

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN  
AZERBAIJAN STATE UNIVERSITY OF ECONOMICS  
INTERNATIONAL CENTER OF GRADUATE EDUCATION**

**MASTER DISSERTATION**

**On the topic**

**“INVESTMENT SECURITY AS A KEY FACTOR IN THE SUSTAINABLE  
DEVELOPMENT OF THE KARABAKH AND EAST ZANGEZUR  
ECONOMIC REGIONS”**

**Guliyev Sabirkhan Namig**

**BAKU– 2022**

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF  
AZERBAIJAN  
AZERBAIJAN STATE ECONOMIC UNIVERSITY  
INTERNATIONAL MASTER'S AND DOCTORAL CENTER**

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## **Elm andı**

Mən, Quliyev Sabirxan Namiq oğlu and içirəm ki, “Investment security as a key factor in the sustainable development of the Karabakh and East Zangezur economic regions of increasing an Investment Attractiveness of Karabakh economic region” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

**“INVESTMENT SECURITY AS A KEY FACTOR IN THE SUSTAINABLE  
DEVELOPMENT OF THE KARABAKH AND EAST ZANGEZUR ECONOMIC  
REGIONS”  
SUMMARY**

**The actuality of the subject.** The dissertation deals with topical problems of increasing the investment attractiveness of the Karabakh and East Zangezur region of Azerbaijan and ways to solve them. The potential opportunities and prospects for strengthening the restoration work in Karabakh after the war are analyzed and assessed. The problems of the revival of the liberated territories from the Armenian occupiers are considered. The investment attractiveness of the Karabakh region is substantiated in the context of natural and economic potential.

**Objectives and goals of this research.** Construction work in the liberated areas is one of the branches of this policy and is one of the important issues for increasing investment.

**Theoretical and methodological bases of research.** The information base of the research is the work of domestic and foreign economists on the problems of theories and practices related to the study of the financial provision of state social policy in Azerbaijan.

Various books and foreign articles on social security of the world were widely used in the research. The database also includes materials of scientific and practical conferences, websites and statistical materials.

**Problem statement and level of study.** The process of studying the financial security of investment policy in the liberated territories of the state in Azerbaijan is reflected in scientific works of the various local and foreign writers.

**Expected scientific and practical results of the research.** It is too early to say the results. The expected outcome depends on investment deals related to the area.

**Limitation research.** Despite the presence of peacekeeping forces in the border areas, there is a possibility that in the next few years there will be problems with investment in construction in the liberated areas due to the insidious violations committed by Armenians.

*Keywords: territory, liberated, investment, politics*

**“İNVESTİSİYA TƏHLÜKƏSİZLİYİ QARABAĞ VƏ ŞƏRQİ ZƏNGƏZUR İQTİSADI  
REGIONLARININ DAVAMLI İNKİŞAFININ ƏSAS AMİLİ KİMİ”  
XÜLASƏ**

Mövzunun aktuallığı. Dissertasiya Azərbaycanın Qarabağ və Şərqi Zəngəzur bölgəsinin investisiya cəlb ediciliyinin artırılmasının aktual problemlərindən və onların həlli yollarından bəhs edir. Müharibədən sonra Qarabağda bərpa işlərinin gücləndirilməsi üçün potensial imkanlar və perspektivlər təhlil edilir və qiymətləndirilir. Erməni işğalçılarından azad edilmiş ərazilərin dirçəldilməsi problemlərinə baxılır. Yaxın gələcəkdə regionun dirçəlişində iştirak etmək üçün potensial investorların cəlb edilməsinin gücləndirilməsi üçün bir sıra təklif və tövsiyələr verilib.

Tədqiqatın məqsəd və vəzifələri. Bu tədqiqatın məqsəd və vəzifələri Azərbaycanda işğaldan azad olunmuş ərazilərdə investisiya siyasətinin gözləntilərini anlamaqdır. Azad olunmuş ərazilərdə aparılmış tikinti işləri bu siyasətin bir qolu olan investisiyanın artması üçün vacib məsələlərdəndir. Düzgün bir tədqiqat nəticəsində bu ərazilərin inkişafı baxımından verilmiş fərziyyələr bu araşdırmada öz əksini tapacaqdır.

Tədqiqatın nəzəri və metodoloji əsasları. Tədqiqatın nəticələri və irəli sürülən təkliflər Azərbaycanın işğal olunmuş ərazilərinin işğaldan azad edilmiş ərazilərində investisiyaların yaxşılaşdırılması prosesində müasir investisiya potensialından istifadə oluna bilər.

Tədqiqatın əsas müddəalarına əsaslanaraq, azad edilmiş ərazilərdə investisiya strategiyalarının hazırlanması və həyata keçirilməsində dövlətdən istifadə oluna bilər.

Tədqiqatın gözlənilən elmi və praktik nəticələri.. Gözlənilən nəticə ərazi ilə əlaqədar investisiya sövdələşmələrindən asılıdır. Əgər sövdələşmələr bağlanan şirkətlərdə və ya düşmənin gözlənilməyən hiyləsi olmasa, bu razılaşmanın nəticələri təhlil ediləcək və məlumat veriləcək.

Tədqiqatın məhdudiyyəti. Nəzərə alsaq ki, işğaldan azad olmuş ərazilərdə sosial-iqtisadi inkişaf böyük problem olaraq qalır. Və gözlənilən yeni investisiyalar gələcək proqnozları məhdudlaşdırır. Hal-hazırda, xarici və yerli şirkətlərlə həmin ərazilərə qoyulan investisiya sövdələşmələr yoxlanılır və müəssisələr vasitəsilə araşdırılır. İllər keçdikcə investisiya şirkətlərinin əksəriyyəti həmin ərazilərin istər təbii ehtiyat, istərsə də yaradılacaq obyektlərdən daha çox gəlir əldə edəcəklərini gözləyirlər.

*Açar sözlər: ərazi, işğaldan azad olunmuş, investisiya, siyasət*

## **ABBREVIATIONS**

<b>BTC</b>	Baku-Tbilisi-Ceyhan
<b>CIS</b>	Commonwealth of Independent States
<b>GDP</b>	Gross Domestic Product
<b>ICT</b>	Information and Communications Technology
<b>IT</b>	Information Technology
<b>IDB</b>	Islamic Development Bank
<b>LLC</b>	Limited Liability Company
<b>TÜBITAK</b>	Turkish Science and Technology Research Institute
<b>UK</b>	United Kingdom
<b>US</b>	United States
<b>USA</b>	United States of America
<b>WTO</b>	World Trade Organization

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## INTRODUCTION

**Relevance of the research topic:** The dissertation deals with topical problems of increasing investment attractiveness of the Karabakh and East Zangezur region of Azerbaijan and ways to solve them. The potential opportunities and prospects for strengthening the restoration work in Karabakh after the war are analyzed and assessed. Problems of the revival of the liberated territories from the Armenian occupiers are considered. Investment attractiveness of the Karabakh region is substantiated in the context of natural and economic potential. A number of proposals and recommendations were given to enhance the attraction of the potential investors to participate in the revival of the region in the near future.

The Karabakh and East Zangezur economic region has a strong potential of natural resources and economic resources, which can be the basis for creating a large and competitive model of regional economic development in the region;

- Azerbaijan has defined conceptual approaches and priority areas for the restoration and revival of the liberated territories from Armenian occupations, and all work is carried out on the basis of advanced international experience and high technologies, including "smart" technologies;

- in the Karabakh economic region, the priority direction of development will be strengthened in the areas of agriculture and in the agrarian sector in general, significant development of the agro-industrial complex, agrarian parks; in the industrial sector, mainly processing enterprises; production of building materials; tourism and recreation, which have powerful raw material resources and favorable conditions for their intensive development, etc.

**Statement of the problem and learning level:** The process of studying financial security of investment policy in the liberated territories of the state in Azerbaijan is reflected in scientific works of the various local and foreign writers.

Research shows that many scientific books, and journals, articles had been published on this topic. All this greatly simplifies the research.



The research is based on the scientific works of the local and foreign experts on subject, official information in the local and also foreign press and other official websites.

However, in this specific context of modern reality, the problem of the increasing investment in the areas liberated from enemy occupation and the fact that mines in those areas are still not completely cleared requires research in-depth and the development of relevant recommendations.

**Purposes and objectives of the research:** Base of the information of the research is work of domestic and foreign economists on the problem of theories and practices related to study of the financial providance of Azerbaijan state social policy.

Various books and foreign articles on social security of the world were used widely in the research. Database also includes materials of scientific websites, practical conferences, and statistical materials.

**Object and subject of the research:** Subject of the research includes a system of measures taken to improve the investment climate in the liberated Nagorno-Karabakh and East Zangezur economic regions.

The object of the dissertation is activity of investment organizations related to the sphere of economic growth functions of the state and the system of budget expenditures in the direction of its increase.

**Research methods.** The methodological basis of the study is based on a variety of modernized methods: analytical and economic-statistical analyzes, systematic approach, analogy method, the methods of comparative and expert assessments, modeling, forecasting and etc. The research methods presented in the work are based on achievements of a complex of sociological economic and also environmental disciplines.

**Research database:** The research will be conducted using lots of methods, the first of which is the method named analytical. This method is used in large scale in research. Analysis methods in the research work are intended to study in detail the study of the financial provision of the state social policy in Azerbaijan.

The second method is the method of synthesis. Unlike the prior methodology, the synthesis used to make individual elements into single whole for the study in more details.

Statistical and analytical-forecast data of the State Statistics Committee, relevant normative acts, materials on state programs for the development of local self-government bodies and the results of their implementation, passport data of economic regions and relevant information on the development indicators of bodies are used in the research.

The other method we used is to identify the problem. When writing dissertation, it is important to precisely analyze and identify problems in order to set correct objectives, goals. Problems in the selected topic maybe related to the financial problems of the local self-government system and the institutional possibilities of its solutions. Analyzing those issues and taking measures to solve them probably will increase the quality of financial support of the state social policy in Azerbaijan and the capacity of local authorities.

Another method we used is the method of assessment of the risks, which is directly regarded to the previous explained method. During the problem, risks that may arise in the study of financial security in the conduct of economic policy of the state in our liberated lands will accurately be analyzed, and then the possibilities of their realization will also be considered. Once the risks have been identified, they are assessed and prioritized, taking into account the likelihood of their occurrence and the impact they will have. This assessment will take into account both the probability of realizing the risk and the impact if the risk occurs. Each risk will be classified as high, medium and low according to the level of probability and impact.

**Research limitations.** Given that the liberated territories remain a major problem of socio-economic development. Despite the presence of peacekeeping forces in the border areas, there is a possibility that in the next few years there will be problems with investment in construction in the liberated areas due to the insidious violations committed by Armenians. And expected new investments limit future forecasts. Currently, investment deals with foreign and local companies in

these areas are being investigated and investigated by enterprises. Over the years, most investment companies expect these areas to generate more revenue from both natural resources and facilities to be created.

**Scientific novelty of the research:** It is too early to say the results. Most of the data collected for this phase of the study indicate that investment policy in the liberated areas is less likely to take longer to achieve the expected results. The expected outcome depends on investment deals related to the area. If there are no deals in the companies or the enemy's unexpected plot, the results of this deal will be analyzed and reported.

**Scientific and practical significance of the results.** Results of the study and the proposals made could be used for the potential of innovation in process of improvement investment in the liberated territories of the occupied territories of the Republic of Azerbaijan.

Based on the main elements of the study, the state could be used in the implementation and development of investment strategies in the liberated territories.

# **CHAPTER I. THEORETICAL FUNDAMENTALS OF FORMATION AND IMPLEMENTATION OF INVESTMENT POLICY IN REGIONS**

## **1.1 The essence of investment policy and its impact on the sustainable development of the regions**

Historically, economists have had different views and approaches to the concept of "investment". Therefore, different economists have given different definitions of the concept of investment. For example, P. Samuelson notes that "investment is the abandonment of current income for current consumption in order to build capital and expand expected consumption in the future." C.M. Keynes notes that "Investment is the money spent by an enterprise to increase capital reserves, acquire and build fixed assets." The Russian banking encyclopedia states that "investment is a long-term investment in the country and abroad" (Албегова И.М., Емцов Р.Г., Холопов А.В., 2018, p. 19).

The Law of the Republic of Azerbaijan "On Investment Activity" states that investment consists of financial resources invested in entrepreneurship and other economic activities, as well as material and intellectual resources. According to this law, movable and immovable property, scientific-practical and other intellectual values; money, targeted bank investments, loans, stocks, securities; the set of patented technical, commercial technological, and also other knowledge developed in form of the document required for the organization of various types of production; land, water and other resources, buildings, structures, the right to use equipment and other values. The investment process is a multifaceted type of economic activity aimed at increasing national income. In this sense, capital investment by the state, individuals and legal entities is called investment activity. Newly formed and improved fixed assets, working capital, land, etc. are the objects of investment activity (Isayev S.Z., 2011, p.61).

Depending on the type of investment, it takes the form of real, financial and intellectual investment. Real investments, in turn, are divided into tangible and intangible investments. Tangible investments are capital investments in buildings, equipment, facilities, material resources, in short, fixed assets. Financial investments

include securities, bank investments which are targeted, deposits in banks, etc. understood. Investments called intellectual are investments in people's creativity, intellectual property - copyright, invention and patent rights. The direct, indirect and also portfolio investments are divided according to the participation of economic entities in the investment process. Direct investment is an investment made directly by an economic entity in an investment object. Indirect investments are investments made with the help of an intermediary without direct participation of investor, for example, investments made through investment funds. Portfolio investments are investments in securities (Əliyev A.Ə., 2002, p.124).

