

Directions for improving national policy mechanisms for human capital development in Azerbaijan

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SUMMARY

Human capital is an economic value that embodies people's competence, knowledge and skills, and social and other qualities. Human capital development benefits a country directly and indirectly. The direct way is when people are educated, healthy and self-confident, while the indirect way is through economic development, the labour market, international economic relations and so on. In the middle of the last century, the idea of having "more territory" in international politics was replaced by the idea of having "better and better quality human capital". This policy document envisages the development of recommendations for the improvement of policy mechanisms in the field of human capital development in the country.

The study shows that according to international organizations' reports on human capital development in 2018, our country has relatively low indicators compared to its neighbours. It can only be said that according to the World Bank's Human Capital Index report released in late 2018, in the share of education spending in GDP (3%) and at the same time, in the share of public health spending in GDP (1%) and public payments in general health spending (about 79%), Azerbaijan has one of the relatively low indicators among many CIS countries. It is necessary to take into consideration that according to the recommendation of the International Commission on Education, education spending should not be less than 6% of GDP, while the World Health Organization's report on the status of the health system in the world in 2018 states that in many developed countries, the government spends on average about 5-8% of GDP on health, including compulsory health insurance fees (general health spending is about 8-10% of GDP). This situation shows the need to improve the policy in the field of human capital development. As a result of the study, two alternative mechanisms for improving national human capital development mechanisms in the country are proposed: 1) To develop and implement more targeted programmes in individual areas by continuing the existing approach to human capital development; 2) To reject the approach to human capital development and use a new approach: Developing and implementing a single programme (strategy) document that covers the development of all components of human capital and has related targets, it is advisable to form a "Human Capital Institute" or a working group on this area in order to monitor this field. Each alternative is analyzed and assessed. Thus, the assessment of the two proposed alternatives suggests that the second approach has more advantages. As a result of the study, a mechanism is proposed for preparing the human capital development policy in the form of a single

programme or strategy and related recommendations are submitted to the government.

1. STATEMENT OF THE PROBLEM

In contemporary world, human capital is undoubtedly considered one of the main factors in affecting sustainable economic development of each country. Rapid development of human capital is of particular importance for countries like Azerbaijan, which aims to form a competitive structure for its economy to meet requirements of today's global competition and bring the welfare of society to high standards of living.

Starting from 2005, Azerbaijan has generated large oil revenues. According to the data of the State Oil Fund of the Republic of Azerbaijan covering the period of 2000-2017, the Fund received a total of \$138.1 billion, of which \$102.3 billion (or 74.0%) was funneled to various projects related to the country's economic development (both through the state budget and funded directly by the Fund). [1] During this period, the state budget revenues and expenditures increased rapidly: state budget expenditures increased from AZN2.1 billion in 2005 to AZN22.7 billion, in other words, more than 10 times in 2018. Accordingly, amount of funds allocated from the state budget for education, health care, social protection and social security as well as culture has seen dramatic increase. Nevertheless, Azerbaijan ranks 80th out of 189 countries in the Human Development Index released by the United Nations in 2018, whereas Georgia, which has no natural resources, ranked 70th and Armenia 83rd. The World Bank's Human Capital Index released in late 2018 highlights Azerbaijan as such:

- coverage of pre-school education in the country (only 21%) is 3 to 4 times lower than that of the European states,
- Azerbaijan has one of the lowest indicators in the CIS countries for education spending as a share of GDP (3%);
- Azerbaijan falls behind not only developed countries, but also many developing countries in terms of public health spending as a share of GDP (1%), and scores worse than many CIS countries due to the share of out-of-pocket payments in total health expenditures (about 79%);
- level of child mortality in the country is about 2.5-3 times higher than in Russia and Georgia, and etc.

All these facts indicate that much work needs to be done for the development of human capital in the country. International experience explicitly shows that state plays a major role in the development of human capital. One of the main tasks in public administration is to ensure the development of individuals and the whole society as the most important strategic resource with strong potential and creative abilities. To achieve it, the government should develop and implement consistent and rational policy. This policy should cover all the elements that make up human capital, reflect specific goals and objectives for each element, and ensure consistency of the indicators and incorporate mechanisms for their implementation.

Despite the fact that the government of Azerbaijan has vowed to turn oil revenues into human capital since 2009, the above-mentioned situation with human capital development indicates that the policy in this area is inadequate and needs to be

improved. This policy paper provides for development of recommendations geared to improving government policy in the field of human capital development in the country.

