

**CHAPTER 37**  
**NEW MODELS FOR SUSTAINABLE ECONOMIC DEVELOPMENT**

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**INTRODUCTION**

Azerbaijan has been developing a national economy for several years now. Our country's economic and natural resources create the conditions for shaping our economy in line with our national interests. Our country effectively utilizes national resources, which is based on market relations. When national economies effectively utilize natural resources, a global economy is formed. In other words, the global economy is formed on the foundation of national economies. National economies contribute to the development of the global economy. At the same time, national economies can benefit from the opportunities of the global economy. National economies develop by drawing on the experience of other countries. In particular, countries that choose a market-based approach in their economic systems are developing, taking advantage of the principles of economic development. Thus, they develop their national economies by utilizing investments from developed countries. In particular, post-Soviet countries utilize investments from developed countries to build their national economies. Beginning in the mid-1980s, socialist enterprises began to transform into commodity producers. Although this was initially unsuccessful, market relations began to be applied in the 1990s. First, market-oriented laws were adopted. In the early years of the closed Soviet republics, they began producing goods for the global market, albeit in limited quantities. However, due to the closed economic system, this did not produce the desired results. The need arose to create a market economy based on various forms of ownership. Thus, private property should be based on the dominant economic relations of society.

First of all, based on global experience, it was planned that at least 30% of property should be state-owned, and 70% privately owned. This is the optimal ratio. Furthermore, it was necessary to abolish the state (administrative-command) monopoly and organize private enterprise. Issues of organizing small, medium, and large businesses were considered. Inflation in the country had to be mitigated and prices had to be gradually liberalized. The needs of the country's population were to begin to be met through domestic demand;

unemployment was supposed to be reduced and the number of entrepreneurial enterprises increased through privatization. Conditions for the free functioning of opportunities were created. It was necessary to eradicate the mentality of slavery and awaken a sense of entrepreneurship. The expansion of foreign economic relations, the implementation of privatization, the creation of macroeconomic stability, and the development of entrepreneurship created the conditions for the formation of a national economy based on a market economy. Thus, it was necessary to ensure the simultaneous development of the real and financial sectors, and the activities of the capital, labor, and goods (work and services) markets had to be interconnected. Our country's first relations were with the Turkish Republic and the Islamic Republic of Iran. Although our currency, the manat, was introduced, the use of the US dollar and Russian ruble also led to the formation of a black market for a time. This undoubtedly had its negative consequences for a time.

### **37.1. The Main Characteristics of Sustainable Economic Development in Modern Economic Conditions**

In the context of economic instability, declining living standards, inflation, and unemployment, a number of important issues arise in economic theory. One such issue is the theory of economic growth. Economic growth theory characterizes the current state of economic development and reflects the current direction of opportunities for achieving economic goals. This theory allows us not only to observe processes occurring in economic life but also to identify opportunities for their consistent resolution.

We believe that to study a sustainable and innovative economy, it is essential to first understand the essence of economic growth. Economic growth theory allows us to analyze production over a given period and understand the factors that determine its source. From this perspective, under conditions of unlimited demand and limited resources, the primary focus is on increasing production volume through the consumption of certain factors or their efficiency. It is also important to identify reductions or increases in production costs, examine the factors influencing their dynamics, and determine the impact of the resulting impact on both efficiency and income generation.

Although economic growth theory originated with the works of the French economist J.B. Say in the history of economic thought, it began to attract more attention as an economic approach during the stage of pure capitalist development. In this regard, the English economist William Chevons, who made important contributions to the theory of economic growth, can be cited as an example. He identified the necessary factors associated with the production

of goods and services. Thus, he primarily gave priority to labor, capital, and natural resources. In particular, it was shown that the role of capital is particularly significant in the creation of wealth and income due to the fact that labor costs exceed the cost of subsistence. However, Peter Solow, a professor at the Massachusetts Institute of Technology who received the Nobel Prize in 1987, demonstrated back in 1957 that neither the growth of the labor force nor the volume of capital investment play a role in driving economic growth. The main factor is technological progress. Economic growth is associated with technological progress. It includes events associated with improvements in the production process. Thus, firstly, this reflects improvements in production technologies. Secondly, it allows for improved methods of organizing and managing production. As a result, the economy experiences continuous structural improvements <sup>1</sup>.