Investments are also valued as a means of maintaining, increasing or ensuring the return on capital by investing capital (Əliyev Q., 2008, p.94). That is, a fixed free money supply is not considered an investment. Because, as a result of inflation, the money supply can lose its value without any income. If that money supply is placed in a bank that is not static, it is already valued as an investment and provides a certain amount of income.

The need to make investments may be due to various factors. However, in general, these factors are mainly divided into the following three groups (Аскинадзи В.М., Максимова В.Ф., 2005, p.49):

- expansion of production area;
- updating the existing material and technical base;
- learning new areas of activity. Although these factors as a whole have their own characteristics, as a result, they create the conditions to ensure compliance to meet the growing demand for production activities.

Investments have a very special significance in the process of large-scale reproduction. Thus, investments have the following functions in the process of large-scale reproduction (Аскинадзи В.М., Максимова В.Ф., 2005, p.63):

- ensuring that the growth and or qualitative development of the fixed capital at the micro and macroeconomic levels;
- implementation of the progressive structural economic changes in accordance with significant developments in economy;

- Increasing the social profitability of production and economic as a result of application of latest achievements of scientific and or technological progress.

The relationship among investment and savings at the a macroeconomic level was considered in the classical and neoclassical models of the economic equilibrium. Slightly increase in the population's income, creates condition for a raise in savings. And the conversion of savings into investments, in turn, rises the level of production and also employment. In conclusion process, incomes rise again, and an increase in incomes, in turn, leads to an increase in re-collection and investment. At that time, it can be noted that if savings do not turn into investment, then the process of GDP growth slows down, resulting in lower incomes and limited demand. At the same moment, it have to be noted that the collection also violates the balance between aggregate supply and demand. In other words, if investments exceed savings, the level of inflation may increase. If investments are less than savings, there may be obstacles to GDP growth (ГИТМАН Л., ДЖОНК М., 2007, p.66)

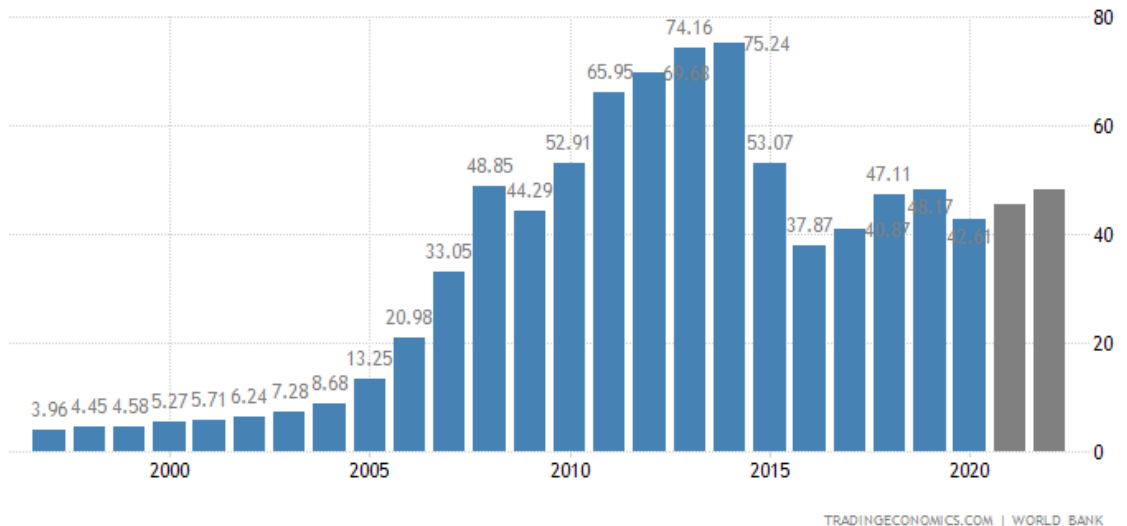
State Development Programs, which are identified as a priority in country's socio economic development strategy and plays the exceptional role in ensuring regional balance over efficient use of the gas and oil revenues, are focused at the increasing business activities, enhancing entrepreneurship in regions, implementing infrastructure related projects and has led to the creation of the new enterprises and also facilities which produces competitive and export-oriented products, additionally has significantly improved quality indicator that characterize well-being of the citizens (State Program of socio-economic development of the regions of the Republic of Azerbaijan on 2014-2018).

Regarding to this, the main goal of the "State Program for Socio-Economic Development of the Regions of the Republic of Azerbaijan (2004-2008)" approved by Decree of the President of the Republic of Azerbaijan No. 24 dated February 11, 2004 is sustainable development of the non-oil sector. provision of social infrastructure and public services in regions, increase of living standards and employment as a result of creation of new job places and also enterprises.

Successful introduction the State Program on Socio-Economic Development of Regions of the Republic of Azerbaijan (2004-2008) has led to the new stage in the development of all regions. In order to accelerate the development of non-oil sector in Azerbaijan, diversify the economy, achieve balanced sustainable and regional, further improve and socio economic development of living standards of population, the President of the Republic of Azerbaijan № 80 in 2009, April 14, The State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan for 2009-2013 was approved by decree (State Program of socio economic development of the regions of the Republic of Azerbaijan in 2014-2018).

As a result of successful introducing of the State Program on Socio-Economic Development of the Regions of the Republic of Azerbaijan from 2009 till 2013, the country has achieved significant growth in macro-economic sectors, and or the implementation of the measures in the field of socio and economic development had played an critical role in improving living standards.

**Graph 1: GDP summary of Azerbaijan Republic**



**Source:** [Azerbaijan GDP - 2021 Data - 2022 Forecast - 1992-2020 Historical - Chart - News \(tradingeconomics.com\)](https://tradingeconomics.com/azerbaijan/gdp)

During an introduction of both state programs on regional development, and additional more than 200 orders was signed to accelerate the socio-economic development of regions & cities, including all the economic regions.

In general, the policy pursued in the field of socio-economic development of the regions over the past 10 years has led to a fast progress of the country's macro-economic indicators, Gross Domestic Product (GDP) 3.2 times, GDP per capita 2.8 times, non-oil sector 2 times, It has raised about 6 times and the average annual economic growth in our country was 12.9% ([www.stat.gov.az](http://www.stat.gov.az)).

Over the past 10 years, strategic foreign exchange reserves have increased 31 times, foreign trade turnover 6.6 times, exports 9.3 times, imports 4.1 times, non-oil exports 4.7 times ([www.stat.gov.az](http://www.stat.gov.az)).

According to the Global Competitiveness Index 2018-2019, Azerbaijan's economy ranked 39th in terms of competitiveness and 1st in the CIS, and for the first time our country was included in the group of "upper middle income" and "highly developed" countries. All reputable rating agencies (Fitch Ratings, Standard & Poor's and Moody's) gave Azerbaijan an investment credit rating, and Azerbaijan was the only country in the Caucasus with an investment rating.

Over the past 10 years, state budget revenues have increased 16 times, the average monthly salary 5.5 times, pensions 9.6 times, and the population's deposits 27 times ([www.economy.gov.az](http://www.economy.gov.az)).

## **1.2 The main stages of the formation and implementation of investment policy in the regions**

The policy of bringing minimum salary to the subsistence level in country is continued, and as a result of labor policy and wage reforms, the annual expansion in the average monthly salary has improved living standards of the population. Over the past 10 years, the measure of the minimum wage in the country has increased about 12 times, the poverty rate has fallen from 45% in 2010 to 5.3% in 2020 ([www.stat.gov.az](http://www.stat.gov.az)).

As a result of the flexible budget and tax policy which implemented in Azerbaijan, work continued to further expansion the economic power of the state, develop the regions, non-oil sector and entrepreneurship, reconstruct production and infrastructure in accordance with modern requirements, improve the welfare of



people - oriented, development and also construction budget, has been source of funding for economic reforms and government programs.

In 2019, only 26.8% of the total investment in the country's economy was financed from domestic sources, while in 2020 the share of domestic investment reached 62.5% ([www.stat.gov.az](http://www.stat.gov.az)).

In general, in 2010-2020, domestic investments increased 14.6 times, investments in the non-oil sector increased 12.9 times, 50.7 billion manat was directed to the regions from all sources.

As a result of purposeful calculations taken over past 10 years, more than 1.2 million new work places were created in the country, including 900,000 permanent jobs, and 55,600 new enterprises were created. About 80 percent of new jobs fell to the regions ([www.economy.gov.az](http://www.economy.gov.az)).

During this period, the application of innovative technologies was continued, new enterprises were created, the production potential of enterprises has been increased, at the same time the country's industry grew about 2.7 times. The share of the non-state enterprises in the volume of industrial production in 2010 was 57%, and now it is 82%. All this has given a strong impulse to the growth of business activity in the industry, the creation of new job places and the development of small industry of business ([www.economy.gov.az](http://www.economy.gov.az)).

There has been a dynamic growth in the fields of mechanical engineering, metallurgy, chemistry, furniture, textiles, food and others, and development has been achieved in the non-oil sector of Azerbaijani industry even during the crisis of the world economy. In order to ensure the sustainable development of non-oil sector, to create favorable conditions for the development of competitive industrial production based on innovative and high technologies in the country, to organize industrial enterprises based on modern technologies, to increase employment in Sumgayit.

In order to ensure food security in agriculture, crop and livestock sectors have been developed, and the level of food self-sufficiency has been further improved. Implementation of measures envisaged in the state programs on socio-economic development of the regions, payment of an average of 50 percent of the cost of fuel,

motor oils and mineral fertilizers used by agricultural producers, as well as assistance to stimulate wheat production at the expense of the state budget, seed production and preferential loans provided to agricultural producers by the National Fund for Entrepreneurship Support and the State Agency for Agricultural Credits of the Republic of Azerbaijan, the implementation of certain works on breeding, preferential use of agro-service services were among the factors ensuring annual dynamic development in agricultural production.

Gross agricultural output over the past 10 years increased 1.5 times, grain production 43.9 percent, potatoes 29.1 percent, vegetables 17.8 percent, melons 20.5 percent, fruits and berries 49.1 percent, and grapes increased 2.4 times ([www.economy.gov.az](http://www.economy.gov.az)). Large private grain farms were established in Agjabadi and Beylagan districts and a record 55 quintals of grain were supplied per hectare. Work is underway to establish large private grain farms in other regions of the country, and currently the establishment of 5 large private farms in Beylagan, Hajigabul, Jalilabad and Khachmaz regions is nearing completion.

In order to strengthen cooperation between processors and producers in the agricultural sector, to make more effective use of state support mechanisms by farmers, the establishment of 50 dairy farms in the regions has begun.

Reconstruction of local production facilities and successful agrarian reforms have led to an increase in the production of a number of local food products and a decrease in imports to our country. Local products have enriched our domestic market and reduced our dependence on imports of basic foodstuffs.

The dynamics of the country's business sector development indicators is a clear affirmation of the well results of the economic reforms.

In recent years, the state's financial support for the development of entrepreneurship has further improved, and the volume of soft loans has increased significantly. In order to support entrepreneurship and increase state care for this area, during the implementation of both regional development programs, the National Fund for Entrepreneurship Support of the Republic of Azerbaijan provided

AZN 1.2 billion in soft loans to 19.1 thousand businesses across the country, resulting in 110,000 new jobs ([www.economy.gov.az](http://www.economy.gov.az)).

Over the past period, regular business forums have been organized in different regions of the country to raise awareness among local and foreign businessmen and entrepreneurs, to expand their access to information, to make efficient use of existing natural and labor resources, as well as to attract foreign investment. had a positive effect on support.

In the past, along with Baku, the commissioning of tourist complexes, hotels, recreation centers in the regions has created ample opportunities for the development of tourism and recreation of the population. In the last 10 years, 35 five-star hotels, 14 of which are in the regions, have been commissioned and work in this direction is continuing successfully ([www.economy.gov.az](http://www.economy.gov.az)).

One of the infrastructure areas developing in recent years is the transport sector, which, as a result of sustainable and large-scale investments in this area, has led to the renewal of traffic, construction of bridges, construction of new roads, reconstruction, etc. Work has been continued, the effective operation of strategically important projects has had a positive impact on the development of the sector, in general, an increase of 2.5 times has been achieved in this area.

Direct transport links with the world, especially with EU member states, have been expanded, and the Baku-Tbilisi-Ceyhan (BTC) oil export pipeline and the Baku-Tbilisi-Erzurum gas export pipeline have made a worthy contribution to ensuring energy security in the world. The TANAP and TAP projects, which are of exceptional importance in ensuring the energy security of the region and Europe, as well as the signing of the final investment decision on the Shah Deniz-2 project are of great importance for further improving the social welfare and socio-economic development of our country.

At the same time, measures to realize the country's transit potential, including the operation of the Europe-Caucasus-Asia transport corridor, construction of the Baku-Tbilisi-Kars railway, Alat International Sea Trade Port, North-South, East-West transport corridors have been successfully implemented. continued.

Over the past 10 years, 8,300 km of national and local roads have been built or repaired, 307 new bridges and overpasses have been built or repaired in the regions, Nakhchivan, Ganja, Lankaran, Zagatala, Gabala and Airports have been put into operation in the cities of Yevlakh. In order to regulate and manage traffic, the Intelligent Transport Management Center was established in Baku ([www.economy.gov.az](http://www.economy.gov.az)).

