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## **DEVELOPMENT STRATEGY AND WEIGHT OF THE NON-OIL SECTOR IN THE ECONOMY OF AZERBAIJAN**

After the collapse of the USSR, the socialist system collapsed in Azerbaijan, as well as in other allied states. That collapse completely destroyed almost all sectors of the country's economy, especially the non-oil sector. That meant that the period of recession in both the oil and non-oil sectors in the country reached its peak. The stagnation of the country's economy was felt in many areas. It should be noted that agriculture, tourism, manufacturing, and engineering reached such a decline that the country became dependent on imports in most areas. The transition to economic development after such a tense situation in the country's economy was remembered by the economists by highlighting three historical stages of the development of Azerbaijan economy in the period after the restoration of independence.

The period from 1991 to 1994 is considered the first period for the economy development. During that period, the political and socio-economic situation in the country became more complicated. According to the statistics provided for this period, during 1991-1994, the gross domestic product (GDP) decreased by 16.5 per cent annually. Also, there was reordered, especially in the non-oil sector, a decrease in industrial production by 10% in 1991, 37% in 1992 and 50% in 1993 compared to 1985. As a result of the collapse of the USSR, the production areas were almost completely out of order, and as a result, the level of unemployment reached very high level. Again, referring to the statistics of that period, we can say that in 1991-1995, the monetary income of the population in real terms decreased by 3.3 times, and monetary income per capita decreased on average by 3.6 times. In parallel with this, the wages of the population decreased by 5.7 times. Since the times of the USSR, in agriculture, which has strong production and economic potential for Azerbaijan, the cultivated area of the main crops, the number of livestock has decreased sharply, and the level of production has almost fallen to the state of recession.

***Key words: Economy, non-oil sector, trade, agriculture, industry, development.***

Після розпаду СРСР в Азербайджані, як і в інших союзних державах, соціалістичний устрій зазнав краху. Цей колапс повністю зруйнував практично усі галузі економіки країни, особливо

ненафтові. Це означає, що період рецесії як в нафтовому, так і в ненафтовому секторах країни досяг свого піку. Стагнація економіки країни відчувалася у багатьох її областях. Як приклад, можна згадати, що і сільське господарство, і туризм, і обробна промисловість, і машинобудування досягли такого рівня, що країна стала залежною від імпорту у більшості сфер. Перехід до економічного розвитку після такої напруженої ситуації в економіці країни запам'ятався нашим економістам виділенням трьох історичних етапів економіки Азербайджану за період після відновлення незалежності:

- 1) Період економічного спаду, починаючи з 1991 по 1994 рр.
- 2) Період стабільності та послідовного зростання, починаючи з 1994 р. та закінчуючи 2003 р.
- 3) Період динамічного розвитку, який почався в 2003 р. і триває дотепер.

Першим періодом для економіки вважається період з 1991 по 1994 рр. У цей період політична і соціально-економічна ситуація в країні ускладнилася. Згідно зі статистичними даними, наданими за цей період, протягом 1991-1994 рр. валовий внутрішній продукт (ВВП) щорічно зменшувався на 16,5%. З наведених офіційних даних також відомо, що в Азербайджані, особливо у ненафтовому секторі, було зафіксовано зниження обсягу промислового виробництва на 10% у 1991 р., на 37% у 1992 р. та на 50% у 1993 р. порівняно з 1985 р. Внаслідок розпаду СРСР виробничі площі майже повністю вийшли з ладу, і як наслідок, рівень безробіття досяг високого рівня. Посилаючись на статистику того періоду, можна сказати, що протягом 1991-1995 рр. грошові доходи населення в реальному вираженні зменшилися у 3,3 рази, а грошові доходи на душу населення у середньому у 3,6 рази. Паралельно з цим у 5,7 рази зменшилася заробітна плата населення. Ще з часів СРСР у сільському господарстві, яке має потужний для Азербайджану виробничо-економічний потенціал, різко скоротилися посівні площі основних сільськогосподарських культур, поголів'я худоби, а рівень виробництва майже впав до стану рецесії.

