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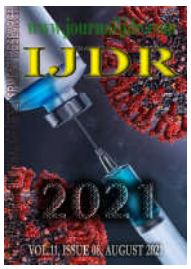

RESEARCH ARTICLE OPEN ACCESS

THE ROLE OF NATURAL RESOURCE POTENTIAL IN SUSTAINABLE SOCIO-ECONOMIC DEVELOPMENT OF MOUNTAINOUS REGIONS OF THE REPUBLIC OF AZERBAIJAN

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ABSTRACT

The course of political and economic processes taking place in a globalizing world has highlighted the issue of developing a long-term development strategy in several countries. Relatedly, at the international conference, initiated by the United Nations and held in 1992 in Rio de Janeiro, the leaders of 172 states adopted the concept of Sustainable Development.Based on this concept, socio-economic issues of settlements ofthe mountain areas of the Azerbaijan Republic were analyzed, and the existing problems were identified, upon which the recommendations for their solution are proposed.

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INTRODUCTION

Azerbaijan is located in a geographical area of strategic importance between Europe and Asia, being a part of the region with rich energy resources. This fact keeps Azerbaijan at the centre of attention of world's leading countries and international organizations. Hereby, providing sustainability and security of use of energy resources is one of major strategic priorities of policy of Azerbaijani government. Foreign investors are interested in cooperation with Azerbaijan in the field of oil and gas industry. Investment policy is one of important tools to ensure long-term economic and social development of the country. The key task in this area is to expand investment opportunities in regard to all sectors of the economy. For this purpose, establishing free competitive condition for investors and improving the existing regulatory framework is very important.

The strategic direction of sustainable development in Azerbaijan can be characterized as follows:

- rational use of natural and economic potential and its involvement in economic turnover;
- formation and integration of national economy into the world economy in conditions of free market relations;
- providing sustainable development, as well as attracting investment in economic sectors to prevent population migration in the regions.

MATERIALS AND METHODS

In Azerbaijan, like in other former Soviet republics, after the restoration of independence, the economy faced some difficulties. At the same time, the targeted and rational use of the country's natural potential made it possible to accelerate the development of the economy in the years of independence. In Azerbaijan, in order to conduct a regional policy, from a territorial point of view, areas of long-term transformation have been identified. Currently, the effective use of the natural potential of the country and its regions in order to achieve sustainable socio-economic development and increase national income is a very topical issue. Improving the economic performance of regions and industrial areas is possible with the rational use of natural resources. In accordance with the goal set in the study, a comparative analysis was conducted of the economic sectors of Azerbaijan during the historical period. The obtained data

are systematized. On the basis of statistical and mathematical materials, socio-economic aspects of sustainable development are identified.

RESULTS AND DISCUSSION

Natural conditions and relief of Azerbaijan: Favourable natural conditions and rich mineral resources (raw minerals) of the Republic of Azerbaijan of the Azerbaijan have contributed to the development of the country's economy and transport-economic relations. The territory of Azerbaijan is mainly located within the boundaries of subtropical (65%) and partially mild (35%) climatic zones. The complex structure of the relief has caused a variety of climatic conditions in the territory. Average annual air temperature is +12°C to +15°C in plains of the country, whereas 0 °C and lesser in mountainous areas of higher elevation. In July, air temperature may reaches up to +25 to +27°C in the Kur-Aras lowland, Absheron, Samur-Devechi and other plains, whereas +5°C to +10°C in mountain regions. In January, the indicators make up +3°C in plains or below and –10 to –14°C or much below in mountainous areas respectively. The highest temperature in Azerbaijan has been observed as +44°C in Julfa, and the lowest temperature has been fixed as –33°C in Nakhchivan depression (Constructive geography of the Republic of Azerbaijan, 2003).