Under such conditions, new efficient production sectors emerge, displacing and eliminating relatively inefficient ones, and the economy begins to expand. The very fact that scientific and technological progress leads to the emergence of efficient production sectors makes it a decisive factor in economic growth. Before Salou, the impact of technological progress on the dynamics of economic development had not been studied.

Economic growth refers to the production of goods and services that improve the standard of living, both quantitatively and qualitatively. The study of economic growth, above all, prompts everyone to seek an answer to a pressing question: how can the gross national product produced in society satisfy the needs of everyone and ensure a decent life? From this perspective, it becomes necessary to define the meaning of economic growth. Economic growth essentially reflects the percentage increase in the gross national product or net national product produced over a given period of time, or their per capita value. In any case, economic growth, as an economic goal, plays a decisive role in determining the standard of living of the population. Until now, economic growth has been studied only as a purely quantitative indicator that generally determines the economic potential of countries. However, economic growth is essentially a process that reflects the concepts of quantity and quality in a unified manner. The question may arise as to how economic growth can reflect their quality in addition to reflecting the volume of material goods and services. Here, it should be taken into account that if material and spiritual goods per capita increase – that is, if both demand and its quantity are satisfied – this leads

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<sup>1</sup> Bank for International Settlements (BIS). (2024a). *Fast payments: Design and adoption*. BIS Quarterly Review. <https://www.bis.org>

to the emergence of new needs. Under such conditions, economic growth acquires a new quality. This also stimulates the creation of new supply<sup>1</sup>.

This movement of economic growth leads to both the maintenance and disruption of general equilibrium, that is, the relationship between supply and demand. Maintaining the relationship between supply and demand, as well as disrupting it and bringing the economy into equilibrium, depends precisely on economic growth. Consequently, economic growth, reflecting the causes of the disruption of general equilibrium, leads to a shift in equilibrium from one state to another. Therefore, in countries where economic growth is absent, the necessary relationship between supply and demand cannot be maintained. This is because, according to general equilibrium, supply and demand should coincide over a certain period. However, since the volumes of supply and demand do not coincide as a result of the influence of various factors, economic growth does not always proceed in a straight line. The rate of economic growth constantly rises, falls, or represents a wave-like process. In the context of modern problems of economic growth, special attention should be paid to this aspect. Depending on the rate of economic growth, balanced economic development can be ensured. The economy must be constantly in motion and activity. Inertia, sluggishness, and instability are considered the most destructive elements of the economy<sup>2</sup>. It is well known that the dynamics of economic growth under all conditions are characterized by quantitative changes. However, if changes in the elements of the production relations system are not taken into account, the essence of the final result obtained from production also loses its significance. That is, if a large quantity of goods is produced that are not consumed by society, if resources are fully utilized, if employment is fully provided, this does not mean that the country's economic growth rate has not increased. This situation can only be characteristic of wartime conditions. Under such conditions, although employment is ensured, the standard of living does not rise above the minimum level. Consequently, when characterizing economic growth, in addition to the quantitative aspect, its qualitative aspect must also be considered. Particularly given the lack of competition in a public administration system based on state ownership, the quality of the produced goods is not taken into account, and economic growth cannot fully correspond to its conditions.

The goal of economic growth should not be assumed to be the production of material goods that satisfy the growing needs of society and its members.