The issues of people living in a healthy natural environment and using natural resources to improve the welfare of the people are an integral part of the socio-economic reforms carried out in the country. In order to maintain the balance of ecology and natural environment, to meet the needs of the population for clean water and air, a number of measures have been taken in recent years.

In order to expand the network of specially protected natural areas and develop ecotourism in the country since 2003, a group of mud volcanoes of Baku and Absheron Peninsula, Eldar pine, Korchay state nature reserves, as well as Absheron, Aggol, Goygol, Shahdag, Shirvan, named after Academician Hasan Aliyev Zangazur, Hirkan, Altiagaj and Samur-Yalama national parks have been established, the area of specially protected natural areas has been increased from 478,000 hectares to 893,000 hectares ([www.stat.gov.az](http://www.stat.gov.az)). During this period, 20 million trees and shrubs were planted in the area of greenery, and modular water treatment plants were installed in 222 settlements to improve the supply of ecologically clean water to the population. In Balakhani settlement of Baku, solid waste sorting and incineration plants have been put into operation, which allow to save natural resources and energy, and reduce the negative impact on the environment. 130 head of gazelles have been released into historical territories within the project of the Heydar Aliyev Foundation "Protection, reintroduction and restoration of historical habitats of gazelles in the territory of the Republic of Azerbaijan".

Within the framework of state programs, important measures have been taken to restore and develop infrastructure in the regions, provide the population with

utilities, including electricity, gas and water, build health and education facilities, and further improve the social situation of the population.

In order to meet the demand of the population for electricity, 17 power plants with a total capacity of about 2,000 megawatts have been built in the regions over the past 10 years, more than 10,000 km of power transmission lines and more than 1,500 substations have been built or reconstructed. Up to a thousand kilometers of gas pipelines were laid or repaired, the level of gasification of residential houses increased from 34% to 83.4% ([www.stat.gov.az](http://www.stat.gov.az)).

During the last 10 years, new water and sewage lines have been laid, new reservoirs have been put into operation, and significant land reclamation measures have been implemented to improve the water supply of the population. During this period, more than 3,400 kilometers of water, more than 1,200 kilometers of sewer lines were laid in the regions, 96 reservoirs were built ([www.economy.gov.az](http://www.economy.gov.az)).

Necessary steps have been taken to address social issues in the development of the regions, the human factor has always been in the center of attention, and also critical work has been done to improve the social infrastructure serving this area. The Heydar Aliyev Foundation has played an important role in the implementation of education, health, culture and other social projects. The scale of the projects initiated by the Foundation has opened up new opportunities for improving the social conditions of thousands of people.

In the last 10 years, 2,708 schools have been built or overhauled in the field of education infrastructure development, and more than 500 health facilities have been put into operation to further improve the quality of medical services provided to the population ([www.economy.gov.az](http://www.economy.gov.az)).

### **1.3 Key indicators of effective investment policy: local and foreign experience**

In modern times, the economic development of all countries depends significantly on the attractiveness of the investment climate and the rules of its legal regulation. High investment activity is one of the main factors determining sustainable economic development. In particular, attracting foreign investment into the economy and their legal regulation is one of the main areas of development for all countries. In this regard, it is expedient to note the experience of the following countries (Benjahim Graham, 2018, p.55).

After the independence of the Republic of Ireland in 1922, until 1950, it pursued a protectionist and patronage industrial policy, managing all foreign economic activity in the country. Since 1950, this policy has been abandoned and great importance has been attached to stimulating export-oriented industrialization. To this end, barriers to trade have been removed, export-oriented industries have been stimulated and free economic zone practices have been introduced. Since 1960, the average annual production has increased by 7% and industrial employment by 20%. The implementation of industrialization, including the promotion of foreign investment, was carried out in four directions (Robert G Hargstrom, 2018, p.63):

1. Formation of infrastructure. In order to create the necessary conditions to stimulate industrialization and foreign investment, since 1950, along with traditional infrastructure investments such as roads, electricity, ports and energy networks, special attention has been paid to modern infrastructure investments such as telecommunications, education and global investment. The share of these types of investments in the country's GDP was more than 28%. The reason for the implementation of this policy is the lack of interest of foreign capital in this country, which lacks national and international infrastructure.

2. Implementation of investment and tax incentives. From the mid-1950s to the 1980s, Ireland did not levy any tax on export earnings of economic entities, but from 1980 onwards it began to levy a normal tax on export earnings. In Ireland, along with investment and tax incentives such as employment assistance, modernization of industrial parks, education assistance, accelerated depreciation, indirect subsidies, tax amnesty, the following has been applied:

a. Application of income tax credit. Until 2010, profits from the sale of goods and services produced in Ireland were subject to income tax at a discount of 10%.

b. Application of credit discounts. Research for the potential market for a new product in the country provides research and development loans in the amount of 50% of pre-approved investment costs, such as salaries, materials and consulting costs.

3. No restrictions on the movement of capital. In recent years, Ireland has become very attractive for foreign capital. There are no restrictions on both capital imported from abroad and the amount of capital and profits that foreign investment will bring abroad. Despite this freedom, capital outflows were low, with 70% re-invested in Ireland. The main reason for this is the measures taken to attract foreign investment. On the other hand, developed countries with high levels of capital accumulation choose to invest in the Republic of Ireland, which has completed its development process, rather than in other countries. In other words, the country has chosen foreign capital to attract foreign investment, foreign loans or direct investment provided by international organizations. Thus, it was able to hold direct meetings with foreign investors without the intervention of any international organization.

4. Focus on marketing and consulting services. In Ireland, a consultant is appointed to ensure that every foreign capital that enters the country is converted into profit as soon as possible. The main job of this consultant is to monitor the work of the foreign investor and help him. In order to ensure the rapid transition of the new enterprise to production, benefits are provided, such as the provision of space, interest incentives, research support and joint initiative assistance. At the same time, the Irish Government has set up investment and marketing bureaus for Ireland in countries with great economic potential.

With the liberalization measures taken in the 1950s, the desire to attract foreign investment to the country had an effect in the medium term. Thus, in the 1990s, 40 percent of the labor force in the processing industry worked in about 900 foreign economic entities. If we compare this, we can see that between 1976 and

1982, investment in the Irish processing industry increased by 15 percent, while in the United States and Japan it was 8 percent, and in Germany it was 6 percent. The share of foreign investment exports in the country's GDP was recorded at 55 percent. At present, this figure has reached 90 percent (Robert G Hargstrom, 2018, p.88).

Spanish experience. The Republic of Spain, as well as Ireland, pursues an export-oriented and liberal economic policy. Although Spain's foreign investment promotion policy has been in place since 1959, there has been no progress in this area since the mid-1970s due to the country's authoritarian rule. In 1974, Spain, with another liberal law, began to offer more opportunities for foreign investment. During this period, foreign investment in Spain, which focused on the goal of full membership in the European Union, entered a period of progress. Therefore, according to a study conducted in 1977, the share of foreign investment in total exports was 51%, and the share of total imports was 75%. With Spain's accession to the European Union, there has been a significant increase in the foreign investment in country. Foreign investment inflows totaled \$ 1.7 billion in 1985, reaching \$ 14 billion in 1990. In 2002, this figure exceeded \$ 20 billion (Robert G Hargstrom, 2018, p.91).

There are a number of reasons why foreign investors are so interested in Spain, including attractive incentives, the availability of a large market, quality labor, low taxes, a favorable geographical location and proximity to emerging markets.

In order to attract foreign investment to the country, a 5% tax credit is applied to tangible investments and a 15% tax credit to intangible investments. If young people are employed, there is a discount of 50% to 100% for the social costs of the enterprise. Thanks to such concessions, the country has received a lot of foreign capital. 30% of enterprises in the country have foreign capital partnerships and about 50% of the industry is managed by foreign capital (Nancy Tengler, 2019, p.62).

Luxembourg. Luxembourg attracted \$ 126 billion in foreign capital in 2002, making it one of the largest in the world. The directions of implementation of this policy in the country are as follows (Nancy Tengler, 2019, p.163):



- Cash assistance. In Luxembourg, capital assistance is provided in the amount of 15-25% of fixed capital investments by regions.

- Educational assistance. Every workplace created in the country pays a certain amount of education for employees and assistant masters. - Research and development assistance. The country subsidizes 50% of research costs.

- Interest subsidy. Preferential interest loans are provided to finance investments in fixed assets.

- Tax benefits. 25% of the country's profits for the first 8 years are exempt from income tax and local trade tax. Total tax breaks can reach up to 30% of fixed capital investments. At the same time, in terms of new investments, 14% of the cost of acquiring fixed assets is deductible from income tax.

- Credit discounts. SNCI, a state-owned bank, can provide a low-interest loan of 8.25% for a period of 5 years to finance up to 40% of the investment.

-Capital assistance. The country subsidizes 6% or 8% of fixed capital investments. At the same time, if the investment is of strategic importance for the region, the subsidy can be increased by 36% in research regions and 2-4% in developed regions. Strategic assistance includes the establishment of research centers, the introduction of new production methods, a significant increase in production, the expansion of the range of services currently provided by subcontractors, the establishment of new industrial plants.

-Research and development assistance. In Belgium, research and development assistance is provided in the amount of 50% of investments in new products and technical development, and in some cases - 80%. If a new technology is introduced in any enterprise, 80% of the cost of a foreign-supplied equipment is covered by the state within a year. If an enterprise with a maximum of 500 employees produces a new product that can enter the market within 3 years, 80% of the research and development costs are covered by the state. At the same time, cheap loans and risk capital are provided for new production equipment based on technology.

There are special tax breaks for foreign professionals and their managers working in Belgium. In order to attract more foreign investment, enterprises in industrial zones have been exempted from property and profit taxes for 10 years.

In addition, Belgium uses incentives such as education assistance, employment assistance, interest subsidies, environmental assistance, investment incentives, tax incentives, low-interest and long-term loans.

England. In the UK, which hosts large amounts of foreign investment, incentives are mainly in the form of monetary and tax incentives. The main incentives applied in this country are as follows (Benjahim Graham., 2018, p.98):

- Capital assistance. In the UK, selective assistance is provided to the entire processing industry in the context of investment costs and employment. In economic development regions, a maximum of 15% of investment in capital-based projects, and a maximum of 40% of investment in employment-based projects is provided in cash. The main goal here is to prevent unemployment with employment-based investments.

- Research and development assistance. Long-term research and development programs of enterprises in the UK were stimulated. These incentives include high-tech programs involving new technology research, industry collaborations implemented by several enterprises, research and technology organizations and official research institutions, and programs that encourage enterprises to work with universities in response to industrial needs.

- Educational assistance. In the UK, 40% of education costs related to the use of new technology in processing and service projects are provided as educational assistance under the guise of regional selective assistance.

- Income tax exemption. research and development costs and all construction costs of enterprises in organized industrial regions, 25% of machinery and equipment costs are deducted from the amount of income tax.

Turkey. At the forefront of measures to stimulate foreign investment in Turkey, in line with global economic development, investment discounts. This ratio, which is mainly applied to income tax, is 100%. That is, the tax is applied after

deducting the value of the investment from the profit of a foreign company. With the new regulation introduced in 1998, this figure is up to 200% in industrial investments exceeding \$ 250 million. In addition, the supply of local equipment is exempt from value added tax.

50% of the tools, equipment and software costs of research and development investment projects in Turkey are provided with loans from various fund resources. In order for a loan to be granted, the investing organization must have the capacity and infrastructure to implement the project. The Turkish Science and Technology Research Institute (TÜBİTAK) has the authority to determine the suitability of these investment projects for state support.

It should be noted that in the 30-year period covering 1968-1998, in terms of motivational measures applied in Turkey, the total amount paid, regardless of local or foreign investors, is \$ 325 billion.

#### **Normative proposals for incentives in developing countries:**

As it is known, the most effective foreign investment policy is to direct foreign capital to the investment and export-oriented industries, and thus to use these investments in a way that will serve industrialization in the long run. To this end, export earnings of foreign investment can be exempted from taxes for a certain period of time, as well as a number of additional measures can be implemented over time. These measures can have a positive impact on increasing the country's industrial potential, as well as change the balance of payments in a positive direction.

As noted, incentives are of secondary importance from basic investment elements such as the required quality of technical manpower and a sufficiently developed transport and communication capacity, minimal government regulation and legal regulation. However, this does not mean that stimulus measures have no effect on foreign investment.

When defining this policy, it is necessary to pay attention to qualitative features along with quantitative criteria. In other words, the system of measures must be implemented in a way that can cover the high technology that the country needs.

At the same time, in terms of legal regulation of foreign investment, the effective implementation of incentive tax policy is a very difficult and complex process. As a result, in order to get the minimum cost and maximum benefit from tax instruments, it is necessary to first pay attention to the following issues:

- The most important measure to attract foreign investment to the country is to regulate the tax system at the national level in accordance with the macroeconomic environment, as well as in accordance with international law.

- Since there are some problems with the economic effectiveness of tax incentives, the measures to be taken must be specified in the absolute sense and in the tax legislation.

- The costs of the activities to be implemented must be reimbursable. For example, measures such as investment discounts, tax deferrals and accelerated depreciation, measures that will be applied in the form of tax cuts are more effective in terms of cost optimization and can be relatively reimbursed in future periods.

- Incentives should be applied in a way that covers not only a particular area, field or enterprise, but the entire economic system. Because the value-added nature of foreign investment depends significantly on the ability of local enterprises to use this value. From this point of view, tax measures should create the necessary economic environment for the creation of potential added value, such as education, technology, research activities.

