of the emergence, development and functioning of entrepreneurship are comprehensively developed abroad by representatives of various scientific schools. Widely known and actively used are the works of such foreign scholars as N. Bru, M. Weber, P. Drucker, R. Cantillon, J.B. Clark, A. Marshall, F. Knight, R. Pieter, J.-B. Say, F. Hayek, J. Schumpeter and others.

Economic science has been studying foreign and domestic experience for the last fifteen years and has significantly advanced the theory and practice of entrepreneurship. A significant contribution to the

development of theoretical and methodological issues of development and state support for entrepreneurship was made by modern Russian scientists: G. Batkilina, A. Blinov, A. Zeldner, A. Moskovsky, V. Radaev, F. Shamkhalov, V. Savchenko, M. Shkaratan and others.

The works of a number of Azerbaijani scientists are devoted to regional problems of development and state regulation of entrepreneurial activity: M.Akhmedov, M.Mahmudov, A.Gasymov, G.Israfilov and others.

Development of entrepreneurship is an important condition for developing non-oil sector in Azerbaijan. For this reason, the development of this sphere in both regions and cities is one of the main tasks facing the state. "State Program on the Socio-Economic Development of Regions" was adopted, covering 2004 - 2018 (3 programs each with 4 years) in order to stimulate entrepreneurial activity in the regions, support entrepreneurs, eliminate existing problems. During the implementation of these 3 programs, there have been significant efforts to eliminate the existing problems of entrepreneurs and to date. In spite of these or some other significant public affairs, problems in entrepreneurial activity still remain. The main reason for these problems is still the Soviet ideology of people's consciousness and thought. Entrepreneurs living with this ideology do not accept innovation, new technology or foreign experience. Entrepreneurs who build on entrepreneurship on extreme foundations are afraid to build on their activities on intensive foundations and believe that they will be exposed to harm rather than gain profits in this direction. Just because these or other problems slow down the development of the non-oil sector, this is always the focus of the state. Therefore, the problem of entrepreneurial activity in both the regions and the cities and the

regulation of these problems by indirect and direct means kept its relevance today.

We will use various research methods that system, logical, statistical, analytical, questionnaire when we writing the research.

2. THE ROLE OF ENTREPRENEURIAL ACTIVITY IN ENSURING REGIONAL DEVELOPMENT IN THE NATIONAL ECONOMY

2.1. The importance of entrepreneurship in the development of national economy

World experience shows that without a free market economy, without an independent producer, without entrepreneurial activity, the prosperity of society is impossible. The formation of small and medium-sized market structures in all sectors and sectors of the country's economy, without exception, meets the world economic tendencies of economic processes, as in all countries of the world in the sphere of small and medium-sized businesses there is a significant number of small enterprises of various profiles. Entrepreneurship is an essential element of the market economy, which largely contributes to the intensive development of the state, which largely determines the rate of economic growth, the structure and quality of the gross national product.

Despite the widely held view that Azerbaijan lags far behind in other countries in the development of small and medium-sized enterprises (SMEs), this sector now accounts for at least 70% of the total number of enterprises in our country and accounts for approximately 35-40% of the number of employed and total production of products and services. (Garaeva I.Sh., 2015)

Thus, we can conclude that entrepreneurship is one of the most important components of the modern economy. In its economic nature it is inextricably linked with the market economy and is its product.

The presented functions of entrepreneurship can be supplemented depending on the real situation, the specific socio-economic situation in the country and the world economy.

The foregoing microeconomic and macroeconomic functions of entrepreneurial activity show that with the development of a market economy, the role of entrepreneurship becomes one of the most important in the economic system of the free market.

For the harmonious development of entrepreneurship as an independent subsystem of a market economy, it is necessary to take into account all its features, in particular, the dialectical nature of the development of entrepreneurial activity. In this context, we mean the autonomy of entrepreneurship, on the one hand, and its dependence on the entire economic system, on the other. The autonomy of entrepreneurship as an independent subsystem in a market economy is manifested through its basic functions (gaining profitability and innovation of activity) and determines what is common to entrepreneurship in any socioeconomic environment. And the dependence of entrepreneurship on the whole economic system is expressed through its interaction with this system through competition and the mechanism for regulating the economy. In this dialectical development of entrepreneurship as an independent subsystem of a market economy is the source of its development and life activity, as well as the basis for state regulation of entrepreneurial activity.

At the same time, entrepreneurship should develop in all directions. In this regard, the state must take into account the autonomy of entrepreneurship, and at the same time regulate its activities. In

addition, we can identify a number of areas that can really ensure the development of entrepreneurship, making it an effective factor in economic life.

Entrepreneurship is one of the leading sectors of the economy of countries, and largely determines the rate of economic growth, employment status of the population, the structure and quality of the gross national product. The development of entrepreneurship responds to global trends towards the formation of a flexible mixed economy, a combination of different forms of ownership and an adequate model of economic management, in which a complex synthesis of a competitive market mechanism and state regulation of large, medium and small-scale production is realized. Entrepreneurship is the basis of a market economy.

In developed countries, a specific mechanism of entrepreneurship has been created that ensures the use of scientific achievements of state scientific centers, defense technologies and military enterprises. This circumstance reinforces the importance of entrepreneurship in science-intensive innovation spheres. According to foreign statistics, three-quarters of small enterprises are created on the basis of internal business, when a small enterprise is formed with the support of large business enterprises.

It is the mechanism of transferring knowledge to entrepreneurship enterprises, and then through it to big business, allows to repeatedly use the results of investments in fundamental science and defense technologies in the economy.

Entrepreneurship is defined as entrepreneurial activity carried out by the subjects of a market economy under certain criteria established by laws, the main of which are:

- the average number of employees employed at the enterprise;

- annual turnover received by the enterprise;
- the value of assets. (Alibekov N.V., 2014)

Small enterprises appear when it is necessary to manufacture small batches of products with a constantly updated range and range of products, using small sources of raw materials and materials in conditions of a limited number of consumers. With the relative saturation of the market, entrepreneurships are engaged in the finalization of products, taking into account the individual needs of the customer, the production of small items or products, the production of which is technologically predominantly manual, not automated. In addition, entrepreneurships dominate in all areas of activity with a high risk of obtaining a zero result. This is an innovative activity, and the development of new technology, new types of products.

Table1.

Criteria of referring enterprises to entrepreneurships

A country	Number of employees	Annual turnover
United Kingdom	24-99 (up to 200 people in industry)	400 thousand pounds
France	not more than 200 (up to 500 in industry)	164 million euros (below 200 million francs)
West Germany	not more than 500 (up to 49 officially)	not more than 500 million Euros (less than 1 million marks officially)
Sweden	up to 200 people.	300 thousand Euros
Japan	up to 100 (no more than 300 in industry)	up to 30 million yen (up to 100 million in industry)
USA	not more than 500 people.	not more than 5 million dollars

The principle of referring the enterprise to a small number of employees, has been preserved in the Azerbaijani legislation. In accordance with the Federal Law of Azerbaijan "On the development of small and medium-sized businesses in Azerbaijan," entrepreneurship entities are understood to mean commercial organizations in which the share of participation of Azerbaijan, public and religious organizations (associations), charitable and other funds does not exceed 25% owned by one or several legal entities that are not subjects of entrepreneurship, does not exceed 25% and in which the average number of employees for the previous The calendar year does not exceed the maximum levels:

a) for medium-sized enterprises - from 101 (one hundred and one) to 250 (two hundred and fifty) people inclusive;

b) for entrepreneurships - up to 100 (one hundred) people inclusive;

c) among small enterprises microenterprises are allocated - up to 15 (fifteen) people. (Aliiev A.A., 2003).

It is necessary to take into account that in the modern world entrepreneurship plays an important role in the development of the economy of many countries. In the countries of the European Community, in the United States, in Japan, small and medium-sized enterprises account for about 50% of the total number of employed. According to the exporters' estimates, the share of small and medium-sized firms in the industrial exports of a number of developed countries of the European Community is 70%, Japan 50%, the USA 50%, Azerbaijan 20-25%. It should also be noted that in developed countries the principle of co-operation of large and small enterprises is cultivated, and large associations do not suppress small firms, but complement each other, especially in the field of specialization of individual productions

and in innovative developments. As the experience of developed countries shows, the creation of small enterprises is often initiated by large companies that entrust them with conducting certain types of production or establishing close ties with the market.

Entrepreneurships, despite their size, perform the following important functions:

1. Social function. It is this group of active population that serves the bulk of consumers, producing a complex of products and services in accordance with rapidly changing market requirements. The development of entrepreneurship contributes to the gradual creation of a broad stratum of small proprietors (middle class), independently providing their own well-being and a decent standard of living, which are the basis of socio-economic reforms, a guarantor of political stability and democratic development of society.

2. Political function. In conditions of sustainable socio-economic and political development of the society, small entrepreneurs are most committed to the principles of democracy, political stability and economic freedom. The layer of small owners is most active, and even aggressive in the event of a threat to property, as unlike large and medium-sized owners for entrepreneurship owners their property is often the only means of subsistence and the most important way of self-expression.

