

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**IMPROVING AZERBAIJAN'S RELATIONS WITH  
INTERNATIONAL FINANCIAL INSTITUTIONS**

**Specialization:** 5310.01 – World Economy

**Field of Science:** 53 – Economic Sciences

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## STRUCTURE OF THE DISSERTATION

**Relevance of the topic.** Research and analysis show that the development of the global economy depends on numerous factors. One of the most significant of these is cooperation with international financial and credit institutions. These relations are carried out through various operations characterized by numerous parameters, as well as through a range of financial instruments.

In the period following the Second World War, various international financial and credit institutions began to form. These institutions engaged in activities that both conditioned and deepened the process of globalization. As a result of their operations, integration between countries and global interconnectedness have reached an advanced level.

Expanding cooperation with international financial and credit institutions has become one of the distinctive features of economic development in many countries – and, in numerous cases, its very foundation. The evolution of economic relations and collaboration between countries and such institutions is influenced by many parameters, including the specialization of these institutions in specific areas and the rapidly changing international economic landscape.

Following the collapse of the Soviet Union and the acquisition of independence, Azerbaijan faced the necessity of transitioning to a new system. This required addressing multiple tasks across various sectors. Among the primary challenges were halting the economic crisis, restoring broken economic ties, minimizing hyperinflation, improving employment, reducing poverty, and creating economic stability throughout the country.

Implementing these measures required substantial financial resources. However, at that time, the state budget had practically no funds. Additionally, the economic situation in the country did not attract foreign investors, with the oil and gas sector being the only area of real interest.

Following extended negotiations with foreign investors, governments, companies, and international financial institutions, the “Contract of the Century” was signed on September 20, 1994. This marked the beginning of the country's “Oil Strategy,” which paved the way for the inflow of foreign capital and played a crucial role in the revival of the national economy. At the same time, the signing of this

contract increased the interest of international financial and credit institutions in Azerbaijan.

Immediately after gaining independence, Azerbaijan joined the International Monetary Fund in 1992. It subsequently began cooperation with the World Bank and its affiliated organizations. The country also established ties with the European Bank for Reconstruction and Development, the Islamic Development Bank, and other international financial institutions. Cooperation with these entities had a significant positive impact on the national economy.

Studies show that relations with international financial and credit institutions contribute to the integration of any country into the global economy and turn them into active participants in global economic processes. This makes such cooperation a strategic direction for any state. Hence, establishing and improving such relations remains a relevant and ongoing challenge.

**State of research on the problem.** The nature and content of relations with international financial and credit institutions, their impact on economic development, and various aspects of international capital use have been studied extensively in both global economic literature and by Azerbaijani scholars. For instance, classical economists such as A. Smith, D. Ricardo, J. Mill, E. Heckscher, J.M. Keynes, J. Hobson, A. Marshall, L. Domar, and L. Walras conducted extensive research on the theoretical aspects and socio-economic implications of international capital.

Likewise, Russian economists such as G.Samoylov, A.I.Dobrynina, I.Y.Noskova, D.Y.Bektenova, D.Belousov, E.A.Zvonova, A.N.Glinkina, A.A.Suetin, Y.A.Krochin, O.N.Panfilenko, K.Astakhov, A.N.Troshin, G.N.Trofimov, A.N.Barinov, B.I.Bolshakov, A.S.Bulatov, R.A.Perolet, and A.P. Vavilov have studied the use of international capital in the form of investments, credits, and direct foreign investments, along with their effectiveness and application mechanisms.

In Azerbaijan, scholars and researchers such as N.S Majidov, E.Hacizade, F.F.Mustafayev, A.H.Alekperov, F.A.Gambarov, M.Mammadov, E.Ibadov, I.A.Karimli, D.Valiyev, A.Shakhheraliyev, F.D.Bagirov, and I.I.Mammadov have also contributed significantly to the literature. Despite their high scientific value, these studies have not examined Azerbaijan's cooperation with international financial

institutions in a comprehensive manner. For this reason, the current dissertation topic was chosen in the proposed form.

**Purpose and objectives of the research.** The aim of the dissertation is to analyze the theoretical and methodological issues of utilizing the mechanisms of cooperation with international financial and credit institutions to ensure dynamic development, economic security, and macroeconomic stability in Azerbaijan, as well as the implementation of strategic projects. This includes a comprehensive analysis of the current situation regarding the attraction of resources from such institutions, identification of priority areas for their use, and development of scientifically substantiated proposals to improve the effectiveness of cooperation.