**Ключові слова:** економіка, нафтовий сектор, торгівля, сільське господарство, промисловість, розвиток.

## Introduction

The period of recession and tension in the economy of Azerbaijan in 1991-1994, as a result of the set and implemented strategic goals, was replaced in 1995 with a new stage of the transition period – the stage of recovery and dynamic development. Thus, the period of restoration and dynamic development of the transition period began. As a result of the proposed and implemented strategic development concept, during 1994-2003, the volume of the Gross Domestic Product (GDP) in Azerbaijan increased by 90.1%, the revenues of the state budget tripled, the country's foreign exchange reserves increased 85 times, the volume of industrial output grew by 25.2%, the volume of agricultural production grew by 53.9%, foreign trade turnover increased 4 times, the average monthly real salary of the population increased 5.1 times. At the same time, the level of inflation in the country fell by 2-3%, and the total amount of investments aimed at the economy, especially in the non-oil sector, was 20 billion US dollars. One of the areas that Heydar Aliyev

paid the most attention to after his coming to power, among other areas, was the deep study of the problems existing in the agricultural sector, an analysis of what steps should be taken to bring this sector out of the crisis.

That is why in the course of the study it became clear that one of the most important conditions for the agrarian sector to overcome the crisis and start developing is to carry out radical reforms in this area. It should be also noted that the agro-industrial complex is complex and multifaceted. Therefore, it seemed almost impossible to carry out the reforms of agricultural production enterprises, processing industry, service institutions, land fund etc., in the same framework [1]. That is why different approaches were required to the non-oil sector, to land reform and to the manufacturing, processing and service industries as parts of the agro-industrial complex, which was considered one of the main sectors of the country's economy. Taking into account all this, Heydar Aliyev first of all carried out agrarian and then land reforms.

In 1995, agrarian and land reform was launched in Azerbaijan. The decision of the state on the need for economic reforms subsequently led to the creation and formation of its legal framework. Thus, in the period from 1995 to 2004, there was a process of adoption of many laws, decrees, orders, decisions and other normative legal acts regulating agrarian reform. The preparation and adoption of the laws “On the basics of agrarian reforms”, “On the reform of Sovkhoz and Kolkhoz” and “On land reform” formed the basis of the legal basis of agrarian reforms. As part of the reforms, the formation of market relations in the field of agriculture, the adaptation of state policy in the agricultural sector to the requirements and principles of a modern market economy, the creation of comprehensive conditions for the development of entrepreneurship on a nationwide scale have become the focus of the state in terms of the development of the non-oil sector. The completion of the first stage of agrarian reforms carried out in the country’s agriculture was characterized by the completion of the privatization of land and property, which itself gave impetus to the development of the agricultural sector [2]. Thus, unlike 1994, in 2002 the volume of grain production in the republic increased to 219.7 thousand tons, potato production to 694.9 thousand tons, vegetable production to 967.3 thousand tons, melon production to 380.2 thousand tons, meat production to 223.6 thousand tons, milk production to 1119.8 tons, egg production to 561.6 thousand units, wool production to 11.8. According to the statistics, as of January 1, 2003, the number of large and small-horned cattle in the country was 2153 thousand, and the number of cattle was 6849 thousand. The increase in the level of production allowed Azerbaijan to increase its export opportunities abroad. Thus, in 2002 Azerbaijan exported agricultural and processing products worth 84 million US dollars. This means that in 2002, compared to 2001, the country exported products by 18 million US dollars more. In addition, it should be emphasized that according to the State Statistics Committee in 2002, compared with 2001, the volume of the main agricultural products entering the

country decreased by about 9.1 million US dollars [3].

Ilham Aliyev, who was elected the President of the Republic of Azerbaijan in October 2003, successfully continued his previous political course, but also began to take very serious steps towards its development. Of course, the first thing that came to mind was the revival of the country’s economy. For this purpose, under direct instructions and supervision of Ilham Aliyev, serious measures were taken to develop the economy, especially the non-oil sector. In the early days of Ilham Aliyev’s presidency, that is, on November 24, 2003, he issued a decree “On measures to accelerate socio-economic development in the Republic of Azerbaijan”. Undoubtedly, this event can be considered the beginning of the processes. Later, the next steps were taken to implement new state programs with the aim of establishing and further developing a stable economy in the country. On February 11, 2004, the President of the Republic of Azerbaijan, Ilham Aliyev, signed a decree on the adoption of the “State Program for the Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2004-2008”. According to the decree, within the framework of the above-mentioned program, decisive measures were to be taken to ensure economic development in Azerbaijan and further accelerate the non-oil sector [4]. On April 14, 2009, following the successful completion of the first decree, the President of Azerbaijan, Ilham Aliyev, signed the second decree on the “State Program for the Socio-Economic Development of the Regions of the Republic of Azerbaijan in 2009-2013”. At the same time, one of the main goals that determined the preparation of the newly adopted State Program was to achieve the diversification of the country’s economy and its effective integration into the world economic system, in parallel with this, a further increase in the level of infrastructure and public utilities, a continuous increase in the standard of living of the population. Also, as a result of the successful implementation of the II State program, significant achievements were made in connection with the continuous development of the

