

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**THE ROLE OF AZERBAIJANI PROCESSING INDUSTRIAL
ENTERPRISES IN THE ECONOMIC DEVELOPMENT AND
ITS IMPROVEMENT MECHANISMS**

Specialty: 5312.01 - "Field economy"

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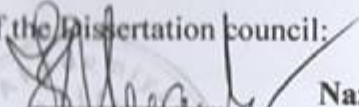
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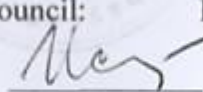
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GENERAL CHARACTERISTICS OF DISSERTATION

The actuality of the subject. The experience of developed countries shows once again that every country that gathers its national strength in the advanced fields of science and technology, has the ability to compete with other countries with a stable and sustainable market economy. The creation of a new system of self-government based on market relations in Azerbaijan is one of the main components of the formation of market structures. The effectiveness of the management system depends on the organizational legal form and methods and mechanisms of economic regulation. The creation of market structures with such mechanisms is one of the necessary conditions for sustainable economic development of Azerbaijani industry.

Sustainable development of industry is one of the priority areas of economic policy in terms of increasing the competitiveness of the country's economy and improving the economic structure. The sustainable development of industry is important both in terms of a highly skilled workforce, employment, urbanization, income levels, and a number of social and cultural perspectives, such as research and development.

To achieve these goals, the main directions of the strategic road map for the main sectors of the national economy have been guided. The main purpose of the adopted programs and concepts is to determine the main directions of state science, technology and innovation policy in the context of globalization, to achieve rapid dynamic development of the non-oil sector, to further increase its economic efficiency, to strengthen innovation in accordance with modern requirements. Among the main strategic goals are the creation of industrial parks, technology centers, innovative production, selection of suitable methods for existing assets in heavy industry and engineering, the creation of a competitive sector, the implementation of international economic cooperation and other measures.

At the same time, access to concessional government loans for industry should be increased, a mechanism should be created to attract both domestic and foreign investment in industry, and all opportunities should be expanded. Mechanisms should be established to improve the infrastructure of industrial projects outside the industrial zones, special economic zones, industrial parks, to link new projects implemented at the expense of public funds with private sector investments, and to reduce the costs of industrial enterprises for this purpose. In this regard, the expansion of the application of public-private partnership models in a number of developed countries should always be in the center of attention and based on their experience.

Improvement of the processing industry, which is the most important leading sector of the national economy, is of great importance for its economic development, implementation of economic security, as well as ensuring its strategic goals, is one of the most important issues for future development. All these make it necessary in modern times, in the processing industry, to manage the factors that hinder the organization and regulation of the innovation process and its improvement, as well as their re-management in accordance with the state's strategy of sustainable economic development. These are the main factors justifying the relevance of the dissertation.

To solve the problem of the role and improvement of the processing industry in sustainable economic development in a market economy, both foreign and national economists and other researchers have conducted research and written scientific works. That is, the problem of the impact of many sectors of the economy, especially industrial enterprises on the sustainable economic development of the country, has always been in the focus of many scholars in the field of economics, including the classics of economic theory, and a lot of research has been done. Thus, foreign scientists K.Clark, C.A.Shumpeter, V.Cevons, K.Marx, V.Mitchell, C.S.Mill, R.Malthus, A.Smith,D.Ricardo, E.Chamberlin, J.Robinson and other scholars

conducted scientific research named on the theoretical and methodological bases of the problem mentioned in the dissertation.

In the territory of the Commonwealth of Independent States, G.Azov, A.Viktorova, A.Sokolov, V.Abramov, L.Chaynikova, P.Zalov, E.Smirnov and other researchers, and in Azerbaijan - academician Z.A.Samadzade, prof. N.M.Imanov, prof. T.N.Aliyev, prof. İ.H.Aliyev, prof. R.P.Sultanova, prof. Sh.A.Muradov, prof. A.H.Nuriyev, prof. T.H.Guseynov, prof. M.C.Atakishiyev, prof. G.S.Suleymanov, prof. E.Y.Mammadov, prof. G.Z.Yuzbashiyeva and other well-known economists have conducted numerous studies on various aspects of the problem.

Without underestimating the importance of research in this area, it should be noted that the comprehensive study of the mechanisms of formation of a sustainable economic development strategy in the globalized modern world of the processing industry, especially the engineering industry of our country has not been studied enough.