3. Economic function. In the work of small enterprises, most of the economically active population is concentrated and about half of the gross domestic product is produced. The most important features of small enterprises are the ability to accelerate the development of investment and high turnover of working capital. The inherent flexibility and high adaptability to the volatility of market conditions contribute to the stabilization of macroeconomic processes in the country. However,

this sector is characterized by relatively low profitability, high labor intensity, difficulties with the introduction of new technologies, limited own resources and an increased risk in acute competition. (Gadzhiev G.B., 2014)

Azerbaijani small enterprises have a high degree of adaptability to the difficult economic situation, aggravated by disorganization in the system of state administration and the growing criminalization of society.

Quantitatively, the entrepreneurship sector has grown significantly. As of January 1, 2017, Azerbaijan registered 1 602.4 thousand units. enterprises. Entrepreneurship in Azerbaijan is beginning to play an increasingly important role. So according to the Ministry of Economic Development of Azerbaijan in 2017 there is an increase in the share of entrepreneurships in the structure of Azerbaijan's GDP to 22%, while in 2012 this share was only 17%.

At the same time, there are certain problems in the development of entrepreneurship in Azerbaijan, including:

- organizational, related to the legal registration and registration, opening a bank account;
- material and technical - lack of production facilities and equipment, low qualification of personnel;
- financial problems and problems of capitalization of individual liquidity savings: difficulties in legalizing capital for enterprise registration, the problem of starting capital formation, establishing links with suppliers;
- credit insecurity. High degree of risk and volatility in the market make entrepreneurship unattractive for creditors. Credit insecurity forces you to go into the shadows or make out a low profitability for covering up the underground business.

The development of entrepreneurship is hampered by the following reasons:

- The difficult economic environment prevailing in the country: inflation, the severance of economic ties, the deterioration of payment discipline, a high level of interest rates, weak legal protection of entrepreneurs.

- Low level of organizational and economic and legal knowledge of entrepreneurs, lack of business ethics, economic culture, both in entrepreneurship and in the public sector.

- The negative attitude of a certain part of the population linking entrepreneurship directly only with mediation, purchase and sale.

- the inadequacy of the organizational and legal framework for regulating the development of entrepreneurship at the regional level.

- weakness of the mechanism of state support for entrepreneurship.

(Garaev I.Sh., Gadzhiev G.B., 2014)

At present, many measures of state regulation of the activities of small enterprises are controversial. For example, in the field of taxation, the extension of income tax benefits was combined with a general increase in both federal and local taxes, and the introduction of a simplified system of taxation for micro enterprises - with a trend towards a general abolition of tax incentives for entrepreneurs.

State support should be expressed in the formation of economic and legal conditions, incentives for self-development and competitiveness of small enterprises, taking into account sectoral, geographical, national, historical features and traditions, as well as foreign experience.

The past transition period and the financial crisis have significantly affected the availability of credit resources for

entrepreneurships, the implementation of investment projects, as well as consumer activity of the population.

In these conditions, the state needs to support entrepreneurship at the regional and local level, introduce an expanded application of tax incentives, remove administrative barriers, provide consulting and information services.

In many countries, special reserves are created for investing in fixed assets, allocating subsidies to entrepreneurships or fiscal incentives for investment, concessional loans or subsidies. At the same time, it should be noted that the plans to support entrepreneurship in Azerbaijan are still oriented in an abstract way. At the same time, social and organizational differences in the environment of small enterprises are not taken into account at all. For example, assistance to enterprises created by representatives of socially vulnerable groups of population (disabled, women, youth), small firms exporting their products, innovative business in a crisis should be more specific, point-specific. Such enterprises should be granted special tax benefits. All these features should be taken into account when developing effective, specific-targeted measures of state and non-state support for the entrepreneurship sector. At the same time, measures to promote small enterprises at the federal, regional and municipal levels should not be duplicated, but should complement each other.

Entrepreneurships can become the basis of market structures in many industries, which helps ensure the flow of investment in the sphere of the most efficient application of resources and thereby connect the processes of structural policy and the formation of the market. Therefore, the development of small enterprises is the cheapest way to the market, laying the global foundations of resource-saving economic growth in any country. In fact, for all the years of reforms, it was entrepreneurship that

was the only growing sector of the economy that provides return on investment and efficient use of resources.

2.2. Analysis and evaluation of the current state of regional entrepreneurship in the Republic of Azerbaijan

By implementing the Strategic Roadmap, during the period from 2016 to 2020, it is expected to implement 9 strategic goals to create an enabling environment in terms of the formation of a sector for the production and processing of competitive agricultural products in the country, guided by the principles of sustainable development. These strategic goals cover issues such as strengthening the sustainability of food security, increasing the capacity of agricultural production along the links in the value chain, developing the agricultural inputs market and facilitating access to appropriate resources, including financial resources, improving scientific support and quality education in the agricultural sector, the development of a system of consulting and information services, the development of market infrastructure and the rotation of producers' access to markets, the formation of a mechanism for the sustainable use of natural resources, the improvement of the business environment in the agricultural sector and the improvement of welfare in rural areas.

According to the decree of the President of the Republic of Azerbaijan on approving the "Main Directions of the Strategic Roadmap for the National Economy and the Main Sectors of the Economy" and Related Issues, "from March 16, 2016, No. 1897, relevant instructions were given to develop Strategic Roadmaps based on a detailed analysis of the current situation of the country's economy. In accordance with the

request, a systematic and detailed analysis of the current state of affairs in the areas of production and processing of agricultural products was conducted with the participation of representatives of relevant government bodies, research centers and independent experts, and regular discussions were held with appropriate assessments. Based on the results of the studies and analyzes, the "Strategic Roadmap for the Production and Processing of Agricultural Products in the Republic of Azerbaijan" (hereinafter - the Strategic Roadmap).

This Strategic Roadmap includes a strategic vision in connection with the development of the agricultural sector until 2020, a long-term view until 2025 and a targeted look at the period after 2025, reflecting the availability of a clear road map for the state that will be implemented in stages to achieve both medium- and long-term goals in the field of agriculture. In order to achieve a long-term perspective, nine strategic objectives in the agricultural sector were also identified.

- Strengthening institutional capacity for ensuring food security stability Building an information and monitoring system in relation to ensuring food safety and food availability for the population, establishing mechanisms to ensure food security for all categories of the population, creating a food safety system that includes all links in the value chain and is based on a risk analysis.

- Increasing the capacity of agricultural production by links in the value chain Strengthening the production capacity of competitive agricultural products and processing products in both domestic and foreign markets, implementing agitation measures aimed at increasing the output of agricultural products and processing products with high potential for import substitution, forming farm partnership and development of cooperation in rural yaystve, the development of public-

private partnership for the implementation of complex projects, the formation of an infrastructure of support of agribusiness.

- Simplification of access to financial resources Improvement of financing mechanisms by branches of agriculture, development of agrarian insurance, campaigning measures for investing in the agricultural sector.

- The development of the means of production market in the field of agriculture and improve the delivery of services for the development of the land market, improve the provision of irrigation water producers, improving maintenance of agricultural production technology, machinery and equipment and agroservice services market development, development of market of seeds and saplings and strengthening the capacity of local production, improving providing fertilizers and plant protection products, improving livestock supply with combined feed and developed e breeding in cattle, improved provision of agricultural producers of veterinary and phytosanitary services.

Development of science, education and the system of consulting and information services in the agricultural sector. Ensuring the transition to a qualitatively new stage of agrarian education, planning, carrying out and improving the mechanisms for introducing scientific research results in agriculture, forming a network of consulting and information services that meet the needs of the agricultural sector.

- Development of agricultural market infrastructure and simplification of producers' access to markets Development of agricultural market infrastructure, improvement of the agricultural market regulation system, agitation and support of operations for the export of agricultural products and products of the processing industry.

- Protection of the environment, sustainable use of natural resources and management of the effects of natural factors on

agriculture. Develop mechanisms to reduce the negative impact of climate change and other natural factors on agriculture, improve environmental protection mechanisms in the agricultural sector, improve mechanisms for the sustainable use of agricultural land and water resources, development of ecologically pure agricultural production.

- Improving the effectiveness of state regulation of the agricultural sector and improving the business environment. Implementing measures to create an enabling environment for agribusiness development, the formation of e-agriculture, improving the registration, accounting and statistical system, strengthening the capacity of agencies to regulate agriculture, improving the policy of state support for agricultural producers, Construction of a system for monitoring and evaluating the results of agricultural land.

- Increasing the level of employment and welfare of the population in rural areas Strengthening the capacity of rural areas in terms of socio-economic development, supporting the development of alternative sectors in rural areas, supporting initiatives of local communities regarding the development of the village. (Gafarov N.D., 2006)

The economic reforms carried out in the country's economy, measures taken in the direction of socio-economic development of the regions, and the work done in the field of entrepreneurship have begun to give positive results.

So that, volume of gross output of Ganja-Gazakh economic region in 2006-2014 increased 2.7 times, volume of per capita gross output increased by 2.6 times in comparison with 2006. This is less than the national average. In 2014, the economic region's population accounted for only 13.0 percent of the country's population, while its share in total output of goods and services was 4.4 percent, the share of industrial products was 1.0 percent, the share of agricultural products was 16.2

percent, while the share of trade turnover was 8.6%. Apparently, the per capita gross product was below the national average.

