

THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN

AZERBAIJAN STATE UNIVERSITY OF ECONOMICS

INTERNATIONAL CENTER OF GRADUATE EDUCATION

MASTER DISSERTATION

on the topic

**“THE IMPACT OF LIBERATION OF REGIONS AS A RESULT OF THE
PATRIOTIC WAR ON THE ENTREPRENEURIAL ACTIVITY IN
AZERBAIJAN”**

Isayeva Sabina Khatai

BAKU – 2022

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Elm andı

Mən, İsayeva Səbinə Xətai qızı, and içirəm ki, “The impact of liberation of regions as a result of the Patriotic War on the entrepreneurial activity in Azerbaijan” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

VƏTƏN MÜHARİBƏSİ NƏTİCƏSİNDƏ İŞĞALDAN AZAD EDİLMİŞ RAYONLARIN AZƏRBAYCANDA SAHİBKARLIQ FƏALİYYƏTİNƏ TƏSİRİ

XÜLASƏ

Tədqiqatın aktuallığı: Doğma torpaqlarımızın işğaldan azad edilməsi həmin ərazilərin resurs potensialı əsasında sahibkarlıq fəaliyyətinin müxtəlif formalarının yaradılması, icrası, və inkişafına zəmin yaratmışdır. Sahibkarlığın inkişaf etdirilməsi istiqamətində yenidənqurma və bərpa işlərinin icrası nəticəsində yaradılmış əlavə dəyər ölkə iqtisadiyyatının yüksəlməsi və dirçəlişi üçün stimül olacaqdır.

Tədqiqatın məqsədi: İşğaldan azad edilmiş ərazilərin iqtisadi resurs potensialını ortaya çıxarmaq, sahibkarlıq fəaliyyətinin inkişafı üçün ola biləcək maneələri müəyyənləşdirmək, bu maneələrin aradan qaldırılması nəticəsində ola biləcək regiondakı yeniliklərin ölkə iqtisadiyyatına təsirinin müəyyənləşdirilməsi tədqiqatı əsas məqsədidir.

İstifadə olunmuş tədqiqat metodları: Dissertasiya işinin əksər hissəsində tədqiqat metodlarının analiz, sintez, statistik təhlil metodlarından istifadə edilmişdir. İşin 2-ci fəslində SWOT və PESTLE analizdən, işğaldan azad edilmiş ərazilərdə fəaliyyət göstərən şirkətlərlə sorğu və anket metodlarından istifadə edilmişdir.

Tədqiqatın informasiya bazası: Dissertasiya işinin hazırlanmasında son illərdə yazılmış yerli və dünya alimlərinin əsərlərindən, iqtisadçıların və dünyaca məşhur mütəxəssislərin tədqiqatlarından, beynəlxalq jurnallar və yerli jurnallarda dərc olunmuş məqalələrdən, internet resurslarından istifadə edilmişdir.

Tədqiqatın məhdudiyyətləri: Yeni tədqiq edilən mövzu olduğu üçün tədqiq edilən mövzunun araşdırılması üçün yetəri qədər mənbə olmamasıdır.

Tədqiqatın elmi yeniliyi və praktiki nəticələri: Tədqiqatın nəticəsindən işğaldan azad edilən ərazilərdə sahibkarlıq fəaliyyətinin analiz edilməsində, inkişafı istiqamətlərinin müəyyənləşdirilməsində, ölkə iqtisadiyyatına ola biləcək müsbət təsirlərinin aydınlaşdırılmasında istifadə edilə bilər.

Nəticələrin istifadə oluna biləcəyi sahələr: Dissertasiya işində verilən təklif və tövsiyələr Azərbaycan Respublikasında işğaldan azad olunan ərazilərdə fəaliyyətə başlayacaq biznes subyektlərinin işində istifadə edilə bilər.

Açar sözlər: Sahibkarlıq fəaliyyəti, KOS, Xarici təcrübə

THE IMPACT OF LIBERATION OF REGIONS AS A RESULT OF THE PATRIOTIC WAR ON THE ENTREPRENEURIAL ACTIVITY IN AZERBAIJAN

SUMMARY

The actuality of the subject: The liberation of our native lands from occupation has laid the foundation for the creation, implementation and development of various forms of entrepreneurial activity based on the resource potential of these territories. The added value created as a result of the reconstruction and restoration work to develop entrepreneurship will be an incentive for the growth and revival of the country's economy.

Purpose and tasks of the research: The main goal of the study is to determine the economic resource potential of the liberated territories, to identify potential barriers to the development of entrepreneurship, to determine the impact of regional innovations on the country's economy as a result of removing these barriers.

Used research methods: Most of the dissertation work used the methods of analysis, synthesis, statistical analysis of research methods. Chapter 2 used SWOT and PESTLE analysis, survey and questionnaire methods with companies operating in the liberated areas.

The information base of the research: The dissertation is based on the works of local and world scientists written in recent years, research by economists and world-renowned experts, articles published in international journals and local journals, and Internet resources.

Restrictions of research: Since it is a newly researched topic, it means that there are not enough resources to study the research topic.

The novelty and practical results of investigation The results of the study can be used to analyze entrepreneurial activity in the liberated territories, to determine the direction of development, to clarify the possible positive effects on the country's economy.

Scientific-practical significance of results: The proposals and recommendations given in the dissertation can be used in the work of business entities that will start operating in the liberated territories of the Republic of Azerbaijan.

Keywords: Entrepreneurship, SME, Foreign experience

ABBREVIATIONS

HPP	Hydropower Plant
IDPs	Internally Displaced People
OECD	Organisation for Economic Cooperation and Development
PESTLE	Political, Economic, Technological, Legal and Environmental
SME	Small and Medium Enterprises
SMB	The Small and Medium Business Development Agency
SWOT	Strength, Weaknesses, Opportunities, and Threats
US	United States
VAT	Value Added Tax

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INTRODUCTION

Relevance of the research topic: Like other post-socialist countries, the Republic of Azerbaijan carried out economic reforms and moved to a modern market economy. In this regard, a lot of work has been done and is being done to liberalize the economy, privatize property, develop small and medium-sized businesses (SMEs), form a market infrastructure, support and develop competition, and develop production in accordance with domestic and foreign markets.

Creating an effective national economy in the Republic of Azerbaijan requires the development of the entrepreneurial sector in the country. This sector provides the domestic market with quality products and services, increases the export potential of the republic, increases employment, plays an important role in the formation of the state budget, affects its economic efficiency and competitiveness.

In November 2020, the Azerbaijani Army liberated the territories occupied by our hated neighbor, which we have longed for almost thirty years, from the enemy, giving us the joy of returning to our native lands and making these territories flourish. With the liberation of our lands from occupation, the role and scope of entrepreneurship began to expand. At this point, it is important to write about the economic potential of these areas and to determine the direction of business development, provided that it is used effectively.

The liberated territories have a rich economic potential, and the new economic value created by the integration of these territories into the country's economy as a whole can many times exceed all the financial costs incurred by the Azerbaijani state for the restoration of the territories. The favorable business environment to be created in the liberated territories will give a significant impetus to the dynamic development of the non-oil sector by allowing the formation of micro and SMEs as a result of attracting domestic and foreign investments and donations from international organizations. In the Karabakh and East Zangazur economic regions, the potential of

the non-oil sector will be expanded, new production areas will be created, and as a result, along with increasing the volume and range of export-oriented products, the production of import-substituting products will increase.

The liberation of the territories will force certain changes in the adopted Strategic Road Map and State Programs, which, in the context of the implementation of the strategic goals and directions, provide the occupied territories with modern equipment and technology, information and communication technology, local raw materials, energy and other establishment of individual, micro and SMEs in the following areas of activity with the opportunity to use resources efficiently will allow for dynamic socio-economic development of the region, ensuring a high level of active employment, as well as self-employment.