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<sup>2</sup> European Central Bank (ECB). (2024). *European retail payments in the digital era*. ECB. <https://www.ecb.europa.eu>

It is important to remember that if the output does not qualitatively improve people's living standards, it does not reflect the essence of economic growth. Economic growth is a process that reflects the quantity and quality of reproduction resulting from its production. Economic growth reflects the dynamics of the final result of reproduction. Dynamic economic development generally depends on the ability to use limited economic resources in accordance with demand. The quantitative aspect of reproduction reflects, on the one hand, the dynamics of the volume of output, and on the other, the ratio of costs to economic resources and the resulting result. However, the qualitative aspect of reproduction reflects the progressive structural changes occurring in all sectors of the economy, the level of their proportionality and balance, the direction of organization and management of the economy, as well as the use of all factors of production<sup>3</sup>. The level of economic growth reflects how the fundamental problem of the economy is being addressed, regardless of the diversity of economic systems. Economic growth leads to changes in economic policy, such as taxes, expenditures, and price levels, reflecting the achievements and failures of the country's population.

Economic literature identifies six factors that drive economic growth. These factors include quantitative and qualitative changes in natural resources, quantitative and qualitative changes in labor, changes in the volume of fixed capital, changes in technology, increases in aggregate costs, and the efficient allocation of growing resources. While each of these factors has its own unique impact, some influence supply, while others influence demand. Differences in the levels of economic growth among individual countries depend on how and in what proportion these groups of factors are applied in a unified manner. While the supply factors of economic growth reflect an increase in its physical volume, that is, in quantitative terms, the demand factors reflect it in qualitative terms. A country may possess both natural resources and technology but fail to increase their costs. Alternatively, the resource allocation to obtain useful output from growing resources is inefficient. Therefore, to effectively utilize economic potential, it is necessary to utilize them more efficiently, in addition to fully engaging resources in the production cycle.

Demand factors, reflecting the qualitative aspect of economic growth, have a greater impact on its level in subsequent years. If economic growth does not change qualitatively, demand effectiveness will not be achieved. Economic growth is limited by achieving the maximum level of useful product.

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<sup>3</sup> International Energy Agency (IEA). (2023). *World Energy Outlook 2023*. IEA. <https://www.iea.org>

The availability of natural resources is an essential condition for achieving economic growth. It can be said that they are what trigger economic growth. That is, for production to begin in any country, natural resources must be available. It is necessary to determine the direction of economic development based on natural resources. Natural resources include land, raw materials, resources extracted from the subsoil, and resources obtained from the continental shelf. Land is necessary for agricultural production. The availability of particularly fertile land leads to an increase in agricultural output. In developed countries, agricultural output increases due to improved soil quality. Raw materials are divided into two categories: exhaustible and renewable resources. For example, while crude oil is an exhaustible resource, forest firewood can be restored by replanting trees.

The quantity and quality of labor resources play a key role in economic growth. To produce more goods, it is necessary to either employ more labor or ensure labor productivity. The amount of fixed capital is a crucial factor in economic growth. While in an administrative system, the state increases fixed capital, in a market economy, funds for fixed capital are allocated by entrepreneurs.

It's worth noting that technological progress occupies a special place among the factors influencing economic growth. Other factors also have their influence. Technological progress is the central driving force behind economic growth. The reason technological progress is the primary factor is that, whether it's natural resources, labor, or capital investment, everything depends on technological progress<sup>4</sup>. The factors we've mentioned operate in concert with technological progress. If there's no trend toward technological progress in economic life, these factors will act gradually and fail to produce the desired results. As a result, special attention is being paid to science, education, and management, which are the factors that ensure technological progress itself, in both developed and developing countries. It seems the time has come for economic growth to place human capital at the center of all investments. Consequently, issues in science and education are at the forefront of long-term policy in all developed countries. Typically, when we speak of technological progress, we mean the creation of new technologies, the development of high-quality tools and equipment, or a production process carried out using an entirely new method. However, the organization and management of the new production process itself are also important aspects of technological progress.

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<sup>4</sup> International Monetary Fund (IMF). (2022). *World Economic Outlook: Countering the cost-of-living crisis*. IMF. <https://www.imf.org>

Therefore, when speaking of technological progress, we should understand it as a new production process, improved technology, and a new method of organizing and managing production. The goal of technological progress is simply to efficiently utilize limited resources and produce a final product capable of satisfying demand or satisfying it for a specified period of time. For example, if new equipment is used in oil production, a large amount of oil is extracted, but its refining does not produce high-octane gasoline, then the achievements of technological progress must be comprehensively utilized in oil production, both at the extraction and refining stages and in the regions it serves.