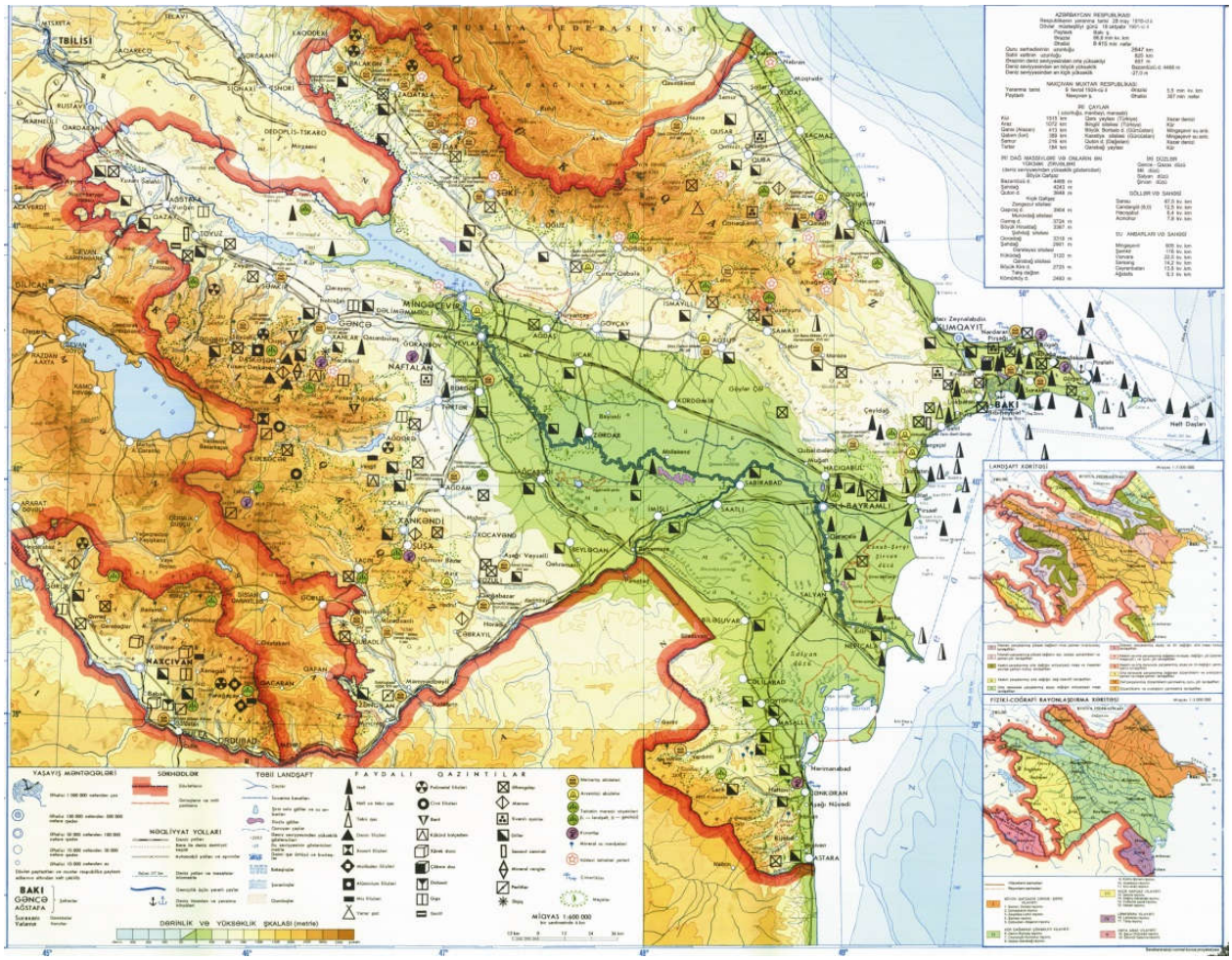

Figure 1. The physical map of the Republic of Azerbaijan

The annual amount of sunny hours in Azerbaijan varies from 1800 to 2900 hours. The figure is 2900 hours in the plains along Aras River, and 2200-2400 hours in Kur-Aras lowland, Jeyranchol and Absheron regions. The average amount of sunny hours in the middle and high mountains of the Greater and Lesser Caucasus varies between 2100–2400 hours. In the country, the least amount of sunny hours is observed in the Lankaran lowland and the Shollar Plain, varying from 1800 to 2000 hours a year due to high cloudiness. One of the main factors in the formation of climate is solar radiation. The annual amount of solar radiation in Azerbaijan is unevenly distributed in connection with the relief of the country. Annual solar radiation in foothill areas reaches 120-130 kcal/cm^2. The figure is 140-145 kcal/cm^2 in high mountainous areas and 130-135 kcal/cm^2 in plains. The territory of Nakhchivan receives more solar radiation, equaling 130-135 kcal/cm^2, while the highest figure is fixed in higher elevations. Annual precipitation in Azerbaijan ranges from 200 to 450 mm. Precipitation is distributed by regions unequally. It equals 200 mm in the Absheron peninsula, Nakhchivan region and plains along the Aras River. The figure makes up the 200-300 mm in the theKur-Aras lowland, 600-800 mm in the Lesser Caucasus and the north-eastern slopes of the Greater Caucasus, and up to 1200-1300 mm at 2000-2500 m elevations of the Greater Caucasus. Southern parts of the Lankaran lowland and the slopes of the Talysh Mountains receive highest precipitation at 1200-1700 mm. The minimum precipitation (96 mm) falls to southern parts of the Absheron peninsula, and the maximum level was fixed in Gagiran village (2767 mm) of Lankaran district. The territory of Azerbaijan has very complex relief. This complexity relates to the territory's geology. The relief of the region has been formed under the influence of long endogenous and exogenous processes since the third and fourth periods of Cenozoic Era and lasted millions of years. The seismic processes occurring in the territory, which is a part of the Alpine-Himalayan geosynclinal zone, prove that the processes of mountain formation here are still in progress.