## **CHAPTER II. ANALYSIS OF ECONOMIC RESOURCES IN THE KARABAKH AND EAST ZANGEZUR ECONOMIC REGIONS**

### **2.1. Establishment of the Karabakh economic region and analysis of its economic resources**

The new division of economic regions was approved by the Decree of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, dated July 7, 2021. The decree states that large-scale measures are being taken to restore liberated areas, ensure that their future development, create the necessary infrastructure and return the population to their native lands. The expediency of the carrying out all of the work on the basis of a single program to ensure their equal development through the effective use of the economic potential, natural resources and extensive tourism opportunities of these territories requires reconsidering the division of the liberated territories into economic regions (Bayramov, İ.M., p.541).

So far, there have been 10 economic regions in Azerbaijan. According to the new division, the number of economic regions has reached 14. Of course, the liberation of Azerbaijani territories requires a reconsideration of the division into economic regions. As stated in the decree, this division serves the rapid development of the Karabakh region. The Karabakh economic region (Khankendi, Agjabadi, Agdam, Barda, Fuzuli, Khojaly, Khojavend, Shusha and Tartar regions) and the Eastern Zangezur economic region (Jabrayil, Kalbajar, Gubadli, Lachin and Zangilan regions) were created for it. In general, the number of economic regions increases from 10 to 14. Because Azerbaijan's economy has more than tripled, the regional and sectoral structure of the economy has changed, as well as the prospect of the return of Karabakh to economic circulation and the opening of regional communications, including the Zangezur corridor, has created new realities (Qarayeva, S., p.32).

The great victory was achieved at the cost of voluntary self-sacrifice and sacrifices recognized by our nation. That is why this long-awaited and selfless victory is sacred, native and dear to the people of Azerbaijan.

In honor of the triumphant victory, great ideas will be expressed for many years to come, works will be written, and artistic compositions will be composed. This glorious victory, won over the enemy and his bloodthirsty hypocritical supporters, will not be perceived as a process of restoring the territorial integrity and sovereignty of our country alone. This great victory will be a testament to the self-

determination of the moral, political, organizational, national integrity and purity of our people. As a result, this means that the process of substantive spiritual and physical integration of Azerbaijanis as a nation will be completed completely and decisively. The idea that "this nation and the state it has established is eternal" will be reaffirmed (Əliyev, İ., 2021, <https://xalqqazeti.com/az/news/73722>).

In this historic victory of our nation, national unity, historical, moral and ethical justice, endless faith in the truth, national loyalty of the youth, military might of the national army, the peak of martyrdom, friendly and brotherly support will be the source of spiritual essence. A nation capable of providing historical justice on a global scale, at the same time, this work, in the country and in all its spheres - state building, personnel and civil service, economy, education and health care, public life - in labor collectives, in relations between individuals - will be able to provide as a community. From this point of view, this victory, achieved as a result of correct formation of military-building work under the direct principled leadership and leadership of a nation and a state with a glorious history of victory, will be a new beginning of great achievements of the Azerbaijani state and nation in other foreign and domestic spheres.

The Karabakh economic region, formed by the relevant decree of the President of the Republic of Azerbaijan Ilham Aliyev, is becoming a great platform for restoration and construction work in the post-war period of 2020. At the present stage, the process of developing new projects to build infrastructure in the liberated territories, to carry out construction and improvement work, to support the development of small and medium enterprises is in full swing. From this point of view, the establishment of the Karabakh Revival Fund, the construction of the Fizuli airport and the construction of the Fizuli-Shusha highway are of great importance. It should be noted that in 2021 alone, the state budget allocated 2.2 billion manat for construction work in Karabakh. manat expenditures are forecasted and implemented (<https://president.az/articles/50975>).

Based on our empirical extrapolation analysis, we conclude that the probability that the financial potential of the Karabakh economic region (the region's

own funds and borrowed resources) will increase to 30-40% of the country's financial potential by 2050 is quite real. The dynamic growth of the non-hydrocarbon resources sector and the deepening of the process of economic diversification give us reason to come to this conclusion. It should be noted that in the Nagorno-Karabakh region alone in 1971-1985, about 96.6 million. US dollars (483 million Soviet rubles) were invested, which is an average of 6.5 million rubles a year. dollars meant to invest. If we take into account the development of the Nagorno-Karabakh region at that time 0.7-0.8 times faster than its lowland region, we must note that even in Soviet times, the Karabakh economic region had sufficient economic potential. The restoration and gradual development of this potential, which was barbarically destroyed during the 30-year occupation, began in 2021 (Table 1).

**Table 1^ Empirical forecast of the dynamics of growth of financial potential of the Karabakh economic region in 2030-2050 (billion US dollars)**

	2030s	2040s	2050s
Financial potential of Karabakh economic region	30-40	150-200	300-370
including			
own funds	10-15	50-80	100-110
attracted funds	20-25	100-120	200-260

**Source:** The table is based on author's calculations

As can be seen from the table, the financial potential of the Karabakh economic region will increase more than tenfold between 2030 and 2050. From this point of view, by the middle of the century, Karabakh will become the most developed region not only in our country and the South Caucasus, but also in the Trans-Silk Road region.

We consider the forecast of the Karabakh economic region, which is developing against the background of balanced and dynamic development of traditional and non-traditional sectors of the Azerbaijani economy, to become a mini-"Switzerland" of the whole Caucasus by the middle of this century. Dozens of local and foreign banks and branches, insurance and brokerage companies,

investment funds and financial institutions, transport and tourism companies - all this will form the fundamental foundations of a huge infrastructure conglomerate. Logistics communications, major transport - automobile, rail and air corridors - will create conditions for huge capital flows (Eyyubova, G., 2021, <https://ikisahil.az/post/233156-iqtisadi-rayonlarin-sayinin-artmasi-veten-muharibesinde-qazandigimiz-zeferden-sonra-formalashmish-yeni-realliqlara-tam-uygundur>).

The traditional sectors of the economy are agriculture, processing industry, light, including textile industry, food production, agricultural engineering and instrument making, construction sector, active tourism, service and entertainment sector, sanatorium-resort treatment, etc. The development of these areas will become a real material basis for increasing the economic and financial potential of the Karabakh region.

Upper Karabakh and our occupied surrounding regions, along with their historical and cultural value, charming nature, have underground and surface resources, rich economic potential, and extensive tourism opportunities. These regions are favorable in terms of agricultural advantage, raw material base and manufacturing industry. If we pay attention to the main parameters of the economic potential of these territories, we can see that as a result of the looting and exploitation of Armenia, the infrastructure of the region has been reduced to zero. As a result of the occupation, thousands of hectares of arable land were polluted with military waste, the Azerbaijani economy and the world's gene pool were damaged in the amount of billions of manats.

According to statistics released by Deputy Economy Minister Niyazi Safarov, 7 regional centers, 6 cities, 12 settlements, 830 villages, 700 hospitals and medical institutions, 6 state theaters, 368 clubs, 85 music schools, 600 industrial and agricultural enterprises were destroyed in the occupied territories. More than 1 million hectares of agricultural land, including about 128,000 irrigated lands, about 35,000 hectares of vineyards and orchards were destroyed and taken out of circulation ([https://www.azerbaijans.com/content\\_464\\_az.html](https://www.azerbaijans.com/content_464_az.html)). Prior to the occupation, these regions accounted for 24% of GDP, 41% of grape production, 46% of potato



production, 18% of meat production and 34% of milk production. The occupation has seriously damaged the country's water resources. Occupied lands accounted for 25% of the total forest area, or 280,000 hectares. The enemy has extracted a large amount of gold in Kalbajar through the illegal exploitation of our natural resources.

The above-mentioned statistics give some idea of the scale of the work to be done. Therefore, the development of Nagorno-Karabakh and its environs Lachin, Kalbajar, Gubadli, Zangilan, Jabrayil, Aghdam Fizuli administrative districts requires a comprehensive approach that will cover many different sectors. Of course, first of all, special attention should be paid to security and management issues. Ensuring security means clearing areas of mines and eliminating life-threatening biological and environmental violations. The organization of border service and police control, and the activities of government agencies cover administrative management.

At present, the process of restoration of various service areas in the liberated territories is underway. Within the framework of the “Azerishig in Karabakh” project, the OJSC is taking urgent measures to provide electricity to strategic facilities of special importance in the liberated territories. According to the company's officials, the creation of new power centers in the liberated areas, the creation of 110, 35 and 0.4 kilovolt networks using the latest technologies, electronic relay protection and automation systems, remote control system, 35 and 0 using OIN cables. , Projects for the construction of 4 kilovolt power transmission lines have been developed, which are planned to be implemented in stages (<http://edf.gov.az/az/content/105#>).

Azercell Telecom LLC, in turn, is installing the first mobile infrastructure and fourth-generation LTE radio base stations in the liberated territories. Other mobile operators - Nar and Bakcell - are also implementing an action plan in this direction, completing internal design work.

According to MP, economist Vugar Bayramov, the assessment of the economic potential of the liberated regions, especially Lachin and Kalbajar, as well as their share in the country's GDP shows that the economy in these areas can grow

many times. The economic potential of the liberated lands is multifaceted, covering various areas of agriculture, industry and tourism.

The liberated lands have great potential for the development of viticulture, tobacco, cotton, cocoons, fruits and vegetables, melons and livestock. Corn, peas and grapes are typical crops of the region. It should be noted that Fizuli and Aghdam regions were among the leading regions in the country for the production of cotton, grain and grapes in the pre-occupation period. Jabrayil, Gubadli, Zangilan districts also differed in viticulture. Livestock was highly developed in Lachin, Kalbajar, Gubadli and Zangilan. It is obvious that the natural resources and agricultural potential of our liberated territories can create conditions for faster economic recovery in the region (<https://telegraf.com/news/siyaset/294486.html>).

It should be noted that before the occupation, numerous expeditions were conducted in the Karabakh region with the participation of international experts and well-known scientists. According to the results of scientists' research, these soils are especially distinguished in the Caucasus region in general due to the richness of genetic resources of biodiversity. The Karabakh region is also home to a number of essential oils, aromatic, medicinal, ornamental and other non-traditional plants. The nightingale growing in Shusha is considered a symbol of Karabakh. This unique plant is already a symbol of the day of remembrance in honor of the souls of our martyrs of the Great Patriotic War.

Nagorno-Karabakh and its environs Lachin, Kalbajar, Gubadli, Zangilan, Jabrayil, Agdam, Fizuli administrative districts have a large raw material base. Our regions have a raw material base for gold, copper, mercury, iron, marble, chromite, perlite, lime, agate, as well as construction materials. For example, most of the construction materials for the reconstruction of liberated Jabrayil are in this region: Tulus tuff, Chakhmagchay, construction sand, Garajalli clay suitable for brick production, volcanic ash suitable for cement production, clay, limestone, sand-gravel, jasper, chalcedony and forest resources. The Vejnali deposit in Zangilan district, the Gizilbulag deposit in Agdara district and the Zod deposit in Kalbajar district are rich gold deposits with industrial resources. By attracting new natural

resources, Azerbaijan has the potential to ensure the development of the western region, mining industry and metallurgy. The development of metallurgy, along with a number of industries in Azerbaijan, could accelerate the development of the military industry.

The Center for Analysis of Economic Reforms and Communication states that, at first glance, the future exploitation of minerals can be carried out in three directions: non-ferrous metals and their metallurgy, construction materials and rare metals. Non-ferrous metals and construction materials are areas that are typical of the traditional economy, and existing resources will allow the emergence of new forces in these areas. In addition, research and geological work can be carried out on the presence of rare metals in the region, which are widely used in high technology.

We can assess the industrial potential of the region in 4 areas: rich water supply, electricity, industrial recreation opportunities and processing of rich minerals. The region is also favorable for the development of the processing and food industries (<https://xalqqazeti.com/mobile/az/news/80407>).

Our liberated lands are also rich in mineral and thermal water sources. These resources will be used for drinking water, land reclamation and electricity generation. By effectively managing water resources, Azerbaijan will both put an end to the enemy's hydro-war against our country and gain control over Armenia itself. I would like to emphasize the fresh water resources of Kalbajar and Lachin districts. With the liberation of the highest reservoir in Azerbaijan (125 meters) with a total capacity of 560 million cubic meters - Sarsang reservoir, Tartar, Agdara, Barda, Goranboy, Yevlakh and Agjabadi regions will be provided with irrigation water. In addition, the release of the Khudafar reservoir in the Jabrayil and Zangilan areas means irrigating 75,000 hectares of new land. It is also estimated that there are 11 groundwater sources in the region.

Up to 40 percent of Azerbaijan's mineral water resources were in the occupied territories. Among them, Upper and Lower Istisu in Kalbajar region, Bagirsag, Keshdek, Iligsu, Minkend in Lachin region, Turshsu, Shirlan and other mineral

waters in Shusha region attract special attention. It is possible to sell these waters both in packages and to create resort-recreation zones on the springs.

Speaking of the region's industrial and recreational opportunities, it should be noted that the main electricity generation occurs in water catchment and supply areas. Of course, we are talking about Sarsang and Khudafar HPPs. The urgency of the agreement reached by President Ilham Aliyev with Iran on the construction and operation of the Khudafar and Maiden Tower dams and power plants on the Araz River is growing today. The Khudaferin hydro junction will allow Azerbaijan to generate 368 million kilowatt-hours of electricity per year. There are also irrigation facilities (<https://azerbaijan-news.az/posts/detail/yeni-iqtisadi-rayonlar-olkemizin-gelecek-inkisafi-ucun-yeni-imkanlar-acir-1625780115>).