It should be noted that one of the factors influencing economic growth is an increase in aggregate spending. Unlike the four factors listed previously, this factor is linked to the activity of demand factors. When all factors of economic growth act collectively, the issue of the use of scarce resources arises. That is, the expenditure of a resource intended for one product makes it impossible to use it for the production of another alternative product. This means that achieving any level of economic growth requires taking production capacity into account. Suppose that if annual cement production capacity is 200,000 tons, and part of this is intended for housing construction and the other part for foundations, then this capacity cannot be used for the construction of large dams. Then, either housing construction must be halted, or foundation production must be stopped. In other words, as spending increases, its use in other areas must be reduced. On the other hand, suppose that if the volume of wheat entering a mill that grinds 200,000 tons of flour annually decreases by 50,000 tons, the efficiency of all the total costs applied there will decrease. More precisely, the productivity of the workers employed in this field will decrease. To ensure economic growth, the application of total costs must be limited to the production of goods that satisfy a given demand, while fully utilizing available resources. In other words, any level of growth is possible when production capabilities match the application of resources<sup>5</sup>.

Just as the efficient use of resources is crucial to economic growth, so is their effective allocation. For example, available metal should be distributed among various sectors so that growth is not slowed in any one sector. Consequently, metal sheets should be distributed in such a way that products can be supplied to meet the current demand of any sector without hindering the sector's growth prospects. Efficient allocation of growing resource volumes is

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<sup>5</sup> OECD. (2021). *Economic resilience and security in global value chains*. OECD Publishing. <https://www.oecd.org>

more characteristic of our country's economy in the context of its transition to a market system. Since resource allocation, which acts as a factor of demand, is concentrated in the hands of the state, the use of its effective mechanism can ensure productive activity in various manufacturing sectors.

It should be noted that there are two types of economic growth: extensive and intensive. However, these types can take different forms at different stages of economic development. By extensive economic growth, we mean the use of a group of growth factors that leads to both an expansion of the scale of the production process and the use of greater resources and capital to achieve results. However, this cannot be said of the intensive type. Because in such conditions, the scale of production is aimed at producing goods whose demand can only be satisfied through the use of additional resources.

In general, extensive growth reflects more quantitative aspects, while intensive growth reflects qualitative indicators. It is from this perspective that extensive and intensive factors are sometimes mentioned when specifying the factors or sources of economic growth. The extensive growth type is applied in all areas alongside the intensive growth type. It should be noted that intensive growth leads to a new quality of economic development under any circumstances. As a rule, intensive economic growth occurs under conditions of the emergence, establishment, and development of intensification of social production. Intensification is generally a natural economic process and a process that ensures production efficiency. From this perspective, intensification does not occur in countries with a market system and in countries with a non-market system under identical conditions. Intensification under any circumstances reflects an increase in the efficiency of a unit of applied production costs. However, while in countries with a market system, intellectual and informational potential directly contributes to the formation of a socially oriented reproduction process, in countries with a non-market system, this aspect influences the economy primarily through the expansion of the scale of production for its own sake. In other words, the progress of the intensification process justifies intensive economic growth, ensuring the formation of a technological method of production.

Analyzing economic growth and comparing the impact of factors on it, we can see that the standard of living of the population increases with economic growth. This is explained by the fact that economic growth ultimately leads to an increase in national income, that is, new value, and the source of wages, entrepreneurial profits, individual income, VAT paid, and corporate and income taxes, which ensure the well-being of the population, is national income. While the well-being of workers in the manufacturing sector is ensured

by wages, entrepreneurial profits, and the income of workers in this sector, the well-being of workers in the non-manufacturing sector is ensured by taxes received by the state budget. It should be noted that every country strives to produce more goods that create new value. The ratio of costs and benefits is of particular importance for economic growth. That is, it is necessary to ensure production efficiency. The main criterion for economic growth and its rate is efficiency. Economic efficiency means obtaining more output with less consumption of output. Alternatively, efficiency means producing more goods and services with a given amount of resources.