non-oil sector in the country, as well as the creation of new enterprises and workplaces, including further improvement of the entrepreneurship environment, increasing the employment level of the population, and reducing poverty. At the same time, the successful implementation of the tasks set in the “2009-2013 State Program for Socio-Economic Development of the Regions of the Republic of Azerbaijan” and the completion of the implementation period made the adoption of the third state program a necessity. Thus, a new decree was signed by the President of the Republic of Azerbaijan Ilham Aliyev on February 27, 2014. According to that decree, the III stage of the “State Program for the socio-economic development of the regions of the Republic of Azerbaijan in 2014-2018” was approved. The main advantage of the program was that it included the successful continuation of the developments initiated under the two previous programs. This implied that the work envisaged in the previous II State Program should be more comprehensively and successfully implemented in the III State Program [5].

President of the Republic of Azerbaijan Ilham Aliyev signed a decree on the approval of the “State program on socio-economic development of the regions of the Republic of Azerbaijan for 2019-2023” on January 29, 2019. According to the decree, the Economic Development Plan of the Republic of Azerbaijan for 2019-2023 was approved. This program also implements the function of a road map in terms of the development of the non-oil sector in the country.

#### **Literature review**

It should be noted that if the role of the oil sector in the rapid economic development recorded in Azerbaijan in the period from 2003 to 2011 was decisive, then over the past 8 years, the non-oil sector has become especially noticeable in the overall economic growth. According to official statistics and macroeconomic indicators, the increase in the share of the non-oil sector in the country over the past 8 years amounted to more than 2.2 times, which argues in favour of justifying the strategy of spending oil revenues aimed at diversifying the economy.

In one form or another, Azerbaijan, like other countries that went through a transition and lived during that period, took steps to build a strong economy and restore it, taking advantage of its natural resources and being able to successfully diversify its economy and reduce its dependence on oil to a minimum, moving away from the situation of almost complete dependence of export earnings on oil. As a result of the implementation of this strategy, a continuous growth trend in the sectors of construction, tourism, agriculture, transport, information and communication technologies began to be observed in the country in a short period of time. One of the indicators of this trend is the creation of more than 1 million jobs in the country in the last 8 years, most of which are in the non-oil sector.

If we take into account that agriculture, tourism, information and communication technologies and processing industry are considered the main priority areas in the development of the non-oil sector in Azerbaijan, then it is clear that international financial institutions emphasize the importance of agriculture and tourism among these areas [6]. Thus, approximately 44% of the employed population in the country works in the field of agriculture. With this regard, consistent state programs are regularly implemented aimed at developing agriculture in the country, as well as attracting new technologies and carrying out reforms. It can be noted that according to the report of the Cabinet of Ministers, in comparison with 2003, in 2011 the growth in agricultural production amounted to 34%. At the same time, over the past three years, the growth rate of gross agricultural output in Azerbaijan averaged 2.5%. In this sense, the Asian Development Bank, which has a close partnership with Azerbaijan, considers agriculture and tourism as one of the main leading directions for the development of the non-oil sector in the country. The Asian Development Bank believes that improving infrastructure in the regions, subsidizing agricultural producers, as well as maintaining tax incentives for them can be considered as the main tools to help develop the agricultural sector, which has great potential in

Azerbaijan. According to the Bank's calculations, the country's full use of tourism opportunities will lead to the growth of GDP in the non-oil sector. This fact increases hopes for the rapid development of tourism infrastructure in Azerbaijan in the coming years and the acquisition of the status of a country with rich tourism potential, which will result in a large income in this area of the non-oil sector [7].

### Materials and Methods

The main materials on this topic were based on reports prepared by state and governmental organizations, reports prepared by regional and international organizations, and information prepared by other relevant institutions and organizations. This is due to the fact that the main decisions related to the economy are made and implemented by the state bodies and authorities. As for the reports of international and regional organizations, the assessment of the country at the regional and international level is taken as the basis, and on the basis of this assessment, opportunities are created to attract investment in the country's economy.

In addition, it should be noted that this research is based more on the method of observation, research and evaluation, which allows for a more detailed examination of the topic. In other words, observations are first made in relation to the non-oil sector, and then studies and assessments are carried out based on these observations.