2. ANALYSIS OF THE PROBLEM: MAIN DIRECTIONS OF THE STATE POLICY IN THE FIELD OF HUMAN CAPITAL DEVELOPMENT

2.1. Main point of human capital and need for its development

Nowadays, effective functioning of the economy in a nation is directly related to human capital development. A concept of human capital includes the elements of human knowledge, skills, ability and health. Emergence of the human capital concept has brought about the concept of knowledge economy. Knowledge economy is considered an advanced stage of high-tech and innovation-driven economy. The experience of developed countries shows that the main factor behind today's economic achievements is not just natural resources, but innovations based on human knowledge and abilities.

Theoretical and practical propositions of representatives of institutional, neoclassical, neo-Keynesian and other economic schools are based on development of the human capital concept. T.Schultz, G.Becker, S.Kuznets, E.Denison, R.Slow, C.Kendrick, S.Fabrikant, I.Fisher, R.Lukas and many well-known economists put a lot of effort to develop this concept. G.Becker has rendered great services in developing human capital theory, and defined human capital as the source of knowledge, skills and motivations. [2]

T. Schultz, another figure known for his human capital theory, suggests that human capital encapsulates a combination of knowledge, skills, relationships and professionalism that humans can fully realize and avail of resources existent in society. They are related to intelligence, health, knowledge, quality work and quality of life. [3] He attributed to investments in human capital not only direct expenditures on education in secondary and higher education institutions, but also self-learning, work experience as well as expenditures on health, education and science. T. Schultz paid particular attention to education than display of other forms of human abilities and therefore called for studying this phenomenon in the context of form and sources of human capital. [4]

Nowadays, the content of human capital concept is formed by a set of knowledge, skills, habits and abilities that are used to meet various needs of an individual and society. Thus, S. Fischer, R. Dornbusch and R. Shmalenzi consider human capital as a measure of human ability to earn income. [5]

The United Nations Development Program defines human capital as a set of individual qualities, such as skills, knowledge, social attributes as well as creative imagination, capable of performing labor activity to create economic value. [6]

Thus, human capital is an intense productive factor for development of society and the economy. It implies to creative professionals, intelligence, knowledge, quality and higher labour productivity as well as high quality of well-being. The bearers of human capital are people who remain competitive (or able to meet competition) with their mental, psychological, intellectual, cultural, creative and professional abilities as well as high quality of life.

The factors forming human capital are as follows:

- Knowledge;
- Skills;
- Competences;
- Creativity (abilities);
- Health;
- Ethics (norms of cultural behavior and system of values);
- Level of well-being.

These factors form human creative energy as a whole. Use of human creative energy for personal interests (benefits) as well as the benefit of society depends on the existing environment. In other words, every human being can be competent and creative, but use of creative energy, whether positively or negatively, is directly dependent on working environment, incentives in society and opportunities available around.

Formation of human capital in a nation assumes to ensure that every citizen has adequate knowledge, skills, competence, health and all other necessary qualities. Meanwhile, human capital on the national level is perceived as competitive and highly productive knowledge accumulated in all areas of society and economy, innovation system, intellectual capital and innovation technologies, creative and innovative labor resources as well as quality of well-being in society. They all together ensure competitive edge for a nation and its economy in international arena.

Human capital on the national level is formed by means of investments in upbringing, education, culture, health care and safety, professional development, science, knowledge and intellectual growth, entrepreneurial skills, innovations and enhancing quality of human well-being,[7]

Development of human capital is conditioned as follows:

- attainment of required knowledge, skills, competence and creative abilities is dependent on quality, accessibility, continuity and target-oriented nature of education in a nation;
- state of health and labour ability hinges on quality and accessibility of country's health care system;
- ethics or behavioral culture depend on outlook and system of values that are largely and systematically promoted in the country.

According to studies conducted by the World Bank, 16 percent of today's economic growth in the world comes from physical capital, 20 percent from natural resources and 64 percent from human capital. According to studies conducted in Western countries, returns on investments in human capital are two times greater than other types of investment in developed countries. [8] This fact explicitly shows the role of human capital in the development of society. Nowadays, competition for quality human capital is heightened in the world and human capital is the cornerstone of the global innovation development. At present, human capital is the main component of national wealth and remains a major driving force for economic growth in the world. In particular, achievements of scientific and technological progress, organization of labour and its cultural emergence and productivity depend on the quality of human capital. Human capital is country's most valuable wealth. Being healthy, educated and experienced contributes to the long-term development of an individual and society. Country's future is dependent on talent, skills, and

professional experience of its population. Human capital is the economic value embodying competences, knowledge and skills, social and other qualities. [6]