Efficiency is typically the driving force of an economy. Efficiency improvements impact production volumes, economic growth rates, and the scale and nature of reproduction. Generally speaking, every efficiency has a certain limit. Consider a situation where an attempt to improve the efficiency of one sector means a decrease in the efficiency of another. If production efficiency is absent under market conditions, the economy grinds to a halt. However, this is difficult for state-owned enterprises, which means the enterprise operates for a time on government subsidies <sup>6</sup>.

Economic growth theory allows for the analysis of long-term and short-term trends in economic development, as well as its undulating movements. In other words, trends of growth and decline, stability and stagnation existing in the economy can be determined by analyzing the dynamics of economic growth. The rise and fall of fluctuations in economic life, as well as crises in the movement of economic indicators, characteristic of the business cycle, are also characteristic of growth theory. It should be noted that while growth theory describes the formation and maintenance of general equilibrium, long-term, short-term, and undulating cyclical theory, reflecting economic dynamics, reflects its deviation from general equilibrium. Therefore, to describe general equilibrium, it is necessary to clarify the characteristics that the long-term, short-term, and undulating movements of economic growth acquire under cyclical conditions.

### **37.2. Key Features of Ensuring Sustainable Economic Growth**

Economic growth and the business cycle, two important aspects of economic development, are interrelated, reflecting general equilibrium, and form a single whole, reflecting economic dynamics. The combination of economic growth and the business cycle, in one state or another, reflects

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<sup>6</sup> OECD. (2023). *Digital security risk management for economic and social prosperity*. OECD Publishing. <https://www.oecd.org/digital>

economic activity. Clearly, economic activity cannot arise suddenly. The creation of economic conditions for activity depends on the course of general equilibrium. More precisely, since the formation of equilibrium is associated with the course of certain uncertain processes, this leads to economic growth occurring in long or short periods, or in waves. A closer look reveals that, although the course of uncertain processes in the economy typically depends on natural and labor resources, capital, and factors of technological progress, the seasonal nature of production, the demographic situation, and the process of capital renewal also play a significant role. One of the important factors influencing economic activity throughout the year in the process of production uncertainty is seasonality. If we look at the fluctuations in economic growth throughout the year by country, we can see that this process differs for industrially and agriculturally developed countries. Thus, while economic activity in industrialized countries declines during the summer months, in agriculturally developed countries, conversely, economic activity increases during these months. This occurs because in some countries, many people vacation during the summer, while others work more intensively. The course of these processes will affect the level of economic growth. Fluctuations in economic growth can also be observed during wartime.

The renowned Austrian economist Johann Schumpeter made a significant contribution to the development of the theory of long-term undulatory growth. In his models of capitalist development, he demonstrated that the course of the innovation process influences entrepreneurial profits, the volume of capital, and interest rates. In his works "The Theory of Economic Development," published in 1911, and "The Business Cycle," published in 1939, he presented a theoretical, historical, and statistical analysis of the capitalist production process, demonstrating the interconnectedness of the fluctuating cyclical situations characteristic of the economy as a whole.

The development of the service market is also a prerequisite for the formation of the national economy. The existence of both production and non-production markets for goods and services is essential. In particular, a full supply of goods and services to consumers is an absolute requirement. Another requirement is the creation of a financial market. A securities market is a key prerequisite for the normal organization of a market economy and the enhancement of social protection for the population. Unfortunately, even today, the limited issuance of securities and transactions with them does not inspire optimism. Since the share of income from securities in GDP is insignificant, the population's participation in entrepreneurial activity is limited. At the same time, the creation of a labor market has also become necessary.

High unemployment has led to a reduction in labor market choice. Efforts to minimize unemployment during the transition period have yielded positive results. Entrepreneurs, who are private owners of the means of production, are closely involved in shaping the national economy. The creation of the State Oil Fund of our country has accelerated the development of the national economy. The use of domestic resources creates the conditions for ensuring a sustainable economy. Ensuring food, transport, and energy security is a key condition for the formation of the national economy and lays the foundation for sustainable economic development.

