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AZERBAIJAN'S RELATIONS WITH INTERNATIONAL FINANCIAL ORGANIZATIONS DEVELOPMENT PROSPECTS

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Abstract: The article is devoted to the analysis and prospects of relations between the Azerbaijan Republic and international financial organizations. Here, the main attention is paid to identifying promising areas of lending to various socio-economic sectors of the country, their current status and the results obtained by international financial organizations with a view to the sustainable development of the republic.

Keywords: economic welfare, international financial organizations, improvement measures, political, economic and social reforms, sustainable development.

INTRODUCTION

Country Sustainable and rapid development of the economy plays an important role in establishing permanent economic relations with internationally recognized financial institutions. In modern conditions, the establishment of favorable economic relations with international financial institutions is of great importance as an integral part of the economic development strategy of the states. The Republic of Azerbaijan (AR), which attaches great importance to its development strategy based on its relations with world-renowned international organizations in accordance with the new economic conditions, aims to use a wide range of theoretical and practical experience of international financial institutions and develop the domestic financial situation.

The participation of the Republic of Azerbaijan as a full member of the International Monetary Fund (IMF), the World Bank and its specialized agencies (WB), the International European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IDB), the Asian Development Bank -credit carries out an

important mediation mission in conducting foreign exchange transactions. Taking into account the economic characteristics of international financial organizations, the establishment of currency-credit and financial relations, which serve the development of important areas of activity for the country, plays an important role in strategic development. International financial and banking organizations, taking into account the political and economic changes in the world, provide loans for various purposes, provide investment projects with stable financial resources. On the other hand, international financial organizations and their branches play an important role in the expansion and development of political and economic relations between the countries of the world in the transition to globalization (Aliyev & Eminov, 2016).

BVFCooperation with Azerbaijan was established in 1992. In the early years of the country's independence, structural reforms with the financial support of the IMF were closely involved in coordinating the directions of domestic and foreign economic development and ensuring socio-economic stability. The IMF has provided the necessary financial and credit support in the organization and implementation of government programs to accelerate the country's economic and social development, increase employment and reduce poverty, and implement fundamental structural changes in all areas.

Table 1. Loans provided by the IMF for the implementation of economic reforms in the country over the past twenty years, million manat

Name of the project	Amount mln.man.	Loan term, years	%	Discount period, year	Returned part	The rest
Loan to solve balance of payments problems	41.2	6	5.1	1	41.2	0.0
Financial aid to poor countries and loans to support economic policy	66.0	6	0.6	5.5	9.3	56.7
Provision of long-term financial support with extended credit	41.2	5	4.3	3	34.8	6.4
Poverty reduction and financing of economic growth	39.7	7	4.1	4	39.7	0.0
Total:	188.1	-	-	-	125.0	63.1

Source: Official data of the Ministry of Finance of the Republic of Azerbaijan, 2019.

COOPERATION WITH THE INTERNATIONAL MONETARY FUND

Within the framework of cooperation with the IMF, normative-legal acts regulating banking activities and currency operations in the country have been developed to strengthen the financial and credit system. At the same time, the IMF improved its monetary policy, transitioned to a free currency regime, optimized monetary and macroeconomic indicators, and organized organizational missions to improve statistical work in key areas by optimizing quantitative and qualitative data.

According to the IMF, the first type of credit shown in the table was a credit line to Azerbaijan in the amount of 41.2 million manat in 1995-1996, and its main purpose was to finance the country's reforms related to the transition to a market economy. The

average interest rate of the loan is 1.9-3.5%, the loan has a grace period of 10 years, and its repayment was made within 5 years. The second type of loan from the IMF was provided to Azerbaijan in 1995 in the amount of 66.0 million manat, and the main purpose of obtaining this loan was to finance financial assistance and economic policy support to poor countries. The average annual interest rate on the loan was 0.6%, the soft loan repayment period was 5.5 years and was repaid in full for 6 years (www.maliye.gov.az).

The main purpose of the loan of 41.2 million manat for the third type of loan provided by the IMF for 1996-2014 is to revitalize the activities of local financial institutions to implement economic reforms by strengthening the country's long-term finances. The annual interest rate on these loans is 4.3%, the grace period was 3 years, the repayment period was five years. The amount of the fourth loan provided by the IMF is 39.7 million manat, the main purpose of which is to prevent the negative effects of economic crises outside the country. The loan has an average annual interest rate of 4.1%, a grace period of 4 years, and a repayment period of 7 years, and this obligation was fulfilled in 2014 (www.worldbank.org).