Statement of the problem and learning level: Local and foreign literature was used as a source base in the study of the theoretical foundations of entrepreneurship, strategic competition on the problem of improving the competitive environment and the management of its dynamics. It should be noted that in modern times, our country pays great attention to the problem of increasing the competitiveness of entrepreneurship. Among local researchers with monographs, dissertations and scientific articles on various components of entrepreneurship - Ibrahimov I., A.Shakaraliyev, G.Shakaraliyev, Manafov Q.N., Gasimov F.M., Ismayilov I.H., Abbasova A.B., Həsənli E.O. , Hüseynli İ.Q., İmanov S., and so on. can be shown.

Although there is limited literature in terms of analyzing the existing potential of the liberated areas, a number of local literature, articles, reports and conferences, local news sites have been used as a database for research. In 2010, with the support of the Caucasus Institute for Strategic Studies, a fundamental monograph entitled "Restoration of post-conflict areas in Azerbaijan (conceptual framework)" prepared and published by well-known economists Nazim Muzaffarli and Eldar Ismayilov became the main database of research.

In addition, local author, Aliyev Tabriz ("Development directions of entrepreneurship in the liberated territories of Azerbaijan on the basis of progressive forms of management") can be distinguished in this direction.

Local articles, conferences and internet resources (news sites) are also widely used as a research database. Mirzabeyli Ittifaq, Aliyev Anar, Leyla Rashid's articles published in the People's Newspaper, the conference "Karabakh's biodiversity, land and water resources: past, present and future" are examples of this.

Purposes and objectives of the research: The purpose of the research is to study and assess the current state and development of entrepreneurship in the Republic of Azerbaijan in a market economy, to analyze the potential of the liberated territories and to study the importance of developing these territories for the country's economy.

In accordance with the purpose of the dissertation, the following tasks were set and solved:

- to define the regularities of formation and development of entrepreneurship;
- to analyze the current state of entrepreneurship in our country on the basis of statistical indicators;
- to study the role of entrepreneurship in the socio-economic development of the country;
- analysis of the current situation in Karabakh and East Zangazur regions;
- identification of possible financial opportunities for the development of Karabakh and East Zangazur regions;
- to determine the impact of restoration and development of Karabakh and East Zangazur regions on the development of entrepreneurship.

Object and subject of the research: The subject of the dissertation is business entities operating in the country and in the liberated territories. The object of research was business associations, various economic associations, joint stock companies and partnerships operating in our country and in the liberated territories.

Research methods: In the I chapter of the research, analysis and synthesis methods, statistical analysis, in the II chapter, the questionnaire method, PESTLE and SWOT assessment methods were used, and in the III chapter, grouping, as well as analysis and synthesis methods were used.

Research database: During the preparation of the dissertation, the works, articles and other materials of successful people in Azerbaijan, as well as in other countries were used. In addition, the laws of the Republic of Azerbaijan, statistical reports of the Statistical Committee of the Republic of Azerbaijan, as well as a number of government organizations were used as an information base in the preparation of the dissertation.

Research limitations: Since it is a newly researched topic, it means that there are not enough resources to study the research topic.

Scientific novelty of the research: As a result of the study, it was determined that the development of entrepreneurial activity in the liberated territories can have a positive impact on the country's economy.

Scientific and practical significance of the results: The issues raised in the study are of great importance in terms of proper organization and improvement of entrepreneurship in the liberated territories. The practical significance of the study is related to the use of its results in the development of entrepreneurship in the country and in regional management. The main provisions of the case can be used in the formation of business policy in the liberated territories, the creation of its legislative framework, the economic base, the budget, local revenues and the involvement of the population in business.

I CHAPTER. THEORETICAL FOUNDATIONS OF THE DEVELOPMENT ENTREPRENEURIAL ACTIVITY IN A MODERN ECONOMY

1.1. Theoretical bases of entrepreneurship in a modern economy

The concept of entrepreneurship, which is inextricably linked with the concept of a market economy, has gone through various historical stages and received different definitions depending on the existing development characteristics of each period. Entrepreneurial activity is an activity carried out independently by an individual, the main purpose of which is to make a profit from the use of property, sale of goods, performance of work or provision of services. (Azərbaycan Respublikasının 2008-2011-ci illər üzrə iqtisadi-sosial inkişaf konsepsiyası və proqnoz göstəriciləri. Bakı, sentyabr 2007-ci il). In simple terms, entrepreneurship is defined as using an activity or business for profit. Entrepreneurship in a broader sense; it is the activity of participating in the production process of capital, which foresees the production of goods and services that will provide the highest income to the capital to be invested, within market conditions.

One of the main factors in creating a perfect market environment in the transition to new economic relations was the formation and development of entrepreneurship. With the formation of the social division of labor, private property also emerged. However, this private property is radically different from the private property of the capitalist era. Thus, in the pre-capitalist period, the right to own private property did not belong to all their members, but to a small group. Serious peasants and slaves, who made up a large part of society, were deprived of this right. However, in a capitalist society, private property and economic freedom accelerate and complement each other. Thus, every member of society has the right to freely own private property. That is, in this society, anyone can be a free entrepreneur.

If we look at several historical views on the concept of entrepreneurship, we can see that each of these concepts by the requirements of the time, and as we approach the modern era, this concept is more influenced by the concepts of innovation and

competition. Research shows that although there were initial scientific-theoretical ideas about entrepreneurship, the initial scientific-theoretical concept of entrepreneurship belonged to Richard Cantillon. According to R. Cantillon (1881), entrepreneurs are groups of people with uncertain, unregistered incomes who can operate at risk. R. Cantillon meant an entrepreneur who buys the means of production at a certain price to produce and sell a certain product, commits to expenses, but does not know at what price the result will be realized. Although the transformations in production relations due to the change of economic systems eventually changed the views on entrepreneurship in one way or another. R. Cantillon's opinion on entrepreneurship, the expression of a subject operating in conditions of risk, has not lost its relevance at all times. (İbrahimov İ, 2010; Manafov Q.N. 2016).

In the second half of the 18th century, in the person of Quisney, physiocrats expanded the concept of entrepreneurship. Like Cantillon, they saw the entrepreneur as a carrier of uncertainty, and added the production process to this understanding. Thus, to make a profit, an entrepreneur must organize production with certain economic resources, apply new methods and look for new markets.

A. Smith, a prominent representative of the school of classical economics, characterized the entrepreneur as a person who, in order to make a profit, implemented commercial ideas and took economic risks. The main argument in A. Smith's opinion is that it is impossible to imagine the development of free enterprise as a whole outside the market economy system and the market mechanism. He also believes that an entrepreneur, as a capitalist, is a person who takes risks to realize new business ideas and make a profit as a result of the realization of these ideas (Abbasov A.B., 2017, s.10).

A. Smith's views on the functions of entrepreneurship in a market economy were defended by his successor J. B. Say. In his "Treatise on Political Economy", J. B. Say described entrepreneurial activity by combining three factors of production - land, capital, and labor. According to him, an entrepreneur is a person who takes risks with his capital and entrepreneurial ability to produce this or that product. An entrepreneur

is a person who directs his resources to areas that are more efficient than areas where income and profit are lower. (İbrahimov İ. 2010, s.15).

According to classical economists, the concept of entrepreneurship had several shortcomings, the main of which was the innovative function of entrepreneurship. In the transition from an industrial society to information society, entrepreneurship is expressed as the transformation of human intellectual labor into economic values and is among the factors of production. Not only with all these personalities, but also with their opinions and thoughts about entrepreneurship, various people (David McClelland, Albert Shapero, Gifford Pinchot, Jeffrey Timmons, G. Brenkert) emphasized the importance of this topic.