Table 2

**General economic indicators of Ganja-Gazakh economic region
(2013-2014) (stat.gov.az)**

Indicators	2013	2014
Generic release of the product	2749,2	2678,9
Volume of industrial products	304,8	333,9
Total agricultural product	911,5	846,3

In total, AZN 237.2 million was allocated to finance 6450 investment projects in Ganja-Gazakh economic region, including loans of 2017. This year, 1437 entrepreneurship subjects have been granted preferential loans worth 104 million manat to finance the investment project. The investment projects implemented using these loans allowed to open up to 4,300 new jobs. At present, 40 acroparks are being promoted in 26 regions. The work on the 1st stage of the agro-parks in Khachmaz, Shamkir and Jalilabad regions has already been completed, and 14 agro-parks have already been set up. A total of 86.4 million manat was allocated for creation of 12 acre markets with a total cost of 270 million manat.

In 2003-2014, the volume of Guba-Khachmaz economic region increased 5.4 times, which is less than the national average. Thus, during the mentioned period, the increase in gross product output in the country was 5.8 times. (<http://anfes.gov.az/az/>)

In 2014, the economic region accounted for 5.5% of the country's population, while its share in the total volume of products and services was 2.1%, the share of industrial products was 0.2%, the share of agricultural products was 111.1%, retail trade turnover and its weight

was 3.7%. It should be noted that during 2003-2014, the volume of gross output in Shabran increased by 8 times, in Khachmaz region - 4.5 times, in Guba - by 4.8 times, in Gusar - by 6.3 times and in Siyazan region by 6.3 times.

In 2017, AZN 184.2 million preferential loans were provided to finance 2300 investment projects of entrepreneurship entities operating in Guba-Khachmaz economic region.

At the same time, entrepreneurs operating in the Guba-Khachmaz economic region have been granted preferential loans worth 365,000 manat.

2.3. Promoting entrepreneurial activity as a factor for regional development

The total volume of agricultural products increased in 1995-2015 by 7.7 times at actual prices (2.4 times in real terms), in 2005-2015 - 3.1 times (38.4 percent in real terms). The share of agricultural production in GDP in 2000-2010, that is, during the period of strengthening the influence of the oil sector in the overall economic growth of the country, decreased from 16.1 percent to 5.5 percent. Over the period from 2010 to 2015, the share of agricultural production in GDP increased from 5.5 to 6.2 percent. After Azerbaijan acquired state independence and began the country's transition to a market economy, the main trend observed in the production of agricultural products was the formation of the production structure of this sector on the basis of the production of agricultural products of exceptional foodstuffs. Along with this, during the past period, serious growth was recorded also in the production of food processing industry products. At the same time, the ratio of the volume

of goods imported into the country with a view to ensuring both consumer demand in the domestic market and the needs of the manufacturing industry for raw materials, to local production volumes for certain types of products. (Guseinov T.G., 2009)

- Self-sufficiency in food and food security.

Thanks to targeted measures taken in the direction of strengthening the country's food security, in 2015, the country's level of self-sufficiency in basic food products was raised. The detailed development of the food safety surveillance system, which is one of the important components of food security, has become one of the main appeals. At present, Azerbaijan oversees the quality and safety of agricultural and food products by eight state bodies. The organization of proper coordination of activities between these bodies and the elimination of existing problems, in turn, results in institutional changes in this area.

- Institutional structure of agriculture.

One of the topical issues related to the subsequent increase in the capacity of agricultural production in the country, including the increase in productivity, is the small size of most farms, as well as the low level of institutionalization of these farms. The introduction of the system of "agricultural production on contract terms", acting as a form of agricultural cooperation, is also at an inadequate level. On the basis of the foregoing, it is of great importance for our country to implement measures for the consolidation of farms through the introduction of advanced tools used in world practice and the development of cooperation in the agricultural sector in various forms.

- Provision of agricultural producers with financial resources and insurance system. (Ibrahimov I.G., 2010)

In recent years, there has been a steady increase in the volume of loans allocated to the production and processing of agricultural products. Thus, according to the Central Bank, if in 2005 the volume of credit investments in this sphere amounted to 97.6 million manat, in 2015 this figure was 508.1 million manat. However, the share of this industry in the volume of loans invested in the economy fell from 6.8 percent to 2.3 percent. The volume of concessional loans allocated in 2005-2015 through the National Fund for the Promotion of Pre-Pregnancy in the agricultural production and processing industry grew 18.1 times. Since 2006, the State Service for Management of Agricultural Projects and Credits under the Ministry of Agriculture of the Republic of Azerbaijan has also started issuing preferential loans in this field of activity. In Azerbaijan, there is also state support in the insurance of agricultural producers. However, the lack of an information base, including indicators of productivity in agricultural production over the last 30-40 years, is one of the main elements hampering the development of the insurance system in the agricultural sector. In addition, the lack of a corresponding insurance fund negatively affects the development of this sector.

According to the State Statistical Committee of the Republic of Azerbaijan, 55 percent or 4.74 million hectares of land from the total territory of Azerbaijan (8.64 million hectares) is agricultural land. Azerbaijan is one of the countries with limited land resources. Although Azerbaijan's land and climate conditions allow expanding the range of irrigated lands to 3.0-3.5 million hectares, implementation of this idea is not possible due to lack of water resources.

Over the past period, a system has been set up to provide the government with appropriate support for agricultural producers. To improve and improve the transparency of this system, state support

measures were implemented in the sector as a whole, as well as measures of state support in the crop and livestock sector. A system of state support and a system of registration, accounting and statistics in agriculture. Since 2015, the construction of the information system "e-agriculture" has begun according to the methodology used by the EU member states (EU). The information system "e-agriculture" functioning according to the principles of the "Integrated Administrative Control System" (IACS) of the EU consists of 7 submodules, including the modules "Identification of land plots", "Register of farms" and "Registration and analysis of territories for subsidizing ". Work began on the development of a technical task for the creation of an "Animal Identification and Registration System" with the involvement of a group of international consultants. In Azerbaijan, for the first time among the CIS countries, a "Farm Data Monitoring System" (SMDF) was developed, taking into account the practice of the EU. (Kuliev A.A., Hajiyevev G.B., 2016)

- Employment in the field of agriculture and rural development. According to the State Statistical Committee, against the background of the general increase in the employment level in the country over the last 5 years (6.8 percent), the growth in the number of employed in the processing industry was 9.3, and in agriculture 2.5 percent. 71 percent or more of 1.0 million new jobs created under the Regional Economic Development Programs, as well as 42 percent or 29,820 new enterprises fall to the regions. Including 68 percent or 202 new hotels and hotel-type facilities operate in the regions. Along with the above, at the current stage of socio-economic development of the country, it is urgent to improve the policy of rural development taking into account the world's best practices.

SWOT-analysis of the production and processing of agricultural products.

Strengths:

- availability of existing natural resources (land, water, climate resources) for the development of agriculture in the country;
- formation of traditions of management on the principle of private property and agrarian policy based on the principles of market economy;
- formation of a network of new enterprises in the processing industry based on modern technologies;
- dynamics of growth in agricultural and food production above the world average;
- increase in the level of self-sufficiency of the country in the most important food products after the acquisition of state independence;
- high dynamics of growth in the export volume of agricultural products;
- strong state support in providing producers of agricultural products with the appropriate means of production and meeting the requirements for the means of production at the proper level;
- creation of mechanisms of state support for raising the level of production both in crop production and in livestock production by intensive means;
- the creation of agribusiness enterprises, whose activities are based on progressive methods of management, and the gradual expansion of experience in this direction;
- proximity to international markets (Azerbaijan has a geographical proximity to Russia, the largest market for agricultural products, while having great opportunities to access the Middle East markets);
- The presence of a relatively developed agricultural infrastructure.

Weak sides:

- limited dissemination of the practice of applying advanced management methods, low productivity due to the significant role of extensive factors in the dynamics of production growth for many types of products;
- the availability of problems in the provision of sowing lands with irrigation water;
- unsatisfactory level of development of market infrastructure, including sales infrastructure and warehouses;
- weak use of available opportunities to increase value added both at the production and processing stage and at the marketing stage;
- the prevalence of family-peasant farms based on the ownership of small lands, and the low level of market orientation of such farms;
- the prevalence in the agrarian policy of the orientation towards demand (production) over the orientation towards the need (market) and the need to improve this policy, in general, based on the "value chain" approach;
- weak development of the farm partnership and agricultural cooperation, including agro-industrial integration;
- a significantly high dependence of the activities of processing enterprises on local sources of raw materials;
- limited output of producers to financial markets and weak development of the system of agricultural insurance;
- low level of knowledge and skills of farmers in the relevant sectors to carry out their activities in advanced ways;
- Organization of agricultural production without taking into account the requirements for environmental protection and sustainable use of natural resources;

- underdevelopment of the information and consulting services in the agricultural sector;

- incompleteness of work on creation of perfect information base on current resources (formation of electronic agriculture, electronic cadastral system of lands and animal identification system) in order to improve the efficiency of agricultural and food policy;

- low level of competitiveness of grain production as a strategically important product, in particular, due to limited reserves of natural resources (lack of spacious land plots similar to countries specializing in grain sowing);

- partial reduction of food safety and quality management system of agricultural and food products in accordance with the requirements of international standards;

- a weak relationship between research activities on agricultural issues and practices.