Countries with poor natural resources such as Japan and Taiwan formed a highly innovative and technology-based diversified economy largely due to the development of human capital. As a result of particular attention paid to the development of education, up to 50% of adolescents aged 17-23 are now enrolled in higher education in countries such as Japan, the United States and Korea. In early 1990's, more than 20% of South Korea's GDP was spent on the development of education and healthcare system.[9] According to the recommendations issued by the International Commission on Education, spending on education should not be less than 6% of GDP. [10] According to a report on education released by the Organization for Economic Cooperation and Development (OECD) in 2018, share of education expenditures in GDP in the member states changed in the range of 5-8% in 2015. [11]

Health is as important as education system for the development of human capital. If health does not permit, an individual will not afford to carry out professional activity despite his/her level of knowledge and skills. From this viewpoint, allocation of national income to finance health care is considered one of the key indicators for evaluating the level of development of health system in a country. The global status report on health released by the World Health Organization in 2018 indicates that the states in many developed countries spend about 5-8% of GDP on healthcare, including compulsory health insurance (total health expenditures constitute up to 8-10% of GDP). [12]

2.2. Human capital development in Azerbaijan

At present, various international organizations prepare regular assessments and reports to assess the level of human capital development in the world. For example, the annual UN Human Development Reports and the annual Global Competitiveness Reports by the World Economic Forum are considered reliable sources for evaluating the level of human capital development in the world. [13;14]

In the UN Human Development Index for 2018, Azerbaijan ranks 80th out of 189 countries with 0.757 points. For comparison, Georgia ranks 70th, Armenia 83rd and Ukraine 88th. The global average for the world is 0.728, Europe and Asia - 0.771, and OECD countries - 0.895. [15]

In the last 10 days of December, the World Bank hosted a three-day conference on human capital development in Baku, where it presented several studies. According to the World Bank's report, Azerbaijan ranks 69th out of 157 countries with 0.60 points for the Human Capital Index. Georgia is the leader in this indicator in the Caucasus region and is 8 steps ahead of Azerbaijan, while Armenia is 9 steps behind. The following facts in this study are of particular interest:

- The level of mortality among children under the age of 5 in Azerbaijan is 2.5-3 times higher than in Russia and Georgia. The situation with the death of children under the age of 1 is approximately the same;
- The breastfeeding rate is almost 5 times lower than in Georgia;
- The level of pre-school education is 21%, which is 3-4 times lower than the average European level;

- We have one of the lowest indicators for the share of education expenses in GDP (3%) in CIS countries;
- We have the lowest (14%) share of human capital in the country's resources and one of the highest (47%) places for the share of natural resources;
- The public covers about 79% of public health spending in Azerbaijan from their own pocket. For comparison, this figure is 57% in Georgia and 48% in Ukraine;
- Azerbaijan has one of the lowest indices of social security spending in GDP among more than 20 countries with approximately 8%, etc. [16]

Among the top 5 countries in this index are 4 Asian countries - Singapore (0.88), South Korea (0.84), Japan (0.84) and Hong Kong (0.82). In the former USSR, Russia, Kazakhstan, Latvia, Lithuania, Estonia and Ukraine are in the top 50. Kazakhstan takes the highest place (31st) among CIS countries in the ranking.