The World Bank plays an important role in ensuring the country's economic development. This organization was accepted as a full member of the Republic of Azerbaijan in 1992. The main directions of the loans provided by the WB to the country are to accelerate economic reforms in the country, the purposefulness of the structural changes. The WB is closely involved in the implementation of structural changes in the country and in the financing of projects in many sectors of the economy. As a logical consequence of this cooperation with the WB Cooperation in increasing investment in agriculture, industry, tourism and other areas has expanded and covered the main areas of activity with a strategic nature.

The country's economy is becoming more integrated into international relations, as well as with other financial institutions, mainly the IBRD, the Multilateral Investment Guarantee Agency (ITIA), the International Center for Investment Dispute Resolution (ICPR), the International Development Association (IDA) and the International Finance Corporation (IFC). implements effective financial-credit relations with Within the framework of the Country Partnership Strategy (SPP) implemented by the World Bank in the country in 2016-2020, complex organizational measures serve to meet the needs of strategic areas with the participation of government agencies (Aliyev & Eminov, 2016).

Azerbaijan's cooperation with the WB requires the privatization of existing unitary enterprises and the organization and conduct of tenders for purchase and sale operations under the terms agreed with the World Bank. It can be seen in Table 2 that the financial and credit relations between the World Bank and the Republic of Azerbaijan are constantly expanding and changing in dynamics based on the economic interests of the participants.

Expansion of international relations of the country's financial institutions, first of all, in the framework of relations with IDA and IFC as two leading organizations of the World Bank in providing credit to the main areas of activity Structural Reform Loan (SAC I and II) organizes projects prepared by IDA under the name.

The IFC's activities cover the following areas of joint cooperation in addressing the financial issues of the Azerbaijani economy: Development of areas of activity of credit and financial organizations; Allocate special loans for small and medium enterprises; Attracting investments in areas that serve energy carriers. To assist consumers in the development of services, especially health, education and social security;

Table 2. Loans allocated by the WB for structural reforms in the country, million manat

Name of the project	Amount	Credit term, years	%	Grace period, years	Used part
Rehabilitation loan	70.7	15	0.75	10	-
Institutional credit-1	18.3	15	0.75	10	18.3
Institutional credit-2	12.7	26	0.75	10	1.1
SAC credit-I	88.4	35	0.75	10	88.4
Sheet loan (additional)	8.5	33	0.75	10	8.5
SAC credit-II	82.2	35	0.75	10	82.2
Total:	415.8	-	-	-	398.6

Source: Official data of the Ministry of Finance of the Republic of Azerbaijan, 2019

In general, over the past decade, the WB has allocated \$ 377.7 million for economic reforms in the country alone. allocated a loan in the amount of AZN. These funds will be spent mainly on the energy sector, urban water supply program, gas supply improvement program, agrarian sector development program, environmental problem solving program, and reconstruction program in the territories. The annual interest rate on these loans is 0.75%, the grace period is 10 years, and the total repayment period is up to 35 years. Observations show that, in addition to the WB, its specialized agencies in the country in 1995-2005 i1.1 billion for economic development, expansion of financial services, social assistance projects, investments in agricultural development and other programs implemented in the country. AZN and at present 40 programs have been implemented in compliance with all technical and economic indicators (www.imf.org).

GLOBALIZATION AND THE ECONOMY

Given the regulatory processes taking place in the direction of globalization and the quantitative increase in international financial and credit transactions, relations with the EBRD within financial institutions of regional and global importance are of particular economic importance. In 1992, the Republic of Azerbaijan became a permanent member of the EBRD and other regions in order to participate in projects aimed at processing information on the regulation of economic processes and their transfer to international financial sources.

By becoming a member of the World Bank, AR The EBRD was directly involved in the implementation of 70 out of 110 projects worth 600 million manat. It should be noted that the projects implemented with the participation of the Republic of Azerbaijan are related to the solution of issues directly related to the activities of financial institutions. The country is organized by the World Bank with 8 commercial banks included in the EBRD system (Access Bank, Bank of Baku, etc.), five microfinance institutions (Agrarkredit, TBC credit, etc.) and four non-bank financial institutions (Caspian Credit Union, KredaAgro has a permanent cooperation with a non-bank credit organization, etc.). To date, the EBRD has invested AZN 369 million in 69 credit lines in the financial institutions it cooperates with.

The EBRD provides National Commercial Banks with syndicated and subordinated loans, and its main purpose is to assist non-bank and microfinance institutions, as well as local financial institutions engaged in leasing and insurance, by further expanding the bank's position in the local financial market (www.azstat.org).

