

# REPUBLIC OF AZERBAIJAN

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## ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

### **HUMAN CAPITAL AS A FACTOR OF SUSTAINABLE DEVELOPMENT OF THE REPUBLIC OF AZERBAIJAN**

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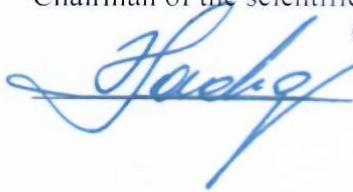
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## GENERAL DESCRIPTION OF THE RESEARCH

**The relevance of the research and degree of elaboration.** The Republic of Azerbaijan, which restored its independence 30 years ago, has achieved significant success in economic and social development and ensuring the country's security. According to the World Bank, the International Monetary Fund, the World Economic Forum in Davos, various UN agencies, the Republic of Azerbaijan is the country that most effectively uses economic, natural, and human resources for the sustainable development of the country, the formation of an inclusive society and the security of the country<sup>1</sup>. The high efficiency of managing the material and human resources created in a historically short period of time was reflected in the glorious Patriotic War, when in the fall of 2020, the Republic of Azerbaijan, during a 44-day war, liberated the territories of the country occupied by Armenia for almost 30 years and thereby fulfilled 4 resolutions of the UN Security Council for the immediate and unconditional liberation of the occupied territories<sup>2</sup>.

Achieving in such a short period of time high complex results in the economy, social life, ensuring the country's security, recognition, and appreciation of these facts by international development institutions is possible only in the conditions of an effective public administration<sup>3</sup>. The foundations of the public administration system of the Republic of Azerbaijan after the restoration of independence were laid by the National Leader Heydar Aliyev, who managed to lead the country out of the political, economic, and social crisis, took measures to bring the country into the world economic and political space<sup>4</sup>. President Ilham Aliyev developed and ensured the use of new technologies in public administration. The establishment of the institute of the First vice-president of the country, the activities of the

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<sup>1</sup> Ələkbərov, U. Azərbaycanın tarixi şansı: ölkənin davamlı inkişafı beynəlxalq təşkilatların gözü ilə // – Yeni Azərbaycan, – 2014, 28 mart. – s.4.

<sup>2</sup> İlham Əliyev xalqa müraciət edib. Azərbaycan Respublikası Əmək və Əhalinin Sosial Müdafiəsi Nazirliyi URL: / [https://www.sosial.gov.az/post\\_397349](https://www.sosial.gov.az/post_397349)

<sup>3</sup> Ələkbərov, U. Azərbaycanın tarixi şansı: ölkənin davamlı inkişafı beynəlxalq təşkilatların gözü ilə // – Yeni Azərbaycan, – 2014. – 28 mart. – s.4.

<sup>4</sup> Heydər Əliyev, Müstəqilliyimiz əbədidir: çıxışlar, nitqlər, bəyanatlar, məktublar, müsahibələr, Qırx beşinci kitab // – Bakı: Azər nəşr, – 2013.

president of the Heydar Aliyev Foundation, Mrs. Mehriban Aliyeva, also contributed to the fact that the Republic of Azerbaijan today is a leader or is included in the global group of leaders in the most modern areas of economic, social, and humanitarian development. According to international organizations, the Republic of Azerbaijan ranks 25th in the world in terms of inclusive development, ahead of several countries included in the Group of Seven (G7), the European Union, the Organization for Economic Development and Cooperation<sup>5</sup>. The development of innovative public administration technologies contributed to the fact that, in accordance with the order of the President of the Republic of Azerbaijan Ilham Aliyev, the formation of an inclusive society was declared a priority of the country until 2030<sup>6</sup>.

As can be seen from the above data, the progress of the Republic of Azerbaijan is achieved in conditions where the outcomes in various areas of sustainable development are achieved at a lower cost of material resources. Achieving the same or better outcomes using fewer material costs is possible only if innovative technologies are used, based on the knowledge and skills of people involved in planning, managing, and implementing economic and social projects that ensure the country's security and sustainable development. We are talking, first, about human development, the formation and constant improvement of its capabilities and potential, which in a market economy can be realized in human capital<sup>7</sup>.

It should be noted that human development, increasing its knowledge and capabilities has always been a priority of Azerbaijan's policy. Back in the days when Azerbaijan was part of the USSR, on the initiative and under the leadership of the national Leader Heydar Aliyev, tens of thousands of Azerbaijani citizens were sent to the

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<sup>5</sup> Məmmədov, A. İlham Əliyevin yeni inkişaf modeli, Azərbaycan <https://www.azerbaijan-news.az/posts/detail/ilham-eliyevin-yeni-inkisaf-modeli-1612559079>

<sup>6</sup> Məmmədov, A. İlham Əliyevin yeni inkişaf modeli, Azərbaycan <https://www.azerbaijan-news.az/posts/detail/ilham-eliyevin-yeni-inkisaf-modeli-1612559079>

<sup>7</sup> Ələkbərov, U. İnküziv Azərbaycan ölkənin gələcəyinə yatırımdır // – Azərbaycan. – 2021, – 2 may. – s.3.

leading universities of the country to be trained in modern areas of science and technology. Graduates of these universities have become carriers of highly qualified human capital, and contributed to the formation of a diaspora with a higher innovative potential and the ability to transform this potential into human capital also in host countries.

The development of the human potential to form human capital in the country especially intensified after 2003, when President of Azerbaijan Ilham Aliyev at the World Summit in Geneva presented the concept of transforming “black gold” into “human gold”, which opened a wide road in the country to use the results of economic achievements for the development of education, healthcare, sports,<sup>8</sup>.