FIGURE 3 The Human Capital Index, 2018

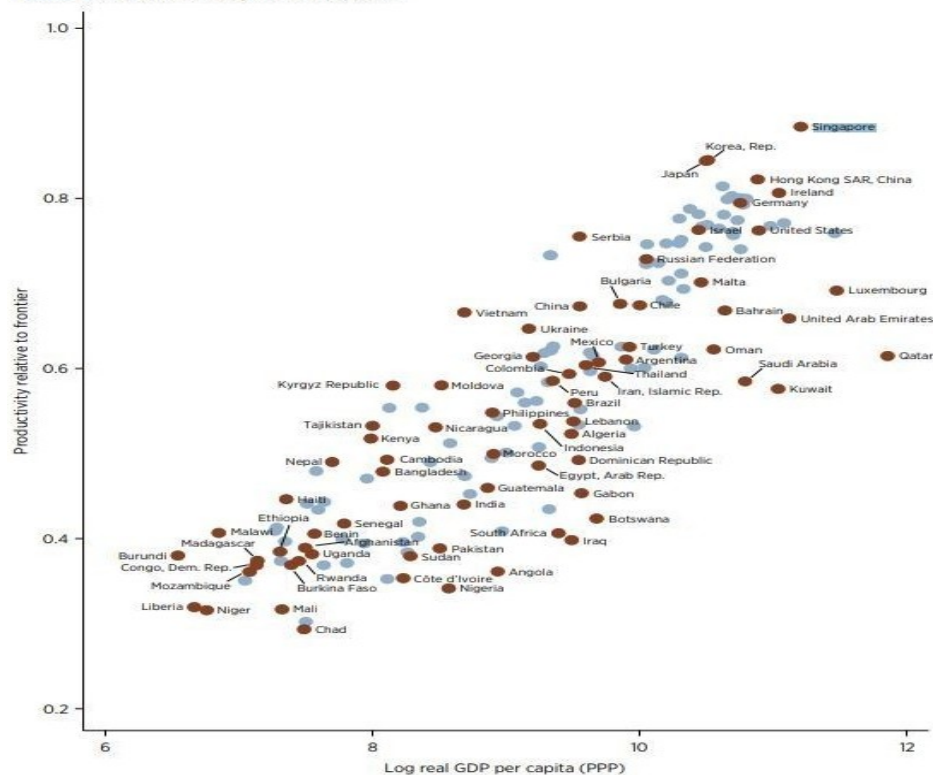


Figure 1. Human Capital Index, 2018 [25]

Source: <http://documents.worldbank.org/curated/en/pdf/2019-WDR-Report.pdf>

In low-income countries, children under the age of 14 do not receive higher education and do not even finish the minimum education cycle. According to the index, 115 million children are suffering from malnutrition (famine) today, which, in turn, has an extremely negative impact on their education and personal growth. At the same time, due to the low level of education, 250,000 children do not obtain any knowledge they might need in the future despite the fact that they go to school.

It should be noted that the Human Capital Index measures the amount of human capital that children born today can obtain before they reach 18. The index represents the productivity of the next generation compared to full education and full health criteria. The index is based on five indicators: [17]

- The ability to live to be 5,
- Expected years of schooling for a child,
- General assessment points as the quality index of learning,
- Percentage of aging people (share of 15-year-olds who will live to be 60)
- The share of children who are not short.

According to the World Bank report, Azerbaijan's Human Capital Index rose from 0.56 to 0.60 from 2012 to 2017. Azerbaijan's Human Capital Index in 2017 was lower than the average figure of regional countries, but was slightly higher than the average figure of countries with similar income. According to the report, if children born in Azerbaijan today benefit from full education and full health, 60 per cent will be productive and 98 out of every 100 children will be able to live to be 5. A 4-year-old child in Azerbaijan can complete an average of 11.6 years of education by the age of 18. Children in Azerbaijan are expected to complete 11.6 years of pre-school, primary, secondary and full secondary education by 18. However, when the school education process is adapted to the quality of learning, it is only 8.8 years. According to the report, 2.8 years are missing in learning. The assessment of pupils' learning quality is slightly below average in Azerbaijan. According to the Human Capital Index, pupils' learning quality was rated at 472 points. Boys were rated at 466 points and girls at 479 points for the quality of education they receive here. It should be noted that in this scale, 625 indicates the highest achievement and 300 - the minimum achievement. As for the longevity of people, 87% of 15-year-olds in Azerbaijan will live to be 60. This figure is 83% for boys and 92% for girls. The statistics shown are the means of evaluating the lethal and non-lethal health effects if a child born today ages in the current conditions. Moreover, the Human Capital Index shows that 18 out of every 100 children born in Azerbaijan are short and are at risk of mental and physical restraint, which may continue throughout their lifetime. The Human Capital Index for Azerbaijan in 2017 is lower than expected for its income level. Thus, profitability from human capital was below 0.6 per cent in real per capita GDP. [16]

2.3. How the government builds its policy on human capital development

Since 2005, leading international organizations and a number of research centres have undertaken a number of serious investigations and prepared reports in order to increase attention to effective use of Azerbaijan's oil and gas revenues, diversification of the country's economy and human capital development.

The main idea in the report "Converting Black Gold into Human Gold: Using Oil Revenues to Achieve Sustainable Development", which was prepared by the United Nations Development Programme in 2006 at the request of the Azerbaijani government, is that "although Azerbaijan is a major exporter of oil, it does not mean that it has been able to fully integrate into the global economy". [18] The main points highlighted in the report include the following points as part of the principle of "converting black gold into human gold":

- a) *Human Resources Development Strategy*: investment in education, development of technical education in the public sector, education scholarships, education parks, community colleges, educational funds;
- b) *Macroeconomic issues*: new economic monitoring service, map of macroeconomic risks, control over the spending of oil revenues;
- c) *Tools for "converting black gold into human gold"*: creation of databases, conduct of inquiries, economic-mathematical modelling, and so on;
- d) *Learning and cooperation in countries*: systematic study of lessons and practices from other oil countries.