W. Sombart and J. Schumpeter were the first to study the concept of entrepreneurship in this direction and define it. W. Zombart divides the goal of entrepreneurship into 2 parts: main and dependent goals. According to Zombart, the main purpose of entrepreneurship is not to make a profit, but to constantly develop. The Austrian economist J. Schumpeter (1982) called the entrepreneur an innovator, whose main task was to anticipate a new combination of factors of production and thus economic progress, to go against the old, to find and apply innovation, to act on its own, not based on pre-determined processes (Acs, Zoltan J., Pontus Braunerhjelm, David B. Audretsch, and Bo Carlsson. 2009, p. 8-9).

Other economists, such as Brucker and Hayek, agree with Schumpeter that the increase or decrease in the profit from the entrepreneurial activity is not due to more traditional production and sales activities than in previous centuries, but it depends on the application of scientific innovations in production, the effective implementation of venture and innovation relations.

Although entrepreneurship used to be of little global interest, the share SMEs in developed countries has increased since the 1980s, but the share of large enterprises has declined. The economic crisis caused by the global oil shock in this period, has had devastating effects on large-scale businesses and has driven many large-scale

companies into bankruptcy. Thus, the fragile nature of the economic structuring based on the understanding of large-scale business in the face of the strong economic crisis has been revealed. On the opposite hand, the actual fact that small-scale enterprises were less or not tormented by the crisis in question drew attention to such structuring and constituted the impetus for the choice of organizing supported small-scale enterprises, which was not considered a vital option until then. Thus, developed countries, especially the USA, have made supporting and inspiring entrepreneurship a priority state policy. Positive results have been achieved in a short time with the implementation of the entrepreneurship development policy and its resolute continuation.

Three important developments may be counted among the most reasons why the phenomenon of entrepreneurship has come to the fore in recent years:

- increasing employment problem;
- the changing economic structure with the strengthening of the new economy;
- theoretical developments in economics and business and general acceptance of entrepreneurship.

When talking about entrepreneurial activity, first of all, it is necessary to clarify its subjects and objects. In keeping with the law on entrepreneurial activity, the subjects of entrepreneurial activity may be: (Sahibkarlıq fəaliyyəti haqqında Azərbaycan respublikası qanunu, Maddə 3)

- every able-bodied citizen of the Republic of Azerbaijan;
- legal entities irrespective of the shape of ownership;
- every foreign citizen or stateless person;

All types of entrepreneurship within the Republic of Azerbaijan are allowed within the law and are divided into micro, small, medium, and huge business entities in step with the factors set by the relevant executive authority.

Table 1: Distribution of micro, small, medium and large businesses
CRITERIA

Categories by size of business entities	Average number of employees (people)	Annual income (ai) (thousand manats)
Micro entrepreneur	1 – 10	$ai \leq 200$
Small entrepreneur	11 – 50	$200 < ai \leq 3\ 000$
Medium entrepreneur	51 – 250	$3\ 000 < ai \leq 30\ 000$
Large entrepreneur	251 and above	$30\ 000 < ai$

Source: Decision of the Cabinet of Ministers of the Republic of Azerbaijan, 21.12.2018

Officials and specialists of state bodies addressing issues associated with entrepreneurial activity or exercising control over this activity are prohibited from engaging in entrepreneurial activity. Depending on the character of the entrepreneurial activity and the relationship with the owner, both the owner and therefore the subject managing the owner's property is also engaged in entrepreneurial activity supported the proper of the pinnacle of the farm within the powers determined by him/her.

One amongst the problems associated with entrepreneurship is that the object of entrepreneurship. Within the most general sense, economic activity within the variety of the assembly of products, their sale, or provision of varied services as an object of entrepreneurship is emphasized.

Speaking of the content of the entrepreneurial activity, entrepreneurship is additionally important to notice the environment of the activity. An entrepreneurial environment may be a socio-economic environment that mixes the degree of economic freedom, the existence of a military of entrepreneurs, an outsized number of market types forms of economic relations, the formation of entrepreneurial capital, and therefore the use of necessary resources. This environment is split into 2 groups:

- external environment of entrepreneurial activity
- internal environment of entrepreneurial activity

The external business environment includes the following: economic, political, legal, sociocultural, technological, geographical, and infrastructure factors.

The economic conditions of entrepreneurial activity are primarily the provision of products and demand for those goods, the kinds of goods (which are obtained by the buyer), the quantity of money (which is spent on obtaining the mandatory goods), surplus and lack of labor and jobs, factors affecting the amount of wages of employees, etc. belongs to.

The political environment is as important for the development of entrepreneurship as the economic environment. The government's economic policies, political goals and objectives, and ways of managing the economy can stimulate and impede the development of entrepreneurship. Political stability is of particular importance for entrepreneurship. An entrepreneur does not like the uncertainty of the the long run.

Legal support of entrepreneurial activity is very important. Entrepreneurial activity can develop only supported legislation and guarded by law. Legislation should create a legal environment for entrepreneurship in each country.

The socio-cultural environment includes social norms, moral and non secular norms, level of education of the population, age and gender composition, traditions, etc. are often attributed.

The main factors of the interior environment of entrepreneurial activity are as follows:

- entrepreneurial purpose;
- technology to be selected to attain the goal;
- organizational structure by the chosen technology;
- duties of structural units;
- executors (employees) of the assigned tasks.

When talking about entrepreneurial activity, it is necessary to stress its types and forms. From a scientific-theoretical and practical point of view, entrepreneurial activity is classed in step with various characteristics:

- by variety of activity;

- per the shape of ownership;
- consistent with the quantity of owners;
- for organizational-legal and organizational-economic forms;

According to the type of activity, entrepreneurial activity includes production, commercial, financial, consulting, etc. such types are available. According to the form of ownership, it is divided into private, state and municipal areas. According to the number of owners, there are individual and collective types of entrepreneurial activity, and according to the organizational and legal form, there are joint, social and cooperative types. Partnerships are formed when the establishment of an enterprise involves the participation of two or more partners, and also the main advantage is that it is possible to draw in additional capital. The company is established as a legal entity to hold out economic activity by combining the deposits of over two citizens based on mutual agreement. An enterprise created by a group of persons for joint production and economic activity is named a cooperative. The main organizational and economic sorts of entrepreneurship include concerns, associations, consortia, syndicates, cartels, and financial and industrial groups.

In private entrepreneurship, the property belongs to only one individual. In collective entrepreneurship, the property is owned by several entities at the identical time.

1.2. The current state of entrepreneurship development in Azerbaijan and problems it faces

Entrepreneurship in the Republic of Azerbaijan, taking a leading position according to the concepts of economic development, plays the role of economic and organizational mechanism in ensuring production, consumption and distribution relations. There are two main types of entrepreneurial activity in our country - legal entities and individual entrepreneurs. Legal entities include firms, enterprises, companies etc. Legal entities are business entities that must first register with a

government agency, the Ministry of Justice, then the tax service and the pension fund. Individual entrepreneurs are immediately registered with the tax service, so checked by the pension fund.

The collapse of the socialist system within the 1990's created the conditions for entrepreneurship and major success was achieved by the start of the 2004. Decisions on property and entrepreneurial activities in our independent republic created a legal basis for such activities. From this period, private property and entrepreneurial activity took on a new form and content with the emergence of joint stock companies and other varieties of economic activity. After gaining independence in Azerbaijan, the development of entrepreneurship may be divided into the subsequent stages:

- period up to 1993
- 1993-2003 years
- 2003-2015 years
- after 2015

On national holiday, 1992, with the approval of the Status of the National Entrepreneurship Support Fund of the Republic of Azerbaijan, the primary financial organization providing priority loans to entrepreneurs was established. On December 5, 1992, the Law on Entrepreneurial Activities of the Republic of Azerbaijan was approved, which provides for the legal and economic regulation of entrepreneurial activities within the country.