The high efficiency of managing the material and human resources created in a historically short period of time was reflected not only in the results of the glorious Patriotic War, but also in the pace of post-war reconstruction, economic, social, and environmental rehabilitation of the territories liberated from occupation. An example is the construction of an international airport in Fizuli: in February 2021, the foundation was laid, and in September of the same year it already accepted modern aircrafts.

After the restoration of independence, in accordance with the agreement signed by the Government of Azerbaijan and the UN, studies began to be carried out in the country and the annual human development report was regularly published in Azerbaijani and English as the “Human Development Report”. The leadership of this project was entrusted to Academician U.K. Alakbarov, who led similar projects in several countries before.

The languages that form the basis of our research are Azerbaijani, Russian, and English. Primary sources, especially on topics such as human capital and sustainable development, were researched in English. This is because the main studies were conducted in English, from UN programs to reports on the analysis of these programs.

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<sup>8</sup> “Azərbaycan Respublikası regionlarının sosial-iqtisadi inkişaf Dövlət proqramı (2014-2018-cü illər) haqqında” Azərbaycan Respublikası Prezidentinin Fərmanı. Azərbaycan Prezidentinin Rəsmi İnternet Səhifəsi URL: <https://president.az/articles/11089>

The main literature on the topic of research in Azerbaijan is the works of Academician Urkhan Alekperov. Urkhan Alakbarov is one of the main researchers in this field in Azerbaijan, who is the author of many works on sustainable human development. The author's research work "Sustainable human development and the foundations of ecological civilization", being a study guide for universities, provides detailed information about sustainable human development and planning and management of ecological civilization, the formation of this direction as an interdisciplinary science, basic concepts, and theoretical sources<sup>9</sup>.

The work "Fundamentals of human development", published in 2017, and prepared for universities, provides detailed information on the planning and management of human development, the formation of this area as an interdisciplinary science, basic concepts, and theoretical sources<sup>10</sup>.

Urkhan Alakbarov's work "Fundamentals of sustainable development and management of ecological civilization", published in 2017, states that the current stage of civilization confirms that only effective public administration can ensure the security and prosperity of the country. The successful experience of the Azerbaijan Republic is big evidence of this. It is important to constantly update knowledge and skills in the field of development management to maintain a high level of well-being and ensure the political, economic, social and environmental security of the country<sup>11</sup>.

Urkhan Alakbarov's work "Fundamentals of managing inclusive development", published in 2018, states that inclusive development, which ensures the comprehensive development of the state and the well-being of all citizens, is one of the main priorities of modern public administration. Based on a comparative analysis of global indicators of inclusive development conducted by international organizations in 2018, the author shows that success in this area is

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<sup>9</sup> Ələkbərov, U.K. Davamlı insan inkişafı və ekoloji sivilizasiyanın əsasları / – Bakı: Təhsil, – 2013. – 222 s.

<sup>10</sup> Алакбаров, У.К. Основы человеческого развития / У.К. Алакбаров – Баку: Асполиграф, – 2017. – 303 с

<sup>11</sup> Ələkbərov, U.K. Davamlı inkişaf və ekoloji sivilizasiyasının idarə edilməsinin əsasları / U. Ələkbərov. – Bakı: Təhsil, – 2017. – 175 s.

mainly due to the use of innovative technologies in public administration. This is evidenced by the successful example of the Republic of Azerbaijan, which ensures maximum efficiency in the use of the existing economic potential for the inclusive development of the country. Maintaining this trend in the future requires the formation and continuous improvement of knowledge and skills in the field of monitoring, planning and managing sustainable inclusive development. The presented scientific work serves to achieve this goal and has no analogues in the world, it is intended for decision makers in the field of public development management, students of humanitarian and technical specialties, as well as advanced training specialists in the field of sustainable inclusive development<sup>12</sup>.

Another valuable work by Academician Urkhan Alakbarov, published in 2018, is called “Improving human resources for sustainable development: the Azerbaijani model.” In the work, the author notes that in the context of global challenges in the world, each country is the venue for the appropriate policy to ensure sustainable development. Therefore, it is necessary to carry out systematic reforms in the political and socio-economic spheres. The success of the reforms directly depends on the training of highly qualified specialists in the field of management and improvement of human resources. This work analyzes issues related to this field<sup>13</sup>.

A significant contribution to the topic under study was made by the book “The Heritage of Heydar Aliyev. Azerbaijan Sustainable Development Strategy”, which, at the initiative of the New Azerbaijan Party, is dedicated to the memory of the National Leader of the Azerbaijani people, the founder of the Party, Heydar Aliyev<sup>14</sup>.

In the dissertation research, the scientific works of several authors in the field of human capital and sustainable development have been studied and systematically summarized.

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<sup>12</sup> Ələkbərov, U.K. İnküziv inkişafın idarə edilməsinin əsasları // – Bakı: Təhsil, – 2018. – 216 s.

<sup>13</sup> Ələkbərov, U.K. Davamlı inkişaf naminə kadr potensialının təkmilləşdirilməsi: Azərbaycan modeli // – Bakı: Elmin İnkişafı Fondu, – 2018.

<sup>14</sup> Yeni Azərbaycan Partiyasının Katibliyi, Heydər Əliyev irsi. Azərbaycanın davamlı inkişaf strategiyası // – Bakı: Azərbaycan, – 2006.

The dissertation research also reflected the works of Azerbaijani scientists K. İmanov, Sh. Hacıyev, M. Gasimli, T. Aliyev, L. Babayev, S. Mammadova<sup>15</sup>.