The main point in the report is that it is necessary to use oil revenues to invest in human resources and social capital to achieve sustainable development and develop the non-oil sector.

The World Bank's document "*Azerbaijan - Country Economic Memorandum: A New Silk Road – Export-led Diversification*" describes the steps needed to develop human capital in the country. In the document, the World Bank recommended that the government of Azerbaijan should pay more attention to issues such as deepening of reforms in the education and healthcare systems, greater investment in these areas, adaptation of the education system to labour market requirements and strengthening of social security and employment services.

The "Azerbaijan 2020: Look to the Future" Development Concept, approved by a decree of the President of the Republic of Azerbaijan dated 29 December 2012, stated that one of the most important challenges of our time was "to lay the foundation of transition from a traditional economy to a knowledge-based economy and prioritize appropriate human capital development, which is essential for it". Section 7 of the Concept was called "Human Capital Development and Establishing an Effective Social Security System". The document stated that "providing the population with quality health and education services in the field of human capital development is part of the Concept and access to these services for various social groups, including low-income families and poorer citizens, is a key strategic line." [20]

The concept shows the following as the main directions of human capital development:

- The main challenges facing the health and well-being of the population,
- Formation of a modern education system,
- Improvement of the social security system,
- Ensuring gender equality and family development,
- Development of youth potential and sport.

The Concept noted that,

- Compulsory medical insurance will be introduced in the country by the end of 2020;
- The share of total funding for the education sector in GDP in 2013-2020 will be increased year by year and reach the relevant indicators of developed countries;

- Improvement of education management will be continued and management models that involve all stakeholders will be preferred;
- The level of children's involvement in preschool education across the country will be brought in line with the average European level.

Another document reflecting the state policy in the field of human capital development is the Strategic Road Map on the national economic prospects of the Republic of Azerbaijan, which was approved by a decree of the President of the Republic of Azerbaijan dated 6 December 2016. One of the four strategic goals outlined in this document is related to human capital development: "As an integral part of the efforts to achieve competitive, inclusive and sustainable economic goals, *the third goal is to accelerate human capital development.*" Accordingly, the third strategic goal in the document is to develop human capital. It emphasizes that, as an integral part of reforms in the field of economic transformation in Azerbaijan, comprehensive measures will be taken to ensure continuity in human capital development, raise labour productivity and increase the role of knowledge in economic development. [21]

It is envisaged to provide this at two levels:

- 1) raising the quality of education at all stages in order to form and develop human capital;
- 2) stimulating investment in sustainable human capital development and research and improvement to increase labour productivity.

The steps to be taken to achieve these include:

- Raising the level of pre-school education and improving teaching and learning technologies,
- Improving the quality of general education and promoting specialization,
- Adjusting the first vocational and secondary vocational education to the needs of the labour market,
- Promoting development in the "education-research-innovation" format in higher education institutions,
- Developing scientific research activities and supporting knowledge-based society building,
- Improving the quality of education through innovative training methods and technologies,
- Improving the physical and technological infrastructure involved in human capital development.

The Strategic Road Map on Vocational Education and Training Development in the Republic of Azerbaijan was approved by a decree of the President of the Republic of Azerbaijan dated 6 December 2016.

Despite the emphasis on human capital development in both key strategic documents, their approaches and targets for human capital development are quite different. If the Development Concept focuses on 5 aspects of human capital development, the Strategic Road Map focuses exclusively on improving education, as well as stimulating investment in research and development.

In addition to these two important strategic documents, the government policy on human capital development is primarily reflected in separate programme documents. They include the following:

- The State Programme on the Education of Azerbaijani Youth in Foreign Countries in 2007-2015 (Approved by a decree of the President of the Republic of Azerbaijan dated 16 April 2007);
- The State Strategy for the Development of Education in the Republic of Azerbaijan (approved by a decree of the President of the Republic of Azerbaijan dated 24 October 2013);
- The concept of reform in the pension system in the Republic of Azerbaijan for 2014-2020 (approved by a decree of the President of the Republic of Azerbaijan dated 4 November 2014);
- The Action Plan for the Implementation of the State Strategy for the Development of Education in the Republic of Azerbaijan (approved by a decree of the President of the Republic of Azerbaijan dated 19 January 2015);
- The State Programme for the Implementation of the National Strategy for Information Society Development in the Republic of Azerbaijan for 2016-2020 (approved by a decree of the President of the Republic of Azerbaijan dated 20 September 2016);
- The Employment Strategy of the Republic of Azerbaijan for 2019-2030 (Approved by a decree of the President of the Republic of Azerbaijan dated 30 October 2018);
- The State Programme on increasing the international competitiveness of the higher education system in the Republic of Azerbaijan for 2019-2023 (approved by a decree of the President of the Republic of Azerbaijan dated 16 November 2018);
- The decree of the President of the Republic of Azerbaijan dated 20 December 2018 on a number of measures to ensure the enforcement of compulsory health insurance in the Republic of Azerbaijan and others.