To achieve these goals, the following objectives were set:

- To explain the essence and evolution of international financial and credit relations;
- To investigate the necessity of forming international financial institutions;
- To study the conditions under which Azerbaijan's cooperation with international financial institutions was established;
- To conduct a comprehensive analysis of the current state of Azerbaijan's relations with such institutions;
- To identify priority directions for the development of international financial relations;
- To explore methods for enhancing the effectiveness of cooperation with international financial and credit institutions.

**Object of the research.** The object of the research is the sectors of the Azerbaijani economy in which resources from international financial and credit institutions have been utilized.

**Subject of the research.** The subject of the research is the system of attracting and managing financial resources from international financial and credit institutions, regulation of related operations, analysis and evaluation of projects funded through such resources, and the totality of economic relations arising in this context.

**Theoretical and methodological foundations.** The research is based on theoretical and practical studies by Azerbaijani and international scholars concerning the mechanisms for using financial resources from

international financial institutions to ensure sustainable development. It also draws on decrees and orders of the President of the Republic of Azerbaijan, laws passed by the National Assembly, decisions of the Cabinet of Ministers, methodological and regulatory documents of the Ministry of Finance, as well as information from the IMF and other international financial institutions collaborating with Azerbaijan.

**Information base of the research.** The research relies on annual reports from the Ministry of Finance of Azerbaijan, the IMF, the World Bank, and others; relevant legislation and normative acts; monographs; conference proceedings; personal observations; and internet sources.

**Research methods.** The study uses statistical analysis, comparative analysis, synthesis, normative and prognostic approaches, systems analysis, and balance methods to evaluate and improve Azerbaijan's cooperation with international financial institutions.

**Key propositions submitted for defense:**

- Theoretical and conceptual issues of international financial and credit relations;
- The impact of international economic integration on economic development;
- Main directions of Azerbaijan's cooperation with international financial institutions;
- Priorities for improving and enhancing the efficiency of cooperation with such institutions.

**Scientific novelty of the research:**

- The essence of international financial and credit relations is revealed based on a comprehensive analysis of theoretical and conceptual approaches, and their necessity is scientifically justified;
- The need for the formation of international financial institutions is substantiated, and proposals are made to increase their impact on the economy;
- The environment that shaped Azerbaijan's cooperation with international financial institutions is analyzed, with positive trends and improvement suggestions identified;
- The current state of the use of resources from such institutions in Azerbaijan is analyzed, their impact on macroeconomic indicators is evaluated, and specific proposals for improvement are presented;

- Priority directions for enhancing the efficiency of cooperation are identified.

**Theoretical and practical significance of the research:**

The theoretical and conceptual provisions, proposals, and recommendations presented in the dissertation can be used in the attraction, regulation, and application of international financial resources in Azerbaijan's economy. They may also support the development of relevant programs and forecasts.

Furthermore, the findings can serve as visual aids in the teaching of courses such as "International Finance," "International Economic Relations," "World Economy," "International Financial Relations," "International Investment Management," and "International Lending" at both undergraduate and graduate levels.

**Application of the research results:** The results and main findings of the dissertation were presented and discussed at international and national conferences, symposia, and seminars between 2018 and 2024.

**Published materials:** As part of the research, 11 scientific articles and theses totaling 4.2 printed sheets were published.

**Structure and volume of the dissertation:** The dissertation consists of an introduction, three chapters, a conclusion, and a list of references. The introduction contains 11,838 characters; Chapter I – 65,790 characters; Chapter II – 77,451 characters; Chapter III – 47,077 characters; the conclusion – 9,401 characters; and the reference list – 15,116 characters. The total volume is 230,546 characters. Excluding tables, graphs, diagrams, and references, the main text includes 211,557 characters. The dissertation includes 10 tables, 1 graph, and 1 diagram.

## **MAIN PROVISIONS SUBMITTED FOR DEFENSE**

### **Provision 1. Theoretical and Conceptual Issues of International Financial and Credit Relations**

International financial and credit relations play the role of a locomotive for economic development in the modern era. The existence and level of these relations, on the one hand, determine the nature of inter-country integration processes, and on the other hand, lay the foundation for the dynamic development of countries.