Russian scientific literature is reflected in the works of researchers of human capital and topical issues of human development O. Ivanov, E. Kataytseva, E. Kotyrlo, P. Lemanova, O. Pavlova, K. Ustinova, I. Tsapenko, K. Romanova, V. Smirnov<sup>16</sup>.

The Western scientific literature on this topic is very extensive. The study of issues of human development and the development of human capital was carried out considering the analysis of the conceptual and theoretical foundations and the assessment of practical results and achievements. In the study of the historical development of the theory of human capital, the works of Aristotle, W. Petty, A. Smith, D. Ricardo, F. Quesnay, D. Mill, K. Marx, A. Marshall were considered<sup>17</sup>. In the definition of human capital and the development

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<sup>15</sup> Əliyev, T. və Babayev, L. Regional innovasiya sisteminin təşkili və idarə edilməsi // T. Əliyev və L. Babayev – Bakı: Elm və təhsil, – 2017, – 217 s; İmanov, K. Əqli mülkiyyət dünən, bu gün və sabah / K. İmanov – Bakı: Azərbaycan Respublikası Məəllif Hüquqları Agentliyi, – 2016, – 42 s; Qasımlı, M. Heydər Əliyev – istiqlala gedən yol (1969-1987-ci illər) / M.C. Qasımlı – Bakı: Universitet, – 2006, – 608 s; Məmmədova, S.İ. Davamlı inkişafa keçid siyasəti: dünya dövlətləri və Azərbaycanın təcrübəsi // “Geostrategiya”. 2011. № 4(04). s. 20-27.

<sup>16</sup> Иванов, О.И. Человеческий потенциал (формирование, развитие, использование) / ИПРЭ РАН. СПбГУ. – СПб: Скифия-принт, – 2013, – 281 с; Катайцева, Е.А. Сущность понятия «Человеческий потенциал» // Вестник Российской академии государственной службы при Президенте Российской Федерации, – 2009. – № 6, – с. 30-35; Леманова, П.В. Социальная политика в управлении развитием человеческого капитала: Учебное пособие. / – Москва: Издательский дом Академии Естествознания, – 2016, – 540 с; Романова, К.С. Человеческий потенциал в контексте социальных трансформаций: проблемы и тенденции // Научный ежегодник ИФиП УрОРАН, – 2012. №12, – с. 166-177; Устинова К.А. Человеческий капитал в инновационной экономике: Монография / К.А.Устинова, Е.С. Губанова, Г.В. Леонидова – Вологда: Институт социально-экономического развития территорий: РАН, – 2015. – 195 с. etc.

<sup>17</sup> Аристотель. Политика / Аристотель – Москва: АСТ – 2010, – с. 231; Петти, В. Экономические и статистические работы / под ред. д-ра экон. наук. М. Смит; Предисл. д-ра экон. наук Д. Розенберга. – Москва: Соцэкгиз, –1940, – с. 82; Петти, В., Смит, А., Рикардо, Д. Антология экономической классики. В 2 т. Т.1. / Петти В., Смит А., Рикардо Д., – Москва: Эконом, – 1993, – 474 с;



of the modern theory of human capital, special attention was paid to the works of T. Schulz and G. Becker, L. Thurow. To study the factors affecting human capital, the works of the economist G. Becker, a representative of the Chicago School of Economics, are of the greatest scientific interest<sup>18</sup>. T. Schultz's article "Investing in Human Capital" notes that since the end of World War II, the world has witnessed tremendous economic growth, reduced poverty, and increased life expectancy, but all this supported life on Earth due to weakened systems and exposure of future generations to planetary risks<sup>19</sup>.

To assess the impact of UN global programs on human development and sustainable development processes, UNDP reports on human development, declarations and resolutions of the UN General Assembly, reports of the World Bank, the World Economic Forum and other UN structures were studied and analyzed.

An analysis of the scientific literature on the research topic showed that various aspects have been studied by Azerbaijani and foreign authors, but the problematic aspects of this study have not been researched in this formulation.

**The object and the subject of the research.** The object of this study is to study the influence of various factors on the formation of human potential and the transformation of this potential into human capital as a tool for effective management of the country's sustainable development and the formation of an inclusive society. As a subject of the dissertation, the dynamics and various stages of the formation and development of human potential and human capital in the Republic of Azerbaijan are analyzed. The subject of the study is also the relationship between managing the level of human capital development and the country's success in the field of economic, social and humanitarian development, ensuring modern and future military security of the country.

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Маршалл, А. Принципы экономической науки. // – Москва: Прогресс, – 1993, – 232 с. etc.

<sup>18</sup> Becker, G. Investment in Human Capital: A Theoretical Analysis // The Journal of Political Economy - 1962 vol. 70, no.5, part 2, pp. 9-49.

<sup>19</sup> Schultz, T.W. Investment in Human Capital // - American Economic Review - 1961, vol.51, pp.1-17.

**Goals and objectives of the research.** The purpose of the study is to study the current state and prospects of human development as the most important factor in the formation of people's potential and its transformation into human capital to optimally manage the processes of sustainable development, draw appropriate conclusions and put forward the necessary recommendations based on them.

To achieve this, the applicant sought to determine and perform the following specific objectives of the research:

- to analyze at a conceptual level human development and the development of human capital, as well as factors influencing the mobilization of human capital;
- to conduct a systematic analysis of the public policy aimed at the formation and development of human capital in the Republic of Azerbaijan;
- to analyze the results of the implementation of the Millennium Development Goals program and the impact of the global Sustainable Development Goals on human development and their integration into the development strategy of the Republic of Azerbaijan;
- to analyze the statistics and assessment of the socio-economic policy of the Republic of Azerbaijan by international organizations in terms of the formation and level of development of human potential;
- to conduct an analysis of the features and determine the prospects for the development of human capital as a factor of the sustainable development of the Republic of Azerbaijan.