Capabilities

- determination of the development of the spheres of production and processing of agricultural and food products as one of the priority directions of the overall socio-economic development of the country;

- availability of appropriate state support to stimulate increased production of agricultural and food products; the launch of measures to develop the infrastructure of agricultural and food markets and the formation of an effective system of market regulation;

- geographic proximity to profitable export markets and advanced positions in these markets;

- The launch of large-scale agitation measures to improve access to export markets;

- high comparative figures for the production of significant agricultural products;

- Possibility of development of ecologically pure agriculture;
- low labor costs and the adequacy of the workforce (this circumstance contributes to a reduction in the cost of production);
- the subsequent increase in the world market competitiveness of the agricultural products produced in the country due to the devaluation of the national currency (production of products is accompanied by lower costs in the currency designation, in connection with which a price premium arises);
- the possibility of developing multifunctional agriculture (the development of rural tourism and the expansion of energy production (bioenergy, solar, wind energy), with limited opportunities for the employed in agriculture, to find work in rural areas can increase the incomes of the population engaged in agriculture, which in turn will positively affect the financial opportunities of farmers).

Dangers:

- weakness and shortage of current natural resources (land and water resources) in comparison with the global averages, despite their availability and acceptability for the development of agriculture in the country;
- unsatisfactory relationship between agrarian policy and the principles of environmental protection and sustainable use of natural resources;
- limited geographical diversification of export markets;
- Desertification and degradation of lands suitable for soil (improper organization of irrigation and global climate change lead to desertification - land degradation);
- The importation of products subsidized and dumped by other countries (which leads to unfair competition in the domestic market);

- Reduction after the accession to the WTO of domestic assistance allocated to the development of the agricultural sector ("Yellow Basket"). (Manafov G.N., 1997)

In order to successfully implement the Strategic Road Map through the necessary tools, processes, etc. Monitoring and evaluation of the Strategic Roadmap will be carried out. Monitoring and evaluation will focus on the implementation of substantive activities, indicators and specific indicators achieved in the relevant priorities, as well as compliance with the deadlines. Monitoring and evaluation will be conducted on the basis of rules developed in accordance with international methodology. The annual work programs of the working groups will be coordinated with the coordination body with subsequent approval by the main executive organization. Quarterly meetings of working groups will be held with the participation of representatives of the coordination department.

3. ISSUES OF ENTREPRENEURSHIP DEVELOPMENT IN THE REGIONS OF THE REPUBLIC OF AZERBAIJAN AND DIRECTIONS OF THE STATE SUPPORT TO THIS AREA

3.1. World experience of state regulation of entrepreneurial activity in the regions

The analysis of foreign experience of state regulation of entrepreneurial activity makes it possible to identify several key trends that affect highly developed countries in one way or another. The first is to reduce the administrative impact on business, giving it greater freedom. The state policy is aimed at maximum support of the most priority sectors of the economy. The social component is constantly among its priorities.

Thus, the rapid growth of small businesses in the United States resulted in a reduction in state intervention with its most diverse support. By the method of natural selection, the leaders of the future business are formed here. The procedure for registering a new company has been simplified as much as possible. It takes one day here and costs from 5 to 10 dollars.

In Australia, a system has been created and is functioning, restraining the adoption of regulations that have a negative impact on competition and cause unnecessary administrative costs. The purpose of the regulatory reform, which was conducted here since the mid-90s of the XX century, is to increase the efficiency of the functioning of markets from the point of view of consumers. The main way to achieve this goal was to increase the responsibility of business for the state of affairs in the industry through self-regulation.

The general principles of regulation are formulated in Australia as follows:

- The forces of market competition provide the best choice and benefit for the consumer;
- The government can consider options for intervention in the economy if there are market failures, that is, market forces are not able to achieve an even distribution of resources, or the achievement of equilibrium requires high costs, or the need to achieve a specific social goal is proved;
- Voluntary codes of conduct are seen as the preferred method of intervention;
- If the code proves to be ineffective, the government can help regulate the industry more efficiently. (Aliev Sh.T., 2009)

The methods of state regulation used in Australia are divided into:

- self-regulation, that is, the establishment of standards of conduct, their application and protection by the business itself, without any government intervention;

Quasi-regulation (co-regulation), allowing the participation of the state in any form in ensuring compliance with the codes and rules developed by the business;

- State regulation - adoption of normative acts, mandatory. For execution, control over the implementation of which is carried out by the state body.

In each case, when it is proven necessary to interfere in the free functioning of the market, first we consider the possibility of implementing the softest option - self-regulation then quasi-regulation and, at the very least, direct government intervention.

Self-regulation in Australia is seen as the best possible alternative to overcoming market failures, since it is a flexible instrument, implies

lower costs for its application for business compared to state regulation and does not imply additional costs on the part of the state. State policy here is explicitly aimed at supporting self-regulation wherever possible and appropriate.

In Germany, the state can intervene in economic processes if the private sector is not able to adequately adapt to existing or changed operating conditions and public requirements (for example, in the field of environmental protection) or to eliminate the shortcomings of economic development. Of particular importance in this case is the principle of the conformity of state intervention to the rules of a market economy, the meaning of which is to ensure fair conditions and a high level of competition. Efforts are aimed at creating and preserving as many productive, dynamically developing small and medium-sized enterprises as possible. Antitrust laws in Germany prevent individual entities from dominating the market. Here the priority is given to the independence of enterprises, and not to state support.

The second direction of state regulation of entrepreneurial activity is its diverse support.

The experience of France is interesting for stimulating the movement of enterprises to the periphery, to poorly developed regions. In this case, small and medium-sized enterprises receive targeted loans for investment, structural reorganization of production.

The US has a great deal of experience in creating "business incubators" aimed at helping to create new businesses. They operate on the basis of subsidies from the federal government; funds received from the state and municipal governments; assistance of industrial corporations, educational institutions, as well as at the expense of entrepreneurs' rent and percentages of sales coming from "incubators" and successfully operating enterprises. (Huseinov T.G., 2009)

In the US, the construction of technoparks is expanding. The municipal authorities play an active role here. Creating a production site with all communications, in the future they are sold for a symbolic price to its entrepreneurs, who place on it a wide variety of industries.

Of considerable interest is also the experience of state support for small and medium-sized enterprises in China and Hungary.

For example, in China, to promote investment activities of small and medium-sized enterprises, income tax is reduced by 40% if investments are directed to domestic equipment included in the technical reconstruction program. In Hungary, there are legislative groups of tax benefits: general tax incentives designed to stimulate investment; tax incentives aimed at the development of R & D; tax incentives targeted at representatives of small and medium-sized businesses and regional tax incentives. The first group of tax benefits involves discounts from 50 to 100% of the corresponding obligations up to 10 years, depending on the amount of investment. The second group of tax benefits allows you to deduct from the tax base 100% of the direct costs of research and innovation. The third group allows you to reduce the tax by 40% of the cost of paying interest on loans received for the purchase of capital equipment.

Let us also consider the foreign experience of antimonopoly regulation. To date, there have been three systems of antimonopoly regulation.

Let's consider in more detail each system of antimonopoly regulation.

1. The American system proceeds from the principle of formal legal prohibition of monopolistic practice as such, the recognition of horizontal and some vertical agreements as illegal, regardless of the evaluation of specific results or the effect of their impact on the market

economy. This is the most formalized and rigid paradigm of the antimonopoly regulation system. Here, the interests of maintaining competition in the national market have a clear priority in comparison with other tasks of the country's economic development, including the preservation of non-competitive industries and companies. An exception is the protection of the domestic market from dumping.

The basis of the US antitrust policy is three federal laws: the Sherman Act (1890), the Clayton Act (1914) and the Federal Trade Commission Act (1914).

The main economic goal of the Sherman Act is to create conditions in favor of free enterprise and unlimited competition, as well as the government's political intention to increase consumer welfare, to prevent an unjust redistribution of benefits from consumers to producers. Sherman's law contains a ban on associations of entrepreneurs in the form of trust, collusion or other actions restricting trade or commerce between states. The law prohibits monopolization, attempts at its implementation, collusion or agreement with the aim of monopolization. Each person who enters into an agreement or carries out illegal activities in respect of competition commits a criminal offense and is fined or imprisoned for a period of three years.

The Sherman Act allows private individuals who have suffered a loss as a result of a violation of this law, to file a lawsuit and demand damages three times. The possibility of obtaining compensation in triplicate is an exception to the situation in other countries and a serious obstacle to the violation of the law.

2. European system adopted in the EU countries, which is based on the principle of control and regulation of monopolies. In the EU, monopolistic activities are not, in principle, excluded, not prohibited, but allowed until it violates the conditions established in the law. Such a

system is inherently protectionist in relation to any serious competition from outside. In comparison with the American system, in Europe, maintaining competition is less important than preserving national producers among the countries of the European Union. It should be noted that it is very difficult to prove what actions an entrepreneur takes towards honest, and which to dishonest methods of competition.

In the European Union as the main objective of competition policy is defined "the creation of a regime that ensures the conditions under which competition in the common market will be normal."

Currently, the European Commission regulates four areas of activity:

- Control over anti-competitive agreements and abuse of dominant position;
- Control over the merger of firms;
- Liberalization of economic sectors related to the sphere of natural monopoly;
- Regulation of state aid.

It should be noted that each of the countries of the European Union has its own antitrust laws and until the violation does not affect the restriction of competition within the European Union. The European Commission does not interfere in the anti-competitive activities of EU member states. In the cases reviewed, the Commission has the right to impose fines of 10% of the company's turnover. (Beketov N., 2004).