Today, our country has become a supplier of energy resources (oil and gas) for many countries. State property was privatized through privatization programs, and land was distributed among rural residents. Above all, agricultural imports were minimized thanks to domestic production. The economic transition is over. Demand has begun to stimulate supply <sup>7</sup>.

Defining economic development models is also a prerequisite for ensuring a sustainable and renewed economy. Every country strives to reap the benefits of a past period in a given space and time. Today, Azerbaijan has become a driving force in communications and energy projects. It has become a model state in all areas. Our country is pursuing an independent policy commensurate with its economic strength. Our economic policy is consistent with our national interests and benefits. Numerous bridges are being built, international airports are being constructed, and a strong entrepreneurial class is emerging.

In recent years, studying our country's economic system in the context of global economic models, identifying similarities and differences, has been considered a pressing issue in modern global economic science. Researchers believe that, first and foremost, each country should be considered holistically. That is, a country's economy develops in accordance with the psychology and cultural traditions of its population. In other words, the path of economic development of each country should be studied based on its historical characteristics. A general approach is impossible. National models of a modern market economy are organized around a synthesis of private enterprise and social security. Furthermore, key criteria include the structure of ownership forms, the level of social security, and redistribution through the financial and budgetary system. Based on these criteria, the most typical models can be identified:

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<sup>7</sup> United Nations Development Programme (UNDP). (2022). *Human development report 2022: Uncertain times, unsettled lives*. UNDP. <https://hdr.undp.org>

1. Liberal (American) model.
2. Socially oriented model of market economy (Germany).
3. Social model (Scandinavian countries or Sweden).
4. Adjustable Japanese model.

In reality, although similar models have emerged in some countries, the criteria for economic development in other countries differ somewhat. In other words, each model of economic development in countries whose economies differ in terms of the level of government regulation, ownership structure, regulatory mechanisms, and degree of distribution represents a distinct model.

If economic development depended solely on market conditions, countries would always develop along an upward trajectory. All the attributes of a market economy are already present in Azerbaijan. Azerbaijan is currently considered one of the countries that stands out for its economic model. The following are its distinctive features:

- a sovereign economy that ensures national reproduction;
- strict government regulation;
- presence of the public sector in strategic areas;
- diversity of forms of ownership;
- socially oriented economy;
- diversified innovative economy;
- -use of socio-moral aspects in economic life.

These areas combine all the advantages of global models. Natural resource potential is not the decisive factor for a country's economic development. The key is the export of natural resources to the global market in their raw form or the production and marketing of finished goods. The importance of political stability here is undeniable. Investment and innovation are essential for transforming a national economy into a sustainable one. Investments are tangible and intellectual assets invested in entrepreneurial activity. Investments can take the form of bank deposits, cash, shares, and other securities. The creation and renewal of fixed assets constitutes investment in real capital. These investments are also made in the form of financial capital. That is, individuals with funds invest in this area by purchasing shares. Based on the object of investment, enterprise investments are divided into real and financial <sup>8</sup>.

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<sup>8</sup> World Bank. (2022). *Global Findex Database 2021: Financial inclusion, digital payments, and resilience in the age of COVID-19*. World Bank. <https://www.worldbank.org/en/publication/globalfindex>

Based on the nature of their involvement in the investment process, investments are classified as direct and indirect. Direct investments involve the investor directly investing capital and selecting the investment object. Indirect investments, characterized by capital investment by others, are characterized by short-term and long-term investments. Short-term investments are those lasting up to one year. Financial investments fall into this category. Long-term investments include the acquisition of fixed assets.

To carry out investment activities, the stakeholder must have an interest. Investments require specific projects, personnel to implement the process, a need for the activity, regulatory documentation, the presence of financial institutions, and a stable investment environment.