As we see here, the government of Azerbaijan has no single programme or strategy document covering all aspects of human development and reflecting development goals for a specific period in all areas.

2.4. Foreign experience in human capital development

One of the most successful countries in the field of human capital development in recent decades is **Finland**. Finland's position as one of the leading countries in human capital development confirms that the country has a very rich experience in this area. From this point of view, it is expedient to analyze the mechanisms and the state-developed programmes and strategies used by Finland in human capital development. The National Reform Programme prepared in Finland as part of the Europe 2020 Strategy and the Finnish Strategy and Road Map for Research Infrastructures 2014-2020 are an important measure aimed at human capital development. The Europe 2020 Strategy aims to achieve the following national targets in Finland's National Reform Programme. [22]

1. *Employment Goal* - The employment rate target determined by the European Union countries in the 20-64 age group in Finland is 78%. In 2017, this figure was 74.2% (men 75.9% and women 72.4%);
2. *Research and development goal* - The main objective of research and development policy is to increase the quality and effectiveness of research activities, carry out structural and operational reforms in the public sector and diversify the business and industry structure. The goal is to finance 4% of GDP in the joint research and innovation activities of Finland's public and private sector in 2030;
3. Climate and energy targets;
4. Education target;
5. Poverty Reduction Goal.

One of the leading countries in human capital development is **Singapore**, located on the Asian continent. Human Capital embodies the collective experience and capabilities of Singapore's labour force and can be optimized for competitive advantage when there is a focus on this capital. Human capital development in Singapore is a shared responsibility among stakeholders in the country's economy - government, employers and workers' associations. While preparing the workforce for the new economy, the Singapore government focuses on *four dimensions* of human capital - knowledge capital, imaginable capital, moral capital and social capital. [23] Acquisition of knowledge capital includes a human potential planning policy. Efficient acquisition of notions is accomplished by promoting skill and literacy. Acquisition of moral capital is a market for talent and business environment transformation. Acquisition of social capital is achieved through labour compatibility, trilateral partnership and human resource management. The human capital policy in Singapore is moving towards strengthening the strategies of individuals to develop their own career and knowledge. [24]

Estonia's experience in human capital development is also of interest. In **Estonia**, the Lifelong Learning Strategy 2020 is a document that directs the most important developments in education. The main goal of the Lifelong Learning Strategy is to create opportunities for all people in Estonia to demonstrate their abilities both in family life and in society in order to adapt them to their needs and abilities throughout their lifetime. Estonia's Lifelong Learning System 2020 is measured by the following key indicators. [25]

Estonian Lifelong Learning System 2020. Key Indicators

	Goal level 2020	Level at beginning
Level of adults' involvement in lifelong learning (25-64)	20%	12.9% (2012)
Level of involvement of adults with general education only (25-64)	No more than 25%	30.3% (2012)
Early graduates from education and training (Correlation of people aged 18-24 in the population's level of lower-level education and their	Below 9%	10.5% (2012)

failure to participate in greater education and training)		
The best participants in the main knowledge (the percentage of the best)		
a) Reading	10%	8.4% (2012)
b) Mathematics	16%	14.6% (2012)
c) Science	14.4%	12.8% (2012)
Employment level of the latest graduates (Graduates aged 20-34, one or three years after completing their education)	At least 82%	73.9% (2012)
Digital skills (individuals aged 16-74 with computer skills, %)	80%	65% (2012)
Comparison of wages of general education teachers	≥ 1.0	0.64 (2011)
Satisfaction of sides interested in lifelong learning	Satisfaction is growing	

Source: https://www.hm.ee/sites/default/files/estonian_lifelong_strategy.pdf

Estonia's Lifelong Learning System 2020 includes the following strategic goals and measures:

1. *Changing the approach to education* - The goal is to implement the right approach to learning that supports each pupil's individual and social development, learning abilities, creativity and entrepreneurship at all levels and types of education.
2. *Competent and motivated teacher and school management* – The aim is to evaluate and compensate for the level of professionalism and efficiency of teachers and school managers.
3. *Compliance of lifelong learning opportunities with the needs of the labour market* - The goal is to create different, flexible, and quality lifelong learning opportunities and career services that increase the number of professional people in different age groups and their general participation in lifelong learning.
4. *Digital focus on lifelong learning* – The goal is to ensure that modern digital technologies achieve more effective and better results in learning and teaching, increase the digital skills of the general public and ensure the acquisition of a new generation of digital infrastructure.
5. *Increasing equal opportunities for lifelong learning and participation* - The goal is to create equal lifelong learning opportunities for everyone. [25]