3. In the Japanese system of monopoly restrictions, which spread to some other Asian countries, the maintenance of competition between domestic companies in the domestic market not only is inferior to the priority of the overall export orientation, but is completely subordinated to this goal. To ensure the capture and retention of positions in international markets, forms of inter-firm cooperation are clearly

permissible, which clearly contradict the interests of competition between national companies.

In many countries, small and medium-sized business associations also function as intermediaries in the relations between entrepreneurs and authorities, which take on some regulatory functions. Effective self-regulation presupposes the existence of: a code of conduct, mechanisms for its protection, and an effective system for resolving disputes. The main motive for creating schemes of self-regulation is the receipt of additional profit by participants in such schemes (at the expense of competitive advantages, overcoming the "failures" of the market, etc.). At the same time, the number of self-regulation schemes introduced in response to the threat of state intervention is growing. The reliability of the state's intentions to intervene in case of inadequate functioning of the market and the inability of businesses to solve the problem independently created a powerful incentive for the development of self-regulation.

Thanks to the so-called "Green Revolution", widespread in the 60-70s of the last century and characterized by the expansion of the use of mineral fertilizers, pesticides and perfect irrigation systems, raising the level of mechanization of production and improving breeding and breeding work, it was possible to intensively intensify production at the global level both in the field of crop production and animal husbandry. The process of consolidation of agricultural land, which is another important condition for intensification of production and an integral part of the policy of sustainable development of the village and the rational management of natural resources, is considered as another global trend observed in the field of agriculture.

In modern conditions, the agricultural sphere is experiencing, at a global level, a period of transition from the "Green Revolution" phase to

the "Second Green Revolution" or "Biotechnological Revolution" phase. The current period of development of agriculture is characterized by a wide application of new technologies for processing arable land, including new methods of irrigation (drip irrigation, sprinkling method, surface irrigation method) and effective methods of sowing (plowing technology, direct seeding technology, zero tillage, mixed sowing, etc.). Along with the development of appropriate production technologies, the practice of automating the management system of farms operating in the agricultural sector is also being improved. This practice is observed in particular in developed countries. At the global export level of agricultural and food products, there is a gradual increase in the proportion of processed products, that is, products produced with the creation of higher added value. As a result of the globalization of the globalization process, the consumption of the urban population in food products has significantly increased, which leads to a gradual replacement of the model of traditional agricultural production with an appropriate approach called "urban demand-oriented" agriculture". (Abbasova A.B., 2005)

At the present stage of the development of society, calls for the subsequent development of agriculture are formed against two global trends that differ from each other at first glance:

- Thus, the rate of increase in demand for agricultural and food products tends to decrease. According to the calculations of the Food and Agriculture Organization of the United Nations (FAO), if the average annual growth rate of this demand for the past 40 years was 2.2 percent, then in the next 40 years this indicator is expected to decline to 1.1 percent. At the same time, this indicator in developing countries is estimated at 3.6 and 1.3 percent, respectively.

- In 2050, the world will need to increase the volume of food production, and in developing countries, even the need to increase the volume of corresponding production by half. Since, in accordance with the trend of gradual improvement of standards of living standards of the population on a global scale, the proportion of healthy and high-quality products in the structure of food production is gradually increasing.

There are a number of problems impeding the implementation of the international call to meet the growing global food demand due to the increase in the world population and the gradual improvement in living standards in developing countries:

- There is an excessively dangerous land degradation at the world level, covering a significant part of the world.

- Activities in the agricultural sector are subject to adaptation to global climate change.

- The globally unfair trade conditions are another major factor that adversely affects food production in developing countries, including in underdeveloped countries.

- The globally observed instability in prices of agricultural and food products makes it more difficult for people in developing countries to have access to food, including in underdeveloped countries, while reducing the efficiency of producers.

- To implement the call to increase the production of agricultural and food products to developing countries, including underdeveloped countries, it is necessary to increase the volume of investments attracted to agriculture and development of areas related to this sector.

- The availability of a modernized system of science, education and consulting and information services in the agrarian sector during the period of wide introduction at the global level of innovative production and management technologies is considered as the most important

resource necessary to ensure competitiveness in this field. (Salakhov, S.V., 2004)

World experience shows that the creation of a technological platform for the development of small high-end enterprises in the advanced sectors of the economy significantly increases the competitiveness of the economic system, and also reduces the likely threats of an industrial recession during periods of global financial and economic upheavals. The transition to an innovative type of economic development presupposes a reorientation of the state policy of supporting the export and raw materials sector to a policy of stimulating the development of high-tech sectors. In this regard, the formation of a modern, flexible economy that ensures the gradual renovation of the Republic's structural and technological potential requires the development of the sphere of innovative SMEs as one of the main catalysts for scientific and technological progress.

3.2. Problems of entrepreneurial activity stimulation in the regions of the Republic of Azerbaijan

Social programs in our country are an integral part of our development. It is the legal mechanisms of these programs, which ensure the maximum implementation of all the main directions and goals of this program, in the shortest possible time, made our economy one of the most competitive economies in the world (undoubtedly along with the development of the oil sector). However, the oil era is coming to an end, as our President has stated, and special emphasis is being placed on socio-economic programs and the development of optimal legal mechanisms for their implementation. Social programs play a huge role in the development and development of regional governance. Socio-

economic programs, the essence of which expresses the economic and legal development of both the state as an organism in general, and regions and parts of this organism, are a complex document reflecting the needs of the region and considering all these problems with their potential solutions from various prisms.

The most relevant are the programs on social and economic development of the regions of our country. The legal force of these documents is that, being approved by the legislative bodies, it is implemented by each ministry, each responsible body in certain and short terms, which places great responsibility on their execution. Each program is in itself a complex economic system, the purpose of which is to reveal the maximum natural and socio-economic potential of a given region, while giving a powerful impetus to the development of the region. All these aspects are fixed by law, which speaks about the legal force of this document. In general, we can say that these programs are the fundamental mechanism for the development of any regional system, including infrastructure, natural complex, wildlife, the economy and so on. The basic mechanism for the development and development of these programs is the need to rethink the very notion of "development" and the category "development" in the scientific prism, so that without achieving high indicators, one can say that the program did not bring successful results. It is still necessary to implement these socio-economic programs in the regions, which are usually called "problematic" or "undeveloped." In Azerbaijan these are mainly northern regions: despite the natural potential and opportunities for economic development, legal mechanisms for regulating social programs for these regions have not yet been developed at the proper level.

The Republic of Azerbaijan needs to apply a comprehensive approach to studying the problems of the regions in order to rethink the

essence and significance of new social programs in order to guarantee the continuation of current social programs or to apply new legal mechanisms in new social programs.

Calculations state that during the implementation of the State programs for social and economic development of the regions of the Republic of Azerbaijan, industry increased 2.5 times, and agricultural growth was 25.2%. Along with the rapid development of the economy, there are also high growth rates showing an increase in the incomes of the population. In 2014, in comparison with 2003, this indicator multiplied by 4 times.

(http://www.azerbaijans.com/content_1032_ru.html)

Successfully implemented I State Program in the field of regional development created new bases for development in different regions and transferred the development process to a new successful level. In this regard, the President of the Republic of Azerbaijan, Ilham Aliyev, by the Decree of April 14, 2009, confirmed the "State Program of Social and Economic Development of Regions of the Republic of Azerbaijan in 2009-2013". The main objectives that determine the development of the new program are to achieve economic diversification in the country and its beneficial integration into the world economic system, further improvement of the level of infrastructure and public services, and a continued improvement in the living standards of the population. As a result of the successful implementation of the "State Program for Social and Economic Development of the Regions of the Republic of Azerbaijan (2004-2008)", "Program of Measures to Accelerate the Social and Economic Development of the Baku City Settlements in 2006-2007", significant progress was made in the country in a stable the development of the non-oil sector, the opening of new enterprises and jobs, the improvement of the quality and volume of provided public

services and the provision of social infrastructure in the regions and in the capital, entrepreneurship, increasing employment, reducing poverty. "The State Program of Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2009-2015" also includes the continuation of the work begun under the two previous completed programs.

Calculations show that in the period of implementation of the "State Program of Social and Economic Development of Regions of the Republic of Azerbaijan (2004-2008)" in the country, the real volume of gross domestic product (GDP) increased 2.6 times and amounted to 38 billion manat, the nominal level GDP per capita increased 5 times and amounted to 4,440 manat. The non-oil sector grew by 1.8 times and by the end of 2008 the share of the non-state sector in GDP was 84.5%. The volume of investments in the non-oil sector in 2004-2008 increased 6.2 times and its share in the structure of total investments increased from 26.8% in 2003 to 69% in 2008.

<http://www.economy.gov.az/article/state-programs/21429>

The volume of funds allocated for the implementation of regional projects in public investment expenditures, compared to 2004 in 2008, increased by 6 times to 3.9 billion manat, which was equal to 83% of total investment. In general, during the implementation of the First State Program on Social and Economic Development of Regions, state investments in the amount of 6.8 billion manat were invested in various regions of the country. In connection with the implementation of the state program, loans from international financial institutions amounting to \$ 2.2 billion were involved in financing projects implemented in the regions. In particular, for loans to private sector development, loans were granted, on favorable terms, in large amounts.