The main geomorphological units of the country are the Greater Caucasus, the Lesser Caucasus, the Talysh Mountains, the Kura-Aras lowland and the plains alongside Aras River (Figure 1). The relief of Azerbaijan rises from sea level at –26.5 m up to 4466 m (to the Bazarduzu peak). The average altitude of the territory is 657 m above sea level. 18% of the country territory has an altitude at 28–0 m, 25% at 0–200 m, 15.5% at 200–500 m, 14.5% at 500–1000 m, 12% at 1000–1500 m, 11.5% at 1500–2500 m and 3.5% at 2500 m above sea level. While mountainous regions of Azerbaijan are considered

favourable in terms of their natural conditions and relief, the economic sectors (industrial, agricultural, tourism, etc.) are less-developed compared to lowland plains. Relatedly, there are a lot of problems related to social condition in mountainous regions, as well. However, these territories have favourable natural conditions to develop agrarian sector, and also tourism facilities.

Use of natural resource potential: As noted above, the efficient use of natural resource potential is very urgent issue in terms of achieving sustainable development. Efficient use of natural resources is associated with labour efficiency and more wise ways of meeting demands for raw materials. Use of natural resources is regarded as one of key factors in territorial allocation of industry, agriculture, transport and also regulation of population settlement. Azerbaijan is one of countries with rich natural resources. The spread of these resources is linked to the geological history of the region. In mountainous areas where magmatic rocks are present, ore resources are spread, while non-ore resources are available in areas of fossil formation. Beside with the fact that Azerbaijani lands were considered as very rich in oil, there are also natural gas, iron, zinc, molybdenum ore, gypsum, lime, bitumen, clay, marble, stone salt, iodine and bromine waters and also hydroenergy resources, widespread here (Imrani, 2014). Azerbaijan is rich in *oil and natural gas* resources. At present, over 70 oil and gas fields are being exploited in the country, of which 53 are onshore and 17 are offshore ones. Over 40% of present potential reserves and 20% of gas reserves have been exploited since the beginning of oil production in Azerbaijan. In addition to oil and gas resources, ore (ferrous and non-ferrous metals) and non-ore (construction materials) minerals, as well as mineral, thermal and iodine-brominated waters are of industrial importance, as well. Out of 28 main natural minerals, available in the country, only 40% are exploited. Ore minerals are found in mountainous areas where magmatic and metamorphic rocks are widespread. The territory of Azerbaijan is rich in ore resources. They are found in Shaki-Zagatala, Ganja-Gazakh, Kalbajar-Lachin, Nakhchivan and partly in Upper Karabagh regions. The Lesser Caucasus is the major area where minerals (iron, manganese, titanium, chromite, cobalt, copper, polymetallic ores, riding, gold, silver, molybdenum, etc.) are widespread. Iron ore and alunite resources in the Dashkasan district, and polymetallic deposits in the Balakan and Zagatala districts can be mentioned in particular.

Iron ore is the main raw material for ferrous metallurgy. The largest iron ore deposit in Azerbaijan is Dashkasan, including South Dashkasan, Damir and Dardar deposits. Until 1920, the exploitation of these fields was carried out only through artisanal methods. In 1928, the first geological map of the field was drawn up, where the reserves were indicated at 175 million tons, whereas currently the reserves are estimated at 276 million tons, and the confirmed reserves make up 233 million tons. The mineral content of high quality ore in the beds is quite rich. In addition to magnetite (up to 70%), the ore contains pyrite, hematite, arsenic, titanium, copper, silver, zinc, nickel, cobalt, chrome, riding, vanadium, molybdenum, etc., as well. Iron ore deposits have also been found in Gadabay (Novo-Ivanovka), Ordubad (Bashyurd), Dashkasan (Alabashli), Shamkir (Chardakhli, Atabey, Ashaghi Morul, Mansurlu, Taknali), as well as later in the Caspian coasts of Lankaran and Astara districts. The iron content of these deposits varies from 9–15% to 58.2%.

Alunite serves as a raw material for processing of aluminum oxide, sulfuric acid, sulfur dioxide, potassium fertilizer, and potassium salts. Alunite ore contains rare metals such as vanadium and potassium, used in production of nuclear reactors, aircraft and missile, and alloy compounds. The alunite deposit of Zaylik is the second largest in the world after the Fushan deposit of China. Being under exploitation since 1964 and serving as a raw material for Ganja aluminum plant, this deposit is estimated at 174 million tons. It consists of two alunitated layers. The top layer covers horizontally smaller area, while the second is larger in area. The second largest alunite field in Dashkasan is found near Seyfali settlement of Shamkir district. There are six alunitated layers here.