According to our research and expert opinions, the industrial and agricultural potential of Nagorno-Karabakh and surrounding Lachin, Kalbajar, Gubadli, Zangilan, Jabrayil, Aghdam and Fizuli administrative regions is wide. The raw material base and natural resources are very large. All this suggests that the region's economy will grow rapidly soon after the recovery process.

The Karabakh region, a mountainous region of the Lesser Caucasus, is famous for its various natural monuments, forests, rare plant and animal species. The total forest area of the region is about 246.7 thousand hectares, including 13,197 hectares of valuable forest areas. In order to protect the natural landscape, rare flora and fauna, the liberated territories of the Lesser Caucasus once had a number of reserves and sanctuaries. These are Basitchay Reserve, Garagol Reserve, Lachin Reserve, Gubadli Reserve, Dashalti Reserve and Arazboyu State Nature Reserve. In the reserve located in the Basitchay gorge in the Zangilan area, a plane tree forest stretched for 12 kilometers along the river. The trees growing here were 500 years old. The oriental plane tree, known for its antiquity, was once included in the Red Book. All this shows that the Karabakh region has great potential for the development of tourism based on the rich nature, flora and fauna and ancient historical monuments. The Azykh cave, one of the oldest settlements in the world, the ancient stone monuments found in the mountains and plains of Karabakh -

dolmens in Khojaly, cromlexes in Khankendi, historical temples such as Ganchasar (Ganzasar), Alban-Amaras, Elysee, Khudavang, Agoghlan - have great tourism potential.

Today, there are about 50 hotels in Karabakh. There are also facts that several foreign companies invested in the region during the occupation. We believe that the illegal, criminal activities of such companies in the territories of Azerbaijan will be unequivocally stopped. Entrepreneurs who invest will also be prosecuted for their illegal activities.

Once security is ensured in Karabakh, infrastructure is renewed and demographic issues are resolved, it seems realistic to implement complex projects for the organization of tourism. Thanks to the joint efforts of the state, the private sector and scientists, the tourism potential of Nagorno-Karabakh should be developed from scratch, and natural and anthropogenic tourism resources should be considered. As Karabakh is mainly a mountainous area, I would like to emphasize mountaineering and mountaineering tourism. I think that due to the richness, antiquity, historical and cultural monuments of Karabakh, ecotourism will develop as a zone of ethnotourism. It will be one of the most beautiful tourist destinations in the world (<https://aqreqator.az/az/iqtisadiyyat/1088111>).

Along with the development of tourism in Karabakh, the inclusion of monuments falsified by Armenians in their history is one of the important issues awaiting resolution. It would be important to restore the museums looted as a result of the Armenian occupation, to create new museums, as well as to organize a museum complex in Shusha, reflecting the glorious victory of the Azerbaijani Army. In my opinion, in order to materialize the traces of Armenian fascism and vandalism in the history of mankind, samples of destroyed and ruined buildings in each of our liberated regions should be kept as historical exhibits. As historical evidence of the innumerable crimes of the Armenian occupation policies, these exhibits will clearly reveal the essence of Armenian fascism to future generations, our compatriots around the world and the world community in general.

The new economic value to be created in the liberated territories will lots of times exceed the financial costs of the Azerbaijani state. The restoration of these areas will create many new jobs. Thus, the implementation of the new infrastructure projects will have a specific impact on the employment of our citizens. Economic development will create new jobs.

The Karabakh economic region includes Khankendi, Agjabadi, Agdam, Barda, Fizuli, Khojaly, Khojavend, Shusha and Tartar regions. This decree is a clear example of our great return and reflects the nuances of our state's future activities in this direction. There is no doubt that the signing of the document "On the new division of economic regions in the Republic of Azerbaijan" after the approval of the "Azerbaijan 2030: National Priorities for Socio-Economic Development" on the basis of President Ilham Aliyev's decree will make a significant contribution to the effective use of the work, the conduct of work on the basis of a single program (<https://nuhcixan.az/news/iqtisadiyyat/49382-yeni-bolgu-siyaseti-qarabag-ve-serqi-zengezur-iqtisadi-rayonlari-niye-yaradildi>).

The approval of the new division of economic regions by President Ilham Aliyev and the restoration of the historical names of Azerbaijani lands are of special importance in terms of giving a number of serious political messages:

The first of these is the inclusion of separate administrative units in the Karabakh economic region, and this is "Karabakh is Azerbaijan!", Which has already been given to the whole world and sealed with our victory. can be considered the next official expression of the slogan. The decree buried the issue of the "status" of the Armenians once and for all, and drew a thick line over the speculations of this radical opposition about the fate of Khankendi, Khojaly and Khojavend after the 44-day war. The second important point, of course, is related to Zangezur. The naming of the new economic region "Eastern Zangezur" is not only economic, but also a very important political and geopolitical step, a step towards historical realities, our position further strengthened by the Shusha Declaration, Azerbaijan's current power and great future. In our opinion, it is a very serious message addressed to some

circles, because this message, although indirect, also resonates with Western Zangezur.

## **2.2. Establishment of East Zangezur economic region and analysis of its investment opportunities**

The establishment of the East Zangezur economic region is also a restoration of historical justice. The decree also states that they are located in the eastern part of Zangezur plateau, which is surrounded by the mountain (Zangezur) range and covers a large area from Lachin and also Kalbajar to Nakhchivan, at border with Armenia and in the same geographical area. and traditional socio-economic, historical and cultural ties make it necessary to unite Zangilan, Gubadli, Jabrayil, Lachin and Kalbajar regions in a single economic region. The decree also has a unified approach to Karabakh, ie mountainous and lowland Karabakh are taken together. It is noted that the restoration as well as rapid development of the ancient Karabakh region, with its rich historical and cultural heritage, mysterious nature, including Aghdam, Shusha, Fizuli, Tartar, Khojavend, Khojaly regions and the city of Khankendi, as well as Agjabadi and Barda regions of the Karabakh region. It is important to create a new Karabakh economic region.

It should be noted that we would like to touch upon the historical realities, albeit briefly, before the economic aspects of the new economic regions. Zangezur is a toponym of Turkic origin and the lexical unit "zangi" in its name belongs to the Turkic tribes (Bayramov, İ.M., 2021, p.612). Founded in 1861, Zangezur district included Gafan, Gorus, Garakilsa, Mehri, Zangilan, Gubadli and parts of Lachin, and already in the early twentieth century there were 313 Turkish villages and only two Armenian villages consisting of foreigners. The area of Zangezur district was 7892 km<sup>2</sup>. As a result of the Great Karabakh Victory, 4505.5 km<sup>2</sup> of this area was liberated from occupation and these areas covered Zangilan, Gubadli and Lachin districts. However, it is unfortunate that for more than a hundred years the territories in the western part of Zangezur - Gafan, Gorus, Garakilsa and Mehri - are still under occupation. Thus, under the pressure of the Bolsheviks, who overthrew the

Democratic Republic of Azerbaijan and occupied Azerbaijan, and on December 1, 1920, they handed over Zangezur to Armenia (Musayev, İ., 1998, p.184).

During the Soviet era, the Armenians tried to erase the name Zangezur from the map, and they wanted to believe that they had managed to forget Zangezur by creating new districts. But historical justice has taken its place, the Azerbaijani people have never forgotten their ancestral lands, and by liberating the eastern part of Zangezur from occupation, we have demonstrated to the whole world our ability to own our lands and native lands. Therefore, the establishment of the East Zangezur economic region should also be considered as a restoration of historical justice. The new division of economic regions is the right step in terms of the systematization of economic development in Azerbaijan, and there is not the slightest doubt that it will stimulate the formation of economic development in a shorter time (<https://525.az/news/171825-serqi-zengezur-iqtisadi-rayonunun-yaradilmasi-tarixi-edaletin-berpasidir>).

The region has the potential for the development of non-ferrous metallurgy. Gold, mercury, chromite, marble, perlite, facing construction corals, etc. are found in the area. There are mineral resources.

The region is one of tourist importance due to its geographical location and historical monuments. Mineral springs such as Istisu, Minkend, Tutgunchay, climatic and balneological conditions, mountain forests can be used for resort-recreation purposes here. The list of historical architectural monuments includes Ganjasar, Agoghlan monasteries, Gurjulu, Mammadbeyli tombs, Khudaferin bridge and others. aiddir.

At present, the most important task facing our republic is to ensure the return of people displaced from their native lands to perpetuate the victory, to organize the integration of these areas into the country's economic system. Therefore, it was necessary to reconsider the division of the liberated territories into economic regions. The new classification of economic regions is important in terms of the development of the Azerbaijani economy, and in terms of expanding the economic potential of our regions. At the same time, our liberated territories have great



potential in industry, tourism and agriculture. In short, the new division of economic regions is the right step in terms of the systematization of economic development in Azerbaijan, and there is not the slightest doubt that it will stimulate the formation of economic development in a shorter time.

According to the well-known Decree of President Ilham Aliyev, the new division includes historical reality and economic efficiency: “Large-scale measures are being taken to restore the liberated territories, ensure their future development, create the necessary infrastructure and return the population to their native lands. The expediency of carrying out all the work on the basis of a single program to ensure their equal development through the effective use of the rich economic potential, natural resources and extensive tourism opportunities of these areas requires reconsidering the division of the liberated territories into economic regions.

Emphasizing the inclusion of a new name in the new classification of economic regions, ie the names of Karabakh and East Zangezur economic regions, the MP said that this is a very important decision, both strategically, economically and, of course, historically. is an important step. The establishment of the East Zangezur economic region is itself a restoration of historical justice. Zangilan, Gubadli, Jabrayil, Lachin and Kalbajar districts are surrounded by Zangezur mountain range, located in the eastern part of Zangezur plateau, which covers a large area from Lachin and Kalbajar to Nakhchivan, are in the same geographical area, are part of Zangezur district established in 1861. justifies the unification of these regions in the same economic zone, which proves that it is the restoration of historical justice.

It should be noted that the directions of increasing the macro and micro socio-economic and financial potential of the liberated Karabakh economic region were found in the "Azerbaijan 2030: National Priorities for Socio-Economic Development" adopted on the basis of the relevant Order of the President of the Republic of Azerbaijan. Referring to the National Priorities, the implementation of the following five national fundamental tasks identified in the stable and sustainable

development of the country in the next decade is considered to be the fateful tasks facing our country:

- a) sustainable growing competitive economy;
- b) a society based on dynamic, inclusive and social justice;
- c) competitive human capital and a space for modern innovation;
- d) a large return to the liberated territories;
- e) a country with a clean environment and "green growth".

The fourth direction of the National Priorities includes the socio-economic, organizational-financial and legal-practical bases of the great return to the liberated territories. It will be implemented at the expense of financial resources, in which the funds of the centralized budget system will play an exceptional role.

As a result of our economic analysis, we can already see the dynamics of the process of creating a certain income base in the liberated regions. Thus, only in the 2021 budget, despite the fact that the Karabakh economic region has not yet been able to cover local expenditures in many regions, certain stable local revenues have been formed (Table 2).

**Table 2^ Revenues and expenditures of some liberated regions of Karabakh economic region for 2021 (thousand manats)**

№	Districts	Local income	Local expenditures	Allocations from centralized expenditures to balance local revenues and expenditures
1	Ağdam	5385	10425	5075
2	Jabrail	998	3669	2687
3	Fuzuli	7966	10351	2402
4	Kalbajar	1300	4989	3693
5	Gubadli	3417	3413	-
6	Lachin	2420	5459	3114
7	Zangilan	1631	2855	1227

**Source:** Law on the State Budget of the Republic of Azerbaijan for 2021

In our opinion, in a sense, these revenues can be considered a symbolic beginning of billions of dollars of domestic and foreign financial flows to the Karabakh region in the near future.

As a result of our empirical analysis, it is possible to conclude that the approximate multiplier of local and centralized budget system revenues lost during

the actual occupation of the occupied territories (1988-2020) seems quite realistic. The analysis shows that in order to determine this amount, the demographic situation in the occupied territories of Azerbaijan, the level of placement of productive forces, the number and dynamics of business structures, the development trend of agricultural enterprises, etc. The work of finding the volume of gross domestic product that can be created taking into account Once the projected GDP is found, the 30-year average tax burden on those areas must be found, and on this basis we can determine the approximate and probable amount of revenues that the state budget system of the Republic of Azerbaijan cannot obtain by the correlation method.

In the next stage of the study, we can continue the analytical and differential analysis of revenues, ie separately calculate the losses on personal income tax, income tax, land tax and property tax and social insurance contributions, and further clarify the probable figure. We have enriched the study with a comparative "analog" method, but also studied the regions close to the economy of the Karabakh economic region, such as Barda, Tartar, Agjabadi, etc. It is based on the development and economic growth rates of the regions during 1990-2020, and we can specify the development directions of the Karabakh regions by applying this real average average dynamic rate to the Karabakh region. In our opinion, conducting research in this direction can provide a basis for a more accurate determination of the amount of reduction of budget revenues. On the other hand, the region's natural resources, existing and destroyed potential material and technical base should not be overlooked in this work.