Across the country, during the reporting period, the volume of all sources of financing investments in fixed assets was 33.5 billion manats,

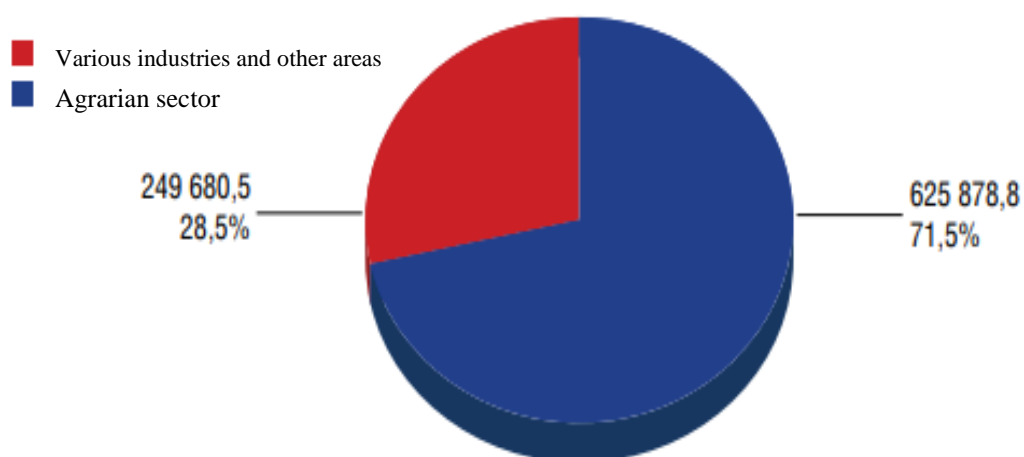
53.2% of which were domestic, and 46.8% were foreign investments. The volume of used investments in 2008 was 3 times higher than the level of 2003, the volume of investments per capita compared to 2003 was by 605.8 manat more. If in 2003 the share of domestic investments from the total volume was 24.8%, in 2008 this figure was 78.6%.

During this period, the industry grew 2.5 times, and the growth of agriculture was 25.2%. Along with the rapid development of the economy, there was also a high growth of the dynamics of indicators characterizing the people's well-being, in 2008 the population's incomes grew 4 times compared to 2003.

1. In these years, the state has been paying special attention to the implementation of investment projects, granting preferential loans for the further development of the agrarian sector, and the activity has expanded in this direction. Examples of these support measures include the issuance of state loans at the expense of the National Fund for Entrepreneurship Support. In 2009-2013, 625.9 million manat state loans were issued to finance 11403 investment projects related to agrarian sector development. (figure 1)

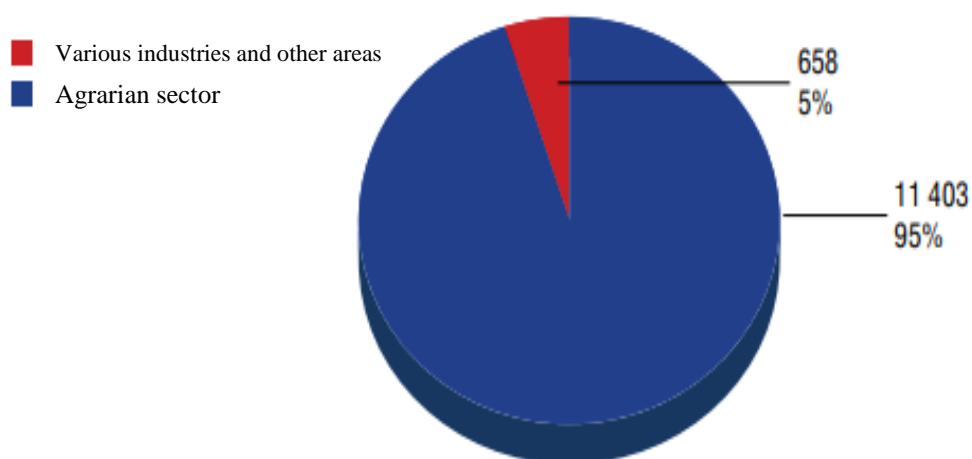
(<http://www.economy.gov.az/article/dovlet-proqrami-2014-2018/22376>)

Figure 1. Breakdown of government concessional loans granted by regions in 2009-2013 by sectors of the economy (in thousand manats)



2. The National Fund for Entrepreneurship Support provided 712 million manat preferential credits to 293 projects based on modern technologies, thanks to which over 17,000 new jobs were created. (figure 2) <http://www.economy.gov.az/article/dovlet-proqrami-2014-2018/22376> 233 enterprises have been commissioned, 60 of them are under construction. Due to the further development of the agrarian sector, the production of agricultural products prevailed among those projects.

Figure 2. Breakdown of investment projects financed through state loans for 2009-2013 by sectors of economy



As a result of the successful implementation of the State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2009-2013, a high level of macroeconomic indicators has been achieved in the country, implementation of measures envisaged in the socio-economic development has played an important role in improving the living standards of the population.

The State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2014-2018 was prepared as a continuation of the purposeful policy since 2004 in the area of

comprehensive development of regions. Implementation of the "State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2014-2018" is crucial in the development of the country's economy, in ensuring the macroeconomic stability, expansion of entrepreneurship in the regions, creation of new enterprises and places of work, implementation of large-scale infrastructural projects, has played an exceptional role in raising the level of utility services, ultimately improving the well-being of the population and reducing poverty.

The main objective of the "State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2014-2018" is to continue the measures on non-oil sector development, diversification of the economy, rapid development of the regions, especially infrastructure and social services related to rural development. improvement. In order to achieve the goals set out in the State Program, infrastructure improvements in the regions, including the improvement of public utility services, accelerating the development of entrepreneurship in the field of export-oriented and competitive products, increasing the employment level of the population, especially the rural population, and continuing measures to reduce poverty important tasks will be implemented. Maintaining the macroeconomic stability in the country is essential for achieving the goals set out in the State Program, as well as for fulfilling these tasks. Taking into account the macroeconomic stability, the state's budget policy has become a priority for modernizing the priority sectors of the economy and creating conditions for its effectiveness, long-term sustainability and further improvement of the investment climate. As the main source of economic growth, employment, budget and currency revenues, the non-oil sector will continue to play a strategic role in achieving a balanced and

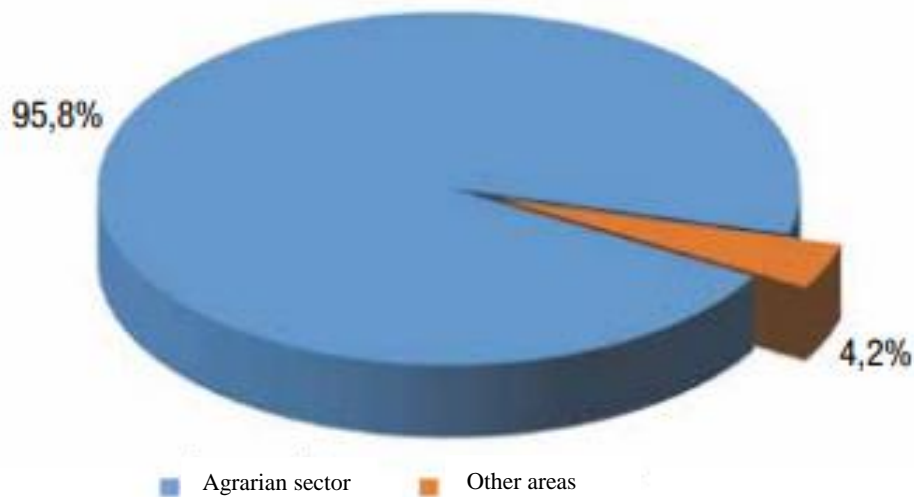
sustainable economic growth and shaping a highly profitable economy. In this direction, the main conditions for the development of the economy as a whole in the 2014-2018, as well as separate areas in the regions: (The Development Concept "Azerbaijan 2020)

- maintaining the average annual rate of inflation and the national currency at an acceptable level;
- determination of optimal tax and customs rates;
- continuation of stimulus measures of producers of agricultural products;
- increased grain production and competitiveness;
- stimulating export-oriented activities of producers;
- stimulation of creation of new workplaces;
- increase the share of budget revenues in the non-oil sector in the Gross Domestic Product;
- the development of the agrarian sector will continue to ensure food security.

In order to further develop the agrarian sector, the state pays special attention to granting preferential loans for the implementation of investment projects. Thus, at the expense of funds of the National Fund for Entrepreneurship Support, AZN 97 million was allocated for the financing of the investment project of 1871 entrepreneurship subjects in the field of agrarian sector development in 2017. It is planned to create 5,224 new jobs at the expense of financed projects. 95.8% of the investment projects funded by preferential loans account for the share of agrarian sector, 4.2% - other spheres. (figure 3)

(http://www.economy.gov.az/uploads/fm/files/dp_2017-icra.pdf)

Figure 3. Breakdown of investment projects funded by 2017



66.7% of preferential loans provided by the National Fund for Entrepreneurship Support in the Republic of Azerbaijan in the agrarian sector have been allocated loans for the development of the agrarian sector in 2017 and preferential loans granted to the agrarian sector have not been quantified, but positive quality changes. 79.3% of new jobs created as a result of implementation of investment projects funded by preferential loans of the state fell to the agrarian sector. (figure 4) (http://www.economy.gov.az/uploads/fm/files/dp_2017-icra.pdf)

Figure 4. Breakdown of new jobs by sectors of the economy, which will be created at the expense of government loans given in 2017



In the framework of the state program for the development of the regions, many important social projects were implemented, social infrastructure was improved, new schools, medical institutions, and Olympic sports complexes were built.