Research shows that the concept of financial and credit relations reflects certain parameters that have a unique character within economic relations. One of the most essential parameters is that financial and credit relations manifest themselves as an integral component of production relations. In other words, through this parameter, economic connections existing in monetary form are reflected among the state and various economic entities, as well as foreign economic entities.

Analysis indicates that the formation, development, and evolution of financial science can be divided into two significant stages. The first stage began during the Roman Empire period and continued until the mid-20th century. During this period, the theoretical aspects of finance were formed, resulting in the emergence of classical financial theory. The evolutionary path of finance during this time ensured its establishment both as a science and as a category, as well as a key instrument and tool in state governance.

The second stage covers the period from the mid-20th century to the present. In this period, instead of the classical financial theory formed in the first stage, a new characteristically substantive neoclassical financial theory emerged. Although the classical functions of finance did not change in this new phase, significant changes became apparent in financing mechanisms. The primary reason for this is that in the periods dominated by classical financial theory, financing issues were primarily state-owned, whereas in the current phase, the private sector dominates financing.

Russian scholars A.I. Dobry and K.S. Tarasevich noted that international financial and credit relations, which act as one of the



fundamental forms of economic relations in the global economy, represent the international migration of capital, i.e., the movement of funds from one country to another.

Azerbaijani scholar E. Hajiyeu evaluates the international capital used in international financial and credit relations as a factor that conditions economic growth and dynamics in countries, emphasizing that, in reality, the attraction of monetary funds and additional resources by both states and economic entities provides an effective source for dynamic development marked by growth.

Analyzing the evolution stages of international financial and credit relations is essential. The first stage, as mentioned, spans from the 8th century until the end of the 19th century. This stage, by its nature, is known in economic research as the formation phase of international financial and credit relations or the stage of capital export. Its main characteristic is that financial resources moved only in one direction—funds flowed from metropolitan countries to colonial territories.

As noted, the second stage of evolution covers the period from the late 19th century to the mid-20th century. This stage differed from the first by acquiring a more progressive form. During this stage, international financial and credit relations gained new parameters and covered broader areas in the global economy.

During the second stage, the volume of international financial and credit transactions increased sharply, became permanent, and laid the groundwork for the ongoing nature of the process. According to research, this stage is known as the capital export phase.

The third stage of the evolution, beginning from the mid-19th century to the present, involves international financial and credit operations that ensure that participating countries act reciprocally, with one country as the exporter and the other as the importer.

One of the most important factors conditioning the expansion of international financial and credit operations is the establishment and expanding activity of International Financial Credit Organizations. Therefore, examining the activities of these organizations is crucial for research.

The role and importance of international financial credit organizations are increasingly growing in the current stage of global economic development. This is due to the functions and duties they perform. Their activities have significant importance in several directions, stimulating the rapid development of the world economy. These include: firstly, ensuring the necessary stability in the functioning of the international monetary relations system and regulating its processes; secondly, serving as a base for the establishment of international monetary settlement relations among countries; thirdly, preparing recommendations on the most critical problems of the global economy; and fourthly, summarizing information on global economic trends, conducting analyses, and preparing plans for future activities.

Among the international financial credit organizations established in response to current global conditions are: the International Monetary Fund (IMF), the World Bank (WB), and five institutions under this bank: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), the International Centre for Settlement of Investment Disputes (ICSID), the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB), and the Islamic Development Bank Group (IsDB).

Global experience shows that certain prerequisites must be met for integration processes to develop. These conditions relate to the parameters of the interests of the integration participants. The first is that if two countries participate in integration, they should approximately be at the same level of development.

The second prerequisite is that the integrating country and the international financial credit organization must share common interests and that the project being implemented should aim for mutually beneficial results for both parties.

The third prerequisite requires that all necessary infrastructure exist in the country where the project implemented by the international organization is realized.

The fourth prerequisite is that the countries should fulfill the terms and requirements of the financial credit organization by implementing the necessary projects to achieve a new level of development.

## **Provision 2. Issues of the Impact of International Economic Integration on Economic Development**

International economic integration (IEI) is one of the most important forms of economic globalization in the modern world economy. This process reflects both inter-country integration and the integration of countries with international financial credit organizations. It is a policy that ensures the objective development of deep and sustainable relations mutually agreed upon by individual countries and international credit organizations.