**Research methods.** In this research, various principles and approaches are used to trace the dynamics of the development of the human potential, the formation of human capital in the Republic of Azerbaijan. In evaluating the effectiveness of policies in this area, methods of comparative statistics and systematic data analysis were used. All data are based on statistically reliable data from national and international development institutions.

**The main provisions of the thesis defence.** The main provisions defended in the dissertation are as follows:

- The Republic of Azerbaijan, in accordance with the general strategy of national development, is implementing a

policy that has allowed the country to achieve high results in the field of economic, social and humanitarian development, ensuring security and restoring the territorial integrity of the country in a historically short period of time. This process is based on innovative public administration mechanisms aimed at developing human potential and transforming this potential into human capital.

- The National human capital development strategy is based on the established and constantly improving system of human potential formation, including through the development of education, science, culture, healthcare and sports.

- The public policy of the Republic of Azerbaijan in the field of formation and mobilization of human capital is highly effective, which is confirmed by a comparative analysis of the country's economic and social indicators with those of other countries with developed economies.

- The process of further improvement of the policy in the field of human capital formation provides for the need to constantly update the specializations of training human resources, considering the goals of advanced development, state and public monitoring of this process.

**Scientific novelty of the research.** In this research, for the first time, based on the use of quantitative and qualitative indicators, the features of the development of human potential in the country as the basis for the formation and mobilization of human capital to effectively manage the processes of sustainable development and solve national priorities for the country are studied.

An analysis of the dynamics of this process in the framework of the study showed that the effectiveness of the formation of human potential and the transformation of this potential into human capital in the Republic of Azerbaijan received special development after 2003, when the President of the country Ilham Aliyev at the World Summit in Geneva presented the national concept of sustainable development of the country through the formation of human potential based on the transformation of "black gold" (income from the production and sale of hydrocarbons) into "human gold" (the formation of highly competitive human potential).

It is substantiated that in the successful development of human potential and the formation of human capital, a significant role belongs to the First Vice-President of the Republic of Azerbaijan, President of the Heydar Aliyev Foundation, Mrs. Mehriban Aliyeva in the field of initiating, organizing and implementing programs at the national and international levels in the field of human potential and human capital formation through the integrated development of health care, education, culture and ensuring their inclusiveness by covering also persons with disabilities.

It is argued that the management of the processes of planning and implementation of measures for the development of highly competitive human potential and the formation of human capital in Azerbaijan was carried out based on a set of sequential activities for the development of science, education, health and sports, and the improvement of the natural environment. Studies have shown that high efficiency in practice, the formation of highly competitive human potential, as the basis of modern human capital, is achieved using synergistic technologies for managing public development processes with the involvement of national and international development institutions, civil society, and a wide practice of volunteering in partnership.

It has been proved that the integrated system of human potential and human capital formation used in the Republic of Azerbaijan is highly effective and provides advanced economic and social development, high defense capability of the country.

Comparative studies have shown that a further increase in the efficiency of human capital formation predetermines the need to consider the requirements of a promising labor market when determining specializations in the process of training personnel in higher and secondary educational institutions in the country.

**Theoretical and practical significance of the research.** The theoretical significance of this study lies in establishing the fact that the most effective process of building human potential and mobilizing human capital for sustainable development is achieved when this process is carried out under the conditions of using synergistic technologies for managing public development processes. Setting priorities for the development of human capital and involving all

national actors and international partners in the process of their preparation and implementation is the most important condition for the formation and mobilization of highly competitive human capital. This work can serve as a prerequisite for further research on this problem.

The practical significance of this work is related to the fact that, as the results of the study showed, the national strategy of the Republic of Azerbaijan in the field of formation of competitive human capital is the most important condition for the sustainable development of the country and the formation of an inclusive society. The parallel success of the Republic of Azerbaijan in the formation of human potential and, at the same time, high achievements in the economy, social area and the field of ensuring the country's military security confirm this practical conclusion. The results of the study and its materials can be used by government agencies involved in this area, as well as in the teaching of relevant disciplines in the country's universities.

**Approbation and application.** The results of this work are reflected in the works published by the author in 14 articles and materials of scientific conferences in the Republic of Azerbaijan and abroad, in particular in such articles as “The role of the National Leader Heydar Aliyev in the formation and development of human potential in Azerbaijan”, “Formation and development of human capital in Azerbaijan Republic”, “The role of effective public administration in the development of human capital in the Republic of Azerbaijan”, “Education is a driving factor in the reproduction of high-quality human capital in the tourism industry of the Republic of Azerbaijan” (Kyiv), “Analysis of the main factors affecting the development of human capital as one of the key strategic objectives in the Republic of Azerbaijan” (Dnepropetrovsk), “The tasks of improving human capital in the conditions of the formation of an innovative economy” (Tbilisi), “The impact of sustainable development in the Republic of Azerbaijan on the development of human potential” (Gyoteborg), also in the abstracts of the author's speeches at conferences.

The results of this research are used during lectures and practical classes at the “Department of planning and management of sustainable

development” of the Academy of Public Administration under the President of the Republic of Azerbaijan.

**Organization in which the thesis has been carried out.** The dissertation work was carried out at the “Department of planning and management of sustainable development” of the Academy of Public Administration under the President of the Republic of Azerbaijan.