Over the past year, the regions of Azerbaijan continued to carry out activities to develop the non-oil sector, increase exports and upgrade infrastructure. Regions of the republic are developing, but much work remains to be done. Over the past 14 years, production in the regions has increased 3.6 times. This is the result of successful implementation of state programs on social and economic development of the regions. Tax payments made to the state budget by regions of the country, for 14 years increased 15 times.

Tax deductions from the regions increased from 40 to about 600 million manat. This allows us to state that for this period of time, investments in the regions and in general in projects implemented in the regions have justified themselves from an economic point of view, having played an important role in the development of the regions. The initial task was to implement more infrastructure projects in the regions to attract more foreign investment for economic development, and this goal can already be said to have been achieved.

At the conference devoted to the results of the fourth year of the implementation of the State Program for Social and Economic Development of the Regions in 2014-2018, President Ilham Aliyev said that several important projects are planned to be implemented this year in the field of transport and railways. Taking into account the development of the tourism sector, the construction of a railway to the

city of Gabala will begin, which after Baku is the second tourist center of Azerbaijan and gradually turns into an international tourist center.

Creation of agro-parks and modern large-scale farms in the development of the agrarian sector is of great importance. The work on the 1st phase of the Khachmaz, Shamkir and Jalilabad agroparks has already been completed. Also, in accordance with the instruction of the Head of State in recent years, 43 agro-parks with a value of 1,3 billion manats in 183,300 hectares in 28 regions, including 16 modern breeding complexes in 40,600 hectares in 14 districts and 142,7 thousand in 21 districts. Creating 27 large-scale crop farms in the hectare area is encouraged. Construction and installation works on 25 acrewarks have already been started in 120.6 thousand ha. In order to further develop the agrarian sector, the State Service for Agricultural Projects and Credit Management under the Ministry of Agriculture provided 57 entrepreneurs in the agrarian sector with preferential loans worth 9513.2 thousand manat in 30 regions of the country for the development of agriculture in 2017.

(http://www.economy.gov.az/uploads/fm/files/dp_2017-icra.pdf)

As a result of concessional loans, 605 jobs were created. In accordance with the State Program, work on strengthening institutional capacity in agriculture and strengthening the material and technical base of the infrastructure serving the development of agricultural production in 2017 continued.

3.3. The main directions of improving the economic mechanism of entrepreneurial activity in the regions of Azerbaijan

The strategic view on the production and processing of agricultural products in Azerbaijan until 2020 provides for the creation of an enabling environment for the formation of a competitive sector of production and processing of agricultural products based on the principles of sustainable development, ensuring the subsequent strengthening of food security and promoting economic diversification and social welfare in rural areas.

Due to the implementation of the Strategic Roadmap, the relevant regulatory system will be improved, including increasing the effectiveness of state support to agriculture and the subsequent improvement of competition in the market, as well as the formation of a favorable business environment.

Within the framework of the Strategic Roadmap it is planned to implement comprehensive measures aimed at strengthening the capacity of the relevant regulatory bodies, streamlining state support in accordance with development goals, improving the food safety system, developing a competitive environment in the production, marketing and production sectors, simplifying access to financial resources , improvement of market infrastructure and improvement of opportunities for access to markets, development of a consulting and information system services in the agricultural sector, etc.. (Mirzaliev B.S., 2007)

The long-term view on the production and processing of agricultural products in Azerbaijan for the period until 2025 provides for the formation of a competitive agricultural business by enhancing the

transition from traditional management to intensive market-oriented economy creating value-added.

The share of agricultural products in the export of non-oil products until 2025 will significantly increase due to a purposeful approach applied to increase the volume and efficiency of production of these products. The goal set in the long-term vision for the period until 2025 is to fully modernize the agricultural sector and enhance its competitiveness. Based on the results of activities to be implemented within the priorities foreseen for 2016-2020, the agrarian and industrial enterprises of the country will become the main advanced force until 2025 in the process of complete transformation of the agricultural sector. Until 2025, the country will begin to operate an electronic agricultural system that will make it possible to take more weighty decisions and develop more effective policies in the field of agriculture. Until 2025, the country's agrarian industry is expected to develop with parallel provision of food security for the population. Increasing the efficiency of the use of intensive agricultural production resources will ensure economic stability.

A glance at the future of production and processing of agricultural products in Azerbaijan for the period after 2025 envisages the formation of a high-tech agricultural sector that is rationally integrated into the global value chain system and has an industrial orientation with mandatory compliance with environmental standards.

After 2025, the conditions for increasing productivity will be created in the country's agricultural production and processing sector. At the same time, processing enterprises will play a decisive role in converting processed agricultural products into value-added products. The increase in agricultural production in Azerbaijan will not only provide local demand for food, but will also increase export

opportunities in regional and world markets. The Azerbaijani government will allow minimal interference with such procedures, being not a direct executor, but a party that promotes development through the implementation of certain stimulating activities. In the course of implementation of measures and projects within the framework of priorities beyond 2025, environmental sustainability will be the focus and, if necessary, changes will be made in the content and methods of implementing these measures. (Rustamov E., 2010)

Strategic targets:

- Forming a competitive agricultural sector through regional and sectoral development of the production of competitive agricultural products, simplifying the access of producers of agricultural products to inputs, consulting and information services, domestic and foreign markets, the formation of farmers' partnership in agriculture, the development of agricultural business and the processing of agricultural products, improve the quality of science and education in the agrarian Asli;
- Increasing the share of import-substituting food products in the domestic market, creating food stocks and increasing food security;
- Creating decent employment opportunities in rural areas and improving the living standards of the population, improving social welfare in rural areas;
- The development of agriculture, adapted to climate change, for the protection of the environment, land and water resources, and ensuring sustainable growth in the agricultural sector through the introduction of advanced technologies to improve the efficiency of land and water resources use.

Within the framework of the Strategic Roadmap for the Production and Processing of Agricultural Products, 9 strategic

objectives and corresponding priorities for each strategic goal were established in the Republic of Azerbaijan. (Samedzade Z.A., 2004)

Strategic objective 1: Enhancing institutional capacity to ensure food security:

- Building an information and monitoring system in relation to ensuring the sustainability of food security and food availability for the population;

- Formation of mechanisms for reliable provision of food for all categories of the population - Formation of a food safety system that includes all links in the value chain and is based on risk analysis.

Strategic objective 2: Increasing the agricultural production capacity by links in the value chain:

- Strengthening the production capacity of competitive agricultural products and processing products both on domestic and foreign markets;

- Agitation of increasing the volume of production of agricultural products and products of the processing industry with a high potential for import substitution, the formation of a farm partnership and the development of cooperation in agriculture;

- Development of public-private partnership for the implementation of integrated projects, the formation of infrastructure to support the development of agribusiness

Strategic objective 3: Simplifying access to financial resources:

- Perfection of financing mechanisms by branches of agriculture;

- Development of agricultural insurance;

- Agribusiness investment in the agricultural sector.

Strategic Goal 4: Developing the Agricultural Productivity Market and Improving the Service Provision:

- Development of the land market;

- Improving the supply of fertilizers and plant protection products;

- Improving the provision of livestock with combined fodder and the development of breeding in cattle breeding;

- Improving the provision of agricultural producers with veterinary and phytosanitary services.

Strategic objective 5: Development of science, education and the system of consulting and information services in the agricultural sector:

- Ensuring transition to a qualitatively new stage of agrarian education;

- Planning, implementation and improvement of mechanisms for the introduction of scientific research results in agriculture;

- Forming a network of consulting and information services that meet the needs of the agricultural sector

Strategic objective 6: Developing the infrastructure of the agricultural market and simplifying the entry of producers into markets:

- Development of agricultural market infrastructure;

- Perfection of the agricultural market regulation system

- Agitation and support of export of agricultural products and products of processing industry. (Yuzbashieva G.Z., 2003)

Strategic Goal 7: Protecting the environment, sustainable use of natural resources and managing the effects of natural factors on agriculture:

- Development of mechanisms to reduce the negative impact of climate change and other natural factors on agriculture;

- Perfection of mechanisms of environmental protection in the agricultural sector;

- Improvement of mechanisms for sustainable use of agricultural land and water resources;

- Development of ecologically pure agricultural production.

Strategic objective 8: Improving the efficiency of state regulation of the agricultural sector and improving the business environment:

- Implementation of measures to create an enabling environment for the development of agribusiness;
- Formation of electronic agriculture, improvement of the registration, accounting and statistical system;
- Strengthening the capacity of Agencies for the Regulation of Agriculture;
- Perfection of the policy of state support of producers of agricultural products;
- Construction of a monitoring and evaluation system for the results of agrarian policy.

Strategic objective 9: Increase employment and welfare in rural areas:

- Strengthening the capacity of rural areas in terms of socio-economic development;
- Maintenance of development in rural areas of alternative industries;
- Supporting initiatives of local communities regarding rural development.