Our research and analysis show that depending on the level of development of economic unions and the degree of participation of countries in this integration, political unions with a high level of regional integration also form.

In the early 1990s, following the dissolution of the USSR, newly independent republics, including the Republic of Azerbaijan, began a process of transformation. These republics, including Azerbaijan, initiated this process under difficult conditions. At that time, Azerbaijan faced the strategic task of rapidly transitioning from an administrative-command system to a new system based on market relations, as well as actively integrating into the globalizing world economy to build a national economy with new parameters.

Global experience demonstrates that foreign investments, loans, and aid, by their economic nature, can fulfill diverse and strategic objectives within the national economy. During that period, foreign capital was necessary to solve urgent problems, eliminate existing issues, and achieve macro and micro-level strategic goals. Hence, the establishment of relations with foreign states and international financial credit organizations was essential.

## **Provision 3. Main Directions of Azerbaijan's Cooperation with International Financial Organizations**

According to conducted research and analyses, every country that is a member of the World Bank has a status reflecting its participation in the Bank's structures. The current status of our country is characterized by the following indicators. (Table 1)

**Table 1. The Current Status of the Republic of Azerbaijan in the Institutions of the World Bank Group (as of April 27, 2023)**

№	Institutions of the World Bank Group	Equity participation share		Voting rights	
		value of shares	percentage of the total number	number of votes	percentage of the total number
1	International Bank for Reconstruction and Development (IBRD)	274.9 mln ABŞ dol.	0.11	3561	0.13
2	International Finance Corporation (IFC)	20.360 mln \$	0.09	27479	0.12
3	International Development Association (IDA)	-	-	73224	0.24
4	Multilateral Investment Guarantee Agency (MIGA)	1.15 SDR	0.06	357	0.16
5	International Centre for Settlement of Investment Disputes (ICSID)	-	-	-	-

*Source: Taken from the website of the Ministry of Finance of the Republic of Azerbaijan.*

One of the international financial credit institutions with which the Republic of Azerbaijan has established mutual economic relations is the Asian Development Bank (ADB). Our country became a member of this

international organization by acceding to the "ADB Agreement" on October 29, 1999.

Analysis shows that the activities and projects implemented by the bank in Azerbaijan cover both the public and corporate sectors. However, all these projects are carried out based on the main directions of the state's development strategy.

Another international financial credit institution with which the Republic of Azerbaijan has formed mutual relations is the Asian Infrastructure Investment Bank (AIIB). This international organization is relatively new compared to others and was established on June 29, 2015, in Beijing. The Articles of Agreement prepared by the bank on that date were ratified by the Republic of Azerbaijan on March 4, 2016. However, our country became a full regional member of this bank from June 24, 2016.

The Islamic Development Bank Group is also among the international financial credit institutions with which the Republic of Azerbaijan has established reciprocal relations. Since gaining independence, Azerbaijan has become a member of three structures of this international financial credit institution. It has been a member of the Islamic Development Bank since 1992, the Islamic Corporation for the Development of the Private Sector since 2002, and the International Islamic Trade Finance Corporation since 2014. Through these memberships, Azerbaijan has initiated mutual cooperation. According to the Decree of the President of Azerbaijan dated February 20, 2003, the Minister of Economy was appointed as the country's governor to the Islamic Development Bank, and the Minister of Finance was appointed as the alternate governor.

Another element of Azerbaijan's cooperation with the Islamic Development Bank is its accession to the agreement establishing the International Islamic Trade Finance Corporation affiliated with the bank. Our country ratified this agreement on December 17, 2013. Azerbaijan holds 50 shares in this corporation, valued at 500,000 US dollars. This constitutes a small portion of the total subscribed capital, accounting for 0.06%. Azerbaijan continues to expand its relations with this organization.