The *polymetallic* deposits of Mehmana (in Aghdere) and Gumushlu (in Nakhchivan), as well as the Paragachay and Gapijig*molybdenum* deposits (in Nakhchivan) have been studied in detail unlike other deposits. The largest polymetallic ore reserves are present in Zagatala-Balakan zone (350,000 tons). Apart from Paragachay and Kapijig deposits, other molybdenum deposits located in the territory of Azerbaijan are Fahlidere, Alchalig, Goygundur, Teymurujandag, etc. With the exception of Paragachay and Gapijig, exploration works in the above mentioned deposits are economically inefficient since the total reserves of them is lesser (0.1 to 1.5-2 thousand tons). Copper-molybdenum deposits include Goygol, Misdagh, Alchalig and Diakhchay where the content of copper, a leading component is 0.3-0.5%, and the content of molybdenum is 0.02-0.07%.

Bauxite reserves in Azerbaijan were discovered for the first time in 1969. The downstream of Arpachay River, flowing in the territory of Nakhchivan was the first discovered area of bauxite. Further, promising bauxite deposits were unveiled in Gerangala, Gabagyol, Munch Baloglu, Gabagdag, Sadarak, Danzik and Karki areas.

Gold is a non-ferrous metal, which is highly evaluated due to its physical and chemical properties. Gold deposits of Azerbaijan are available in Kalbajar and Zangilan areas (quartz-gold), Aghdara (copper-quartz-gold), Gadabay (gold-copper pyrite), and also Gazakh and Tovuz (gold-sulfide) areas, and their reserves are estimated at 1000 tons. Meanwhile, the discovered gold reserves are estimated as 50 tons, and the confirmed reserves are 10 tons. At present, reserves of three gold deposits are industrially evaluated. These deposits are called Gizbulag, Vejnali and Zod (Soyudlu). In recent years, golden footprints are found also in southern Greater Caucasus as well as the "Black shale layer ditch" area of the Sheki-Zagatala economic region.

Silver reserves are mainly found in copper, zinc and lead blends of various polymetallic ores. The total amount of silver reserves in the territory of Azerbaijan is 4200 tons. Silver deposits were discovered in Balakan, Zagatala, Shamkir, Kalbajar, Tartar, Zangilan and Nakhchivan districts.

Copper reserves at 640,000 tonnes are concentrated mainly in Gadabay, Tovuz, Gazakh, Dashkasan, Ordubad, Balakan and Zagatala districts (Filizchay, Kasdag and Katekh deposits). Since the mentioned deposits are considered to be promising, there are big opportunities for purification, processing and production of copper in the country. The maximum metal content of copper reserves is 30 to 170 grams per ton. The content of copper ore itself is 1.5-2% in average, and in some cases reaches 17-18%. Along with the above, there are bitumen, cobalt, lead, zinc, arsenic, riding, sulphur pyrite, solid salt, construction materials, etc. in the territory of Azerbaijan, as well. Most of these resources are concentrated in mountain regions. On the basis of these resources, it is possible to create many industrial enterprises in the mountainous areas that may contribute to employment rate among local population, and enable achieving progress in the socio-economic development of regions.

Socio-economic problems of mountain villages: In modern conditions of market relations, the stable development of the economy and the rise of living level are issues of particular relevance. Social development in mountainous areas is considered to be among most topical problems. The unemployment-driven migration of the population has led to depopulation of villages of the mountain regions. While about 10% of the world's population depends on mountain resources, a much larger percentage draws on other mountain resources. (Managing fragile ecosystems…, 1992). The noted issue concerns Azerbaijan as well. 57% of the territory of Azerbaijan is mountainous. The settled mountain areas rise up to 2205 m of elevation above sea level. The Khinalig village of Guba district has maximum elevation in the country (Figure 2). It should be noted that the present (economic, social and infrastructural) capacities of the mountainous and foothill regions are much higher than in plain and high mountain regions. Economic growth depends on a number of objective and subjective factors.

Figure 2. Khynalyg village

The climate condition of Azerbaijan is predominatly dry, and therefore, here plant-growing activities are carried mostly with irrigation. Farming products are produced mainly around Kur and Aras rivers, on which big water reservoirs were constructed. (Eminov, 2005). The villages located in the foothills of the Greater and Lesser Caucasus as well as the Talysh Mountains have formed settlement relatively large areals along large river valleys. Apart from natural and geographical factors, the formation and structure of rural settlement in the country is affected by socio-economic and administrative functions as well. Thus, the establishment of network of facilities to meet needs of rural population, extension of functions (mostly administrative) of the existing villages may affect rural settlement and its development. The increase of the share of public financing in overall investments, replacement and reconstruction of the highways and bridges, damaged as a result of natural disasters, and providing of economically cheap and efficient construction materials are the necessary factors to increase the living standards of the population in rural areas (Imrani, 2003).