On the other hand, the research conducted in 2011-2019 shows that the current state of the main industrial and production assets of the processing industry of the republic, their renewal, breakdown and level of wear and tear, indicators of armament and fund yield, the technical and technological level does not allow for the production and export of products of the processing industry that are competitive and meet international standards.

The weak development of the processing industry, its inability to adequately supply domestic and foreign markets, shows that the existing management system does not respond to market relations, and effective forms and methods of management are not properly applied.

The main goal of the sustainable development of Azerbaijan's refining industry is to eliminate the country's dependence on oil by achieving the production of competitive and export-oriented, scientific and high-tech processing industry products that meet world standards. This can be done through the identification and increase of sources of

innovation and investment resources in the processing industry, the mobilization of the country's natural resources and labor resources, and the improvement of government regulation systems.

One of the main goals of sustainable economic development of the processing industry is to ensure the implementation of a number of measures aimed at increasing the competitiveness of the industry. In order to implement these measures, field research should be supported by additional measures in accordance with the characteristics of different sectors. In order to increase the sustainable economic development of the processing industry, it should be accompanied by increasing customs activity in the regulation of energy prices, customs regime, favorable taxation and flexible exchange rate policy.

The current state of the processing industry gives us reason to say that in today's globalized world, the industry is still not fully ready to produce competitive industrial products. This shows that the mechanisms for the formation of sustainable economic development of processing enterprises should be redeveloped in such a way as not to reduce the competitiveness of enterprises while creating a new competitive environment in the country.

All this explains the goals and objectives of the dissertation.

The purpose and objectives of the study. The main purpose of the dissertation is to assess the role of processing industry enterprises in the economic development of the market economy in the country and to develop scientifically substantiated proposals and recommendations for the development of new methods and mechanisms for its improvement.

In order to achieve this goal, it is planned to carry out the following specific tasks:

- study of theoretical and methodological bases of formation of sustainable economic development;

- identification of macroeconomic aspects and main stages of sustainable economic development;
- defining the role of Azerbaijan's processing industry enterprises in sustainable economic development;
- study of the international experience of the impact of processing industry enterprises on sustainable economic development and to identify the possibility of their use in the processing industry enterprises of Azerbaijan;
- analysis and assessment of the current state of processing industry enterprises;
- creation of new sustainable economic development models of processing industry enterprises;
- identification of ways to strategically manage the sustainable economic development of processing industry enterprises.

During the preparation of the dissertation, research works of foreign and domestic economists, experience of countries around the world, laws and decisions of the Republic of Azerbaijan, decrees and orders of the President of the Republic, state programs, laws and other legislative acts adopted by the National Assembly of the Republic of Azerbaijan, decisions, orders of the Cabinet of Ministers and other legal normative documents were used.

Theoretical and methodological basis of the research Logical generalization, statistical analysis, statistical and graphical methods, observation method, expert evaluation, comparative mathematical analysis and regression methods, computer equipment and modern software tools were used as research method.

The main provisions of the defense:

- One of the main factors influencing economic development is the formation and expansion of university-industry relations. It should be noted that the main factor in the development of university-industry relations is the establishment of relations between the two

organizations on the basis of their interests and the necessary state support to strengthen these relations. *(see page 19)*

- Insufficient funding of the processing industry, outdated technologies, physically and morally worn-out fixed assets used in science-intensive industries are a serious problem facing progressive structural changes, thus limiting the opportunities for economic growth and sustainable economic development in the country. The most important leading sector of the country's national economy and industry, which plays an important role in its economic development, is an area of special importance in the implementation of economic security, as well as in achieving its strategic goals. High-tech production of industrial products has always played an important role in the country's integration into the world economy in modern conditions. *(see page 28)*

- The process of modern globalization of the world economy has directly influenced the gradual formation of economic development as a result of the integration of the Azerbaijani economy. In addition to the common means of solving the above-mentioned economic problems, in addition to the specific regularity of each historical period in sustainable economic development, it is proposed to give priority to the use of national means. *(see page 35)*

- The level of development of the processing industry, which is an important leading industry, is one of the important factors in ensuring sustainable economic development. The processing industry, as a diversified sector of the economy, requires the development of different aspects of society and shapes its competitiveness. As can be seen, the share of industry in GDP in 2019 was 41.4%. In the processing industry, this figure is 4.7% for the year. These statistics indicate the need for further development of the industry. *(see Figure 2.1.2)*