Taking into account the complexity of **Kazakhstan's** transition in the context of the market economy and globalization, the comprehensive approach of the government covers the multilateral national socio-economic development strategies aimed at domestic and international areas. Among the complex measures undertaken by the

government to implement numerous strategic development plans for the socio-economic development and sustainability of Kazakhstan are the Industrial Innovation Development Strategy for 2003-2015, the 2030 Development Strategy of Kazakhstan, and the 2020 Strategic Plan for the Development of the Republic of Kazakhstan, the Kazakhstan-2050 Strategy, which covers the economy, politics and education, and the National Concept of Education Development (2010-2020). The main purpose of Kazakhstan's strategic development is to enter the list of 50 most developed countries in the world by 2030. [26] For this purpose, human capital development will be prioritized, and the Youth Corps Development Project, which covers 2014-2020, is being implemented in Kazakhstan with World Bank funding.

The complex measures aimed at human capital development in Kazakhstan can be observed in the National Concept of Education Development in Kazakhstan (2010-2020). The main objective of this concept is to increase the competitiveness of education and ensure human capital development by providing access to high quality education for sustainable economic development. [26]

Thus, based on the experience of individual countries in the field of human capital, one can conclude that governments in the countries that quickly succeeded in this area have a single strategy and programme document covering long-term goals and targets in all areas of human capital.

3. POLICY ALTERNATIVES AND THEIR ASSESSMENT

The analysis presented above shows that the government's purposeful, targeted, systematic and consistent policy aimed at ensuring human capital development in each country plays a crucial role. The Azerbaijani government announced its motto to "Convert Oil Revenues into Human Capital" in 2009. Then, the "Azerbaijan 2020: Look into the Future" Development Concept, approved in 2012, set targets for human capital development by 2020, but subsequently, the necessary programmes it envisaged for all issues were not developed. The economic crisis the country experienced in 2015 resulted in this document being "forgotten". Today it is possible to say that the targets set out in that document will not be achieved.

In contrast to the "Azerbaijan 2020: Look into Future" Development Concept, human capital development has a narrower frame in the Strategic Road Map of the National Economic Outlook of the Republic of Azerbaijan adopted in 2016.

At the same time, over the past 10-15 years, the government has developed and adopted a number of programmes in the field of education, healthcare, social protection and social security reform and development, as well as youth, sport and cultural development. The execution of most of these programme documents has even been completed. In spite of all these, international organizations' reports on human capital development in 2018 reveal that our country not only failed to make great progress in this area, but has weaker growth rates compared to its neighbours. This situation shows that it is necessary to improve the government's current policy in the field of human capital development.

The government can improve its policy of human capital development in two ways:

- 1) Develop and implement more targeted programmes in individual areas by continuing the existing approach to human capital development policies; or
- 2) Abandon its approach to the human capital development policy and use a new approach: to develop and implement a single programme (strategy) document that covers the development of all components that form human capital and has related targets.

Choosing the first option seems to be technically easier because it is a system that government agencies that prepare appropriate policy frameworks, i.e. programme documents are already accustomed to and experienced in. In this case, each of the relevant institutions responsible for the development of individual components of human capital (education, health, culture, labour and social security, science and technology) prepares and implements its own development programmes. Therefore, inter-agency discussions, coordination of goals and interests, identification of common goals and other issues require no additional energy and time, and accountability can be easily organized in the future. In this case, the conflict of interest in distributing financial and other resource allocations between government agencies to finance the implementation of programmes in the future is less frequent, and each agency has the opportunity to freely use the resources allocated to it. From this point of view, this option is more attractive from a political point of view. However, as is evident from previous experience, the final outcome of the policy cannot be at the desired level in this case, the resources allocated for the programme cannot be used efficiently, the programme targets are not achieved within the timeframe, and human capital development is delayed, which limits economic development capacities and reduces society's expected wellbeing. This causes the country to lag behind the global pace of development.