Solution of the following problems, typical for the mountain regions of the country are considered very urgent:

- migration of the population from mountain regions due to lack of employment opportunities;
- decrease in natural growth among the population of mountain regions, driven by emigration of the young generation from those regions, and related demographic aging;
- the population's access to more favourable areas for living has led to deterioration of the demographic situation;
- deterioration of demographic situation while population prefer the areas that are more suitable for living;
- estimation of damages wrecked havoc on the population because of flood, inundation, abrasion, washing, avalanche, landslide, hail and other destructive processes.

Development directions of mountainous areas: Development and improvement of the structure of economy, and improvement of the socio-economic situation directly depend on complex development of industry, agriculture, tourism and other economic branches. The discovery and exploitation of the natural resources has positively affected the advantageous territorial organization of industrial spheres in Azerbaijan, causing the considerable changes in the geography of economic branches and growth of productive forces in the regions of the country. Macroeconomic stability, the improvement of legislation on business, regulation of relations between public administration and business activities, and also import and export operations, the presence of the free market as well as the implementation of two state programs on socioeconomic development of regions, and other factors contributed to the growth of foreign investment in the country's economy (Karimov, 2015). The industry of Azerbaijan is represented mainly by oil and gas extraction, mining, light and food industries operating on the basis of raw materials, as well as construction industry.

Efficient organization and complex development of these economic branches within the country plays an important role in the rational use of existing natural resources in the regions, and also in the social lives of the population and economic activities. The majority of the industrial products, i.e. 94.4% are concentrated in the fields of mining and processing areas, including food, petroleum and chemical industries, as well as the different areas of metallurgy, printing, motor industry, electricity, machinery and equipment production. The remaining 5.6% is shared by electricity, gas and water supply. Inequality among the regions of the country in terms of industrial production is still noticeable. Thus, 90.8% of the industrial production is concentrated in the Absheron economic-geographical region, of which 98.4% is accounted by the city of Baku. This is related mainly to the development of the oil and gas industry in the capital city region. Other relatively large regions for industrial product are Aran (2,4%), Nakhchivan (2,3%), and Ganja-Gazakh (0,9%) regions. The described situation has led to the concentration of most of infrastructure facilities in Baku. In this regard, lagging of the mountainous areas should be mentioned in particular. Industrial areas are poorly developed in mountainous regions areas despite the fact they are much rich in natural resources. It is possible to develop the mining industry in the mountain regions based on the existing potential they have. This would have a positive impact on the socio-economic development of the regions. Farming is the main area where most of workforce is engaged in the mountain regions of Azerbaijan. Rural dwellers are engaged in courtyard farming and livestock. However, there are almost no industries responsible for processing of agricultural products in these areas. Only in districts like Gabala, Shaki, Zagatala, Guba, Shamakhi and some others, small enterprises on producing livestock products are operating.

The accepted long-term programs on agrarian reforms aim at the establishment of appropriate proportions between agriculture and other branches of the economy through the implementation of concrete measures which include providing interchange of quality and certified products, increasing the regulatory role of the state with specific approach towards financial and credit mechanisms as well as cost-effective foreign trade policy. The agro-industrial complex looks like a complicated organism with dialectical relations with other sectors of the economy of the country. Agro-industrial complex plays an exceptional role in supplying population with food products, also providing raw materials for processing facilities. The agro-industrial complex combines specialized agricultural enterprises integrated territorially and technologically, and responsible for supplying, transporting, storing and selling of agricultural products. The main task of the agrarian complex is to achieve the increase of agricultural production and meet the demand for raw materials of the country's clothing industry. From this view, a sustainable development strategy on the agro-industrial complex should be developed to provide its structural sustainability and competitiveness. The goal of agrarian reform is to pull out the agrarian sector from the crisis, stabilize the national economy, and improve the present socio-economic situation. The relevant tasks are to establish new property relations on land and property, as well as create and develop various types of facilities in industry and infrastructure. The measures to be conducted must serve for increase of efficiency of the agrarian sector, growth in the agricultural production, and efficient land use. The noted agrarian reforms concern not only agrarian sector but also other linked sectors such as land reclamation or water and melioration management, favouring the formation of new property relations in the agrarian sector and achieving better state guarantee as well. The conducted analysis shows that for a long period the steady decline in the share of agriculture in the aggregate investment structure has been accompanied by challenges in meeting the needs of agro-producers for capital. Absence of programs on land reclamation and irrigation as well as lack of funding of the development of agrarian market infrastructure from the budget has impeded sufficient satisfaction of needs for material and technical resources of the agriculture. The situation was challenged in relation with limited allocation of investments to fixed assets. The mentioned factors have had a negative impact on the sustainable development of the agrarian sector.

