

**International Economy**

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**REGIONAL ECONOMIC POLICY  
OF AZERBAIJAN AND NAKHCHIVAN**

**Abstract**

The important issues of economic policy connected with Nakhchivan are described in this article. It has been noted that economic development of Azerbaijan regions is the priority of economic policy of the country's authority. Nakhchivan economic region takes a special place among the regions of the country.

**Key words:**

Nakhchivan Economic Region, economic policy, economy of regions, transport communication, economic course.

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## **1. Economic policy of Azerbaijan government towards regions**

The State program of social and economic development of regions, adopted in 2004, played an important role in Azerbaijan's development. During its realization, a great creative work was conducted; the high level of macroeconomic indicators was reached. For the period of five years, the actual volume of GDP increased 2,6 times as much and amounted to 47,5 billion dollars, nominal level of GDP per capita increased 5 times as much and amounted to 5550 dollars.

Summarizing the results of 2008, the share of non-state sector in GDP amounted to 84,5 %, in industry and agriculture – 25,2 %. Population income in 2008 in comparison with 2003 increased 4 times as much, the level of poverty reduced to 13,2 %. For that period, the average monthly salary of employees increased 3,5 times as much and reached the amount of 335 dollars. During last 5 years, the volume of investments, invested into the fixed capital by means of all sources of financing amounted to 41,88 billion dollars, 53,2 % of them are domestic investments. For that period, the overall volume of state investments, channeled on the regional development, amounted to 8,5 billion dollars. The volume of investments into the non-oil sector for the period of 5 years, increased 6,2 times as much and its specific weight in the structure of total investments increased from 26,8 % in 2003 to 69% in 2008. In 2004–2008, the increase of the volume of state investments caused the increase of the construction volumes in the regions of the country. The infrastructure of social objects, public utilities, transport communications, objects of communication, water supply and melioration. For that period, 9 electric power stations were built and put into operation in the country. Three of them were modular plants; there electric power stations were built in Nakhchivan Autonomous Republic, thermal electric power station in Sumgayit two electric power stations in Baku. After an interval for the period of 13 years, the gas supply to Nakhchivan Autonomous Republic was resumed, for the first time the gas supply was provided for 6 regions. Nowadays, the population of Azerbaijan is provided by gas supply for 85 %.

In 2004–2008, the main lines were repaired, the road section 600 km long of republican status, and road section 500 km long of local status was mended, 34 bridges were mended and 69 bridges were constructed. Throughout the duration of 5 years, 4 modern airports were constructed and put into operation. Within the framework of the State program of social and economic development of regions, 33 houses for physically handicapped people, and families of people, who has died during the Nagorno-Karabakh War were built, 7 centers for physically handicapped people and 7 new modern diagnostic and treatment centers

were opened. For the period of 5 years, 636 new schools were built in the regions, 192 schools were completely repaired, and 243 new class-rooms were put into commission.

In the regions of the country 18 modern Olympic Sports Complexes were put into commission. 88 % of enterprises, founded during the last 5 years, are private. To support the development of entrepreneurship activity by means of the National Fund of Azerbaijan Republic on entrepreneurship's assistance, 699 business entities were granted preferential credits amounting to 404,25 million dollars. By means of these costs, 68, 2 thousands of working places were created.

Generally, as a consequence of target-oriented measures in 2004–2008, more than 766 thousands of new working places were opened in the country, 547,5 thousand of them are permanent. More than 27, 5 thousands of new enterprises were established. Inasmuch as the country's development was very high, in 2004–2008 the program was amended. In these years, the increase of GDP was at the level of 20 %. In such a way the additional incomes to the budget influenced on the amendments to the Program. In general, we may say that the program 2004–2008 was overfulfilled.

In 2009, in accordance with the President's Order the «State Program of social and economic development of Azerbaijan Republic's regions in 2009–2013» was approved. In this document, the further increase of the reached achievements was predicted. In the new State Program together with the development of the country's regions, the measures, connected with the social and economic development of Baku and its surrounding regions was foreseen.

Implementation of this new Program as saying Ilham Aliyev, will provide opportunities for reaching of the world level of development. All outstanding issues concerning development of the economic branches in the regions of the country, namely specific problems of districts, villages, towns towards the improvement of the living standards were considered in the Program.

In accordance with the goal-oriented policy of the country concerning dynamic development of economy, further increase of the social standard of living, subject to the efficient usage of the available potential, provision of the development of all regions, State Program includes new tasks, which comprehend 1066 measures. In particular, It is stipulated the establishment of new enterprises and extension of productive activity of already existed ones, acceleration of the new IT-technologies introduction, improvement of social infrastructure, construction and reconstruction of the education, health care and science, cultural and sport facilities in accordance with up-to-date standards, construction of houses for physically handicapped people, and families of people, who has dead during the Nagorno-Karabakh War.