**Structural sections and total volume of the dissertation (with symbols).** The research work consists of an introduction, three chapters, nine paragraphs, a conclusion and a list of references.

Introduction – 18 585 characters, Chapter I - 52 248 characters, Chapter II - 68 269 characters, Chapter III - 54 991 characters Conclusion - 7 127 characters, List of references – 25 183 characters, the total volume of the dissertation is 226 403 characters.

## **THE MAIN CONTENT OF THE RESEARCH**

The **Introduction** section substantiates the relevance and scientific significance of the topic, considers the knowledge degree of the problem, determines the object and subject of research, goals and objectives, research methods, its scientific novelty, as well as theoretical and practical significance.

The first chapter of the study is entitled "**Conceptual foundations for the formation and development of the concept of human capital as a category of socio-economic development.**" The first paragraph of this chapter is entitled "**The genesis, development and transformation of the theory of human capital.**" This section describes human capital, the history of the development of the concept of human capital and the theory of human capital. The works of outstanding scientists, economists of different eras are studied in detail.

A retrospective analysis of the evolutionary development of the theory of human capital has shown that today the theory of human capital is based on a strong scientific tradition and is the theoretical basis for developing programs for the further development of education systems, science, healthcare, the distribution of migration flows, etc., as well as integrated methods for calculating human

capital and assessing its impact on the socio-economic development of countries.

Human potential, transforming into human capital, becomes the platform for building a modern social and cultural environment, a new knowledge economy, innovative technologies and global information systems. These principles, as well as their improvement, considering constantly changing tasks and conditions, underlie the rapid economic and social development of the Republic of Azerbaijan<sup>20</sup>.

The paragraph reveals the stages of development of human capital, analyzes the mechanisms of public administration of human capital in the Republic of Azerbaijan, determines the structure of human capital and the relationship between individual structures. This paragraph also draws the relationship and difference between the definitions of human capital and human potential.

The effectiveness of the process of formation of human potential by increasing knowledge, skills, expanding participation, and increasing social responsibility depends on the interaction of public bodies, civil society and private business. This is an important element in the formation of national human capital. It should be noted that in the Republic of Azerbaijan the concept of human capital is used to a greater extent to characterize the opportunities that people have due to their knowledge and skills, the ability to implement them in everyday life.

The second paragraph of the first chapter is entitled "**The main factors influencing the formation of human potential and the reproduction of human capital.**" This paragraph discusses the main factors influencing the formation of human potential and the reproduction of human capital. In this process, the role of environmental factors, such as global climate change, as well as the emergence of pandemics and their consequences, is also important in ensuring the achievement of sustainable development goals and the formation of an inclusive society. The latter is extremely important, since the building of an inclusive society in Azerbaijan has been

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<sup>20</sup> İlham Əliyevin BMT-nin Asiya və Sakit okean üçün İqtisadi və Sosial Komissiyasının 77-ci sessiyasında videoformatda çıxışı təqdim edilib  
URL:<https://president.az/articles/51287>

identified by the President of the country, Ilham Aliyev, as a priority until 2030. The structure of human potential is revealed.

The paragraph establishes a link between investment in the components of human potential and the development of human capital. The analysis found that the most important investments in human capital are investments in education and health. It should be noted that education is crucial. As noted, after the restoration of its independence, the Republic of Azerbaijan paid considerable attention to the development of education. This has been reflected in several ways. The concept of the President of the country Ilham Aliyev, announced at the World Summit in Geneva on the transformation of "black gold" (economic dividends from the extraction and sale of oil and gas) into "human gold", (the formation of highly qualified potential) was aimed primarily at creating a material base for the development of education in the country at various levels. Investments in innovative scientific research, theoretical and practical scientific activities can be fully defined as investments in human capital. Significant progress has been achieved in the Republic of Azerbaijan in the field of research of theoretical foundations and practical ways to improve the efficiency of management of public administration processes.

In this paragraph, the stages of the formation of human potential during the life cycle were also studied. In the dissertation, human capital is considered as a multi-level structure, in which the micro-level (individual human capital) is a platform for the formation of the next two levels. The meso-level (corporate human capital) is the human capital within the organization. The macro-level is the national human capital, which is the economic expression of human potential, an integral part of national wealth and the main intensive factor in the development of the economy and society.

Among the tools of human capital, the policy of "soft power" is especially noted. A vivid example of the successful application of the policy of "soft power" is the activity of the First vice-president of the Republic of Azerbaijan Mehriban Aliyeva. Having laid the Foundation of the Heydar Aliyev Foundation in 2004, Mehriban Aliyeva created the institutional base of "soft power" to promote the values and ideals of Azerbaijan.



The third paragraph of the first chapter is entitled "**Formation and development of human capital in the Republic of Azerbaijan**". This paragraph analyse the formation and development of human capital in the Republic of Azerbaijan. The paragraph describes the achievements of the Republic of Azerbaijan in the field of human capital since independence in 1991. The author states that the national Leader Heydar Aliyev, having shown great dedication in the difficult times of Azerbaijan, paid special attention and time to the development of human capital, which is an urgent problem in our country. Human capital, which has been gradually formed and developed since the 1990s, has always been a priority in the public policy of Azerbaijan. In this paragraph, the author suggests that the Azerbaijan model can be an example for other countries in this area. Public organizations play a special role in the development of human potential. The Heydar Aliyev Foundation is one of the key organizations that makes a significant contribution to the development of human potential. The First vice-president of the Republic of Azerbaijan, president of the Heydar Aliyev Foundation Mehriban Aliyeva has been successfully implementing the model of interaction between governmental and public organizations in national programs of innovative development for many years.