**Table 2. Information on projects financed by international financial and credit institutions in the Republic of Azerbaijan during 1992–2023 (as of January 1, 2024).**

<b>No .</b>	<b>Organizations</b>	<b>Funded projects</b>	<b>Funds raised in million \$</b>	<b>Repayable debt</b>	<b>Residual debt</b>
1	World Bank, including		2389.60	1430.2	959.80
1.1	International Development Association	IDA funds are mainly allocated to the implementation of education, drinking water supply, improvement of communal infrastructure, environmental protection and other social projects.	313.6	154.1	159.5
1.2	International Bank for Reconstruction and Development	The IBRD finances transport, land reclamation, water management, and employment support projects.	2076.0	1276.1	800.3
2	Asian Development Bank	ADB is providing assistance to our country in transport, energy, trade negotiations and other areas.	5270.95	3337.75	1933.2
3	European Bank for Reconstruction and Development	The EBRD finances the implementation of projects of national and regional importance in Azerbaijan, covering sectors such as energy, transport, water, banking, agribusiness and general industry.	3530.0	3254.8	275.2
4	Islamic Development Bank	The IDB finances projects in the areas of transport, energy, land reclamation, water management, and improving the situation of refugees and displaced persons.	1289.3	1001.40	287.9
5	Asian - Infrastructure - Investment - Bank	COVID-19 Active Response and Cost Support Program	1300.0	1200.0	100.0
	<b>Total</b>		<b>13779.85</b>	<b>10223.75</b>	<b>3556.1</b>

*Source: Prepared by the author based on data from the website of the Ministry of Finance of the Republic of Azerbaijan.*

As research indicates, two institutions of the World Bank—the International Development Association and the International Bank for Reconstruction and Development—have allocated funds to our country's economy (Table 3)..

**Table 3. Information on funds allocated to the Republic of Azerbaijan by the International Development Association of the World Bank during 1995–2023 (as of January 1, 2024).**

<b>No.</b>	<b>Project directions</b>	<b>Year of allocation</b>	<b>Amount \$ million</b>	<b>Repaid debt</b>	<b>Residual debt</b>
1	Education	1997	11.0	11.0	-
		2001	6.0	6.0	-
		2004	6.0	6.0	-
		2007	7.0	5.4	1.6
		2011	9.9	-	9.9
		2015	6.0	-	6.0
		2019	7.0	-	7.0
		2022	5.0	-	5.0
			<b>57.9</b>	<b>28.4</b>	<b>29.5</b>
2	Drinking water supply	1996	20.0	20.0	-
		1999	15.0	15.0	-
		2003	10.0	6.3	3.7
		2007	8.0	-	8.0
		2011	8.0	-	8.0
		2015	12.7	-	12.7
		2019	4.0	-	4.0
		2020	5.0	-	5.0
			<b>82.7</b>	<b>41.3</b>	<b>41.4</b>
3	Communal infrastructure	1997	6.0	6.0	-
		2001	7.5	7.5	-
		2004	12.4	12.4	-
		2008	9.5	9.5	-
		2011	10.6	3.0	7.6
		2014	10.5	-	10.5
		2018	5.9	-	5.9
		2019	10.0	-	10.0
		2021	6.0	-	6.0

*Continuation of the table 3*

			<b>78.4</b>	<b>38.4</b>	<b>40.0</b>
4	Environmental protection	1996	1.7	1.7	-
		1998	2.1	2.1	-
		2001	1.3	1.3	-
		2005	1.6	1.6	-
		2008	1.9	1.9	-
		2010	2.3	2.3	-
		2013	5.1	3.5	1.6
		2017	3.6	-	3.6
		2019	4.6	-	4.6
		2022	4.2	-	4.2
			<b>28.4</b>	<b>14.4</b>	<b>14.0</b>
5	Other social projects	1998	17.3	17.3	-
		2006	6.9	6.9	-
		2009	7.8	7.4	0.4
		2014	13.0	-	13.0
		2019	12.0	-	12.0
		2022	9.2	-	9.2
			<b>66.2</b>	<b>31.6</b>	<b>34.6</b>
	<b>Total</b>		<b>313.6</b>	<b>154.1</b>	<b>159.5</b>

Source: Prepared by the author based on data from the website of the Ministry of Finance of the Republic of Azerbaijan.

The indicators show that, as of January 1, 2024, 154.1 million USD, or 49.13%, of the funds allocated to our country's economy by the aforementioned international organization have been repaid, while the remaining 159.5 million USD, or 50.87%, remain as outstanding debt.

Another organization investing international capital into our country's economy is the International Bank for Reconstruction and Development, a part of the World Bank Group (see Table 4).

To analyze the current state of international financial and credit relations, it is important to examine Azerbaijan's cooperation with one of the key organizations — the Asian Development Bank (ADB). As is known, our country became a member of this institution on October 29, 1999.