- During the analysis of the main indicators of the processing industry, the volume of products (works, services) was 11793.8 thousand manat, the share of products in the total industrial output was

25.1%, the volume of investments in fixed assets was 2466.4million manat. The fact that the share of investments in the sector is 26.7% shows that it is expedient to pay more attention to this area. (*see Table 2.1.4*)

- If we look at the indicators of commodity products produced in the processing industry in kind, we see that increasing the production of these products is an important issue. (*see Table 2.1.7*)

- Expenditure indicators on technological innovations by types of innovations in the processing industry - volume indicators of innovation products by level of innovation and types of economic activity, indicators of expenditures on technological innovations in industry by types of innovations, expenditures on technological innovations by types of activities and financial sources, the results of the analysis of cost indicators for technological innovations in the following areas show that increasing attention to the field is one of the important conditions. (*see Table 2.1.11*)

- In order to develop an industrial development policy, the current state of the processing industry must first be studied and its economic development problems must be identified. These include low domestic demand and limited markets for sale, mainly low quality of national products and services, high production costs, high share of imported products in the domestic market, mainly the import of raw materials, regulated by the state. low level of production of local products, poor adaptation of production areas to the international market in the conditions of market relations, failure to study the problems related to international markets and access to them, and other problems. (*see page 61*)

- According to the program of development of innovative activity in the state machine-building enterprises, direct support of creation of fundamentally new scientific technologies and productions and more affordable projects at the expense of special financial means of the country, use of favorable measures for indirect stimulation of

innovative activity, creation of preferential regimes for small innovation enterprises can form. (*see page 84*)

The obtained results can be used in the development of sustainable economic development of the processing industry of Azerbaijan, as well as the economic development strategy of the state. Statistical data of machine-building industry enterprises, which are the basic area of processing industry enterprises, as well as enterprises included in “Azneftkimyamash” OJSC were used in the research work.

The scientific novelty of the research consists of:

- the principles of macroeconomic aspects and main stages of sustainable economic development of the processing industry of Azerbaijan were proposed;
- a comprehensive study of the factors affecting the competitive development of processing industry enterprises was conducted;
- new methodological bases for assessing the impact of processing industry enterprises on sustainable economic development have been created;
- forecast models of sustainable economic development strategy of processing industry enterprises have been developed;
- strategic directions of the state policy on sustainable economic development of the processing industry enterprises were proposed;
- specific proposals and recommendations have been developed to identify ways to strategically manage the sustainable economic development of the processing industry.

The theoretical and practical significance of the research is that the main results and proposals of the work can be important in the development of new programs and projects to improve the competitiveness and innovative development of all non-oil industries, including refining, the formation of sustainable economic development policy.

The subject of the research is the mechanisms of formation of the economic development strategy of the enterprises of the processing industry of Azerbaijan.

Approbation and application of research. A number of important issues and separate scientific results of the research were presented to Azneftkimyamash Open Joint-Stock Company and Sabunchu Scientific-Production Union Subsidiary Open Joint-Stock Company in the form of a written report. (Reference dated 01/69, dated May 22, 2015). The main results of the dissertation were presented at various international and national scientific-practical conferences and a total of 35 scientific works, including 6 scientific articles and theses were published abroad.

The organization where the dissertation work is performed. The dissertation was completed at the Azerbaijan Technological University, where the doctoral student studied.

The total volume of the dissertation with a sign, indicating the volume of the structural units of the dissertation separately. The dissertation consists of an introduction (10 pages), three chapters (Chapter I - 24 pages, Chapter II - 48 pages, Chapter III - 34 pages), nine sections, conclusion (5 pages), references (9 pages) and appendix (8 pages). The total volume of the dissertation consists of 132 pages (236,245 characters - excluding figures, tables, graphs, appendices and bibliography), including 20 tables, 2 figures and 8 pages of appendices.