The paragraph notes that the ongoing reforms to transform "black gold into human gold" continue through closer interaction between the education system, the labor market, the creation of new high-tech enterprises, and the successful implementation of state economic programs and concepts. Since 2013, the expansion of innovative activity in all sectors of the economy has become one of the main directions in economic development.

The annually increasing expenditures of the state budget on education, health care, social protection increase the importance and effectiveness of the development of human potential and human capital, which is reflected in national and international reports. The development of the ICT sector, innovative technologies, the introduction of knowledge-intensive branches of modern industry, the creation and development of technological parks have significantly increased the requirements for the higher education system. The scientific and technical base is being improved and developed thanks

to young Azerbaijani scientists and specialists who receive higher education in the Republic of Azerbaijan and abroad.

The second chapter of the study is entitled "**The role and impact of global programs on human development in the Republic of Azerbaijan**".

The first paragraph of this chapter, entitled "**Conceptual approach to modern human development**", confirms that a comprehensive approach to the study of modern human development is essential. If we want to successfully use human capital in the Republic of Azerbaijan, we must first study what human development is. In this context, the concept of human development should be studied primarily in the scientific and theoretical field. Only then can we begin to study the mechanisms of its application. In this context, the author analyzes the conceptual approaches to modern human development.

In a general sense, human development means the formation of its potential, which can be realized as human capital. This, in turn, serves as the basis for the overall development of society. Qualitative changes are especially clearly observed in the economic sphere. From this we can conclude that ideas about economic development are noticeably transformed. If earlier, economic growth was considered the central link in the development of society, then the concept of human development has significantly changed these views.

Previous development concepts were aimed at the accumulation and increase of material resources. This is certainly an important component of national wealth. But in the concept of human development, it is the person, with his abilities and capabilities, that is the main wealth of the country. The accumulated scientific and practical experience of research on the problems of economic growth has contributed to a shift in emphasis from economic growth rates to sustainable human development.

On this basis, new development goals were formulated. New objectives have appeared for science, based on the principle that the economy exists for the development of people, and not people for the development of the economy.

A special role in the paragraph is given to the methods of measuring human development and the role of the UN global

programs in this process. This paragraph analyzes in detail reports on human development, declarations, the role of global conferences on human development. Each approach is analyzed separately and inductively generalized. The paragraph analyzes the impact of global programs and reports on human development in the Republic of Azerbaijan and describes the conceptual framework of human development. The socio-economic policy in the country is also evaluated based on international indicators.

The second subtitle of the second chapter is entitled "**The Millennium Development Goals and their achievement in the Republic of Azerbaijan**". This part of the study discusses in detail the Millennium Development Goals (MDG) and their impact on human development in the Republic of Azerbaijan. The paragraph discusses the importance of these goals and the extent to which they have been achieved.

The MDG system has a three-tier structure. To continuously monitor the achievement of the set goals at the global, national and local levels, 8 goals were identified and approved. In addition, 18 targets and 48 measurable indicators were set to monitor and evaluate the success of the actions taken. In 2000, the Republic of Azerbaijan, among the 147 heads of states, by signing the Millennium Declaration, assumed obligations to achieve the Millennium Development Goals aimed at reducing poverty and promoting human development in the world until 2015. During these years, the struggle against poverty has become a priority national policy of the Azerbaijan Republic. It also analyzes the adaptation of public programs and the integration of individual components among themselves and the global MDGs.

Reducing poverty within the framework of the public strategy has become the basis for achieving the global MDGs. In this regard, the "State Program for poverty reduction and economic development in the Republic of Azerbaijan" for 2003-2005 was adopted<sup>21</sup>. The MDGs were adapted as much as possible during the implementation of the "State Program for poverty reduction and sustainable development in

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<sup>21</sup> «2003-2005-ci illər üçün Azərbaycan Respublikasında yoxsulluğun azaldılması və iqtisadi inkişaf üzrə Dövlət Programı»  
URL: <http://www.e-qanun.az/framework/1954>

the Republic of Azerbaijan in 2008–2015”<sup>22</sup>. The measures envisaged in this program included the following areas: 1) macroeconomic stability and economic growth; 2) employment policy and social protection of the population; 3) development of human capital and social progress; 4) institutional policy and effective management. This paragraph also explores the significance of the successful implementation of this program for human development in the Republic of Azerbaijan. Particularly noteworthy is the achievement of poverty reduction in the country in the shortest possible time due to the implementation of comprehensive government measures to strengthen the socio-economic development of the country<sup>23</sup>.

Achievement of the MDGs has served as a solid foundation for the sustainable development of the country, the development of human potential and its transformation into human capital.

The third paragraph of the second chapter is entitled **“The Global Sustainable Development Goals, their nationalization and integration into the development strategy of the Republic of Azerbaijan”**. This paragraph examines such topical issues as the global Sustainable Development Goals (SDG), their adaptation to Azerbaijan and their integration into the overall development strategy of the Republic of Azerbaijan. The paragraph describes in detail the goals and objectives of this program at the global level, the mechanisms for implementing this program in the Republic of Azerbaijan.