In 2009, towards social economic development, by means of all sources of financing, the costs amounting to 9,25 billion dollars were channeled on capital investments – 3,63 billions of dollars of them – on regional development. In a year, after the State Program adoption, 9 plants were put into operation. The order of Azerbaijan National Fund costs' application, concerning assistance for entrepreneurship was simplified, the maximum tax preferential credit were reduced to 6 %, the terms of credit obtaining was reduced to 25 days, the maximum amount of credits was increased up to 6,25 million dollars. In 2009, at the Fund's expense, the preferential credits were granted to 2101 enterprise for the amount of 162,5 million dollars.

Within the framework of the State Program 2009, the important measures in the sphere of construction, reconstruction of facilities intended for social needs, health care and education were conducted. In all regions of the country, the measures towards ecological balance renewal, environmental protection, and meeting the demands of people on clean drinking water were conducted. The year 2010 pik was announced as the «Year of ecology». Upon an initiative of the President of Azerbaijan Republic in Baku and surrounding populated places three millions of trees were planted, the forest zones on both sides of the roads were formed, likewise parks in villages and towns. For the year then ended, 117 houses for physically handicapped people, and families of people, who has dead during the Nagorno-Karabakh War were reconstructed and put into operation. 63 health care and 67 educational facilities were constructed or repaired.

Upon an initiative of Heidar Aliiev, 6 new schools were built, 7 Olympic sport complexes were put into operation.

In 2009, 74 thousand new working places were opened, 54,5 thousand of them are permanent.

For the period of last 6–7 years in Azerbaijan Republic, more than 2 thousand schools, 400 medical centers, 29 Olympic sport centers were built. It is important to create social infrastructure in the regions, in particular, social infrastructure in the sphere of health care. A special attention in our country should be paid to the private sector. In 2004–2010 upon the initiative of National Fund, preferential credits in the amount of 875 million dollars were granted. 80 % of credits are granted to the regions, which demonstrate the national priorities in the structure of the public policy. The private sector is very responsible here. Of course, while credits granting, the payment ability of credit receivers is analyzed, the possibilities of private structures are studied, the companies with perfect credit history are chosen.

The Head of the state, who personally controls the realization of the Second Program, carried out 27 trips to the regions, took part in the opening ceremonies and laying of the foundation of more than 170 industrial and transport enterprises, educational institutions, institutions of health care, culture, sport and

tourism. After these trips, the Resolution on additional actions towards acceleration of socio-economic development of some cities and regions was signed.

Since 2004, at the expense of all state financial sources, 15,5 million dollars of investments were channeled on the regional development. Hundreds of important projects were realized.

In 2010 more than 635 km. of roadways were constructed and put in order in accordance with international standards. International sea port and ship-building yard will provide the further development of the transitive potential of the country. Regions in full scale are ensured by the continuing national electricity supply. Only in 2010, hydro-electric power stations, new electric power substations, HV lines were put into operation, the foundation of 4 small hydro-electric power stations was laid, 5 electric power stations were constructed. As a result of the work, done, Nakhchivan Autonomous Republic, is exporting electric power for some years. Over the period of one year, within the framework of the State Program, 3770 km. of new gas pipeline was laid, 500 km. of gas lines were renewed and repaired, and 49 populated places were supplied by gas. Construction of water purification sets in 156 populated places of 18 regions along the rivers Kura and Araz within the framework of enhancement of provision of citizens with high-quality water improves the water supply for more than 300 thousand people. The water pipeline Oguz–Habala–Baku was put into operation.

In 2010 more than 160 enterprises of industry, agriculture, trade and service were put into operation, including canning plant and tea factory, automobile plant, some plant of constructional materials, technological park, saltworks, dairy units, stock-raising complexes, and other enterprises. 200 enterprises are still constructing, including 12 enterprises of agro product processing, plants on constructing materials production, 112 of these enterprises have obtained preferential credits from National Fund of entrepreneurship assistance. In whole, over the year, to finance 1430 investment projects, preferential credits amounting to 143,75 million dollars were allocated. By means of preferential credits the enterprises that play a key role in the agricultural sector development were financed. To create an infrastructure of agricultural products preservation by means of preferential credits of the Fund, the construction of 25 modern refrigerator complexes with total capacity of 85 thousand tons and 17 grain storages with total capacity of 270 thousand tons. Besides it, 2 grain elevators were put into operation. In accordance with the adopted set of measures on state support, other branches of agriculture continue to develop, the needs of the country concerning main food products were provided at the local production's expense. At the time when the problem concerning subsistence support exists in the world, the named measures provide the improvement of the food safety; play an important role in export diversification, increase of non-oil production export. About 100 business forums and conferences were organized in order to extend the possibilities of Azerbaijan products to entry into new markets.

One of the main directions of social state policy – special attention to the people, which need social protection, invalids, veterans, needy people and refugees and forced migrants. For the period of 2010 in Baku three houses for 234 flats, were built, in other regions – 12 houses for 272 flats were built. For refugees and forced migrants 2 houses and school were put into service, 2 housing developments with necessary infrastructure were built.