At present, many non-oil products produced in Azerbaijan, including electrical machinery and equipment, as well as their parts, chemical products, building materials, finished textile products, etc., are exported to various regions of the world. This is the key to diversifying the economy and creating a basis for the development of the non-oil sector. On the basis of decrees and development programs approved by the President of the country, billions of dollars have been spent on the reconstruction of the economy. Significant funds are directed to support small and medium-sized businesses, including the allocation of preferential state loans to the companies engaged in entrepreneurial activi-

ties, the allocation of subsidies to agriculture, and the development of transport and communication infrastructure throughout the country [8].

In this study, we review the developments taking place in the non-oil sector of the economy of Azerbaijan, the allocation of funds necessary for the development of the non-oil sector, the changes occurring in it, i.e., the increase and decrease of it, the reports provided by local and international institutions in this regard, based on a number of materials and methods.

*Based on the reports of the official state bodies of Azerbaijan, the following conclusions can be drawn:*

An analysis of the results for 2005-2011 shows that during this period, along with general economic development, sustainable development was recorded in the non-oil sector and, thus, GDP in the non-oil sector had a relatively stable growth rate. Based on the data of the Ministry of Economy, The State Statistics Committee, the Ministry of taxes and the International Monetary Fund (IMF), it was found that in 2009, the growth of the non-oil sector was 6.2%, and in 2010-7.9%, which could be considered a rather sensational result at the time of the global economic crisis. In 2010, only the production of industrial products increased by 1.7% in the oil sector and by 6.6% in the non-oil sector. This indicates that a number of measures envisaged by the State Program for the Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2009-2013 are aimed at the development of the non-oil sector. With this regard, the construction of production and service enterprises is also of great importance. According to the official statistical data, from 2003 until today, more than 1,927 production facilities have been built or rehabilitated and put into use in the country. At the same time, in 2011, more than 40 industrial enterprises were prepared and put into operation, in parallel with this, the construction of about 100 enterprises was carried out [9]. It should be taken into account that during that period, more than 275 enterprises, including more than 70 industrial enterprises, were built and put into use in

the regions. It should also be noted that these production and processing enterprises were built and put into operation at the expense of concessional loans from the National Entrepreneurship Support Fund (NESF) under the government.

As a result of ongoing targeted economic reforms, the sustainable development trend of the non-oil sector in Azerbaijan has been closely monitored by international rating agencies in recent years, and this circumstance is taken into account as the basis for increasing the country's international rating. Based on this, in April 2012, the international rating agency "Moody's Investors Service" raised the independent rating of Azerbaijan from "Ba1" to "Baa3", and in this case, the rapid development of the non-oil sector in Azerbaijan can be considered as one of the factors that led to the rating upgrade. The agency also notes in its reports that the government of Azerbaijan actively supports the private sector through the National Entrepreneurship Support Fund [10].

*Based on the reports of international agencies, the following conclusions can be drawn:*

In 2010 alone, more than 100 companies received \$125 million in soft loans through the National Entrepreneurship Support Fund, which can be considered quite large numbers for that period. In addition, it should be noted that in December 2011, another influential international rating agency "Standard & Poor's" raised the long-term sovereign credit rating of Azerbaijan in foreign and national currency by one notch to the level of "BBB-", thereby assigning a high-level investment rating to Azerbaijan. Standard & Poor's has also upgraded Azerbaijan's short-term foreign and national currency sovereign credit rating from B to A-3, which is behind the creation of a free trade zone and investment opportunities. In such a case, sustainable development in the non-oil sector was taken into account as one of the main factors. At the same time, as a result of the implementation of a strategy aimed at diversifying the economy, including the development of the non-oil sector, Azerbaijan ranked 55<sup>th</sup> in the World Economic Forum in

terms of economic competitiveness, and 1<sup>st</sup> in the CIS [11].

Given all this, we can say that Azerbaijan is successfully using its rich oil and gas resources to achieve long-term and sustainable economic development. The main goal of Azerbaijan is to direct "Black gold" to human capital, which is the leading force for the development of the non-oil sector, so that the strategy of building a strong and competitive economy, independent of these revenues, using oil and gas revenues, could give its results.