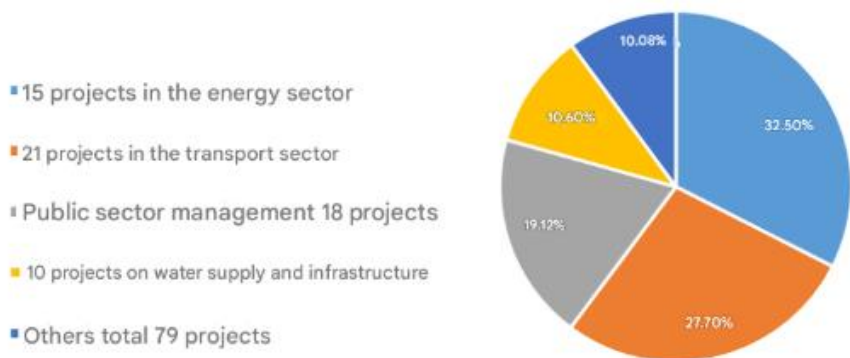
**Table 4. Information on Funds Allocated to the Republic of Azerbaijan by the International Bank for Reconstruction and Development during 1992–2023 (as of January 1, 2024)**

<b>No.</b>	<b>Project directions</b>	<b>Year of allocation</b>	<b>Amount \$ million</b>	<b>Repaid debt</b>	<b>Residual debt</b>
1	Transportation	1993	30.0	30.0	
		1996	90.0	90.0	
		1999	110.4	110.4	
		2001	60.3	60.3	
		2005	75.9	75.9	
		2009	90.6	24.2	66.4
		2011	64.7	-	64.7
		2014	54.6	-	54.6
		2017	60.4	-	60.4
		2020	1.5	-	1.5
		2022	2.3	-	2.3
			<b>640.7</b>	<b>390.8</b>	<b>249.9</b>
2	Reclamation	1995	70.0	70.0	-
		1999	80.0	80.0	-
		2002	110.0	110.0	-
		2005	87.6	87.0	-
		2008	50.0	25.3	24.7
		2011	60.0	-	60.0
		2014	100.0	-	100.0
		2018	12.9	-	12.9
		2022	50.0	-	50.0
			<b>620.5</b>	<b>372.3</b>	<b>248.2</b>
3	Water management	1995	30.0	30.0	-
		1997	56.2	56.2	-
		2000	57.0	57.0	-
		2003	59.0	59.0	-
		2005	80.0	80.0	-
		2008	60.0	60.0	-
		2011	120	30.4	89.6
		2014	60.0	-	60.0
		2017	42.00	-	42.0
		2019	17.0	-	17.0
		2022	15.0	-	15.0
			<b>596.2</b>	<b>372.6</b>	<b>223.6</b>

4	Employment support projects	1996	20.3	20.3	-
		1999	20.2	20.2	-
		2002	20.5	20.5	-
		2006	30.4	30.4	-
		2009	26.0	26.0	-
		2013	25.7	23.0	2.7
		2017	27.9	-	27.9
		2019	26.3	-	26.3
		2022	21.3	-	21.3
			<b>218.6</b>	<b>140.4</b>	<b>78.3</b>

*Source: Prepared by the author based on data from the website of the Ministry of Finance of the Republic of Azerbaijan.*

From that period until January 1, 2024, the Asian Development Bank (ADB) has invested a total of 5,270.95 million USD in our country. The projects financed by the Bank primarily cover sectors such as transportation, energy, trade, water supply, other infrastructure, the financial sector, education, and healthcare. The Asian Development Bank has financed approximately 140 projects in Azerbaijan. This places it second in terms of the number of projects financed, following the European Bank for Reconstruction and Development (EBRD), which has funded 188 projects. The credit portfolio of the Asian Development Bank in Azerbaijan is presented as follows (Diagram 1).



**Diagram 1. Credit Portfolio of the Asian Development Bank in the Republic of Azerbaijan**

*Source: Prepared by the author based on data from the website of the Ministry of Finance of the Republic of Azerbaijan.*

#### **Provision 4. Priorities for Improving Relations with International Financial Organizations and Directions for Enhancing Efficiency**

In the second half of the last century and the first two decades of the current century, the most significant factor conditioning the operation of the global economy within existing parameters has been the intensive development of international economic relations. This intensive growth has led to the emergence and broad expansion of new forms of economic relations between countries as well as with international financial and credit institutions, deepening these connections substantially.