In 2010, 45 institutions of health care were opened, 25 institutions of health care – in regions, 70 schools were constructed and reconstructed, 43 schools – in the regions, 4 Olympic sport complexes and 4 sport centers were put into service, 9 sport complexes are in the process of construction. Generally, within the framework of the State Program, in 2010, 4300 new enterprises were established, 73 thousands of new working places were opened, 52 700 of them are permanent. As the result of the performed work, in particular in the sector of socio-economic development of the regions – the level of poverty was reduced to 9 %.

## **2. Economic policy towards Nakhchivan – realities and perspectives**

Nakhchivan Economic Region holds a specific place among the regions. This region differs from the others by its some peculiarities. Firstly, Nakhchivan Autonomous Republic consists of enclave, inasmuch as its territory does not have direct borders with the other part of Azerbaijan. It has no possibility to support intensive economic relations with the other regions of the country. At the same time, Nakhchivan closely cooperate with Iran and Turkey.

These circumstances influence on the structure of the economy of Nakhchivan Autonomous Republic. Nakhchivan has to form the strong economy by means of its endogenous capacity.

Realities of Nakhchivan Autonomous Republic are an important factor of formation of Azerbaijan economic policy. Historically, the industry of Nakhchivan Autonomous Republic holds one of the leading places in Azerbaijan economy. A special attention was paid to light industry, food industry, and others.

In 1970–80-s the majority of Azerbaijan products were channeled to foreign countries. Mineral salt, molybdenum, zink, plumbrum, some mineral waters, silk, construction materials, marble, vines, fruit, canned jam, produced by Azerbaijan, was made in Nakhchivan Autonomous Republic. Within its territory, there are a great number of mineral sources, which are known all over the world.

The development of industry of Nakhchivan Autonomous Republic became to increase in 1969, when Heidar Aliiev was elected as the President of Azerbaijan. In 1970 – 85 900 million of rubles of the capital stock were invested to de-

velop all branches of economy of Nakhchivan Autonomous Republic. In this period, the knitting factory for linen production, new mineral water plant, container-glass plant, mill, plant of concrete components, Shahtahtyn stone quarry, 16 big industrial enterprises. Together with Iran Jumhuri Islami the electric power station and reservoir storage were built on the river Araz [5].

Armenian invasion on the territory of Azerbaijan Nagorno-Karabakh and the war which began in the first half of 1990-s, has put the economy and industry of Nakhchivan Autonomous Republic in a predicament.

Today's President I.Aliiev highly evaluates the industrial and economic possibilities of Nakhchivan Autonomous Republic [2]. Industrial possibilities of the country help to provide working places for the part of the country [1]. Geopolitical position of Nakhchivan enables to name some propositions, which should be considered by the corresponding authorities. Taking into consideration the geographical position of Nakhchivan, it is expedient to establish industrial enterprises, which work for government order.

The second issue is connected with agriculture. Favorable climate conditions of Nakhchivan Autonomous Republic enable the agricultural development. Residence of the majority of population in the rural area and involvement in the agricultural sector is a background for priority-oriented development of this industry.

Mainly, the rural population grows crops, vegetables, potatoes, fruit orchards breeds animals. The land reform in Nakhchivan Autonomous Republic was conducted in order to develop agriculture. As a result of implemented reforms 10,5 % of total land area was passed into the private ownership, 56,3 % – into municipal ownership and 33,2 % – stayed in state ownership. The total land area amounts to 536,3 thousand hectares, 176,9 thousand hectares, in other words 33 % of it is good for agriculture. 14,5 thousand hectares of lands, good for agriculture in other words 31,9% are irrigative. From this point of view, the right organization of ameliorative-irrigative works plays an important role in the agricultural sector development.

Such rivers as Araz, Akhurian, Nakhchivanchay, Gilanchay, Alindjachay pass the territory of Autonomous Republic. To irrigate lands 82 watering plants and 589 are used in Autonomous Republic, 589 subartesian wells and 277 kahrez. As a result of conducted actions, agricultural the production output increases with the years. For maximal use of the agricultural products, it is expedient to build a great number of canning plants.

Together with the main productive sectors of economy, it is important to improve infrastructure. Transport sector should play the leading role here. Geopolitical conditions of the Republic cause the feasibility of usage of automobile, air and railway transport.

In Republic the main mode of transport is automobiles. The cities, towns and villages are conjoined with each other by means of public transport bus.

To strengthen relations with neighboring countries, automobile transport plays an important role in goods and passengers' carrying. On the ground of agreement, signed between the companies of Turkish Republic «Igdirlı Turizm» and «Jan Igdır», the carrying of passengers by buses is conducted into such cities of Turkey: Stumble, Ankara, Izmir, Antalya and others. Agreements with the transport companies of Iran Jumhuri Islami on carrying passengers are conducted. To improve the relationships with the main territory of Azerbaijan since 2007, the regular bus runs «Nakhchivan–Baku–Nakhchivan» go through the territory of Iran. The development of the automobile transport depends on the automobile roads. Therefore, projects on improvement of road network should be of high-priority. Transport policy will promote the formation of additional industrial complex [3]. At the same time, the developed transport links mean the profit increase in the tourism sector, which has a special potential in Nakhchivan [5].

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