It is safe to say that the complete liberation of Zangezur from occupation and the return of our compatriots to their native lands are not far off, and at least in the near future, the Zangezur corridor will increase these hopes and confidence. At the same time, the Zangezur corridor is a very important corridor connecting the Eurasian space. It is the gateway to both the Caucasus and Central Asia. On the geopolitical and geostrategic significance of the Zangezur Corridor, President of Azerbaijan Ilham Aliyev said at the informal summit of the Cooperation Council of

Turkic Speaking States on March 31, 2021 in a video conference: “The Zangezur Corridor is a historic achievement. The reflection of this issue in the trilateral statement, in particular, is our great political victory ... Zangezur, the land of ancient Azerbaijan, will now play the role of uniting the Turkic world ” (<https://president.az/articles/50975>).

It should be noted that the new principle of economic dividing will create another opportunities to enhance economic activity and increase the efficiency of public investment throughout the country, the development of entrepreneurship as well as business in the country's regions, fasten socio economic development, diversify incomes and improve living conditions. In particular, in the face of current global threats and the challenges posed by the Covid-19 pandemic, there are broader prospects for the rapid recovery of economic sectors, the elimination of economic backwardness and increased efficiency. On the other hand, the renewal of economic zoning and the creation of new economic regions reflect the objective realities formed after the Victory in the Great Patriotic War (<https://ikisahil.az/post/233156-iqtisadi-rayonlarin-sayinin-artmasi-veten-muharibesinde-qazandigimiz-zeferden-sonra-formalashmish-yeni-realliqalara-tam-uygundur>). Thus, the involvement of the liberated territories in the economy makes it necessary to renew the division of economic regions, more accurate, efficient allocation and distribution of productive forces and resources. Each economic region has its own specialization directions and features. Various factors, including geographical, natural and economic, are more important here. Employment characteristics, customs and traditions, national composition of the population are also important conditions. Planned and orderly management of economic regions, development and implementation of priority projects required here, development and application of financial and investment mechanisms by the state, creation of favorable conditions for development of other financial sources, employment and economic activity, creation of social infrastructure , providing production and commercial infrastructure, stimulating entrepreneurship and achieving a favorable business environment are important.

Modeling of economic activity and development of entrepreneurship is an integral part of state policy for sustainable and dynamic development of economic regions. For example, in order to effectively allocate the funds of the Entrepreneurship Development Fund, priority areas have been identified for economic regions, and it is necessary to attract both interested and potential investors in these areas (<http://edf.gov.az/az/content/105#>). We believe that in the near future in the newly created economic regions will be provided the development of high-tech industries, the development of more effective mechanisms for the development of entrepreneurship. These include the creation of production and processing areas consisting of flexible and productive technologies, the organization of creative and efficient service enterprises. All this indicates that socio-economic development in the new economic regions will be more dynamic and productive.

On the other hand, the newly created economic regions are important in terms of political and national security. It is known that the goals of "Azerbaijan 2030: National Priorities for Socio-Economic Development" are being implemented in our country. In our opinion, in these processes, the opportunities for our country to become a powerful state will increase and we will be able to significantly strengthen our national security, as well as our economic security. Thus, with the creation of the Karabakh economic region, Karabakh itself comes to the fore as a whole economic and political concept and can be considered a preventive measure against revanchist ideas. At the same time, the creation of the East Zangezur economic region shows how strong Azerbaijan's intention is to revive and develop its ancient lands. "Favorable conditions are being created to ensure peace and security in the region. Armenia or other revanchist-radical forces are doomed to choose the path of peace. In short, Mr. Ilham Aliyev's orders and decrees are of a strategic and conceptual nature. The main purpose of these documents is to ensure the future of Azerbaijan, to strengthen it as a state" (<https://teleqraf.com/news/siyaset/294486.html>). At the same time, as a result of the measures taken, the efficiency of using the resource potential of our country in the regions can increase many times.

In recent years, the country's economy has more than tripled, and its structure is expanding year by year. Three targeted state programs have been implemented since 2004 to address the development problems of the regions, and now the fourth state program covering 2019-2023 is being successfully implemented. Therefore, the new division of economic regions will have the potential to further increase the efficiency. "The new division is a far-sighted strategic approach, the fact of planned reintegration, and gives grounds for more optimistic forecasts for our future" (<https://xalqqazeti.com/mobile/az/news/80407>). Thus, the resources to be directed to the development of the East Zangezur economic region will further increase the strength and power of our country in this region. The establishment of the Karabakh economic region is of great importance "for the restoration and rapid development of ancient Karabakh, which has special qualities." Since the development of agriculture and the agrarian sector is a priority in most economic regions, the new economic zoning will, first of all, give a strong impetus to the development of these areas (<https://azerbaijan-news.az/posts/detail/yeni-iqtisadi-rayonlar-olkemizin-gelecek-inkisafi-ucun-yeni-imkanlar-acir-1625780115>). The renewal of the division of economic regions and the creation of two new strategic economic regions is a clear message to the Armenians and their supporters, and the essence of this message is that there is no longer a separate administrative territorial unit called Nagorno-Karabakh. There is no need for crazy talks about it. It is obvious that with the creation and sustainable development of new economic regions, the Azerbaijani state, while turning Karabakh into a very dynamically developing economic region, is quite persistent in the return of our compatriots to the ancient land of Zangezur and the development of our ancient lands.

Currently, the territory of East Zangezur economic region, defined as a new division, has great natural and economic resources and potential for the development of different sectors of the economy, including industry, tourism, agriculture and agrarian sector, primarily crop and livestock. It is true that Armenian vandals and barbarians, with the support and illegal investments of foreign patrons, managed to plunder the natural resources of Zangezur, but we are sure that they will soon have

to pay the price for these crimes. "Zangezur Copper-Molybdenum Plant, one of the largest industrial enterprises in Armenia, which have established a huge business in Zangezur district, paid more than 63 million in taxes in 2020 and is the third largest taxpayer in Armenia" (<https://aqreqator.az/az/iqtisadiyyat/1088111>). The operation of this plant is also a cause of environmental disaster in this region, as industrial waste and toxic compounds are discharged into the Oxchucha without treatment. The goal is to prevent the criminal and also ugly of Armenians and restore the ecological balance in the region.

Establishment of new economic regions in the implementation of our country's short-, medium- and long-term goals, the creation of strong regions of the country, especially in the liberated territories in accordance with world experience, but the formation of exemplary economic regions should mean. MP VI Bayramov rightly notes: "We have observed new names among the economic regions - Karabakh, East Zangezur economic regions. This is a very important decision, both strategically, economically and historically. In the previous classification, there were Upper Karabakh, Kalbajar and Lachin economic regions, and in the new classification, the regions located in the Karabakh region will be represented in the Karabakh economic region" (<https://nuhcixan.az/news/iqtisadiyyat/49382-yeni-bolgu-siyaseti-qarabag-ve-serqi-zengezur-iqtisadi-rayonlari-niye-yaradildi>). At the same time, the creation of these economic regions is awakening the dream of a treacherous and cunning, fascist enemy. "It is no coincidence that the separatist Armenians, and even all the institutions in Armenia, were very concerned about the historic decree issued by President Ilham Aliyev. Apparently, the Decree, along with all its positive and economic aspects, is demoralizing the enemy community and crushing the spirit of revanchism"

([https://azertag.az/xeber/Azərbaycanın\\_Qarabag\\_ve\\_Serqi\\_Zengezur\\_iqtisadi\\_rayonlarının\\_yaradılması\\_dusmenin\\_revansist\\_ruhunu\\_ezib-1826439](https://azertag.az/xeber/Azərbaycanın_Qarabag_ve_Serqi_Zengezur_iqtisadi_rayonlarının_yaradılması_dusmenin_revansist_ruhunu_ezib-1826439)).

## **CHAPTER III. DIRECTIONS FOR IMPROVING INVESTMENT POLICY IN THE KARABAGH AND EAST ZANGEZUR ECONOMIC REGIONS**

### **3.1. Perspective directions of investment policy in the Karabakh and East Zangezur economic region**

In the modern world, historical events and a number of global changes are taking place that deeply affect the development of civilization and, in general, the well-being and prosperity of people on the planet. For example, the comprehensive development of science and technology makes it possible to deepen economic and social development in the world. Or, take the intensive integration of the regions of the world, which allows the efficient use of natural and economic resources for the sake of human well-being and the alleviation of such global problems as global poverty, hunger and unemployment. Therefore, the active integration of the regions of the country is of strategic importance not only for the countries of this region, but in general for the countries of the world. However, conflicts, unjustified territorial claims, aggressive policies and, finally, war and martial law between the countries of the region aggravate economic and social life, take away real funds and resources, and generally slow down socio-economic and integration development in the region. For almost 30 years, the Karabakh region of Azerbaijan suffered from the aggressive actions of Armenia, and the region was deprived of the intensification of integration processes. As a result of the heroic actions of the Azerbaijani army and in the close interaction of the people, in 2020, an end was put to the seizure, which opens up a powerful potential for the beginning of the revival of the liberated lands from occupation, transformation into a region into a center of integration processes and economic development (Huseynova, N., Yahyaeva, A., & Aliev, Sh. ,2021,p.14). A similar development of the event will allow the regions of the country, including Armenia, to strengthen interaction and mutually beneficial trade and economic ties and thereby receive a multiplicative impetus to accelerate the development of national economy as well as improve the living standards of the country's population. Under these conditions, Azerbaijan intends to effectively use the historical chances and



opportunities for unblocking transport communications in the region and ensure the intensive development of the liberated territories from capture and achieve their speedy revival (Aliiev, Sh.T.,2021,p.17) It can be noted that a conceptual approach and the main priorities for the revival and development of these territories of Azerbaijan in the short and long term have already been formed in these strategic areas.

After the historic victory of our people over Armenian fascism in the Patriotic War, which is considered the most glorious in the history of Azerbaijan for many millennia, concrete work is being done to restore the liberated territories. This is a fairly responsible, financially, labor-intensive, historical program based on modern ICT. First of all, work is underway to clear the area of mines. Relevant structures of Turkey and Russia, along with our republic, have been involved in resolving this difficult issue. The fact that the Armenian side did not provide maps of the mined areas once again demonstrates the low intentions of Armenian fascism. Nevertheless, our country will solve this problem as well. The land of Karabakh, an integral part of the victorious country, will become a prosperous land. The most fundamental issue is the settlement of the population in the liberated territories, the return of refugees and displaced persons to their homes. On the instructions of the President, the Presidential Administration and government agencies are working in this direction. One of the important issues is the reconstruction of the transport system in the region. For this purpose, important projects are being implemented to establish transport infrastructure in the liberated territories. New railways and the Fizuli-Shusha highway are being built in the region. Modern airports are being built in Fizuli, Zangilan and Lachin. Ensuring the operation of the Zangazur transport corridor, the liberation of Nakhchivan from blockade, the creation of Armenia's access to Iran, Turkey and Russia from Azerbaijan will contribute to the further expansion of economic relations between the countries of the region. will introduce. Although the natural climatic features of the region and the predominance of high mountainous areas create objective difficulties, a well-thought-out transport development strategy will play an important role in the balanced development of the liberated areas. At present, the relevant structures are collecting and processing more

necessary materials on the region's natural, land, water resources and minerals in the occupied territories, which will be used in future development programs. In the pre-occupation period in these regions - in 1991, the population was 442 thousand people, and the labor force was 256 thousand people. In 1991, about 800 million manats worth of industrial products were produced in the 7 liberated districts (Aghdam) by industrial enterprises employing about 6,000 people. Here are some facts about its economic potential.

The construction of infrastructure facilities is being intensively carried out, the material and technical bases for the uninterrupted supply of electricity, natural gas, drinking water, etc. are being restored. Moreover, railway lines and routes are being laid at an accelerated pace, international highways and an international airport are being built. The demining of the liberated territories is continuously carried out to ensure the return of internally displaced persons to their homes and homes. It should be emphasized that at the same time institutional and administrative measures are being taken for the effective management of these territories. In this regard, a new economic zoning of the country's regions has been formed in Azerbaijan. Thus, by the decree of the President of the Republic of Azerbaijan on the new division of economic regions in the Republic of Azerbaijan dated July 7, 2021, a new division of economic regions was approved, including the creation of two new economic regions:

The East Zangezur economic region was formed on the basis of Jabrayil, Kalbajar, Gubadli, Lachin and Zangilan regions, which are distinguished by an abundance of natural wealth of resources, a favorable climate, including mineral resources, and there is a productive environment for the simultaneous development of many sectors of the economy, primarily agriculture, tourism, agro-industrial complexes, mining hospice industry, production of building materials, etc. Note that the history of the formation and development of Zangezur goes back to the period of Caucasian Albania. Zangezur included significant territories of Syunik and 4 regions of Albania developed here: Zangezur, Nakhchivan, Irevan and Goycha. Then this territory was overpowered by the Arab Caliphate, and at the beginning of

the 11th century it was captured by the Sheddadids. Further, the powerful state of the Seljuks ruled Zangezur, and so the change of authorities and states continued until the Karabakh Khanate was annexed to Russia in 1805. During the period of being a part of the Russian Empire, considerable administrative reforms were carried out and in the early 30s of the XIX century a large Zangezur mahal was created in the Karabakh province.