A special place is occupied by the prioritization and adaptation of indicators and mechanisms for monitoring and evaluating achievements. To date, the Republic of Azerbaijan has submitted three voluntary national reviews on the implementation of the SDGs in the

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<sup>22</sup> «2008–2015-ci illərdə Azərbaycan Respublikasında yoxsulluğun azaldılması və davamlı inkişaf Dövlət Proqramı»

URL: <http://e-qanun.gov.az/framework/15399>

<sup>23</sup> Azərbaycan Respublikası üzrə Minilliyin İnkişaf Məqsədlərinin göstəriciləri URL: [https://www.stat.gov.az/source/millennium/source/MDG\\_az-05.01.2017.pdf](https://www.stat.gov.az/source/millennium/source/MDG_az-05.01.2017.pdf)

Republic of Azerbaijan<sup>24</sup>. These reviews were successfully presented at the UN High Level Policy Forums on Sustainable Development and published on the forum website. In this subtitle, the author discusses certain components of Azerbaijan's development strategy, the interaction of the SDGs with these components, as well as the potential for integration between them. This paragraph shows which sustainable development management mechanisms are most effective.

As a result, the author concludes that the Republic of Azerbaijan, having achieved significant progress in achieving the MDGs and SDGs, following the principle of national responsibility of the “2030 Agenda”, systematically and consistently creates economically proved, socially responsible and environmentally safe conditions for the development of the country's human potential for the subsequent transformation of part of its into human capital.

The third chapter of the research is entitled "**Public administration in the field of human capital development in the Republic of Azerbaijan**". The first paragraph of this chapter is titled "**Public policy aimed at the development of human capital**". The paragraph analyzes the public policy aimed at the development of human capital in our country, examines the components of this policy and discusses the mechanisms for its implementation. It describes the evolution of public policy towards the development of human capital in the Republic of Azerbaijan and shows how it has changed and developed over the years. Programs aimed at the development of human capital in the Republic of Azerbaijan, decrees and orders of President Ilham Aliyev and other regulatory documents are being studied. Particular attention is paid to the study of public measures aimed at improving the education system. This paragraph also discusses the national priorities in the socio-economic development of the Republic of Azerbaijan for 2021-2030. The development of competitive human capital and the creation of space for innovative technologies are among the approved national priorities for the socio-economic development of Azerbaijan. The corresponding order was

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<sup>24</sup> Third Voluntary National Review 2021

URL:[https://sustainabledevelopment.un.org/content/documents/279452021\\_VNR\\_Report\\_Azerbaijan.pdf](https://sustainabledevelopment.un.org/content/documents/279452021_VNR_Report_Azerbaijan.pdf)

signed by the President of the Republic of Azerbaijan Ilham Aliyev in February 2021<sup>25</sup>.

The second paragraph of the third chapter is entitled **"Assessment by international institutions of the socio-economic policy of the Republic of Azerbaijan in the formation and development of human potential."** In this part of the research, the achievements of the Republic of Azerbaijan in the socio-economic sphere are analyzed in detail. The issue of assessment by international organizations of the socio-economic policy of the Republic of Azerbaijan in the formation and development of human potential was touched upon. Assessing an indicator such as the Inclusive Growth Index, developed as an alternative to GDP, provides a clearer and more accurate picture of how people evaluate economic development in their countries. According to the Inclusive Growth Index, Azerbaijan ranks third among developing countries. According to the Inclusive Growth Index in the "2018 Inclusive Growth and Development" report, countries are divided into five categories<sup>26</sup>. Azerbaijan is among the stable countries. It has to be mentioned that the government of Azerbaijan is consistently implementing reforms to improve the business climate in the country.

The country entered the TOP-20 reformers in the Doing Business 2020 ranking published by the World Bank. According to bank experts, it has become easier to do business in Azerbaijan in four areas - registration of real estate, obtaining loans, protection of minority investors and contractual discipline<sup>27</sup>. Data based on official UN statistics show that this social development index in the Republic of Azerbaijan is more favorable than the average for the G7 countries and 6 member countries of this organization. This paragraph also

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<sup>25</sup> «Azərbaycan 2030: sosial-iqtisadi inkişafa dair Milli Prioritetlər» mövzusunda Azərbaycan Respublikası Prezidentinin Sərəncamı / Azərbaycan Prezidentinin rəsmi internet sahifəsi URL:<https://president.az/articles/50473>

<sup>26</sup> The Inclusive Development Index 2018

URL:[http://www3.weforum.org/docs/WEF\\_Forum\\_IncGrwth\\_2018.pdf](http://www3.weforum.org/docs/WEF_Forum_IncGrwth_2018.pdf)

<sup>27</sup> Doing Business 2020: Report of Comparing Business Regulations in 190 Economies

URL:<http://documents1.worldbank.org/curated/en/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>

analyzes the assessment by international institutions of the country's environmental policy, as well as measures aimed at improving the environmental situation.

The last, third paragraph of the third chapter is entitled "**Features and prospects for the development of human capital as a factor of sustainable development of the Republic of Azerbaijan**". This paragraph analyzes the features of the development of human capital, the prospects for its development in the country. During the synthesis of data, it was found that the government of the Republic of Azerbaijan recognizes the importance of developing human capital as a prerequisite for reducing the country's dependence on oil and gas revenues and increasing its resilience to external shocks. The government is committed to the process of reforming the national education system and has declared education one of the main priorities of public policy. The most important and long-term goal is to align the country's education policy with its changing demographics, the skills needed to compete in the 21st century, and the efficient and effective allocation of financial resources. The National education development strategy establishes a long-term vision for competence-based education, management mechanisms based on public-private partnerships, lifelong learning, modern educational infrastructure and sustainable funding mechanisms.

This paragraph also reveals topical issues that require more detailed research to improve the mechanisms of human capital management. Over the past few decades, significant demographic changes have taken place in Azerbaijan, which are reflected in several areas: changes in the structure of the population and demand for new jobs, mass urbanization of large cities and migration in its various forms. Actions taken to diversify the economy and develop high value-added activities in the non-oil sectors along with the oil and gas industry have increased the demand for a competitive and professional workforce. From this perspective, the VET sector is expected to provide advanced training to meet the growing and changing needs of the labor market.