To ensure Azerbaijan's sustainable development, it is necessary to guarantee the competitiveness and inclusiveness of the economy. Social well-being is ensured. Azerbaijan has become a country open to investment, with a free competitive environment and access to markets. A sustainable economy is ensured through 12 strategic plans for the development of individual economic sectors. Development of the non-oil sector is supported by revenues generated under the oil strategy.

Global political instability. Wars, terrorism, and rapidly growing refugee flows have led to an economic downturn. In particular, any increase in costs negatively impacts economic development. Sustainable development requires equal development across regions. Regional development occurs based on the equal distribution of production and social infrastructure. Production infrastructure includes communications, transportation, fuel, and energy supply. In accordance with the State Program for the Socioeconomic Development of Regions for 2014-2018, communications and information infrastructure has been created in the regions, work has been accelerated to increase energy capacity, expand the use of alternative and renewable energy sources, build new hydroelectric and thermal power plants, improve gas supply, and construct intercity and interdistrict roads. Resolving these issues has created the conditions for electricity exports from our country. Heat and water supplies have been ensured. Social infrastructure for the development of villages has been provided. Optimal tax and customs rates have been determined, agricultural producers have been incentivized, competitiveness in grain production has been fostered, exports have been stimulated, and new jobs have been created. The share of budget revenues (non-oil sector) in GDP has increased. Food security has been ensured through the development of the agricultural sector. Economic ties between regions have been secured. Enterprises have established a labor law enforcement system to ensure

competitiveness. New technologies have been introduced in connection with the development of knowledge-intensive industries. Revenues from oil sales are being used to develop human capital. The employment rate for women and youth has increased. Utilities and social infrastructure have been created in rural areas. The economy of sustainable development and renewal includes both financial and general economic and social measures. Thus, within the framework of tax policy, partnership agreements have been concluded between tax authorities and taxpayers, electronic services have been improved and expanded, and tax incentives have been introduced to stimulate investment and innovation. Work has been carried out to protect the rights of individuals engaged in entrepreneurial activity. The banking sector has been strengthened, which has impacted loan interest rates. An effective national insurance system has been created. In accordance with state plans, investments are focused on developing non-oil sectors. These investments are directed toward areas that create the greatest added value. Support for entrepreneurship is provided on an ongoing basis. Relationships between the state and entrepreneurs have been established through cooperation. Issues of financial support for those wishing to engage in entrepreneurial activity in the regions have been resolved. In particular, issues related to the provision of market infrastructure have been resolved. Financial services markets have been established, entrepreneurs are provided with standard banking and insurance services, and the audit, leasing, and mortgage markets have been revitalized. As part of industrialization, new residents have been attracted to industrial parks, and their production of export-oriented products has been stimulated. An example of this is the introduction of zero-rate VAT on exports. Priority areas of industrialization policy include organizing production by enterprises using local raw materials. A priority is the production of market-competitive products through the use of innovative technologies. To ensure national production and food security, the import of raw materials for food production is exempt from VAT. At the same time, one of the main priorities of the state's economic policy is the ongoing stimulation of agricultural production. For several years now, agricultural producers have been exempt from all taxes except land tax. Fuel and fertilizer costs in the agricultural sector are covered by the state budget. Farmers' associations and the creation of agricultural cooperatives are aimed at increasing the competitiveness and export orientation of farms by boosting labor productivity. Food security has always been a top priority through increased production of staple foods. The use of modern technologies in livestock and agriculture has ensured environmental protection. The establishment of horticultural farms, the expansion of seed and grain production, viticulture and seedling cultivation,

and the construction of logistics centers must be sustainable. This means that the construction of refrigeration facilities for long-term fruit storage, the expansion of greenhouses, and the construction of grain storage facilities have always been a priority. Markets for environmentally friendly agricultural products have been established, and new structures have been created to provide logistical support to the agricultural sector. In agriculture, irrigation systems were modernized, and land reclamation work was carried out. Furthermore, to restore the land's status as "black gold," land tax rates for uncultivated arable land were increased several times. A special commission was also created to record arable and uncultivated land, and technical documentation for the land was maintained. To expand non-commodity exports in foreign trade, the presence of exporting companies at international exhibitions and fairs was ensured. In particular, electronic access was provided.