In order to overcome this problem, first of all, the role of investment in the development of country's agrarian sector must be considered in detail. Necessity and specific features of investment should be studied with taking into account priorities of the agrarian investment policy and necessity in the implementation of relevant programs. It should be noted that the implementation of the "State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan" for 2004-2008, 2009-2013 and 2014-2018 years has played a significant role in formation of the national agrarian market in line with the principles of regional development, increasing employment rate in the regions, improving new agrarian and industrial complexes, and creating new processing and service areas for farming. The program is implemented on the basis of market principles with considering long-term and sustainable strategies of economic systems. Consequently, the trend of growth in the production of businesses of agroindustry has been observed in recent years. At present, 3.2% of investments in the fixed capital are accounted by agriculture, which is the fourth highest after industry, transport and construction. 93.4% of the overall agricultural product is accounted by individual entrepreneurs, as well as family and households farms, and the rest 6.6% was contributed by agricultural enterprises and other entities. Lands suitable for agriculture make up 4768.3 thousand ha, while population density per 100 hectares is 196 persons, and usable lands per capita equals 0.51 ha. Meanwhile, 1424.3 thousand ha of agricultural lands is irrigated, of which 88.3% are sown, and 11.7% is under perennial plants.

In order to develop agro-industrial complexes at present, the implementation of the following measures are advisable:

- Establishment of cooperation between agroindustrial enterprises in the regions with considering specificity of natural, climatic and economic conditions and principles of market economy;
- Identification of perspective parameters of sustainable development in the production of competitive agricultural products, as well as classification of them;
- Implementation of rural investment projects with providing long-term loans to villagers on concessional basis to increase agricultural production;
- Development of a sustainable development strategy with considering current level of development and economic prospects of agrarian-industrial complexes in the conditions of market economy;
- Identification of future prospects, with considering relationship between sustainable development and employment in the agrarian sector.

For the purposes noted above, it is necessary to study economic efficiency of inter-branchial relations of agro-industrial complexes, classify development features of reproduction, investigate theoretical and methodological bases of intraregional economic relations, forecast economic development tendencies of agrarian-industrial complexes with taking into account latest tendencies in economic development of agro-industrial complexes. One of the main factors influencing the development of the mountainous regions is the development of tourism. In the modern world, tourism is one of the most profitable and rapidly growing industries in the world. It is a tool to foster international recognition of each country, improve use of its natural resources, and introduce its culture. At present, tourism facilities are rapidly developing in many parts of the world, attracting large amount of investments. Relatedly, revenues from tourism are increasing, positively affecting the employment. Today, 10% of the world GDP (and 4,1% GDP of Azerbaijan), and 8% of export is accounted by tourism which employs 8.1% of the workable population. Development of tourism is not limited to the fact that it is a highly profitable area. Being crucial in solving social problems and reducing unemployment rate, this sector of economy favours social and economic development of regions, and contributes growth of the living standards significantly. Tourism as a labour-consuming area may also serve as a strong tool for preventing emigration of population in remote upland areas, and open opportunities for the development of small and medium businesses. One of the key conditions for raising tourism revenues is to attract both domestic and foreign investments in this area, since investing positively affects the development of tourism and has a positive effect on level of living and economic activities of local population. Short-term gains from tourism activity may be regarded as motivating factor for entrepreneur who is interested in earning high. The development of tourism allows increase employment, prevents depopulation of small villages, and enables formation of new settlements. Some tourism facilities operate seasonally and employ female labour associated with maid service, laundry, cooking, etc. This enables local residents to earn more and improve their living. In general, labor resources are considered to be the main productive forces of a society. The number, dynamics, professional and educational levels of labour resources are the key important factor of economic development in different regions of Azerbaijan. Availability rate of labour resources may impact on the formation and territorial organization of the economy, and enables develop labour-intensive areas of manufacturing (Abbasov, 1998). This is because the development level of productive forces is related to the formation of living, traditions, variety of geographical condition and the possibilities of using this condition. Therefore, the way of creating living conditions was very complicated and has passed through various stages.

Regional problems of sustainable development have been studied by many scholars from different aspects. Berger debated on regional sustainable development by critically reflecting upon and analysing governance strategies in regional sustainable development policy making. He stated that power relations between the different institutions and stakeholders must be taken into account in any governance approach (Berger, 2003). Some researches were focused on environmental dimension of regional sustainable development. Bertrand and Larrue (2005) have studied the environmental context of sustainable development on the example of mountainous regions of France, where they demonstrated how efforts to implement regional sustainable development invariably lead to domination by environmental factors, as a consequence of well established environmental policies (Bertrand, 2005). Some authors emphasized the negative consequences of adverse socioeconomic development such as increasing risks related to natural disasters that are most typical problems for mountainous regions (Hagen, 2010). Some of them, engaged in the problems of regional sustainable development, have made an emphasis on balanced communities to reduce regional mobility demands and solve effectively the problem of management of land, resources, and population (Wheeler, 2009). Potential capacities of the regions require, first of all, the development of traditional economic areas through appropriate, mutually acceptable and efficient ways in accordance with the allocation of productive forces in the territory of the country, social division of labor, as well as labour and professional features of the population. The relevant priorities in the near, middle and long-term perspective must be developed through application of intensive ways of development. This priorities may concern high-productive agriculture (agribusinesses), light industry (silkworm, weaving, handicraft) which should use the local raw material without damaging the ecological balance of mountain regions, food industry (meat and dairy products, various canned products, tobacco products, essential oil, mineral water, confectionery products), pharmacy products (natural means of treatment, preparations), and recreation and healthcare network.