After Ilham Aliyev, a worthy successor of the solon Heydar Aliyev, came to power in 2003, the development of entrepreneurial activity within the regions has become a state priority, and since 2004 successive state programs (2004-2008, 2009-2013, 2014-2018, 2019-2023 years, state programs for socio-economic development in the regions), gave a good impetus to the development of entrepreneurship within the regions. These programs have resulted within the education of talented teenagers in advanced countries so as to develop production-oriented entrepreneurship, revitalize

commercial activity within the regions, strengthen the position of entrepreneurs in society, and supply personnel for the developing economy.

After 2015, 12 Strategic Roadmaps and State Programs were adopted within the field of entrepreneurship, and 11 areas of the economy have been identified. One of these documents, the “Strategic Roadmap for the production of consumer goods at the level of small and medium enterprises in the Republic of Azerbaijan”, provides detailed information by analyzing the situation of small and medium enterprises (SMEs) in particular. The steps taken at this stage have resulted in a rise in the country's rating in international reports, a pointy decline in the number of licenses and related documents, high results in the economy, especially in exports, and therefore the suspension of business inspections until 2021 (Azərbaycan Respublikasında kiçik və orta sahibkarlıq səviyyəsində istehlak mallarının istehsalına dair Strateji Yol Xəritəsi, 2016).

The roadmap includes the strategic vision until 2020, the long-term vision until 2025 and the target vision for after 2025. The roadmap sets out 5 strategic objectives to attain the objectives outlined in the views summarized above. These strategic objectives include improving the business environment and regulatory framework for SMEs activities, ensuring their efficient and effective access to financial resources, increasing their internationalization and access to foreign markets, etc. is located. For each objective, priorities, rationales, and measures to confirm their implementation are included. An action plan to ensure the achievement of strategic goals was also approved.

As a results of the above activities, the number of acting micro and SMEs subjects in 2020 was as follows:

Table 2: The number of acting micro and SMEs subjects

Indicators	Total	2020	
		<i>of which</i>	
		<i>legal persons</i>	<i>Individual entrepreneurs</i>
Total number of entrepreneurs	316370	33450	282920

Total number of micro entrepreneurs	307717	24797	282920
Total number of small entrepreneurs	5943	5943	-
Total number of medium-sized entrepreneurs	2710	2710	-

Source: According to the State Statistics Committee compiled by the author, 2021 <https://www.stat.gov.az/source/entrepreneurship/>

As a result of the state policy and work carried out in the field of entrepreneurship development in the country, the number of registered business entities in 2020 increased by 12,7% to 1130048 as of January 1, 2021. 13% (155,435) of them are legal entities and 87% (1,062,537) are individual entrepreneurs. 78.7% of individual entrepreneurs are men and 21.3% are women. Baku (47.6%), Araz region (13.7%) and Ganja-Gazakh (9.1 %) dominate in the distribution of operating micro and SMEs by economic and administrative regions (<https://www.stat.gov.az/source/entrepreneurship/>).

During 2020, 98.2% of newly established statistical units fell to the share of private property (including 12.4% with full foreign investment, 1.6% with joint ownership), and 1.8% with state-owned enterprises. If we analyze this information, we will see that the share of micro assets in the type of economic activity is larger. The share of state ownership in the total property is very low.

Of the statistical units registered in the register, fully foreign-invested and joint ventures are mainly Turkey (21.6%), Iran (10.4%), Russia (4.6%), the United Kingdom (4.1%), and the United States (1.7%) and Germany (1.1%).

Based on the results of the Doing Business report published annually by the World Bank, we can determine the current state of entrepreneurship in our country.

Table 3. Economy profile of Azerbaijan- Doing Business 2020 indicators

<i>Indicators</i>	<i>Doing Business 2018 report</i>	<i>Doing Business 2019 report</i>	<i>Doing Business 2020 report</i>
between 190 countries	57	25	28
start a business	18	9	9

dealing with construction permits	161	61	59
getting electricity	102	74	-
registering property	21	17	-
getting credits	122	22	1
protecting minority investors	10	2	105
paying taxes	35	28	40
trading across borders	83	84	-
enforcing contracts	38	40	28
labor market regulation	47	45	47

Source: Compiled by the author according to the World Bank Group, 2020 https://www.doingbusiness.org/en/doingbusiness_2020

Compared to 2018, in 2020, Azerbaijan rose from 57th to 28th place. In the last report, our country lost the position it gained a year ago by 9 points, and "Doing Business 2020" fell to 28th place among 190 countries. If we look at the indicators, we can see that our country has shown better results over the past three years on most indicators. Entrepreneurs rose to 1st place in terms of access to credit, and from 18th to 9th place in starting a new business. Nevertheless, our country is still lagging behind in a number of indicators. The decline from 10th to 105th in terms of protection of small investors and from 35th to 40th in terms of tax payments is not a heartbreaking result.

Entrepreneurial entities engaged in entrepreneurship in our country face the following problems:

- inadequate public-private partnership;
- weak communication between different sized businesses;
- gender inequality among entrepreneurs;
- difficulties in accessing financial resources;

- weak monitoring and evaluation system;
- low business skills, especially at the secondary management level;
- lack of skills in international trade;
- existence of restrictions on access of SME consulting services;
- difficulties in accessing international and regional markets.

In order to eliminate the problems mentioned in the table, the state has adopted programs and a road map, and identified measures for the future. The Roadmap adopted in 2016 prioritizes the following targets:

- improving the legal framework for SMEs;
- expanding public-private partnership;
- improving inspection, licensing mechanisms and tax reform;
- creation of special industrial zones and clusters, etc.

A number of regulatory mechanisms have been identified to achieve these goals as soon as possible. The establishment of a dedicated The Small and Medium Business Development Agency (SMB) in December 2017 was the biggest step in the formation of SME support infrastructure in Azerbaijan. A portal of licenses and permits has been created to improve the process of obtaining business licenses, as well as an "e-government" portal for the provision of government services in electronic form. To further simplify the process of established business entities, the state has adopted an "investment promotion document", which provides for a 7-year property tax, land tax, 50% of corporate income and personal income tax, as well as value added tax (VAT) and customs duties on imported equipment were exempted for entrepreneurs (Azərbaycan Respublikası Vergi Məcəlləsi).

The preferential taxation system is one of the main areas of financial support for entrepreneurship. The role of credit organizations in this process is also great. The system of small business lending is well developed in Western countries. These include various financial institutions, insurance companies, innovation funds, pension funds,

commercial banks, regional grants, etc. includes. State-guaranteed loans are widespread in European countries. Venture capital is also expanding in these countries, business angels are being created.

One of the main aspects of the economic development policy successfully implemented by the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, is to create a favorable environment for the comprehensive support and further expansion of the private sector. According to the Presidential Decree of 31 July 2018, the National Entrepreneurship Support Fund was abolished and the Entrepreneurship Development Fund was established as a public legal entity under the Ministry of Economy. Thus, according to the rules, the limit for small loans to be extended to enterprises from the fund is 50,000 manat, the limit for medium-sized loans is 1 million manat, and the limit for large loans is 10 million manat. It was noted that the maturities of small, medium and large loans will cover respectively 3, 5 and 10 years, the loan utilization grace period and the first 1/2 period.

The main activities of the Foundation include:

- to finance investment projects of business entities in the priority areas of socio-economic development of the Republic of Azerbaijan at the expense of soft loans;
- to participate in the development, implementation and financing of programs (including state programs) in the field of business development support;
- to conduct relevant analysis and research in order to study the best international experience on investment projects based on modern technologies;
- to study foreign markets, to clarify the gained experience and opportunities to enter new markets, and to provide awareness and consulting services to entrepreneurs by providing this information (<http://edf.gov.az/az/main>).