MAIN CONTENT OF THE DISSERTATION

INTRODUCTION

CHAPTER I. THEORETICAL AND METHODOLOGICAL FUNDAMENTALS OF FORMATION OF ECONOMIC DEVELOPMENT

- 1.1. Theoretical approaches to the formation of economic development and models of economic development
- 1.2. The main stages of economic development of the world economy and Azerbaijan
- 1.3. The role of industries in economic development and university-industry relations

CHAPTER II. ASSESSMENT OF THE CURRENT SITUATION OF PROCESSING INDUSTRY ENTERPRISES OF AZERBAIJAN

- 2.1. The current situation of processing industry enterprises of Azerbaijan
- 2.2. The role of Azerbaijan's processing industry in economic development
- 2.3. Current state of the machine-building industry of Azerbaijan and its role in the processing industry (on the example of "Azneftkimyamash" OJSC)

CHAPTER III. MECHANISMS OF IMPROVING THE ROLE OF THE PROCESSING INDUSTRY OF AZERBAIJAN IN ECONOMIC DEVELOPMENT

- 3.1. Development trends of the processing industry and its improvement
- 3.2. The main directions of state policy in the strategic management of the processing industry
- 3.3. Forecast model of economic development of the processing industry of Azerbaijan

CONCLUSION

REFERENCES

MAIN PROVISIONS PROVIDED FOR DEFENSE

1. The formation of economic development in the industrial enterprises of Azerbaijan has allowed to increase the economic efficiency of industrial enterprises and its competitiveness by ensuring the sustainable development of the country's economy.

Ensuring sustainable economic development in the country, improving the socio-economic welfare of the population, forming a qualitatively new model of sustainable economic development, increasing the competitiveness of the country's economy, effective integration into the world economy and further development of the non-oil sector and the expansion of its export potential is one of the main tasks of the state at this stage, and the sustainable development of the non-oil sector is a key priority of the state's economic policy.

The most important factor in ensuring the sustainable development of the country's economy is to further increase the economic efficiency of industrial enterprises and their competitiveness. Industry, the most important sector of the economy of the Republic of Azerbaijan, determines the level of economic potential of the country and its regions. The main direction of improving the sectoral structure of the industry is to increase the share of processing industry enterprises. The low profitability of most sectors of the processing industry creates obstacles to structural and technological modernization, which can not be eliminated without an active state policy.

It is known that currently the main priorities in the development of Azerbaijan's non-oil sector are agriculture, tourism, logistics, as well as engineering and other industries, including processing. On the other hand, the concentration of fixed financial assets in the raw materials sector of the economy and insufficient financing of processing industries, outdated technologies, physically and morally depreciated fixed assets used in science-intensive industries are a serious problem facing progressive structural changes. restricts. The shift in sectoral proportions between production and processing in

favor of the former has led to a deterioration of the industrial structure in the country. The reason was insufficient attention to structural issues¹.

2. The role of university-industry relations has been identified as one of the factors that have a positive impact on sustainable economic development.

Research has shown that one of the obstacles to the development of relations between the university and industry in developed countries is the difficulty of industrial enterprises in finding a potential partner in the field of research and development. To address these problems, a network of universities has been established and managed by the state in a number of developed countries. The network of universities means the creation of an appropriate online platform for the coordination of each university in the country in areas that can cover all industry-university relations.

In order to implement such an online platform, an agreement must be reached between all universities in the country in the field of university-industry cooperation, the creation of a portal to coordinate the relations of each university in the country with industry (portal should be informative, access to each university, each university should have information on cooperation with industry), each university should work closely with the departments involved in the development of university-industry cooperation, pursue appropriate joint policies and define a number of tasks in order to expand bilateral relations at the macro level.

One of the measures that must be implemented by the university is the establishment of a department of industrial relations within the university, as the main missions of universities are teaching and science. The main purpose of this is to establish interaction with

¹ Afandiyev, S.G. Theoretical methodological bases of formation of economic development in the Republic of Azerbaijan // ANAS News, Series of Economic Sciences, - Baku, 2013. №3, - p. 50-55

relevant industrial enterprises and government agencies in accordance with the mission of the university. The first activity of this department is to create a link covering all functions within the relevant site or the university website. This will allow everyone to get any information quickly and efficiently.