Developing new tourism routes can be noted in addition to the above. Currently, there are many new tourism routes operating in the country. However, these tourism routes are laid mostly via historical heritages of national significance, whereas there are almost no local tourism routes that would fully cover the existing historical, cultural and natural monuments. Realization of such tourism routes may play a big role in creating of new jobs for the population of the mountainous regions. Local people may offer guide services or help tourists to meet their daily food needs and serve them at their houses. Local authorities are responsible for conservation and presentation of cultural landscapes and other natural and cultural heritage sites, protected for their landscape value. From this view, the study of

experience of foreign countries seems advisable (Para, 2012). In general, the development of tourism result in flow of foreign currencies to the country, increases employment opportunities for the local population, and causes positive trends in social welfare and economic activity of the rural population. The development of tourism in the mountainous regions may have considerable indirect effects on the development of many sectors from construction to food industry.

Regional aspects of sustainable development: The socio-economic processes going in the regions, as well as the external factors are extremely dynamic. On regional scale, sustainable development is associated with such issues as the preservation of socio-economic systems (the areas and settlements), the facilities of social infrastructure, the living standards and the improvement of economic activity, as well as the keeping ecological balance, culture and traditions. Processing of natural resources, production and abundancy of crop, etc. are the means for achieving sustainable economic development, since they allow create new and high quality products. The efficiency of production in mountainous regions is determined by the cost ratio. It is measurable by the following formula:

$$E_p = \frac{P}{L} + K$$

here, E_p is the efficiency production;
P is manufactured product;
L is labor resources;
K is investment.

Calculations by the above-mentioned formula reveal that the efficiency of production is equal to 4.3 in Azerbaijan. For mountainous regions, the figure varies from 3.2 to 3.7 and in rural areas reach to 6.2. The lowest figures in the country are registered by the districts for Agsu, Ismayilli, Lerik, Oguz, Gadabay, Goygoland others, driven by the poor use of their natural resource potential. Means of production include also buildings of manufacture, roads, communications, etc. as important factors in manufacture though they are involved in this process indirectly. However, typically, production costs are 2-3 times higher in mountain areas than in the plains. Considering this factor as well, it seems that lagging of the mountain regions compared to plain regions is linked to problems associated with the volume of production and also the problems existing in socio-economic development. State Programs on socioeconomic development of the regions continue to be among the most important components of sustainable development strategy in Azerbaijan. Investing the non-oil sector due to revenues, gained from the petroleum industry, as well as achieving sustainable development of the areas of the economy is targeted in the country. From this view, the state programs developed and implemented to provide sustainable socio-economic development of the regions are of high relevance. A number of necessary measures are being undertaken within these state programs, aiming at the implementation of necessary economic reforms at regional scales. The planned works relates to rational nature use, improvement of secondary industry and social infrastructure, creation of new working places, environmental protection, etc. The accepted state documents on the regions which are expected to form sustainable base for the development must facilitate eliminating of the too much socioeconomic differences among regions, achieving regional equilibrium, restoring activity of old enterprises, creating new industrial facilities, increasing employment, reducing percentage of poverty, accelerating the development of small and medium businesses, and creating of the necessary infrastructure in the regions.