Let's look at the distribution of loans issued by the Fund according to the classification of business entities:

Table 4: Distribution of loans issued by the Entrepreneurship Development Fund

Classification of business entity	Loans issued – 2021			
	Number of projects		Amount	
	<i>Number</i>	<i>Special weight (%)</i>	<i>Million manat</i>	<i>Special weight (%)</i>
Micro	1816	95.5	63.7	48.7.
Small	53	2.8	25.3	19.4
Medium	26	1.4	26	20
Large	7	0.4	15.6	11.9
Total	1902	100	130.6	100

Source: Compiled by the author based on the reports of the Entrepreneurship Development Fund, 2022, <http://edf.gov.az/az/content/22>

According to the number of projects issued in 2021, 99.7% (1895 projects) fall to the share of micro and SMEs. The share of micro and SMEs in the loan amount is 88.1%. As a result of projects to be implemented on the basis of loans, 3213 new jobs have been created. According to the loan amount, with 31.1 million manat, the leading area was the city of Baku and its surrounding settlements. In the distribution of soft loans by sectors of the economy, the field of agricultural production ranks first both in terms of the amount of loans issued (67.6 million manat) and the number of projects (1774).

In addition, the Azerbaijan Credit Bureau, the first private credit bureau in Azerbaijan to be used by leasing companies, has established a State Register of Real Estate, and SMEs have been able to pledge movable property (eg. machines, machine-building equipment) as collateral.

Export-oriented SMEs can use the services of AZPROMO, the Export Promotion Agency under the Ministry of Economy, as well as the online trading portal (www.azexport.az) and the "One Window" export support center, which provides information on products of Azerbaijani origin.

SMB has set goals and priorities for the development of entrepreneurship in 2020, and work has been done in this direction. "SME Friendly" network (support in developing business plans for more than 70 citizens from Khachmaz, Guba and Gusar

districts) and SME development centers have been established in accordance with the contact platform in the area.

In accordance with the sector contact platform, the "SME Club" network and SME cluster companies organized meetings, forums and events in other formats. In order to organize the activities of entrepreneurs more efficiently, SME houses provided entrepreneurs with government-business (G2B) and necessary business-business (B2B) services on a one-stop-shop basis (Khachmaz Kob house).

In order to maintain uninterrupted communication with entrepreneurs, improve the quality of services provided and expand the scope of the digital transformation program, measures have been taken to create and expand the E-SME House platform, online queues for SMEs, and personal development platforms.

In addition to the above, in order to support social entrepreneurship in 2020, Gobu Park 3, prosperous Absheron, Balakhani projects were successfully implemented. Last year, as part of the SMB program to support foreign investment in the country's regions, a tobacco garden was established in Zagatala, a tourist complex in Astara and a new tea brand in Lankaran.

1.3. Contribution of small and medium sized businesses to employment and growth

Small business entities are considered favorable for the recovery, formation and proper management of the economy, ie: (Manafov Q.N. 2016: p.158)

- as a result of increased production, the domestic market is growing at the expense of goods and services;
- the number of consumers is growing;
- creating a healthy competitive environment;
- efficient use of local raw materials;
- employment increases as a result of the creation of additional jobs;

- improves the reconstruction of the structure;
- ensures the expansion of the consumer sector;
- expanding export opportunities.

In addition, small business has a different socio-economic significance. Thus, it can quickly adapt to changes in the local economy, market conditions, and solutions are implemented in the most flexible and efficient way. The main reason for their flexibility is their small size, which means the mobility of small businesses.

Another advantage of agility is to move freely in the market, to quickly produce and sell a quality product that meets customer requirements. Because small businesses are often free, the business owner is able to implement their own ideas and considerations. In addition, low demand for start-up capital, low management and production costs in doing business also attract entrepreneurs to government support for small businesses. The role of small business in creating a healthy competitive environment is noted as one of the key indicators of economic development. Their low-income activity, their desire to produce high-quality products, to create highly efficient production create conditions for this (Həsənli E.O., 2018).

Small businesses are also more effective in research and development. In the United States, small innovative firms are leading the invention sector, creating four times as many innovations as large companies. For this reason, it is more profitable to develop scientific and technical progress in small enterprises, to create innovations by constantly applying its results in production (Qasimov F.M., Ismayilov I.H. 2008: s.249).

If we look at the experience of foreign countries, we can see that the mechanism of state support for SMEs is high. Small firms operating in the United States can be considered lucky in this regard. Thus, small innovative companies have the opportunity to receive grants for research. The amount of subsidies does not exceed \$50,000 in the first phase and \$500,000 in the second phase (İmanov S. 2019: s.567).

There is strong potential and wide opportunities for the development of SMEs and the economy of the country as a whole in Azerbaijan. The development of small

business in Azerbaijan increases the share of the non-oil sector, which has a positive impact on the economic growth of our country. In particular, due to the inflow of foreign currency into the country, the country's foreign exchange reserves are growing, and the process of integration with other countries tends to intensify. For this, improving the general business environment, arranging its accessibility with financial resources more appropriately and effectively, ensuring the exit of small and medium entrepreneurship issues to domestic and foreign markets, and creation of a skilled and qualified personnel guarantee are important steps to be taken.

When we compare the indicators of SMEs in the world economy and the role of SMEs in Azerbaijan in the economy, we see that the average is behind in all indicators. SMEs account for 40% of the total income (GDP) of emerging economies, 90% of total enterprises and 50% of employment (<https://www.worldbank.org/en/topic/sme/finance>).

Businesses in Azerbaijan can not help economic development as in other countries. To counter this, SMEs need to be developed, and some policies, programs and strategy roadmaps have been developed by the state.

The value added created by SMEs in Azerbaijan and number of employees can be seen in the table below:

If we express these data of the State Statistics Committee of the Republic of Azerbaijan with ratios, the share of SMEs in the total value added is 16,7% (the share of micro enterprises is 6.8%, the share of medium-sized enterprises is 7.4%), the share of SMEs in the non-oil sector with added value is 23.7% (the share of micro enterprises is 9.9%, share of medium-sized enterprises 10.3%). The share of SMEs in total employment is 42.1% (the share of micro enterprises is 4.9%, the share of medium-sized enterprises is 26.1%).

Table 5: Main macro-economic indicators of micro and SMEs subjects (with %)

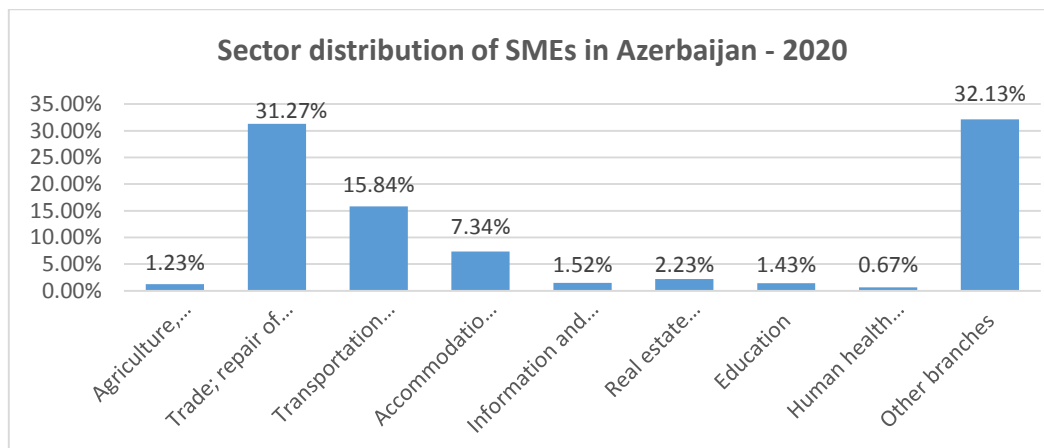
Indicators	2020			
	Total	Of which		
		<i>Micro</i>	<i>Small</i>	<i>Medium</i>