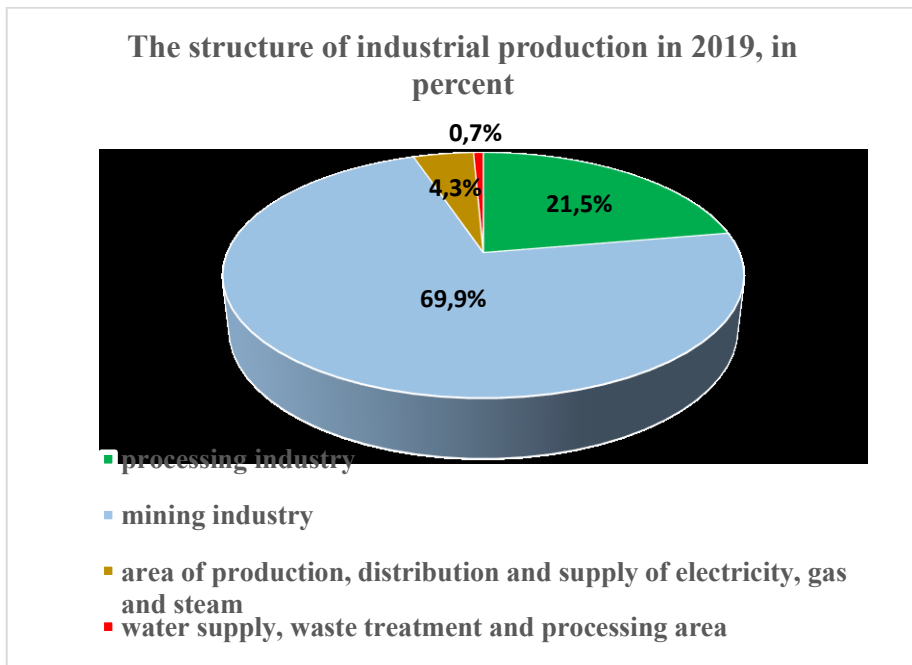
3. The processing industry, one of the leading sectors of the economy of the Republic of Azerbaijan, in turn, is one of the leading sectors of the economy of our country.

The processing industry produces a large number of different products. The sustainable development of the processing industry leads to an increase in public labor productivity, the restructuring of agricultural production, more efficient deployment of productive forces, efficient use of natural resources, strengthening the country's defense capabilities and many other measures.

Accelerating the sustainable development of the processing industry at the present stage depends on increasing its competitiveness. Therefore, increasing the competitiveness of the processing industry should be the central line of the state's economic strategy, including industrial policy. The state uses purposeful stimulus measures to accelerate economic growth in the country and achieve high growth rates of production. Industrial policy is one of such measures. Industrial policy is a method of regulating the state's economy, the purpose of which is a set of measures aimed at ensuring economic growth and improving the welfare of the population.

In addition, the country's industrialization policy has ensured the dynamic development of the non-oil industry, in particular. Thus, 69.9% or 32857.5 million manat of industrial output is mining industry, 21.5% or 11793.8 million manat is processing industry, 4.3% or 2011.6 million manat electricity, gas and steam production,

distribution and supply, 0.7% or 336.3 million manat were produced in water supply, waste treatment and processing².



Picture 2.1.1. The share of industries in total industry (in%) (2019)
Source: Statistical Indicators of Azerbaijan. Statistical collection. Baku-2021

For these reasons, the President of the Republic declared 2014 the "Year of Industry" in Azerbaijan, and more than 230 industrial enterprises have been established in recent years. 123,000 new jobs were created, of which about 100,000 were permanent jobs. As a result of the correct domestic and foreign policy of the Republic of Azerbaijan, in recent years, serious innovations and many achievements have been achieved in all spheres of socio-political, socio-economic and cultural life of our country, building a legal state and civil society. As a result, our republic has become a rapidly

² Industry of Azerbaijan [Statistical collection] / State Statistics Committee of the Republic of Azerbaijan, - Baku, - 2019, - 252 p.

developing power in the world on many indicators, and as a result of successful economic reforms, as in previous years, in 2019, almost all macroeconomic indicators in our country were at a high level³.

As a result of successful economic policy pursued in Azerbaijan, despite the global financial and economic crisis, macroeconomic stability has been maintained in the country, the impact of global crisis processes on Azerbaijan has been minimized and the country's economy has maintained sustainable development. As a result, rapid development dynamics was observed in the economy of Azerbaijan in 2005-2019.

