

**PECULIARITIES OF STRUCTURAL POLICY IN AZERBAIJAN**

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At present workable model of economic growth in Azerbaijan is oriented to achievement of high level of diversification and step-by-step growth of the share of non-oil sector of economy in aggregate volume of country export. The model structure is based on the fact that quantity of country population (9 mln.) does not provide sufficient level of internal demand, but while by 2025–2030 years growth of GDP level in 2–2.5 times, the strategy goal – provision may be archived only on the basis of external demand and under strong diversification of non-oil sector of economy.

Stated goal requires from one side, the achievement of high competitiveness in the economy, which is impossible without formation of high effectively national innovation system and realization of correspondent structural policy, and from other side – the solution of problems of macroeconomic stability. In

other words, there are two mutually complementary control loops in the developing model: the first is influence on aggregate demand, as more dynamic component of macroeconomic balance (this direction is realized by means of tools of money–credit and budget–taxation policy); the second is influence on aggregate supply (in this loop the decisive role belongs to structural policy, which impacts first of all on aggregate supply).

Stabilization policy in the model of economic growth is directed to creation and support of macroeconomic balance (to maximum apply of factors of production in the condition of stable prices level). As per data of 2010, the level GDP per head in the country, on purchasing–power parity (PPP) amounted about 9,0 thousand USD. In the new strategy of economic development of Azerbaijan, in medium term perspective, the goal is to provide GDP per head on the level of 15–17 thousand USD. For this variant the volume of private investments on the level no less that 50 % of the achieved non–oil GDP is required. As per experts' estimations Central Bank of the country is able to sterilize the volume of investment funds no more that 5 bln. USD yearly and only in case of such volume of money supply growth to ensure preservation of macroeconomic stability (as it is known, the last one demands balance of temps of money supply growth and economic growth).

The concept of structural adjustment in Azerbaijan is necessary for formation of industrial diverse of national economy. According to this there are three groups of branches in the structure of economy:

– *branches of fuel and energy complex, metallurgy* which keep its competitiveness and attractiveness for foreign investments;

– *branches capable of supplying product for export*, some branches of manufacturing industry (branches of chemical industry, construction materials producing industry, food–processing industry), agriculture and etc.

– *branches that can be competitive on internal market* (some branches of light industry, food industry and etc.).

State participation in the model supposes:

▪ *direct effects* as subsidies, soft investment loans with purpose of creation, maintenance or development of some enterprises, branches and conducting of fundamental and applied research works. In accordance with this there is National Fund for the support of enterprise of Azerbaijan and Azerbaijan Investment Fund realizing preferential crediting of priority directions of small and medium enterprise and strategic investment projects;

▪ *indirect effects* which are realized mainly by tax allowance with purpose of increase of quantities of output and encouragement of investments. At the present all branches of agriculture production are included (after land reform farm enterprises of the country were released of all types of direct and indirect taxes except tax on land and tax on importation of seeds for production); financial sector and etc. In the model the future development of this direction supposes the involvement of processing industries having export orientation. This direction is ensured due to structural change taxing.

In the model stabilization and structural policy are closely connected because macroeconomic stabilization as a factor of improvement of investment climate creates conditions for investments in competitive industries of real sector and for economic growth. And vice versa effective structural policy is an important factor of keeping of stable macroeconomic environment.

In Azerbaijan, as it is in many countries with developing financial markets and specific structural characteristics of economy manat to dollar exchange rate is significant “nominal anchor” to support macroeconomic stability. In other words, among all possible intermediate money indicators the rate of manat is the most controlled and predictable guideline for achievement of aims of money policy like price stability and financial system.

In the whole as guides of money–credit policy one of the following three indicators may be chosen – exchange rate, money volume and percent rate. It is impossible to target all these indicators simultaneously. In this case fixation of exchange rate does not allow central bank to operate percent rate. Besides, while passing to floating currency rates system under condition of high mobility, international movement of capital efficiency of fiscal policy as macroeconomic regulator is falling significantly. In this case, money–credit policy became the most efficient tool to impact on issue and employment level in economy.

The article analyses the peculiarities of the stabilization and structural policy in Azerbaijan.

## References:

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