Value added, %	16,7	6,8	2,5	7,4
<i>non oil-gas sector</i>	23,7	9,9	3,5	10,3
Number of employees, %	42,1	4,9	11,1	26,1
<i>non oil-gas sector</i>	43,8	6,1	12,9	24,8
Investments directed to fixed capital, %	23,2	8,4	3,3	11,5
<i>non oil-gas sector</i>	11,5	3,4	7,7	0,4

Source: According to the State Statistics Committee compiled by the author, 31.12.2021 <https://www.stat.gov.az/source/entrepreneurship/>

However, if we compare these figures with those of 2015, we can see a certain increase. The share of small business in the non-oil sector in 2015 was 5.8% in value added, 0.7% in gross profit, 6.5% in the average annual number of employees, and 9.2% in fixed capital investments. Compared to 2015, the share of small businesses in the non-oil sector increased by 5.2% in value added, the average annual number of employees increased by 0.2%, and the production of goods (services) increased by 6.7%.

Graphic 1: Distribution of active SMEs by types of economic activity



Source: According to the State Statistics Committee compiled by the author, 31.12.2021 <https://www.stat.gov.az/source/entrepreneurship/>

In Azerbaijan, SMEs are focused on trade and services - sales and repair of vehicles (31.27%), transport and warehousing (15.84%), hotels and restaurants (7.34%) and other services (32.13%). As can be seen from the graph, the areas in which SMEs are most active are trade and services. In order to achieve development in production and processing, it is necessary to diversify into other areas. In the share of registered individual entrepreneurs, three out of four individual entrepreneurs are "agriculture, forestry and fisheries" (384,020 entrepreneurs or 33.6% of total entrepreneurs), "trade; repair of vehicles" (238987-20,9%), "transport and warehousing" (126679-11.1%) and "provision of services in other areas" (115 314 - 10.1%).

Business also plays an important role in raising living standards and increasing incomes. The growing demand of the population for material and spiritual needs, the rapid change of production relations, the need to ensure the continuity of production, the improvement of science and technology - these are issues that require the creation of conditions in accordance with the material and spiritual needs of the population and business development. It also ensures the social and political stability of the society and helps to prevent unemployment (Hüseynli İ.Q., 2014).

Consider share of micro and SMEs number of employees in the rendered by economic activity types:

Table 6: The number of employees in micro and SMEs by economic activity,%

Types of economic activities	Share in the number of employees, % (*without individual entrepreneurs)		
	2020		
	<i>Micro</i>	<i>Small</i>	<i>Medium</i>
Total for types of economic activity	4,9	11,1	26,1
<i>of which:</i>			
Agriculture, forestry and fishing	6,6	13,4	33,6
Industry	2,1	7,4	27,8
Construction	2,9	10,9	30,7
Trade; repair of transport means	4,5	12,3	18,5
Transportation and storage	2,7	6,5	21,8
Accommodation and food service activities	8,6	15,9	37,9
Information and communication	7,4	14,3	37,6
Real estate activities	16,8	26,8	22,9
Education	15,5	14,0	42,1
Human health and social work	9,0	19,6	37,1
Provision of services in other areas	9,3	13,3	20,0

Source: According to the State Statistics Committee compiled by the author, 2021 <https://www.stat.gov.az/source/entrepreneurship/>

In terms of the total number of employees in SMEs, the largest share as a sector is education with 71.6%. In terms of the total number of employees in SMEs, the lowest share as a sector is transportation and storage with 31.0%. The largest share in the number of employees is real estate activities as a micro-enterprise (16.8%) and small enterprise (26.8%), education (43.2%) as a medium-sized enterprise.

The pandemic, which began in 2020, did not go unnoticed in entrepreneurship, and had an impact on staff reductions and economic activity. According to estimates, the pandemic has had a negative impact on catering services, tourism, entertainment, transport, etc. To minimize the negative effects of the pandemic, the President of the Republic of Azerbaijan has set serious tasks for government agencies, adopted programs providing for a broad package of support to the economy, and documents covering short and medium term business support. The President of the Republic of Azerbaijan signed an order dated March 19, 2020 "On a number of measures to reduce the negative impact of the coronavirus pandemic on the economy of Azerbaijan, macroeconomic stability, employment in the country and businesses." Direct financial support was provided to micro-entrepreneurs operating in the pandemic-affected areas, part of the salaries of employees were paid by the state, tax breaks and strikes, as well as new preferential lending mechanisms were introduced.

Based on the above indicators, it can be noted that the share of SMEs in the economy of Azerbaijan - in GDP, employment and foreign exchange inflows to the country can be increased many times. Approaching from this perspective, it should be noted that the share of SMEs in the future development of the country is extremely important.

In the Azerbaijan economy, the share of SMEs in GDP, employment and foreign currency flow to the country can be increased many times. From this point of view, we can state that the share of SMEs is extremely important in the future development of the country.

There is strong potential and wide opportunities for the development of SMEs and the economy of the country as a whole in Azerbaijan. For this, improving the general business environment, arranging its accessibility with financial resources more appropriately and effectively, ensuring the exit of small and medium entrepreneurship issues to domestic and foreign markets, and creation of a skilled and qualified personnel guarantee are important steps to be taken.

The rich natural resources and development potential of the liberated territories also create a special basis for the development of entrepreneurship. It is possible to create new business entities using the resources of this place. Emerging businesses also mean new jobs. The creation of new jobs will support the reduction of unemployment and the elimination of the problem of concentration of business entities.

Entrepreneurship innovations, wider application of international standards, increasing state support in the examination of export markets, further expansion of financial, consultancy and other support mechanisms, setting priorities for the establishment of monitoring and evaluation mechanisms for state support tools, and the development of entrepreneurship in the country should be seriously supported.

II CHAPTER. THE ROLE AND IMPORTANCE OF ENTREPRENEURIAL ACTIVITY IN THE RESTORATION OF KARABAKH AND EAST ZANGAZUR ECONOMIC REGIONS

2.1. Analysis of the economic potential of the economic regions of Karabakh and East Zangazur

After 44 days of war, the Azerbaijani army liberated our occupied lands and ensured our territorial integrity. During the occupation, our territories were destroyed by Armenian vandals, and the infrastructure was completely destroyed. Rehabilitation and reconstruction of the plundered territories and economic entities was the main task of the state and every citizen of Azerbaijan.

7 district 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 and looted in the occupied territories, more than 1 million hectares of villages, 647.9 thousand hectares of fertile land, about 128,000 irrigated lands, 35,000 hectares of vineyards and orchards were destroyed and put out of circulation. (Rəşid Leyla,2020: s.9).

These areas have great natural resources that, when developed, will contribute to the development of the Azerbaijani economy, as well as the social welfare of the people. The fictitious Nagorno-Karabakh Autonomous Region ranks 4th among the economic regions of the former Azerbaijani SSR in terms of the number of industries and the level of development.

In 1988, 2.7% of the total industrial output of the Azerbaijan SSR and 3.4% of fixed assets fell to the occupied regions (<https://files.preslib.az/site/karabakh/g11.pdf>). Prior to the occupation, these regions accounted for 10% (Müzəffərli N.,İsmayılov E., 2010) of the country's GDP, 14.3% of grain production, 31.5% of grape production, 6.3% of potato production, 14.5% of meat production and 17.1% of milk production (<https://files.preslib.az/site/karabakh/g11.pdf>).