In Azerbaijan, favourable environment for the development of competitive industrial production, necessary for sustainable development has been created despite the economic crisis and unstable situation prevailing on a global scale. In recent years, a lot of industrial enterprises, operating based on modern technologies, have been constructed in the country, among most advanced of which Sumgait Technologies Park, Sumgait Chemical Industry Park, Balakhani Industrial Park, High Technology Park etc. These new enterprises contribute to growth of employment. However, the fact that they are established in the Absheron region contradicts the principles of sustainable development, while almost the all mountain villages experience lack of industrial facilities. In general, the allocation of industrial enterprises in the regions must be conducted with developing a long-term strategic development program that would make emphasis on socio-economic aspects of the regional development concept. In Azerbaijan, the management of territorial development of the economy considerably depends on successful implementation of a strong investment policy aiming at the regional development. As a result of the purposeful policy implemented in the Republic of Azerbaijan in recent years, the volume of investments in the national economy has grown thanks to both domestic and foreign sources. Meantime, in the conditions of open market, there is a great need for a comprehensive action plan on the establishment of effective management strategy in order to direct investments in more promising economic sectors. This concerns regional aspects of sustainable policy as well. Thus, the development of each region is primarily related to the regional policy led by the government, while the main tool for the implementation of this policy is investment and its management. Attraction of investments into Azerbaijani economy enable strengthen the country's socio-economic potential, and also the geography of international economic cooperation and integration. Investing in the economies of regions is not made only to gain incomes but also for social projects. It has a direct impact on the living of population and business activities, facilitating the implementation of sustainable policy in the regions. Since the main goals of investment-making include achieving sustainable economic development and regulating employment, solution of such issues as development of non-oil sector, improvement of the socioeconomic needs of the population, reduction of regional development differences, increase of export potential, protection of the environment, etc. must be reflected in investment programs. For this purpose, the "State Investment Program" for 2008-2011 years has been adopted in the country. The program has been implemented based on the principles, set out in the "Long-term oil and gas revenues strategy". In line with the Program, the financing were led towards the development of the non-oil sector, the improvement of the current infrastructure and the construction of new service facilities, the application of new technologies. Further, certain priorities were identified under the Program on Poverty Reduction and Sustainable Development in the Republic of Azerbaijan for 2008-2015, adopted on September 15, 2008, in order to improve the investment activity. The measures dealt with investment management, establishment of healthy competition environment, support of small and medium businesses, increase of export potential, etc.

The ongoing third State Program on socioeconomic development of the regions was developed with emphasis on the attraction of domestic and foreign investors to the regions as well. Over the past period a number of large-scale measures have been taken to improve the socio-economic development of the regions, and some positive results have already been achieved. During their implementation, the mechanisms of state financial support to entrepreneurship have been improved in the country and its regions. Significant steps have been made to improve the state regulation of entrepreneurship activity, as a result of which new jobs have been created. Along with these positive changes, certain problems still remain unresolved. Thus, despite the implementation of the State Program, the volume of investments allocated for the regions is several times lower than that of Baku. Uneven development of the regions was driven significantly by the fact that 64.8% of investments, allocated in the country in 2016 fell to Baku, while it made up 35.2% by the economic regions. Such situation leads to significant structural differences between the economic regions. While the main investments are directed to Baku and its surrounding areas, regions still have weakly-developed industry and agriculture. In general, elimination of regional differences is crucial issue in the development of regional economies. The presence of excessive differences between the regions is a disadvantageous and such condition creates many challenges for the

country. This problem is soluble only due to governmental assistance, including budget allocations.

From our perspectives, to determine the investment policy and its perspective directions in regard to the mountainous regions of Azerbaijan, the tasks below must be done:

- Development of a system of evaluation criteria to identify priorities for investment;
- Identification of trends in sustainable development of the regions, as well as justification of the conceptual approach towards investment;
- Improvement of structure of investment to achieve balanced economic development in the regions;
- Improvement of investment climate and development of regional development programs in Azerbaijan with considering experience of foreign countries.

CONCLUSION

1) Mountainous regions must be developedin line with the concept of sustainable development, aiming at achieving of development goals of the regions and solution of socio-economic problems.In order to achieve the sustainable development in the mountainous areas of the Republic of Azerbaijan, natural resource potential of the regions must be used much effectively, and the local population must be provided with jobs. Otherwise, in the mountainous areas, the migration process will strengthen, which will lead to the depopulation of villages.
2) Although there is a big natural resource potential to develop the mining industry, the available capacities are poorly used. To achieve sustainable development, the establishment of new mining facilities are required.In this case, the environmental protection and the production infrastructure must be improved. New social infrastructure facilities must be established as well.
3) In mountain regions, processing enterprises must be established, since farming is the main area employing population of those areas. The development of the agrarian sector as a part of the state policy should be a priority area for every region.Although a number of relevant activities have been undertaken in recent years, the agrarian sector has not been fully developed. This is because new production facilities are typically created without learning the potentials of regions, and consequently, they do not justify themselves, stopping operation in the following years.
4) The attractiveness of the regions should be determined to develop tourism as the more promising economic area, and investment attractiveness in this area must be justified. Mountainous regions of Azerbaijan have a wide range ofopportunities in terms of developing tourism. It is possible to develop mountain-sporting tourism, rural tourism, agro-tourism, ecological tourism and other types.It seems feasible to develop here mountain and sport tourism, rural tourism, agro-tourism, ecotourism, etc.
5) The efficiency of production in the mountainous regions is relatively low than in the plains. This is related to the use of natural resources, social lifestyle of the population, and also the costs involved. To eliminate the problem, potentials of each region must be reassessed to establish more promising manufacturing branches. This would have a positive impact on the social and economic activity of the local communities.

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