As noted, the level of development of the processing industry, which is an important leading industry, is one of the important factors in ensuring stable and sustainable economic development of any country. Because the processing industry, as a complex sector of the economy, requires the development of various aspects of society, and depending on this level of development, its competitiveness is formed. As a result of recent large-scale radical reforms in the country, as in all sectors of the economy, the processing industry has revived.

Conducting economic analysis, we see that the country's GDP in 2003 amounted to 7.1 billion manat, in 2004 - 8.5 billion manat, in 2008 this figure was 40.1 billion manat, in 2009 - 34.6 billion manat, 42.5 billion manat in 2010 and 81.9 billion manat in 2019. At the same time, our republic has been among the leaders in the world in terms of economic growth over the past few years. During this period, the growth of the world economy was 25.4%, including 13.3% in the United States, 13.7% in the European Union, 45.4% in the CIS and 66.5% in China 2.6 times increase was observed⁴.

³ Order of the President of the Republic of Azerbaijan on declaring 2014 the “Year of Industry” in the Republic of Azerbaijan // January 10, 2014. - Baku - 2014, - 5p.

⁴ Statistical Indicators of Azerbaijan / State Statistics Committee of the Republic of Azerbaijan, - Baku, - 2021, - 788 p.

4. Factors hindering innovation, such as problems in the production of competitive products of processing enterprises, have been identified.

Analysis of the current state of production development in the processing industry in the country shows that the crisis of the early 2000s led to a serious decline in industrial production, both in terms of quantity and quality. Although there have been development trends in the processing industry in recent years, we believe that the development and implementation of a relatively long-term public policy that can provide a strong inflow of investment in this sector of the economy requires overcoming inertia and improving the quality of the processing industry.

It is clear from the current state of development of the processing industry that the economic reforms implemented in the country's economy in connection with the transition to a market economy have not had a significant impact on improving the quantity and quality of production in this area. This is mainly due to the fact that many of the current problems in the development of the processing industry remain unresolved. One of the main drivers of the development potential of material production, including the processing industry, both in the country and in the region, is the level of development of infrastructure. Research shows that one of the problems in the development of the processing industry in modern conditions and the main one is the poor development of infrastructure (production and market infrastructure).

Main indicators of the processing industry

Indicators	2014	2015	2016	2017	2018	2019
Number of operating enterprises	1762	1778	1775	1826	2034	2330
state	149	144	140	117	118	124
non-state	1613	1634	1635	1709	1916	2206

Number of individual entrepreneurs registered to engage in industrial activities, people	14559	15711	16009	17154	17988	19842
Volume of industrial products (works, services), mlnmanat	8072	7880	8899	9723.5	10465	11794
Physical volume index of industrial output, as a percentage of the previous year	102.2	107	101	98	108	111.5
The share of the sector in the total volume of industrial output in the country, in percent	20.2	24.3	22.9	24.4	21.9	25.1
The share of the sector in the private sector of the country's industry, in percent	18.1	24	22.2	20.1	17.4	20.9
Average number of employees, thousand people	105.2	99.7	95.2	105.2	106.1	106.1
as a percentage of the previous year	103.6	94.8	95.5	110.5	100.9	100.9
The share of field workers in the total number of people employed in industry, as a percentage	53.3	53.3	51.2	53.4	50.4	50.4
Average monthly salary of an employee, manat	473	515	543	554	554	554
Fixed capital investments, mln manat	644.6	482.9	424.3	652.6	1432	2466.4
The share of investments in the industry in the total volume of investments in industry, as a percentage	8.4	5.7	4.3	6.2	16.9	26.7
Availability of fixed assets, by the end of the year, million manat	7352.3	7710	8082.4	9013.2	9073.2	9073.2

The price index of industrial producers, as a percentage of the previous year	115.7	91.9	115.2	130.3	112.4	112.4
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Source: Industry of Azerbaijan. Statistical collection. Baku-2021

One of the main reasons for the low level of development of the processing industry is the very low level of technological reconstruction of most industrial enterprises. Research shows that in the early 2000s, the physical and moral obsolescence of existing machinery and equipment in the processing industry of the republic required the urgent replacement of 35% and modernization of 60%. Between 2000 and 2019, the depreciation rate of existing fixed assets increased even more. At present, the physical and moral depreciation of fixed assets in the country is up to 80 percent. The average service life of machinery and equipment in operation is 2.1-2.7 times longer than the relevant standards.