To achieve the strategic goals, an investment of 1170 million manat is required. It is envisaged to finance the implementation of the measures provided for in the Strategic Roadmap, at the expense of the state budget, extra-budgetary funds; funds of the State Service for Management of Agricultural Projects and Credits under the Ministry of Agriculture of the Republic of Azerbaijan, the National Entrepreneurship Support Fund, the Azerbaijan Investment Company, as well as from local budgets, local institutions, enterprises and organizations, regardless of ownership, foreign direct investment, Securities, including shares and

bonds, subsidiaries of financial instruments; local loans and grants, loans from international organizations and foreign countries, technical and financial assistance and at the expense of other sources not prohibited by law. (Shlyubskaya N., 2004)

In order to ensure the most efficient use of financial resources in accordance with established priority goals, budgets will be drawn up within the budgeting process, taking into account relevant indicators. A significant part of the necessary financial resources will be provided through the restructuring of existing budgets, as well as joint efforts to finance the private sector and individual investors.

One of the main directions of improving the economic mechanism of entrepreneurial activity in the regions of Azerbaijan is project ABAD.

On September 23, 2016, under the decree of the President, the State Agency for Citizens Service and Social Innovation under the President of the Republic of Azerbaijan was established ABAD public legal entity. The main purpose of creation of ABAD public legal entity is to ensure active participation of citizens in socio-economic life of Azerbaijan, to stimulate the development of economy, i.e. small and medium entrepreneurship, family farming, and thus to increase the employment level. ABAD supports the development of agriculture in its services to small and medium-sized businesses. For example, ABAD focuses on helping applicants use modern equipment and facilities, marketing, branding, design, finance, accounting, legal assistance, business planning, packaging, transportation, and finally sales.

As a pilot project, the regional ABAD center for the first time started operating in Masalli. They distributed eight monoblock containers to the citizens. In these containers a complete production line for the production of certain products has been created. As you know, one of the biggest problems of the family farming market for the

production of these products is the lack of hygiene and compliance certificates. The first of these is, of course, hygiene certificate. Hygiene certificate is issued in accordance with the conditions. Existing production conditions must meet these hygiene standards. That's why a solution has been offered by us. The containers have been installed in full compliance with all standards.

The second regional ABAD center started operating in the Balakan region. In Balakan, with the support of SOCAR, construction works were carried out and 12 monoblock containers were produced and distributed to citizens. Particularly, it should be emphasized that they have tried to apply a different approach from classical help. Their support is not in the form of leasing, credit support, or donation of equipment. The regional ABAD center will provide those applying these equipment to their business, to stay in the property of a legal entity to build their business.

Since there are two main divisions in the ABAD, i.e. two directions, there are departments dealing with decorative-applied folk arts and agriculture. These divisions are constantly being analyzed. As a result of these analyzes, we organize trainings. There are artisans who are very handsome, but the volume of the product is great.

CONCLUSION

In general, the successfully implemented policy of the state on economic development yields significant benefits. In general, over the past 10 years, this policy has been the reason for the accelerated improvement of the country's macroeconomic indicators. Thus, the country's GDP grew 3.2 times, the average per capita GDP increased 2.8 times, the non-oil sector 2.6 times, and the average annual economic growth was 12.9%. Over the past 10 years, strategic foreign exchange reserves have grown 31-fold, the country's foreign trade turnover 6.6-fold, exports 9.3-fold, imports 4.1-fold, and non-oil exports 4.7-fold.

Business was developing rapidly. It should be noted that in Azerbaijan assistance in the development of entrepreneurship is the main priority direction of the state economic policy. The development of entrepreneurship, the strengthening of its state support, the protection of the rights and legitimate interests of entrepreneurs, the removal of artificial obstacles arising in the development of entrepreneurship are constantly in the center of attention. Therefore, in order to develop entrepreneurship in the country and further expand activities in the field of state support for entrepreneurship, significant work has been done in recent years to improve legislation, create infrastructure, increase preferential financial support, protect entrepreneurs' rights and other areas, and adopt special state programs and decisions. As a result, the role of entrepreneurs in the economic development of the country has increased, and they have become one of the leading forces of society.

The most important achievements recently were the diversification of the economy, the creation of favorable conditions for private entrepreneurship, which resulted in a real high growth rate of the non-oil sector, which is also the result of the introduction of modern

technological processes, the effective use of existing capacity, the production of goods competitive in the world market.

Entrepreneurs should take advantage of all available opportunities. They have accumulated sufficient capital, which must be invested in the development of the country, especially in the real sector. Simultaneously, it is necessary to involve foreign investors in the non-oil sector. They are usually interested in investing in the oil and gas sector. Therefore, the task is to involve foreign investors in other sectors by using them to create technoparks, agro-parks within the framework of special programs adopted.

In order to promote entrepreneurship the main priority of the strategy of economic development of the state is to constantly improve the business environment, with the result that will be adjusted to produce high quality, export-oriented and competitive products. State policies in this area will aim to further improve the business environment, the improvement of state support and providing improved relations State-employed. In the following years, the following activities will be carried out:

- continuation of works on improvement of the regulatory and legal framework regulating business activity;
- further improvement of other institutional mechanisms of state-entrepreneur relations;
- even greater improvement of financial support for entrepreneurs in the regions;
- improvement of industrial, market and social infrastructure support for entrepreneurship, including the acceleration of the development of modern market infrastructure mechanisms (finance, banking and insurance system, stock market, audit, mortgage, leasing, franchising);

- support of efforts for effective mutual cooperation between small, medium and large enterprises in the regions, including expansion and strengthening of production and cooperation links.

How should entrepreneurship develop in Azerbaijan?:

- improving the quality of state regulation: efficiency, compliance and stability of the legal framework; public-partner relations; responsibility of the authorities; reduction of administrative pressure; accessibility of information.

- availability of development resources: affordable loans and microcredits; access to the property market; effective infrastructure; special development programs; frames.

- creation or revival of the competitive environment: reduction of state participation in business; the withdrawal of an official from business; moderation in the appetite of natural monopolies; Fair competition in regional and sectoral markets.

REFERENCES

1. Abbasova A.B. (2005) Business basics Baku: Nurlan, 656 p.
2. Alibekov N.V. (2014). Economic mechanism of rational activity of economic entities. Baku: MBM, 404 p.
3. Aliev A.A. (2003). Economic Policy of Azerbaijan (Foreign Trade and Economic Relations of Azerbaijan). Baku: The Law, 2003 324 p.
4. Aliev Sh.T. (2009). "Mechanism for regulating the economy." - No. 3 (2) .- p. 262 - 267.
5. Aliev Sh.T. (2009). The impact of the world financial crisis on the economic processes of the Republic of Azerbaijan, "Finance and Credit", No. 8 (344), Moscow, 14, p.78-82.
6. Bakhtiyarly V.I. (2009). Industrial enterprises: resources for their financing p.55-59
7. Beketov N. (2004). "State policy of innovation". Economist, p.64-70
8. Gadzhiev G.B. (2014). Necessity of forming external economic activity in the agribusiness system, Baku: OJSC "Sherg-Gerb", pp. 92-98
9. Gafarov N.D. (2006). State support for the development of small and medium-sized businesses in the agricultural sector p. 186-189
10. Garaev I.Sh., Gadzhiev G.B. (2014). regulation of the business of production sales in improving food supplies, Baku: OJSC "Sherg-Gerb", pp. 5-12
11. Garaeva I.Sh. (2015). Agribusiness and wage security .. Baku: Economics University, 366 p.
12. Hajiyevev Sh. (2001). "Azerbaijan on the way to the world community: the strategy of foreign economic development." Kiev: p.503

- 13.Huseinov T.G. (2009). Investments in Azerbaijan (profits, investments, industrialization, employment). Baku: Science, 380 p.
- 14.Ibragimov E.R. (2013). Ilham Aliyev and modern agrarian policy. Baku: Azerbaijan State Publishing House, 936 p.
- 15.Ibrahimov I.G. (2010). Tasks of business activity regulation: Seda, 248 p.
- 16.Kuliev A.A., Hajiyeu G.B. (2016). Regulation of business production and sale of products in the agricultural sector p. 105-114
- 17.Manafov G.N. (1997). Theoretical and practical tasks of entrepreneurship. Baku, Zaman.
- 18.Mirzaliev B.S. (2007). "State regulation of the economy." Textbook, Almaty, 171-175
- 19.Rustamov E. (2010). "Economic modernization of Azerbaijan". Moscow p.367
- 20.Salakhov, S.V. (2004). Problems of state regulation in the agrarian sector. Baku: Nurlar, 504 p.
- 21.Samedzade Z.A. (2001). World economy. Miracle of the Chinese economy. Baku: Ganjlik, 317 p.
- 22.Samedzade Z.A. (2004). Stages of a long way. The economy of Azerbaijan for half a century, its realities and prospects. Baku "Nurlar" p.936
- 23.Shlyubskaya N. (2004). Foresight is a new mechanism for determining the priorities of state scientific and technical policy.
- 24.Sokolov A.V. (2007). Foresight; a look into the future. Forsyte
- 25.The Development Concept "Azerbaijan 2020: A Look into the Future." Presidential Decree on the approval of the Development Concept "Azerbaijan 2020: A Look into the Future".

26. Yuzbashieva G.Z. (2003). "Restructuring of the industry of Azerbaijan". Baku, Elm, p.352
27. <http://www.economy.gov.az/article/state-programs/21429>
28. <http://www.economy.gov.az/article/dovlet-proqrami-2014-2018/22376>
29. http://www.azerbaijans.com/content_1032_ru.html
30. stat.gov.az
31. <http://anfes.gov.az/az/>