In 1917, as a result of the Bolshevik coup, the collapse of the Russian empire took place in Russia, and Azerbaijan proclaimed its independence. At the same time, the formation of the Armenian state with the help of the Bolsheviks carried out a policy of ethnic cleansing, through a bloody massacre, the Azerbaijani villages were wiped out from the lands, and as a result, the western parts of Zangezur, the Azerbaijani population was completely destroyed or expelled. Further, under pressure from Moscow, the still weak Azerbaijani governments in 1921 transferred the Western parts of Zangezur to Armenia. And at the end of the collapse of the USSR, taking advantage of the chaos and the patronage of separatism in Nagorno-Karabakh, 20% of the territory of Azerbaijan was captured (Safarov, R.,2021, <https://azerhistory.com/?p=31805>.) The eastern regions of Zangezur also remained in the occupied territories. However, as we noted, these territories that have already been liberated have become the center of revival and economic progress in the region. And the creation of a new Eastern Zangezur economic region will become a serious impetus and support for deepening socio-economic development in the region, and strengthening the economic power of Azerbaijan as a whole, its competitiveness and image in the world. The creation and development of the new East Zangezur economic region can be assessed as a historic step, and after a hundred-year break, Zangezur officially returned to the political, administrative and economic life of the independent Azerbaijan state (Nazimoglu, N., <https://caliber.az/post/zangezur-eto-azerbaidzan-14047>) With the development of Zangezur, a powerful potential and the basis for transforming the ancient lands of Azerbaijan will be formed, which will unite the entire Turkic world, at the same time the regions of the country, as well as build up the integration processes in the whole world through the Zangezur transport

corridor. In addition, within the framework of socio-economic development, there will be the restoration of destroyed infrastructures, residential buildings, public buildings, schools, hospitals, art institutions, pre-school institutions, mosques and cathedrals. It has to be noted that as a result of the occupation, 900 residential areas, 150 thousand houses, 7 thousand public buildings, 693 schools, 695 medical enterprises, 855 kindergartens, 6 thousand industrial and agricultural enterprises, 160 bridges, 2.3 thousand km. water pipes, 2000 km. communication supply of natural gas, 15 thousand km. electric lines, 280 thousand hectares of forest land and destroyed 1 million hectares. agricultural arable land (<https://mod.gov.az/ru/posledstviya-voennoj-agressii-armenii-statistika-412>). In the current conditions, in general, in the liberated territories of the country, intensive work is underway to restore and revive villages, towns and cities. To this end, in accordance with the decree of the President of the Republic of Azerbaijan dated January 4, 2021, the composition of the Council of Observers "The Fund for the Revival of Karabakh" was approved (<https://president.az/articles/49877>). As part of the ongoing activities, the Foundation has developed and is implementing systemic activities and projects on the historical and strategic significance of the revival and restoration work in the liberated territories from Armenian occupations. In addition, targeted work and activities are being carried out to effectively use the natural and economic potential of the liberated territories

([https://iqtisadiislahat.org/news/vusal\\_qasimli\\_qarabagin\\_boyuk\\_iqtisadi\\_potentiali\\_var-1050](https://iqtisadiislahat.org/news/vusal_qasimli_qarabagin_boyuk_iqtisadi_potentiali_var-1050)).

Pilot projects are already being implemented - "Smart Village" in the village of Agali in the Zangelan region, which is part of the newly created East Zangezur economic region. The creation of such settlements and cities will allow the formation of a significantly favorable and comfortable use for people to live and will allow the implementation of smart technologies, forms of management, development of society and economy, environmental safety of the industrial sector ([https://azertag.az/en/xeber/Azerbaijan\\_hosts\\_seminar\\_on\\_digital\\_development\\_and\\_transport\\_priorities-1990679](https://azertag.az/en/xeber/Azerbaijan_hosts_seminar_on_digital_development_and_transport_priorities-1990679)). As part of the implementation of the planned projects and activities in Eastern Zangezur, social and economic development and the creation of

more efficient sources of added value, permanent jobs will be ensured. Favorable conditions for the development of entrepreneurship and the creation of a more attractive investment environment for the intensive attraction of investment flows to the region. In this economic region, the transit potential will be of particular importance, thanks to the implementation of the Zangezur transport corridor, a powerful potential for the growth of economic activity and the creation of new foreign economic relations by subjects of countries, regions and the world will be created. The fact is that, according to the agreement between Azerbaijan and Russia, the construction of a 43-kilometer railway section will be ensured, since the Armenian railways belong to Russia and thus an important transport link between Turkey and Azerbaijan will be created, including uninterrupted ground and railway communication between Turkey and Russia through Azerbaijan (Rakhimov, R., Keskin, O., <https://www.aa.com.tr/en>). This is precisely what characterizes the strategic importance of the implementation of the Zangezur transport corridor and communication infrastructure project. In addition, such a strategic international transport hub has been unblocked, which will allow the intensification of the evolution of the region and the inclusion of the countries of the region in more active world economic processes and ties. One of the most important features of this transport corridor lies in the fact that the opening and development of such a transport route meets the strategic interests of two neighboring and strategic partner countries - Azerbaijan and Russia ([https://azertag.az/xeber/Iqtisadchi\\_alim\\_Zengezur\\_dehlizi\\_Azerbaycanin\\_ve\\_Rusiyanin\\_strateji\\_maraqlarina\\_cavab\\_verir-1837907](https://azertag.az/xeber/Iqtisadchi_alim_Zengezur_dehlizi_Azerbaycanin_ve_Rusiyanin_strateji_maraqlarina_cavab_verir-1837907)).

Simultaneously with the opening of the Zangezur corridor and the acceleration of development, the East Zangezur economic region will contribute to the development and prosperity of the lands liberated from the Armenian occupation (Bagirova, F., 2021, pp.3-4) Since these lands are characterized by productivity, there is a huge potential for the improvement of the most crucial areas of agriculture and, in general, the deepening of the agricultural sector. As a result of the implementation of these intentions, hundreds of thousands of hectares of agricultural land, pastures

and unused lands will be involved in the agricultural business. It should be noted that the lands located on the territory of the East Zangezur economic region are distinguished by fruitfulness, the cultivation of wheat, grapes, vegetables and melons, as well as the productive development of animal husbandry, sericulture, etc. (Nuriev, G., <https://report.az/ru/analitika/vozvrashenie-agrarnyj-potencial-karabaha-i-vostochnogo-zangezura/>)

In addition, there is a huge industrial potential here due to the expansion of the processing industry network, especially in the agro-industrial complex. It is planned, taking into account the accelerated development of animal husbandry, sericulture, and crop production, that great opportunities will open up for the formation of raw materials, which will lead to the creation of modern processing enterprises and, thereby, form a strong industrial potential (Nuriev, G., <https://report.az/ru/analitika/promyshlennyj-potencial-karabaha-i-vostochnogo-zangezura/>).

Thus, in the near future, it is possible to predict the intensification of the development of the East Zangezur economic region of Azerbaijan and the transformation of one of the rapidly developing regions of the country:

- At present, the conceptual framework has been formed and priority areas for the accelerated development of the East Zangezur economic region have been identified based on modern technologies and international experience on settlement, creation of settlements and development of the sphere of employment, production;
- In the economic region, pilot projects are being implemented to create a "smart village" according to international experience, a powerful network of infrastructure facilities is being created, airports and international road and rail routes are being built;
- All this leads to a comprehensive and systematic approach to mobilizing resources and creating a more attractive environment for actively attracting additional investment, primarily foreign investment;
- It is considered necessary to intensively develop available financial, credit and investment mechanisms to ensure the activation of small and medium-sized

businesses, as well as larger representatives of business structures in the participation of restoration and district, etc.

According to Professor A.Musayev and M.Zeynalova: “Different types of assistance from foreign countries, international organizations and organizations play an important role in the reconstruction phase: we can summarize the assistance provided to different countries at different times as follows: donations; investments; loans; grants; debt write-off; making deposits in local banks; increasing the value of the local currency ”( Musayev, İ.,1998,p.144) It should be noted that the state budget for 2021 has already allocated 2.2 billion manats for the return of the liberated territories. This fact makes it necessary to establish transparent, accessible and maximum effective financial and credit mechanisms in the Karabakh region, as well as the widespread use of these mechanisms in the revival of agro-industrial sectors in the region. We consider it important to pay more attention to a number of issues in the near future:

- Formation of financial and investment mechanisms for agriculture and agro-industry should be organized, based on the tasks and priorities of the revival of agro-industrial sectors in the Karabakh region;
- The organization of a network of financial-credit and investment enterprises and associations, foundations, associations, which allows the development and accessibility of financial-credit and investment mechanisms in the region, is an important condition;
- Development of large financial-credit and investment-oriented projects in various areas of agro-industrial sector. Presentations to local and international financial-credit organizations, investment funds, in other words, international financial and economic institutions, potential financial-credit and investment partners;
- Active arrival to our country - Karabakh region must be achieved, etc.

### **3.2. Ways to increase the investment attractiveness of enterprises to be established in Karabakh and East Zangezur economic region**

The dissertation notes the main directions for increasing the investment activity of enterprises in the region, namely, a more complete use of available raw materials with their integrated processing, modernization of the main branches of specialization of the region with a focus on the production of high-tech and competitive types of products with a high degree of readiness, the introduction of innovative industries and technologies. However, today the economy of the region's enterprises is faced with the problem of reducing investment in the real sector, most enterprises do not have enough own funds to purchase new equipment, develop an innovative product, develop an innovative business, and diversify production. In order to fully realize the production potential of enterprises in the region, it is necessary to stimulate investment demand and intensify investment activity, and for this it is necessary to use effective forms and methods of influencing the behavior of investment subjects. The authors note that in order for the economic development of the regions of our country to proceed at an increasing pace, business entities must have an effective investment strategy, because it is investments that ultimately determine economic growth and the state of the economy of enterprises in the region.

To solve the tasks set in all strategic programs for modernizing the economy and to ensure structural reforms, the activation of the investment activity of the regions of Azerbaijan is of key importance. In order to ensure investment attractiveness, the National Investment Strategy for 2018-2022 has been developed, which focuses on attracting foreign direct investment (FDI) in non-primary export-oriented sectors. Successful implementation of this strategy will make it possible to increase direct investment in our economy up to 26% compared to 2016 in five years, and export-oriented investments up to 50%. An increase in domestic investment is also expected. Thus, the volume of investments in fixed capital of the real non-primary sector will increase by 46%. The most attractive are investments aimed at increasing profitability in such industries as food, metallurgy, chemistry and petrochemistry, mechanical engineering, then in the future - information and communication technologies, tourism and finance.



In modern conditions of "turbulence" of the environment, the activities of enterprises in the region are influenced by many external and internal factors. Therefore, it is necessary to predict the consequences of the influence of these factors, since they affect the investment attractiveness of the country, region and the level of investment activity of enterprises in the region.

**Table 3: Factors influencing investment processes**

*Factors are positive      Factors are negative*

<i>Favorable investment climate</i>	Inefficient use of the investment potential of enterprise
<i>Stability of the legal and regulatory framework</i>	Low competitiveness of products of individual industries
<i>A systematic approach to public management of the development of the investment sphere</i>	The underdevelopment of the stock market
<i>Growth of financial possibilities of budgets of all levels</i>	Imperfection of the financial and credit system
<i>Systems of investment protection guarantors, development of the institution of investment partnership between the state and business</i>	Low activity of investment and innovation activities of enterprises
<i>Political stability</i>	
<i>Formation of long-term relations of enterprises with investors and financial institutions</i>	Presence of corruption in the country

Source: (<https://president.az/articles/50975>).

Domestic and foreign investors, assessing the investment attractiveness of an investment object, analyze all factors at all structural levels of the economy, starting with the investment attractiveness of the country and ending with a specific enterprise and investment project. Exploring investment processes and investment flows to Azerbaijan, we can identify the following main factors that affect the behavior of both foreign and domestic investors.

The factors listed in Table 3.1 can create obstacles to the development of investment processes in the country and significantly affect (up or down) the efficiency of investment activities of enterprises in the region.

Azerbaijan has a Law on the Protection of Foreign Investments, adopted in 1992, which has been given full legal protection for international investors. This law

also provides for balanced treatment of both foreign and also local investors and allows the repatriation of income and other investment funds if appropriate taxes are paid.

The Law on the Protection of Foreign Investments protects foreign investors from nationalization and requisition, except in certain specific circumstances. Nationalization of the property may incur if allowed by parliament, although there are no cases of official nationalization or requisition against foreign companies in Azerbaijan. Foreign investments in the Azerbaijani economy in 2016 amounted to \$10.16 billion (1, p. 212). In 2016, entrepreneurs were issued 84 documents to encourage investment in investment projects totaling more than 1 billion manats. In 2017, the President of Azerbaijan included tourism projects in the regions in the list of areas for investment that can receive tax and customs benefits. At the same time, the minimum volume of such investment projects is set at the level of 0.1 to 2 million manats. Entrepreneurs whose projects meet these conditions can expect to receive tax and customs benefits when importing machinery and technological equipment on the basis of an investment promotion document. In addition, Azerbaijan offered the Islamic Development Bank (IDB) to invest in projects for the creation of industrial parks and zones, the production of building materials, metallurgy, the production of machinery and equipment, and the chemical industry.