One of the problems in the development of processing enterprises in the country is the lack or poor development of marketing activities in these enterprises. At present, due to the incompleteness of reforms in the institutional system in the Azerbaijani economy, an improved market mechanism has not been formed. In this situation, there is a need to make changes in the management structure of enterprises and the creation of structural units that allow them to operate effectively in the market. In particular, this need is related to market research and product sales.

The analysis of the current state of the processing industry in the country shows that one of the main factors hindering the development of processing enterprises in the current situation is the lack of highly qualified personnel in this field. It is known that when our republic was in the former Soviet Union, it was possible to form a high level of human resources in the country's industry. However, after the independence of our republic, the development of industrial enterprises weakened for objective and subjective reasons, on the other hand, in the current situation, low wages in industry, especially in the

processing industry, the loss of production, technological and commercial knowledge accumulated over many years. The staffing problem will be one of the decisive factors in the resumption of production.

We believe that in the current economic conditions, the modernization and reconstruction of small and medium-sized industrial enterprises is an important condition for ensuring the competitiveness of the processing industry in the non-oil sector, the development of domestic production. To this end, the development of an improved investment assistance mechanism in this area by the state, the attraction of local and foreign investment in these areas, the creation of a favorable investment climate to stimulate investors are among the key measures the government should take in this area.

5. It was considered expedient to implement a number of measures to increase the role of processing industry enterprises in the sustainable economic development of the republic and to stimulate the production of competitive innovative products.

1. Tax exemption for research work related to the creation of new or improved types of products, application of preferential state and bank loans;
2. Application of preferential ratios to depreciation rates of fixed assets used for the implementation of innovation activities;
3. Elimination of restrictions on research and development, innovation and patenting costs for innovation in the taxation system;
4. Implementation of state support in the training of qualified specialists in innovation management and marketing, project management, design and operation of modern equipment, etc.

Therefore, the sustainable development of competitive processing enterprises must be carried out effectively using the opportunities of scientific and technological progress, which will allow the production of quality and competitive products. Only the

scientific organization of the acquisition of new equipment and technologies and their immediate application to production can cope with this work.

This results in increased production efficiency. Thus, the innovative, sustainable development of the economy is the most important factor in the targeted development of production. However, the analysis shows that the pace of development of innovation activities in the processing industry of the country does not fully meet the requirements of a modern market economy. Although ETT's achievements have been applied to the oil sector, progress in the non-oil industry has been very slow. Therefore, the implementation of innovative projects in the processing industry and research in this area should be strengthened.

6. In order to increase the industrial potential of Azerbaijan in the future, effective ways to increase foreign direct investment in this sector have been identified and a number of proposals have been made.

The volume and structure of investments have a direct impact on ensuring the competitive, sustainable development of the processing industry in the country. Therefore, prioritizing investments in fixed assets will be important in terms of determining the future development of processing industry enterprises. Both micro and macro factors should be taken into account when choosing priority areas for investment in the processing industry, and priority should be given to both levels.

When determining the priorities of investments, first of all, it is necessary to take into account the fact that the means of production are directed to the processing industry and its basis for the development of other areas. However, the level of development of the industry has a significant impact on determining the direction of investment. That is, to ensure the effective development of the economy in the country, it is more important to have a high-level energy complex, transport system, system of sales of industry and agriculture, and so on.

In order to stimulate the production of competitive products in the processing industry, it is necessary to increase investment in production, create an optimal competition regime through customs policy, expand export-oriented production and create special economic zones, simplify administrative procedures for import and export operations.

The main provisions of the dissertation and the obtained results are reflected in the following published scientific works.

1. Afandiyev, S.G. Assessment of the role of non-oil sector in economic development of Azerbaijan // I International Scientific Conference of Young Researchers, - Ministry of Education of the Republic of Azerbaijan, Caucasus University, Ataturk University, Hacettepe University, Marmara University, Ondokuz Mayıs University. - Baku, Caucasus University: - April 25-26, 2013 - p. 47–49
2. Afandiyev, S.G. Assessment of the role of manufacturing industry in economic development of Azerbaijan // Azerbaijan-2020: prospects of oil and gas industry development, Scientific and Practical Conference. - Baku, Azerbaijan State Oil Academy: - 2-3 May, 2013 - p. 201-203
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