Another issue worth mentioning is the state of the gross domestic product during the years 2004-2018, when the state programs were being implemented. In other words, in 2004-2018 GDP grew 3.3 times, including 2.8 times in the non-oil sector, 2.6 times in industry and 1.7 times in agriculture. Targeted measures implemented during the implementation of these programs have yielded their natural results with more than 100 thousand enterprises and 2 million new jobs created in the country, 1.5 million of which are permanent. As a result of the work done, the level of unemployment decreased to 5 percent, and the level of poverty decreased to 5.1 percent. Large-scale works carried out within the framework of state programs have created a solid and stable foundation for the development of the regions in the coming years. As a continuation of the previous 3 state programs, the implementation of the "State program on socio-economic development of the regions of the Republic of Azerbaijan for 2019-2023" is being successfully implemented [12].

### **Discussion**

As a result of the huge socio-economic infrastructure construction carried out over the past 18 years, the landscape of the regions has almost drastically changed, which led to the construction of 58 thousand km of new gas pipelines and 13 thousand km of drinking water pipelines in the regions to improve water supply. In addition, about 470 modular water treatment facilities have been installed, 706 thousand people have been provided with drinking water; repair and construction works were carried out on

roads with a length of more than 16 thousand kilometres, 470 bridges and tunnels were put into operation. For reference, it can be noted that over the past 17 years, more than 3,300 schools, hundreds of kindergartens and medical institutions have been built or overhauled within the framework of the State programs for the socio-economic development of the regions. This gives grounds to say that the adopted state programs, along with being one of the factors contributing to the development of the economy, including the non-oil sector, clearly demonstrate the attention of the state to the social sphere. In 2019, within the framework of the IV State program of socio-economic development of the regions in 2020, 7.2 billion manats were allocated for the implementation of the program [13].

In recent times, the creation of industrial zones in ten regions of the country can be considered one of the main factors that spur the industrialization process. Until now, residents have invested a total of 6 billion manats in industrial zones, which has led to the creation of more than 9 thousand new jobs. Therefore, an increase in total production by 2.6 times was registered in these regions. It should be noted that Sumgayit Chemical Industrial Park accounts for more than 80 percent of the products produced in industrial zones, which is considered quite a large number. At the same time, the activity of Balakhani Industrial Park expanded and entered the second stage. The implementation of projects on investment promotion documents issued to date will allow to invest more than 4 billion manats in local production, including the creation of up to 28 thousand new jobs, which will give impetus to the reduction of unemployment in the country. Up to 87% of these mentioned projects belong to the regions. It should be taken into account that the process of creating agro-parks in Azerbaijan is still ongoing and their number is about 40 [14].

Currently, opportunities for expanding the export geography of Azerbaijani products in world markets are being investigated. Undoubtedly, the main goal here is to expand access to foreign markets for competitive and high-quality local products under

the brand name "Made in Azerbaijan". As a result of the successful implementation of state programs, compared to 2018, the export of agricultural processing enterprises in the country in 2019 showed a general increase of 14%. Work also continues on the creation of an agro-park and local farming, which plays an important role in the development of the country's agricultural sector, and in general becomes an event that stimulates the development of the non-oil sector in the country.

State programs approved by the Decree of the President of the Republic of Azerbaijan are aimed directly at the development of agriculture in the country, which indirectly means support for the development of the non-oil sector. In this regard, the following developments can be considered an integral part of the economic concept: "The state program on the development of viticulture in the Republic of Azerbaijan in 2012-2020", "Strategic Road Map on production and processing of agricultural products in the Republic of Azerbaijan", "State program on the development of cotton growing in the Republic of Azerbaijan for 2017-2022", "State Program on the development of silkworm breeding and sericulture in the Republic of Azerbaijan for 2018-2022", "State Program on the development of rice growing in the Republic of Azerbaijan for 2018-2025", "State program on the development of tea-growing in the Republic of Azerbaijan for 2018-2022", "State program on the development of citrus fruit growing in the Republic of Azerbaijan for 2018-2022", "State program on Poverty Reduction and sustainable development in the Republic of Azerbaijan in 2008-2015", "State program on reliable provision of the population with food products in the Republic of Azerbaijan in 2008-2015"[15]. This means that sufficient opportunities have been created in Azerbaijan for the development of the non-oil sector. In parallel with this, significant work has been done in recent years towards the use of information and communication technologies in the activities of state institutions in Azerbaijan, which indicates the formation of a legal framework in this area. Thus, the provision of electronic services to the population in most government

bodies has been ensured, which can stimulate the elimination of bureaucratic obstacles, as well as possible corruption. On July 13, 2012, a more important reform was signed in this field, which consisted in the creation of the State Agency for Citizen Service and Social Innovations under the President of the Republic of Azerbaijan and its subordinate "ASAN service" centers. It can also be noted that since 2013, "ASAN service" centers have started operating in the regions as well. Currently, 14 "ASAN service" centers are operating in our country [16].