The process of creating national brands is continuously underway. ICT infrastructure is being developed, and opportunities for providing electronic services in the regions are expanding. Internet access has been ensured throughout the country. Regional tourism opportunities are being created, tourism infrastructure is being built, rural tourism is being supported, investment in tourism is being promoted, recreation areas are being established, the regional transport sector is being developed, and highways are being reconstructed. Work is continuously underway to ensure environmental balance. Industrial enterprises in the regions have begun organizing production based on "green economy" principles. New raw material deposits are being explored, reforestation is being implemented, industrial and household waste is being managed, and the use of renewable and alternative energy sources is being increased <sup>9</sup>.

Knowledge-intensive areas of human capital formation and economic renewal are underway. The number of educational institutions is growing daily. The quality of medical services is improving. The number of medical facilities is growing daily, and health centers are being equipped with modern medical equipment. The number of youth recreation areas is increasing, and the network of consulting services is expanding. The network of physical education and sports facilities is expanding. The development of enterprises in the regions is supported by tax incentives, financial assistance, and reduced interest rates on loans. By creating a favorable investment environment in the regions, the

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<sup>9</sup> World Bank. (2023). *World Development Report 2023: Migrants, refugees, and societies*. World Bank. <https://www.worldbank.org>

volume of production equipment is increasing, while simultaneously ensuring the proportionate development of the non-manufacturing sector.

To ensure the sustainability of the modernized economy, the competitiveness of the national economy has increased. Thus, it has become possible to establish a position in the global commodity market based on production that meets international standards. In addition to quality, quantity should also be assessed. Competitiveness denotes the ability to outperform competitors and the degree to which a country's position in the global market has been strengthened. Competitiveness also encompasses the issue of ensuring economic efficiency and shared economic security. A national economy, as part of the global economy, is primarily concerned with the abundance of resources, the extent to which they are utilized, and the existence of a program. The national economy is gradually transitioning to an open economy, and the country's enterprises must be internationally competitive. An economy built on a market economy constantly faces financial crises. It should be noted that the market is always self-regulating. Therefore, government regulation of production, financial and credit relations, and currency exchange rates is essential. A national economy functions only through mutual cooperation with other countries. For example, in European countries, cooperation is based on a single market. Some countries, with an open economy, become suppliers of raw materials to other countries. The third path involves the gradual integration of developing countries into the global economy through protective, optimal, and liberal economic policies while simultaneously protecting national interests. This approach is acceptable for our country.

## **CONCLUSIONS**

In accordance with the UN Sustainable Development Goals, countries' economies should develop based on the principle of a "green economy" while protecting the environment. Therefore, establishing an economic system based on renewable energy sources is a pressing issue. Relevant programs have been adopted in this area. Today, Azerbaijan, as a secure and stable country providing modern living conditions, maintains its sustainability by renewing its economy. The country is continuously pursuing socio-economic development, while simultaneously strengthening statehood traditions within society. Sufficient financial reserves ensure the country's economic security. The Azerbaijani economy is developing according to a socially oriented market model aimed at improving the social status of the population. Having fully secured its territorial integrity, Azerbaijan, in its adopted strategic programs, is implementing a sustainable economy while facilitating the return of the

population to territories liberated from occupation. Undoubtedly, the foundation of economic strategy lies in the establishment of a competitive, particularly growing, economy. Sustainable development is ensured by a competitive, growing economy.

### SUMMARY

We believe that the above-mentioned problems are indicators of the development of a constantly renewing and sustainable economy in Azerbaijan. The sustainability of the global economy is ensured by the national economies of individual countries. The sustainable economy model is currently being studied as a field of economic theory. The document "Azerbaijan 2030: National Priorities for Socioeconomic Development," adopted in our country, can be considered the theoretical basis for the development of a sustainable and renewing economy. This document reflects the organization of all factors influencing economic growth. It identifies areas for achieving economic growth by improving both economic and social relations in society. Moreover, ensuring economic growth is considered holistically, both quantitatively and qualitatively.

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