Problems and ways to solve them in order to ensure investment attractiveness are considered to be one of the most difficult issues in modern conditions. After the global financial crisis and the growth of global threats, attracting foreign investment has become much more difficult due to the increased global risk of an operational nature. In addition, taking into account the negative consequences of COVID-19, financial and investment activity has decreased all over the world and it will take more than one year to restore the rhythm and dynamism of financial and investment flows (Aliev Sh.T.,2020,p.5) In world history, there have been many devastating wars and conflicts that claimed millions of human lives, and villages and cities, countries and regions turned into ruins. However, any war has its logical conclusion and then it is necessary to eliminate the negative consequences, restore villages, towns and

cities, ensure the return of people to their native lands and stimulate socio-economic development. For example, the consequences of World War II were as follows: almost 80 million people died and 1.7 billion people experienced the severe consequences of the war. 57 states participated in this war, and the total amount of destruction was estimated at 260 billion US dollars. The losses of the former USSR amounted to 128 billion dollars, Germany -48 billion dollars, France -21 billion dollars, Poland -20 billion dollars, etc. In the Soviet Union, 1710 cities and urban-type settlements, 70 thousand villages, 32 thousand industrial enterprises, 6 thousand hospitals and 82 thousand schools were destroyed (<https://infourok.ru/prezentaciya-na-temu-vozstanovlenie-ekonomiki-sssr-post-velikoy-otechestvennoy-voyni-1652757.html>). If we consider the restoration of the former USSR, it can be noted that, basically, these processes used four-year and five-year plans for the restoration and development of the national economy, the construction of social facilities, factories and factories, villages and cities. In the process of restoration work, the united spirit and will of representatives of all nationalities living in the 15 republics of the former Union was demonstrated. And, as a result, in a short time, the life and rhythm of the national economy was restored and the countries returned to normal life. And in the reconstruction processes of destroyed Europe, especially Germany, the Marshall Plan, which was presented by the US Secretary of State George Marshall in 1947 at Harvard University, played a key role. In a short time, 13.3 billion US dollars were spent and the processes of the revival of Europe were ensured (Aliev Sh.T.,2020,p.7). Another example - after the liberation from the seven-month Iraqi occupation in 1991, Kuwait, with the help of the UN and international mechanisms, was able to receive \$ 50 billion in compensation. And to eliminate the destruction as a result of the Balkan war in the mid-1990s. Bosnia and Herzegovina, with the help of the World Bank, was able to restore the socio-economic balance of the country over the course of 20 years (Skidanov U.,2017,p.3) a similar model and experience is needed in the current conditions, when civil conflicts continue, sometimes turning into destructive wars.

After the liberation of the occupied territories, various options and directions for a more objective assessment of the potential and development of Karabakh, primarily the newly created Karabakh economic region of Azerbaijan, are being considered. The fact is that on the basis of the ongoing institutional and administrative measures to increase the productivity and rationality of the management system in the regions of the country, serious changes have occurred and a new geography of economic zoning has been implemented.

The formation of a new powerful Karabakh economic region is based on historical realities and patterns. At present, intensive revival and restoration work has begun throughout the entire territory of the Karabakh economic region. Large-scale demining works are carried out everywhere in the liberated territories, electricity systems, new hydroelectric stations and electrical substations for the transmission of electricity are being restored and built. Powerful systems for supplying natural gases and drinking water are being created. International airports are being built (one of them, Fizuli International Airport, will operate as early as September 2021), international highways, railways, the foundation of the largest Aghdam industrial park has been laid. All this is allowed by the richest natural resources - the minerals of Karabakh and its strategic importance not only in Azerbaijan, but in the whole region. We will have to take effective measures, including legal measures, to objectively assess the damage to the Azerbaijani economy due to the illegal exploitation of mineral deposits in occupied Karabakh by Armenians and a number of foreign companies that illegally participated in the plunder of Azerbaijan's natural resources for 30 years. According to the head of the National Geological Exploration Service of Azerbaijan, the total value of mineral reserves registered in the period before the occupation of Karabakh is estimated at almost 50 billion manats or 225 billion Russian rubles (Skidanov U.,2017,p.5)It is worth emphasizing that the Karabakh economic region has a great economic potential. All the necessary conditions are available here, including powerful raw material resources for creating a network of competitive processing enterprises, and especially agro-industrial complexes, industrial clusters, technology parks and free

economic zones. Large-scale construction and restoration work is planned in the territories liberated from occupations. In Karabakh, the promising non-oil sector will mainly develop and a significant increase in the production of competitive industrial and agricultural products is expected, which will meet the local and domestic needs of Azerbaijan and active exports abroad under the brands of various national brands will be carried out. “The liberated Azerbaijani territories from occupation will make a significant contribution to ensuring food security in the country. In particular, self-sufficiency in livestock products will improve. Also, the level of self-sufficiency in grain in Azerbaijan reaches 70%. Our lands liberated from occupation will allow us to improve the situation in this area as well” (Bodvig K.,2020,p.57) In addition, as we noted, in general, in the liberated territories of the country, intensive work is underway to restore and revive villages, towns and cities, as a result, new jobs and sources of added value are being created to accelerate growth rate of the national economy. In accordance with the decree of the President of the Republic of Azerbaijan dated January 4, 2021, the composition of the Council of Observers of the "Karabakh Revival Fund" was approved, which, with the organization and holding of complex events, began to contribute to the intensification of rehabilitation work in Karabakh. The Karabakh economic region has powerful raw material bases for the production of building materials, a number of food industries - winemaking, agricultural production - and the region is characterized by a productive agricultural sector, including grain growing, viticulture, growing fresh fruits and vegetables. The region is also rich in tourism potential, which has favorable bases and resources, such as mineral springs, natural and balneological resources([https://iqtisadiislahat.org/news/vusal\\_qasimli\\_qarabagin\\_boyuk\\_iqtisadi\\_potentialiVar-1050](https://iqtisadiislahat.org/news/vusal_qasimli_qarabagin_boyuk_iqtisadi_potentialiVar-1050)).

Suffice it to recall the ongoing conflicts and wars in the Middle East, especially in Libya and Syria, where dozens of cities and towns were subjected to thorough destruction. Unfortunately, the Karabakh region of Azerbaijan, which was considered one of the most beautiful and richest resources not only in the region, suffered a similar fate. but all over the world. Karabakh has excellent climatic

conditions, natural resources for the development of agriculture, agro-industrial complex and tourism. Under the former USSR, in health-improving treatment centers, mainly in the Istisu resort of the Kalbajar region, the number of vacationers and patients who came here from all over the Soviet Union and other countries of the world reached tens of thousands. However, after the fall of the USSR in the 1990s. in the first years of rehabilitation of independence in Azerbaijan, the Karabakh region was attacked by the Armenian armed forces, and 20% of the territories of Azerbaijan were captured, including 7 regions adjacent to Karabakh ([https:// president.az/articles/49877](https://president.az/articles/49877)).

On September 27, 2020, provocative actions began on the part of the Armenian invaders on the line of contact, which turned into the II Karabakh War, which lasted 44 days with the completion of the capitulation of Armenia. As a result of the liberation of the occupied territories in Azerbaijan, in particular, in Karabakh, a new situation has emerged, which is associated with the revival and restoration of the region. Of course, all these works require huge financial resources and attraction of investment resources. It should be noted that Azerbaijan, on its own and with financial resources, has already begun the restoration of infrastructure facilities, including roads, railways, as well as the construction of international airports. The goal is to provide the region with the efficiency and effectiveness of transport and integration communications, restore friendly and mutually beneficial relations between the countries of the region, communication through the Zangezur corridor, land traffic between the Nakhichevan Autonomous Republic and other parts of Azerbaijan, as well as between Turkey and Russia and other countries of the region. Such a development of events will significantly increase the level of trade and economic links and ensure the deepening of economic cooperation between the countries of region. Azerbaijan has set a course for good-neighborly relations with all countries of the region and unblocking transport communications for Armenia, provided that it abandons its aggressive and aggressive policy. It should be emphasized that the restoration work in the Karabakh region necessitates the creation of a more attractive investment environment and the active attraction of

domestic and foreign investments to this region. It is planned to build "smart villages" and "smart cities" using the most modern and high technologies, based on world experience (Qasimly, V.,2020,p.12)

In addition, the “Karabakh Revival Fund” is already functioning, in accordance with which the composition of the Council of Observers was approved by the Decree of the President of the Republic of Azerbaijan dated January 4, 2021. The main missions and tasks of this fund are to attract alternative financial and investment options, develop and the implementation of more efficient financial and investment mechanisms to speed up restoration work and attract the resources of the region to the economic turnover. It is important to emphasize that the realization of the resource potential of the Karabakh region will contribute to the formation of more productive sources of added value, the creation of permanent jobs, and the acceleration of the development of entrepreneurship and the business environment as a whole. As a result of ensuring the efficiency of the economic potential of the Karabakh region, the growth of the country's economy as a whole will increase by 10% (Mamedov, R.M.,2021,p.169) New drivers for the growth of the country's economy will be formed in Karabakh, especially in the areas of agriculture, agrarian areas, and the tourism sector. A transport and logistics structure is being created from scratch, which will accelerate the development of the region's transit potential. According to local and foreign experts-economists, public figures and politicians, there is a large economic potential in Karabakh and the main task during the post-pandemic period and reconstruction after the war is to create adequate conditions for the intensification of restoration work and the productive use of natural and economic resources, productive forces (Guliyev, A.,2021,p.7) Professor A. Musaev and researcher M. Zeynalov note that in order to intensify restoration work and accelerate the development of the Karabakh region, along with the strengthening of Azerbaijan, external support is also needed, which is a rather important factor in the implementation of the planned restoration work and ensuring accelerated socio-economic development of the Karabakh region as a whole (Huseynova, N.E., Yakhyaeva, A.Yu., Aliev, Sh.T.,2021,p.17) In addition, we note that the document

"Azerbaijan 2030: National Priorities for Social and Economic Development", approved by the decree of the President of Republic of Azerbaijan dated February 2, 2021, defines the strategic objectives, goals of the nonoil sector of country's economy, including priority areas for the revival of Karabakh (Nuriev, G.,2021, <https://report.az/ru/analitika/vozvrashenie-agrarnyj-potencial-karabaha-i-vostochnogo-zangezura/>).

All these factors and realities determine the formation of a more attractive and adequate investment environment in the region, which will meet the interests of all parties, primarily potential investors. Thus, in the near future, it will be necessary to implement a number of important measures and apply mechanisms to increase the investment magnetism of the Karabakh region :

- Firstly, it is necessary to provide conceptual and adequate approaches to the development as well as implementation of a more appropriate investment policy and mechanisms for investment activities in the Karabakh region, taking into account modern realities and tasks of the post-conflict period;

- It is necessary to create an infrastructure network and an institutional environment for the formation, attraction, distribution and rational use of control mechanisms of investment resources in restoration work and major projects for socio-economic development of the Karabakh region, the construction of villages, towns and cities, roads and railways, international airports, etc.;

- It is considered important to ensure close interaction and cooperation with international financial institutions, investment and insurance companies of the world in order to intensify investment flows in the restoration work of the Karabakh region and etc.

## **CONCLUSION AND RECOMMENDATIONS**



Analysis and assessment of the economic complexes of the economic zones of Azerbaijan shows that in the regions of the country, primarily in Karabakh, there are multiple types of raw materials, including economic resources for the comprehensive development of the regions of the country and increasing their economic activity, incomes of the population, creating a network of productive enterprises and an attractive investment environment. In addition to these, Karabakh has large reserves of mineral raw materials and water resources, natural landscapes for the creation of tourist zones and clusters. In addition, a number of traditionally productive and promising areas of agricultural development are concentrated in the Karabakh economic region - cotton growing, grain growing, animal husbandry, sericulture, etc. The new zoning and organization of the regional administrative structure and form will allow more efficient and productive use of the existing economic potential in the Karabakh economic region. The goals and main tasks of the newly created economic regions are a deep study of the resource potential, their objective assessment and organization of effective use by attracting the country as a whole to the economic, commercial and economic turnover. The Karabakh economic region is distinguished, on the one hand, by the wealth of natural resource potential, and on the other hand, by the highest economic potential. A comprehensive transport network is being created in Karabakh today for the comprehensive economic development of the country. From this side, the construction of railways and a modern airport in the Karabakh and East Zangezur regions is of great importance, since all this is an incentive for intensive progress. The strategic transport project and regional logistics acquire special significance. As a result of the ensuring efficiency of the economic capacity of the Karabakh region, the growth of the country's economy as a whole will increase by 10%. In Karabakh, new drivers for the growth of the country's economy and a transport and logistics structure will be formed, which will accelerate the development of the region's transit potential.

The East Zangezur economic region has a strong potential of natural resources and economic resources, which can be the basis for creating a large and competitive model of regional economic development in the region;

- Azerbaijan has defined conceptual approaches and priority areas for the restoration and revival of the liberated territories from Armenian occupations, and all work is carried out on the basis of advanced international experience and high technologies, including "smart" technologies;

- in the East Zangezur economic region, the priority direction of development will be strengthened in the areas of agriculture and in the agrarian sector in general, significant development of the agro-industrial complex, agrarian parks; in the industrial sector, mainly processing enterprises; production of building materials; tourism and recreation, which have powerful raw material resources and favorable conditions for their intensive development, etc.

In the territories emancipated from occupation, it is possible to develop such areas as metallurgy, mining, food industry, industry of processing, recreational tourism, pharmaceuticals, grain and vegetable growing,, viticulture, cotton and fruit growing, animal husbandry, poultry farming, beekeeping and the production of building materials.

Investments in these areas will be important for the country in terms of the growth of both non-oil exports and import substitution. To stimulate investment in these territories, various mechanisms can be used, including industrial parks and neighborhoods, agro- and technoparks, and other investment promotion tools.

For potential investors, the Karabakh region can be very attractive, given the possibility of delivering products to the market from Iran with its 80 million population, as well as, through Nakhchivan, to the 83 million Turkish market.

The Center for Analysis of Economic Reforms and Communications was established by the Decree of the President of the Republic of Azerbaijan in April 2016. Its functions include the development of proposals, as well as medium-term and long-term forecasts for the implementation of economic reforms through analysis and research at the macro- and microeconomic levels.

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