Choosing the second option seems to be somewhat complex from the technical point of view: in this case, the goals and targets for the development of all components of human capital, as well as ways and means of achieving them, are integrated into a single programme (strategy) document in a closely interrelated manner. The development of such a policy programme requires close cooperation between managers and experts responsible for the individual development of human capital components, coordination of goals and targets, harmonization of different interests of organizations and their coordination with the common interests of a country. The implementation of this work and the preparation of a coherent programme document necessitates complex decisions, and extra time and energy consumption becomes inevitable. However, despite these difficulties, the development of a single long-term development programme for human capital promises greater benefits from the identification of more complete and desirable targets, more efficient resource allocation in the future, and more effective use of those resources. Since the implementation of such a complex programme entails the establishment of a closer relationship between institutions, a mutual accountability system, mechanisms of mutual control, mutual complementarity and mutual confidence become active. In this case, each agency is unable to prepare better reports on its own work, because since the results of the implementation of the programme are interrelated, mutually beneficial cooperation between institutions becomes inevitable and the synergy effect becomes active. At the same time, this leads to more efficient use of resources by necessitating the formation of a mutual control and accountability system during the use of resources. Interdepartmental cooperation also enhances the opportunity for more effective monitoring of the

process, which creates incentives for a timely resolution rather than concealment of the problems that arise during the process of implementation. As a result, relevant institutions have a more responsible attitude towards the implementation of the programme, which leads to better results from the resources used, improves indicators of human capital development and boosts society's welfare.

One of the factors that makes the choice of the second option important is the launch of new mechanisms for managing public finances in the country. Thus, starting from 2021, Medium-Term Expenditure Frameworks and a result-based budgeting system will be fully enforced in the country. This mechanism requires each ministry to build its activities based on strategic development programmes. For this purpose, the ministries should have strategic development plans with longer-term goals and targets to be able to identify medium-term expenditure frameworks on the basis of those programmes. In such a situation, the development of a single state programme in the field of human capital may assist the relevant agencies in developing their own development strategies in the following years.

Choosing the second option appears to be legally possible: starting from 2015, a number of commissions and working groups have been set up to ensure that various government agencies operate in a cooperative atmosphere. Using this experience, it is possible to create a government commission or necessary working groups to develop a single programme (strategy) document on human capital development. There are no prohibitions in the law that would hinder this. The preparation and implementation of a single programme document in this area creates a basis for the harmonization of normative-legal documents that will be developed during the implementation of the programme in the future, as well as for the timely detection and elimination of possible contradictions between such legal acts.

Thus, the rationalization of the 2 proposed alternatives shows that the second option has more advantages.

4. CONCLUSIONS AND RECOMMENDATIONS

Our analysis suggests that the government's policy to develop human capital must be seriously improved. The government has so far preferred to separately develop and implement development programmes/strategies on each of the components that make up human capital. Therefore, there was no necessary coordination between the development targets of human capital components, the effectiveness of the resources spent on the implementation of these programmes was not secured sufficiently, and the targets set in the relevant programmes and strategies were not achieved in a timely manner and in full.

We suggest changing the approach applied by the government to the development and implementation of the human capital development policy: it is expedient to prepare and implement a single programme (strategy) document with related objectives, covering the development of all components of human capital. Our assessment shows that this is economically, politically, legally and effectively possible.

The human capital development policy in the form of a single programme or strategy can be implemented in the following sequence:

- Establishing a working group of specialists from relevant government agencies and independent experts to develop a concept of human capital development;
- Development of a human capital development concept by a working group and its submission it to the president. The concept should clarify the concept of human capital, the portrait of the Azerbaijani people (collection of qualities) "translated" into capital, determine the goals and targets of human capital development in our country and define the ways and timing of achieving those goals and targets;
- Establishment of sectoral working groups as well as a government committee in relevant bodies to prepare a state programme (strategy) for human capital development in the country in 2020-2040 based on this concept;
- Identification of goals and targets for all components of human capital to be achieved by the end of 2030 and 2040. At the same time, advanced standards and achievements, as well as modern development trends for all components should be taken into account, and the targets that we would like to achieve in time periods should be clarified and justified;
- Handling target indicators, including gender aspects, for all components of human capital development;
- Developing and approving state financing norms (in the form of the correlation of public expenditure to be directed towards relevant spheres in a year to GDP or general state budget spending) for all components that form human capital (relevant recommendations of international organizations should be taken into account while developing such norms; relevant recommendation levels are gradually achievable);
- Organizing broad public discussions on the draft programme (strategy), taking into consideration the positions of different interest groups;
- Dividing the goals and targets of the programme (strategy) into stages, developing action plans for each stage;
- Calculating and defining the resources required for the implementation of the programme (strategy) in stages;
- Developing mechanisms for monitoring the implementation of the programme (strategy) and assessing its results;
- Specifying organizations responsible for the implementation of the programme (strategy);
- Approving and implementing the programme (strategy).

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