The loans provided by the EBRD for the financing of investment projects in the Republic of Azerbaijan were set at 251.5 million manat, with an average interest rate of 15%, a grace period of 5 years and a repayment period of 15 years. The EBRD covers the improvement of the country's air transport management system, the establishment of seaport infrastructure and the implementation of other transport transit projects.

IDB plays a special role in establishing permanent relations with Azerbaijan's international financial institutions. In addition to providing financial assistance to investment programs implemented in Islamic countries around the world, the IDB provides funds for the implementation of economic and social infrastructure projects in member countries through leasing operations. It was admitted to the Islamic Development Bank of Azerbaijan in 1992 as a member state and is an organization. The following projects were implemented at the expense of loans allocated by:

1. Design, construction and commissioning of solid waste plant project;
2. Reconstruction of the highway in the western direction;
3. Reconstruction of Mingachevir hydroelectric power station;
4. Construction of 780-megawatt gas power plant in Shirvan, etc.

IDB participates in the establishment of close cooperation with the International Bank of Azerbaijan, Unibank, operating in the country within the principle of political and economic relations with Islamic countries. IDB has allocated 34 million manat to these banks. Later IDB has opened a loan portfolio of 255 million manat to the Republic of Azerbaijan. In accordance with the support of the Islamic Development Bank and mutual agreements, financing of two important projects in the Republic of Azerbaijan was provided: 1) Alat-Gazimammad highway, 2) Mil-Mugan collector. The IDB provided AZN 22.1 million for the implementation of the project, AZN 16.3 million for the implementation of the first project and its repayment period was 20 years, and the repayment period of the 5.8 million manat loan allocated for the other project was 2.5 years (www.maliye.gov.az).

The IDB has allocated 98.6 million manat in various loans, grants and technical assistance to finance economic projects that serve the strategic development of Azerbaijan. Along with the grant-financial support of 946.9 thousand manat for the implementation of the project on poverty reduction and elimination in the country, the IDB has allocated 195.5 thousand manat from the state budget for the implementation of this program. IDB also provides technical assistance in the implementation of various projects of international importance, ensuring the economic and social development of the country.

The Asian Development Bank (ADB) accepted the Republic of Azerbaijan as a permanent member of the bank in 1999, having a special reputation among international financial institutions. Since that time, it has provided significant financial support for poverty reduction and the organization and operation of non-oil sectors in the country in accordance with modern requirements (Aliyev & Eminov, 2016).

The ADB's classification of projects in the country in 2005-2009 alone includes the following, thanks to the Republic of Azerbaijan's ever-increasing relations with international financial institutions: It was decided to allocate 52 million manat for the renovation and improvement of the east-west highway infrastructure in the country; In order to expand the range of activities and services of leading banks in the financial markets, loans in the amount of 180.2 million manat were allocated; A credit line in the amount of 850 million manat was opened by government agencies to implement the road network development program; In order to improve the electricity supply of Baku and

the reconstruction of the surrounding roads near Ganja, 366.1 million manat loans were allocated; 1.1 billion manat has been allocated for the renovation of permanent water supply and sewerage lines in various regions and cities of the country.

ADB's loans to the country are not only long-term, but also of great economic and social importance in training qualified personnel to carry out the necessary reforms on the ground. Since 2014, ADB has financed 14 projects in the country worth \$ 1.1 billion manats, allocated another 22.2 million manats to central and local governments for the implementation of various reconstruction programs. As a logical result of the recent reforms in the country, various sectors of the economy, agriculture, tourism, chemical industry, transport and communications, non-oil sectors have developed significantly. At the same time, macroeconomic stability was ensured in the country's development. Inflation has fallen and foreign exchange reserves have increased significantly as economic growth has taken place in all sectors (www.azstat.org).

CONCLUSION

Referring to the world experience, the involvement of the funds of international financial organizations in the development of priority sectors of the national economy in the country, along with the main industries, creates conditions for the expansion of non-industrial production and economic activities. Thus, until 2014, loans for investment projects under financial agreements signed with international financial institutions through the relevant government agencies of the country amounted to 15.6 billion manat, and 11.9 billion manat of these funds were used to create new production facilities and employment has increased significantly.

According to the Ministry of Finance of the Republic of Azerbaijan as of September 2019, the country's debt to international financial institutions amounted to 606.8 million manat, or 0.8% of GDP. (Relative to the projected GDP of 79.6 billion manat for 2019). It is envisaged that these funds will be returned to international financial institutions in equal installments by 2036.

The analysis shows that 94.8% of investments in the development of the national economy were spent on the creation and development of more strategically important industries and their structural units.

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