The skills development system should better support the national priority of economic diversification by addressing skills shortages and wastage and further developing education. This paragraph states that

the new legal framework is a positive step towards expanding adult learning opportunities. However, the forms and methods of continuing professional education need further improvement in terms of their content and teaching methods, their relevance to labor market needs and, more importantly, to make them suitable for adults.

A gradual transition to a new model of economic growth capable of solving the main tasks of creating jobs and reducing social and regional inequalities will require the modernization and adjustment of the human capital in the country. A topical issue is the development of human capital, ready to adapt to continuous changes.

In the **Conclusion** section, the results of the study were summed up, scientific and analytical generalizations were made, and opinions, theoretical and practical proposals, and recommendations on the development of human capital as a factor of sustainable development were expressed. The conducted research has shown that the formation of human potential and its transformation into human capital is a priority of the public policy of the Republic of Azerbaijan. The concepts of human development make it possible to formulate a qualitatively new approach to understanding social progress, based on the development of human abilities and needs for the realization of human self-realization and human potential. The main part of economic growth is primarily characterized by the state of human potential and the degree of its use. The new social policy makes it possible to annually increase investments in education, healthcare, social protection and, as a result, ensure the development of human potential.

The author concludes that, despite some national and global challenges to the development of human capital in the Republic of Azerbaijan, thanks to an effective public policy in the field of material and human resource management, as well as other steps taken, favorable conditions are being created in the country for the development of human capital. The development of human capital is considered one of the keys to the development of an intellectually, creatively and spiritually high individual society. Therefore, in our time, the development of any society and country is determined not by economic growth, but by the development of human potential. It is extremely important to consider the principles of sustainable



development in the development of human capital at the public level. It is within the framework of this concept that the theoretical foundations of human development can be realized. First, this is due to the high humanistic potential of the concept of sustainable development. Ultimately, the formation and development of human capital becomes a key factor of the development of a country that effectively uses its potential. The reproduction of human capital is one of the most important factors in achieving the strategic objectives of sustainable development.

**The main results of the dissertation are reflected in the following publications of the author:**

1. Роль общенационального лидера Гейдара Алиева в формировании и развитии человеческого потенциала в Азербайджане // «Heydər Əliyev və Azərbaycanın Milli İnkişaf Startegiyası» mövzusunda doktorant və dissertantların elmi-praktiki konfransın materialları, Bakı: 2018, – s. 51-62.
2. Человеческий капитал как фактор устойчивого развития регионального туризма // “Azərbaycan Respublikasında turizm-rekreasiya zonalarının yaradılması perspektivləri” mövzusunda 22 dekabr 2018-ci ildə keçirilmiş Respublika elmi-praktiki konfransın materialları, Bakı: 2019, – s. 210-214.
3. The quality of the human capital as an indicator of the sustainable development. Proceedings of the “Man and biosphere” (MaB, UNESCO) // Azerbaijan National Committee, – 2018. Vol 13, – pp. 183–194.
4. Формирование и развитие человеческого капитала в Азербайджанской Республике // Dövlət idarəçiliyi: nəzəriyyə və təcrübə, – 2019. №2 (66), – s. 233-240.
5. Роль эффективного государственного управления в развитии человеческого капитала в Азербайджанской Республике // Dövlət idarəçiliyi: nəzəriyyə və təcrübə, – 2019. №3 (67), – s. 149-155.
6. Государственное управление как ключевой фактор развития человеческого капитала в Азербайджанской Республике // Doktorantların və gənc tədqiqatçıların XXIII Respublika Elmi Konfransının Materialları: 2 cildə, II c., Bakı: – 03-04 dekabr, 2019, – s. 51-54.

7. Human capital development as one of the key factors of the sustainable development in the Republic of Azerbaijan. Abstract // The International Symposium on the Mediterranean-Silk Road Studies. Kyrenia: – 2020, – January 17-19, – p.30.
8. Общие тенденции устойчивого развития Азербайджанской Республики в контексте цели развития тысячелетия // Elm və İnnovativ Texnologiyalar Jurnalı, – 2020, № 12, – s. 48-61.
9. Образование – движущий фактор воспроизводства качественного человеческого капитала в туристической отрасли Азербайджанской Республики // Hileyu: Scientific Bulletin. – Kyiv: «Publishing house «Hileyu», 2020. – Volume 157 (№ 6-9). Part 3. Political Sciences, – pp. 69-73.
10. Глобальные Цели Устойчивого Развития как платформа для человеческого развития в Азербайджанской Республике. Naхçivan Dövlət Universiteti // “Elmi əsərlər”. İctimai elmlər seriyası, 2020. – № 6 (107), – s.119-127.
11. Задачи совершенствования человеческого капитала в условиях формирования инновационной экономики // “The XI International Scientific Symposium “Intercultural relations in the modern world”, Tbilisi: – February 27, –2021, — pp. 171-180.
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13. Человеческий капитал как инструмент государственного управления в области устойчивого развития Азербайджанской Республики // Dövlət idarəçiliyi: nəzəriyyə və təcrübə, – 2021. №2 (74), - s. 243 – 252.
14. Analysis of the main factors affecting the development of human capital as one of the key strategical objectives in the Republic of Azerbaijan // Dnipropetrovsk: – “Grani” Scientific and theoretical almanac, – 2021, – Vol.24 (N 11), – pp. 67-76.

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