International financial and credit relations have been chiefly advanced by these institutions, particularly by the International Monetary Fund (IMF), the World Bank, and others. Both during periods of global crises and stable development, these organizations—playing a decisive role in international economic relations—have held numerous discussions aimed at improving these relations and adopted decisions to develop financial and credit relations in a new format amid globalization.

One of the key steps toward improving international financial and credit relations may be the creation of a “New Financial Architecture.” Such an architecture should primarily ensure the strengthening of the roles and positions of international financial and credit institutions, especially the IMF, which has specific functions in this field.

Research indicates that liberalization processes in financial markets trigger international leaps within a competitive environment. As a result, the volume of international transactions increases, and financial and credit institutions that enhance this volume earn the majority of their revenues from these transactions.

Over time, as international relations develop, the financial market formed through international financial and credit institutions evolves further, taking on more of a two-tiered system character. The upper tier—or the global tier, as referred to in literature—is supported by the circulation of securities of leading international financial credit organizations and prominent international corporations. The activities of these organizations are global in nature, integrating numerous parameters of international relations.

The lower tier involves securities specific to national markets, which circulate through the infrastructure of local financial markets. The

boundaries between the two levels of the financial market are determined by the organizations participating in both tiers.

Based on the above, it can be concluded that the improvement of international financial and credit relations is a vital component of international economic relations with particular significance. Efforts to enhance these relations should primarily restore balance in the functioning of the international financial market and structure cooperation with countries according to their needs and strategic goals. All undertaken measures must align with the economic interests of each participant in the financial market.

To determine the prospects for cooperation with international financial and credit institutions, it is necessary to review the current parameters of these relations. Our research shows that in developed countries, international lending carries significant characteristic parameters. One of the most important of these is that these countries receive the majority of foreign funds in the form of concessional loans and non-repayable subsidies.

It is well known that one of the most critical directions of cooperation with international financial credit institutions is the establishment of an effective system for managing external debt. Experience shows that maintaining economic stability within a country requires that foreign debt be within established norms. Therefore, excessive accumulation of foreign debt must be avoided.

International practice demonstrates that having a system to manage external debt provides a country with a legal framework necessary for regulating the structure and volume of foreign debt, as well as the administrative, economic, and other essential aspects required for its efficient operation. It should also be noted that the existence of such a system is based on a fundamental principle.

An important issue for increasing the efficiency of cooperation with international financial and credit institutions is preventing uncontrolled growth of external debt. Uncontrolled debt growth disrupts the regulation of this system, leads to solvency crises, and as the debt level rises, economic problems exceed acceptable limits. To prevent such situations, international experience applies systems for ongoing monitoring and control of external debt.

Another crucial direction to improve cooperation efficiency with international financial credit organizations is the liberalization of economic processes. A key element of this process is the liberalization of domestic financial markets. However, it should be noted that an increase in liberalization and the removal of controls over capital flows can lead to large-scale currency speculation in the national economy.

Another important issue for enhancing cooperation effectiveness is determining the proper and efficient distribution of foreign loans obtained for financing investment projects.

One of the important means of increasing efficiency in cooperation with international organizations is establishing forms, methods, and procedures for controlling unsecured loans. International experience shows that such control is exercised through currency control mechanisms, where foreign loans are not registered but only monitored through loan limits and granted permissions for attracting external debt.

A key direction for improving cooperation efficiency with international financial credit institutions is related to the activities of the World Bank Group.

For the Republic of Azerbaijan, this situation has created the integration of the national economy into the global economy, demonstrated its position by producing competitive products for potential investors, and since the early 21st century, the country has become a major exporter of oil and gas.

Expanding activities in the above-mentioned directions for improving cooperation efficiency with international financial credit institutions will strengthen Azerbaijan's position in both geopolitical and geoeconomic spaces. This, in turn, will enable the country to conduct an independent foreign policy on the international stage, protect itself from external threats, and ensure both economic and financial security.

## CONCLUSION

**1.** Our research demonstrates that international financial and credit relations possess specific characteristics and parameters, and currently play a leading role in the development of the global economy. The formation of these relations turns any country into an active participant in integration processes, thereby laying the foundation for dynamic development within those countries. The choice of which international financial institution a country cooperates with defines the nature of the integration process and ensures the implementation of projects in specific directions.