The liberated areas have rich mineral deposits. There are about 167 different mineral deposits in these areas. According to the information, 5 of them are cement and soda raw materials, 42 are facing, sawn and various types of building stones, 19 are gypsum and clay, 14 are colored and decorative stones; 14 are sand-gravel and construction sand, 21 are pumice and volcanic ash deposits. These areas are also rich in gold reserves, and according to preliminary estimates, the proven reserves of these deposits are 132.6 tons of gold. The Vejnali field in the Zangilan region, the Gizilbulag field in the Agdara region and the Zod field in the Kalbajar region are rich gold deposits with industrial reserves. Raw materials, which play an important role in the development of the country's economy - 37.3 thousand tons of lead, limestone for the production of 129.8 million cubic meters of soda; 147.1 million tons - cement raw materials; 2.1 million cubic meters of pumice are available in these areas. (Əliyev.T., 2021: s.10).

According to the official data of the State Statistics Committee of the Republic of Azerbaijan, in the 1980s, there were 139.8 thousand hectares of arable land in the region. According to the Statistics Committee in 2020, the area of agricultural land in the East Zangazur and Karabakh economic regions is 50032 and 1927 hectares, respectively, of which 46111 and 697 hectares are arable land.

Prior to the occupation, the main economic sectors of these areas were agriculture (especially carpet weaving, viticulture, cattle-breeding, tobacco, cocoons). The lowlands of Aghdam, Fizuli, Jabrayil, Zangilan and Upper Karabakh, which are part of the liberated territories, are areas where the crop sector is developed.

In the pre-occupation period, Fizuli and Aghdam regions were among the leading regions in the country for the production of cotton, grain and grapes. Jabrayil, Gubadli and Zangilan districts also differed in viticulture. Livestock was highly developed in Lachine, Kalbajar, Gubadli and Zangilan. These soils are also distinguished in the Caucasus region as a whole due to the richness of genetic resources of biodiversity. The liberated territories were distinguished by the following economic sectors.

Table 7. Economic sectors of the liberated territories

Region	Economic sectors
Jabrayil	Agriculture. - viticulture, tobacco growing, grain growing, cattle breeding Industry - carpet weaving, grape processing
Agdam	Agriculture. - cotton growing, viticulture, grain growing, cattle breeding Industry - heavy, light, food industry
Kalbajar	Agriculture - tobacco growing, animal husbandry Industrial-mineral water production
Lachin	Agriculture - grain growing, fodder production for cattle, cattle breeding Industry-butter-milk, bread processing
Gubadli	Agriculture - viticulture, grain growing, tobacco growing, cocooning, cattle breeding Industry-butter-milk, grape processing
Fuzuli	Agriculture - viticulture, grain growing, cattle breeding, poultry farming Industry - processing of industrial products
Xojavend	Agriculture - viticulture, grain growing, tobacco growing, cocooning, cattle breeding Industry - butter and milk processing
Shusha	Agriculture - viticulture, grain growing, tobacco growing, cocooning, cattle breeding Industrial – butter and milk processing
Zangilan	Agriculture - viticulture, tobacco growing, grain growing, cattle breeding Industrial - tourism potential
Khojali	Agriculture - viticulture, tobacco growing, grain growing, cattle breeding

Source: Müzəffərli N., İsmayılov E., 2010: s 52-60

The liberated areas have great renewable potential, especially hydropower potential and rich natural and environmental resources. Irrigation networks supplying irrigation water to the occupied territories, the reservoir became unusable during the occupation, and the rest became neglected after the occupation. 22 irrigation systems, 6426 km long irrigation network, 10 reservoirs with a total capacity of about 635 million cubic meters belong to the water systems that have become unusable (Aslanov R.,2020 : s.9). The formation of most of the local water resources, 25 in these areas, will create opportunities for the construction of hydropower plants (HPPs) in these areas.

Before the occupation, there were hydroelectric power stations in these areas. One of them was the Tartar HPP, which was built jointly with the Sarsang reservoir. According to 1990 statistics, the electricity generated by the hydropower plant during the year was 81.9 million kW/hour (<https://minenergy.gov.az/az/xeberler-arxivi/dagliq-qarabag-ve-etraf-regionlarin-enerji-potensialli>).

The Sarsang reservoir located here provides irrigation water to 6 districts (Tartar, Aghdam, Barda, Goranboy, Yevlakh, Agjabadi). Other important energy facilities in the region were the Khudafarin and Maiden Tower HPPs. The construction of these water points was started jointly with the Iranian government, and after the occupation, the construction of these stations was stopped by Azerbaijan and continued by Iran. These projects will also play a special role in providing electricity after the reconstruction of the Sugovushan - 1 and Sugovushan - 2 small HPPs in the Tartar region, as well as in irrigating the liberated areas.

The annual water consumption of existing rivers in the liberated territories allows the formation of more than 600 million m³ of water reserves, which can be used to irrigate at least 100,000 hectares of arable land. The agricultural lands of these areas are irrigated mainly by Araz, Tartar, Kondalanchay, Hakari, Bargushad, other rivers and Derbent, Sarsang reservoirs. Reservoirs (Sarsang, Sugovushan, Xudafarin reservoirs), which play an important role in the total water capacity in these areas, also play an important role in providing the population with drinking water, land reclamation and electricity generation.

The Karabakh region is also famous for its various natural monuments, forests, rare plant and animal species. In order to protect the natural landscape in the region, there were once protected areas in the liberated areas. These are Basitchay Reserve, Garagol Reserve, Lachin Reserve, Gubadli Reserve, Dashalti Reserve and Arazboyu State Nature Reserve.

After the liberation of the territories, the employees of the Civil Service were sent to the liberated areas to study the cultural heritage of these territories and began to carry

out tasks related to the initial inventory and protection of cultural facilities. During the monitoring, 313 state-registered historical and cultural monuments were monitored, and 113 unregistered historical, architectural and archeological objects located in those areas were found. Monitoring in 828 cultural institutions, including 443 libraries, 332 culture houses and club establishments, 20 museums, 25 children's music schools, 1 cinema, 2 theaters, 2 galleries, 3 movie clubs work was carried out (Əliyeva M., 2021: s.4).

The correct assessment of the economic potential of the territories and the development of these territories led to a reconsideration of the division of the liberated territories into economic zones. In accordance with the Decree of the President of the Republic of Azerbaijan dated July 7, 2021 on the new division of economic regions in the Republic of Azerbaijan, these territories are divided into two economic regions:

- Karabakh economic region (Khankendi, Agjabadi, Aghdam, Barda, Fuzuli, Khojaly, Khojavend, Shusha and Tartar regions);
- East Zangazur economic region (Jabrayil, Kalbajar, Gubadli, Lachin and Zangilan regions);

According to the statistics of 2021, the number of micro and SMEs operating was 12,587 in the Karabakh economic region, and 10,238 in the East Zangazur economic region.

By 2020, agriculture, trade and transport and provision of services in other areas will account for the largest share of the number of newly established micro and SMEs in both economic regions. Newly established business entities in both economic regions account for micro-entrepreneurship (15850 and 368). The main part of the newly established business entities in the Karabakh economic region falls on agriculture (13954), transport and storage (574), trade (517) and other services (524). In the East-Zangazur economic region, the main part of newly established business entities is trade; repair of vehicles (102), other services (100), transportation and storage (67).

Let's consider the PESTLE analysis by grouping the possible impacts on the organization and course of business in the liberated territories. PESTLE analysis includes P-political, E-economic, S-social, T-technological, L-legal, E-environmental factors.