### Conclusion

Since 1991, along with the oil sector, there have been certain changes in the development of the non-oil sector in Azerbaijan. Considering that the non-oil sector, which almost completely collapsed in the first years of independence, entered the development stage with the beginning of the development of the oil sector, we divided the non-oil sector into 3 stages and analyzed them.

During our analysis, it became clear that the non-oil sector is the second largest sector in the country and is the basis of trade and development. In particular, the multifaceted non-oil sector requires the state to pay more attention to this area. The study discussed the existence of an economy with great financial

capacity, which includes both agriculture, tourism and the manufacturing industry. The most noteworthy among our discussions is the verification of the growth and decline rate in the non-oil sector on the basis of annual reports, revenues from the non-oil sector, the volume of investments made there, and the role of the state in this matter etc.

The development of the non-oil sector in the country and increasing the export potential of the country cause large financial flows to the country. In this case, the main responsibility of the state is to organize the efficient use of incoming revenues and increase their usefulness in the direction of diversifying the economy.

Thus, taking advantage of the opportunities of the oil sector, the process of forming a sustainable and sustainable national economy can be carried out at the expense of the non-oil sector. At the same time, the development of the non-oil sector creates conditions for a safer and more incremental picture of national revenues in the future. For this purpose, it is important to implement several adopted state programs in a sustainable manner, so that the state also accepts and implements these programs. The expansion of state programs in this area, which have been implemented since 2004 and are being implemented today, is one of the important issues.

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## **DEVELOPMENT STRATEGY AND WEIGHT OF THE NON-OIL SECTORS IN THE ECONOMY IN AZERBAIJAN**

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After the collapse of the USSR, the socialist system collapsed in Azerbaijan, as well as in other allied states. That collapse completely destroyed almost all sectors of the country’s economy, especially the non-oil sector. This means that the period of recession in both the oil and non-oil sectors in the country reached its peak. The stagnation of the country’s economy was felt in many areas. It should be noted that agriculture, tourism, manufacturing, and engineering reached such a decline that the country became dependent on imports in most areas. The transition to economic development after such a tense situation in the country’s economy was remembered by our economists by highlighting three historical

stages of the development of Azerbaijani economy in the period after the restoration of independence. The following stages can be singled out:

- 1) A period of economic recession, 1991-1994.
- 2) A period of stability and consistent growth beginning, 1994-2003.
- 3) A period of dynamic development, 2003- until now.

The period from 1991 to 1994 is considered the first period for the economy development. During that period, the political and socio-economic situation in the country became more complicated. According to the statistics provided for this period, during 1991-1994, the gross domestic product (GDP) decreased by 16.5 per cent annually. It is also known that in Azerbaijan, especially in the non-oil sector, a decrease in industrial production by 10% in 1991, 37% in 1992 and 50% in 1993 compared to 1985 was recorded. As a result of the collapse of the USSR, the production areas were almost completely out of order, and as a result, the level of unemployment increased to a high level. Again, referring to the statistics of that period, we can say that in 1991-1995, the monetary income of the population in real terms decreased by 3.3 times, and monetary income per capita decreased on average by 3.6 times. In parallel with this, the wages of the population decreased by 5.7 times. Since the times of the USSR, in agriculture, which has strong production and economic potential for Azerbaijan, the cultivated area of the main crops, the number of livestock has decreased sharply, and the level of production has almost fallen to the state of recession. Comparing 1996 with 1990 on the basis of given statistical data, it can be concluded that in 1996 agricultural production in the Republic decreased by more than 2-3 times. In parallel with this, the tense situation in agriculture also had a negative impact on the processing sector. Based on the calculations, it was found that in 1995, compared with 1993, the production of cereals and legumes decreased by 19.7%, cotton production – by 3.7%, tobacco production – by 74%, vegetable production – by 13%, fruit production – by 6.4%. At the same time, that trend was observed in meat and eggs production. During that period, meat production decreased by 10 thousand tons, egg production – by 128.7 million units. It was found that the processes that took place in Azerbaijan in 1991-1994 led to the fact that the country's economy, especially the non-oil sector, collapsed on a large scale.

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