When examining the current state of existing relations with international financial credit organizations, it becomes clear that these relations emerged due to the participating country's need for financial resources and the inability to resolve critical strategic problems independently. Efficient use of these resources has led to significant positive trends in our country's economy, with improvements at various levels—both macro and micro—resulting in stable dynamics and strengthening the country's geopolitical and geoeconomic position.

**2.** The dissertation research has proven that from 1992 until January 1, 2024, international financial and credit institutions have invested a total of 13,779.85 million USD into our country's economy. These funds, possessing a multiplicative effect, have led to year-on-year growth in key economic indicators reflecting the financial-economic state of the national economy. For example, in the first quarter of this year compared to the same period last year, GDP grew by 4%, value added in the oil and gas sector increased by 0.4%, and in the non-oil sector by 6.7%. The distribution of value added includes 39.3% in industry, 9.7% in trade and repair of vehicles, 6.8% in transportation and storage, 5.9% in construction, 2.9% in agriculture, forestry and fisheries, 2.4% in accommodation and food service activities, 1.7% in information and communication, and 20.4% in other sectors.

**3.** The conducted research indicates that the environment and mechanism for the utilization of funds from international financial credit organizations in our republic have distinct characteristics. The attraction of these funds to our economy began amid intense political, economic, social, organizational, and legal challenges. It is well known that the

environment and mechanism governing the use of funds from international financial credit organizations depend on economic, political, legal, social-organizational, and other factors. Under the influence of these factors, indicators such as the dynamics of macroeconomic indicators, the level of economic specialization, changes in the current conjuncture, the level of international relations, political stability, and economic development priorities form the environment.

4. The research confirms that attracting funds from international financial credit institutions to the national economy is a key element of international economic integration. Necessary conditions for the development of integration processes have been outlined:

- First, existing problems and concrete projects requiring solutions must align with the operational focus of the international organization.
- Second, projects requiring resolution must fall within the interests of the international financial credit organization and be feasible for that organization.
- Third, there must be a common, unified interest between parties in the jointly implemented project, with efficient outcomes as the final goal for both sides.
- Fourth, the necessary infrastructure must be available for any project implemented by the international financial credit organization within the country.

5. Our research has established that Azerbaijan's relations with international financial credit institutions began immediately after gaining independence in 1992. In that year, Azerbaijan became a member of three World Bank entities: the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. In 1995, Azerbaijan joined two other World Bank entities, namely the International Finance Corporation and the International Development Association.

Additionally, Azerbaijan joined the Asian Development Bank in 1999, the Asian Infrastructure Investment Bank in 2015, the Islamic Development Bank in 1992, the Islamic Corporation for the Development of the Private Sector in 2002, and the International Islamic Trade Finance

Corporation in 2014, thus commencing cooperation. These organizations have played a significant role in ensuring stable, sustainable, and continuous development in our country.

6. Research has shown that relations formed between our country and international financial credit organizations represent an important form of international economic and financial relations, with unique features. As a rule, investments made through these relations have been directed primarily by the state to the most necessary sectors, accelerating and expanding the public production process.

7. Our research and analyses indicate that cooperation with international financial credit institutions has contributed not only to improving the current state of our economy but also to forming a specific model for ensuring sustainable long-term development. Such a model deepens our country's integration into the international arena and consequently expands the scope of cooperation. This, in turn, strengthens Azerbaijan's geopolitical and geoeconomic position.

8. Since the organization, regulation, and management of relations with international financial credit organizations depend on numerous factors, their improvement is a complex process. Both the international financial credit organizations and countries undertake various measures in this direction. Depending on the level of trust and confidence between the parties, improvements in the forms and methods of cooperation are introduced, ultimately ensuring efficiency for both sides.

9. Research has proven that one of the most important objectives of relations and cooperation with international financial credit organizations is to enhance efficiency. A key issue in this regard is the creation and effective functioning of an external debt management system. The existence of such a system provides the country with the necessary legal framework for regulating the structure of external debt, as well as administrative, economic, and other aspects for its efficient operation, thus enabling a comprehensive solution to the problem. The most important tasks in solving this problem involve controlling external borrowing, overseeing its structure, managing it, and ultimately achieving efficient results.



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