Table 8: Impacts on the organization and conduct of business in the liberated territories

Positive impacts	Negative impacts
Political	
<ul style="list-style-type: none"> • existence of an alliance declaration with Russia • existence of a possible trade agreement with Turkey in the region 	<ul style="list-style-type: none"> • allowing Armenians to live in the region • possibility of clashes with Armenia • bureaucratic obstacles by the state
Economic	
<ul style="list-style-type: none"> • the economic development of the country will have a positive impact on the development of entrepreneurship in this area. • investments of foreign investors for business • existing fiscal incentives for business development 	<ul style="list-style-type: none"> • the lack of exchange rate stability and the lack of confidence in the national currency among consumers will have a negative impact on entrepreneurship
Social	
<ul style="list-style-type: none"> • the existence of a legislative framework adopted by the state to ensure the social welfare of the population 	<ul style="list-style-type: none"> • adaptation of the lifestyle of the resettled population to these areas • the possibility of discrepancies in the age and gender differences of the population • the level of education of the resettled population does not correspond to innovations
Technological	
<ul style="list-style-type: none"> • the application of innovative technologies in these areas will lead to innovative approaches to entrepreneurship.(smart rural and urban projects, smart management mechanisms, new agro-business models). • contributions of foreign experts in this direction 	

Legal	
<ul style="list-style-type: none"> • the existence of adopted laws that have a positive impact on newly established businesses (tax and financial benefits) 	<ul style="list-style-type: none"> • non-compliance with corruption and antitrust laws • failure to make decisions on the liberated territories
Enviromental	
<ul style="list-style-type: none"> • having rich natural resources, making this area suitable for entrepreneurship • the advantage of being located in a geographically favorable zone • tourism potential of rich vegetation and forest cover • application of the sustainable development model in these areas 	<ul style="list-style-type: none"> • pollution of rivers and water basins by Armenia • land degradation creates problems for economic activity

Source: Compiled by the author, 2022

Based on the resource potential, it is necessary to identify areas of potential comparative competitive advantage of these regions. As regions, these areas can be primarily referred to as: agriculture, industry, services. In the field of agriculture, grain growing should be considered as the most important area in the revival of the economy in these areas. Based on the development of this sector, Azerbaijan will be able to meet the demand for grain at its own opportunities. Another potential area of agriculture is livestock. Although the country can meet its domestic needs in this area, it will export the remaining products to foreign markets.

In terms of industry, it is possible to develop construction materials, meat and dairy products, carpet weaving, leather industries in these areas. In the service sector, the tourism and culture sectors will play a special role in the development of the region and the country's economy. Once the necessary infrastructure is provided in the region, local tourism will begin to develop in these areas. Even the groundbreaking ceremony of a number of hotels took place as a first step in this direction. Once the perfect infrastructure and political risks are completely eliminated, development will be achieved in international tourism.

Reconstruction and development of all these areas will result in the revival of the country's economy, an increase in the number of businesses, an increase in employment, most importantly, a reduction in dependence on imports and an increase in the percentage of GDP.

2.2. The role of legislation in the development of liberated territories

The first step taken by the state after the liberation of the lands was the adoption of the legislative and methodological framework. One of the main steps taken by President Ilham Aliyev in this direction was the establishment of a temporary management system in these areas. On the basis of the legislation, special commandant's offices were established in each of the liberated territories, and each of the established commandant's offices was instructed to carry out joint work with the relevant state bodies.

Economic development of the country in the next ten years is one of the main priorities of the President. In this regard, the President signed a decree covering the next 10 years. Five priority areas have been identified for development over the next decade. One of them was the reconstruction and restoration of the liberated territories. Two goals have been adopted in the form of sustainable development and integration into the country's economy for the implementation of reconstruction and rehabilitation work in the liberated territories. The adoption of these goals is not accidental. It will be possible to use new techniques and technologies through sustainable development, which is the first goal. Constant contacts with other regions are an important factor for the reconstruction of these areas. Through these relations, it will be possible to use raw materials and labor resources of other economic regions in the restoration work, and the products produced in the region will be able to be transferred to other economic regions.

To achieve these goals, we can effectively use the economic potential of the region, bring the level of population and the share of the region in economic activity in the country to the pre-occupation situation.

Other laws and decrees passed after the independence of the territories were related to the reconstruction work. The need for funding was met through the Karabakh Development Fund, established by the President. The fund's financial resources are formed from various sources. These include funds of individuals and legal entities, state aid and other non-prohibited financial resources. Legal entities account for 98% of donations to the fund. According to current statistics, 11,190 donations were made to the fund, of which 146 were legal entities, 686 were individuals and 10,358 were anonymous (<https://qdf.gov.az/ianechiler/>).

The President issued a special order for the development of entrepreneurship in the liberated territories. The order is aimed at accelerating economic development in the liberated territories. The following issues are reflected in the order:

- effective management of economic and labor resources available in these areas and application of tax, social insurance and other benefits;
- to stimulate entrepreneurs who intend to operate in these areas, to encourage investment;
- application of utility benefits;
- simplification of financial access of business entities and development of private-public partnership (<https://www.taxes.gov.az/az/post/1698>)

The President of the Republic of Azerbaijan has issued various orders for the implementation of infrastructure works and allocated funds to the relevant structures from the state budget for the reconstruction and restoration of the territories liberated from occupation in 2021.

One of the main goals during the reconstruction and restoration works was to establish innovative enterprises in these areas in accordance with world experience, using new equipment and technology. At present, the development of the non-oil sector,

which is the main goal of the country's economy, is also a priority in the liberated territories, so smart villages and smart cities with innovative rural and residential forms have been created in these territories. The concept of Smart Village and Smart City was established by the President's decree of April 2021 to establish Agali village of Jabrayil region. The implementation of this project aims to develop five key areas. The first of these is to provide housing for the local population who will return to their native lands and engage in labor activity. The second is to ensure the production activities of the population, as well as businesses, which will be located here, and to eliminate obstacles that may stand in their way. Another area is the provision of social services to ensure the well-being of the local population and other groups. The last component is the establishment of a smart agricultural system in these areas and the use of alternative energy sources in energy supply, prioritizing the model of sustainable development. Along with the laying of the foundation of the project, construction work has begun on more than 110 hectares in accordance with the plan. In the future, as a result of this project, it is planned to complete the construction of 200 individual ecological houses, 4 two-storey non-residential buildings, a 360-seat school and a 60-seat kindergarten and present them to the public (<https://president.az/az/articles/view/53631>). Smart irrigation systems, alternative energy sources and smart management system will be used in this area. All these nuances will lead to the development of entrepreneurship in the area (especially in terms of agriculture), the introduction of innovative tools, increased employment and energy consumption.

In order to quickly integrate the liberated economic regions into the country's economy and have a positive impact, the establishment of industrial parks in these areas was considered expedient, and the President signed decrees in this direction as the first work. The first industrial park will be located in Agdam. The establishment of the industrial park was approved by the order of May 2021, and the city of Agdam, known as the region of spirits, is planned to develop in a short time. The process of

industrialization in this park will be carried out in stages. What the stages will cover is outlined below:

- construction;
- food and processing industry
- service areas
- other areas.

The industrial center to be established in Agdam will have 33 small production and service enterprises, large industrial and food enterprises, and 330 jobs (<https://files.preslib.az/projects/regions/r4/c4.pdf>).

In addition to the Agdam Industrial Park, 3 more regional centers will be established in these areas based on their development potential. Considering that the neighboring country is located on the border with Iran and on transit road junctions, a logistics and trade center will be created in Jabrayil. A cultural and tourism center will be established in Shusha, which is distinguished by its ancient historical monuments and is known as a cultural center, and a production and tourism center will be established in Kalbajar, which is distinguished by its arable lands and healing waters.

As I mentioned in Chapter 1, the liberated areas have great potential for the use of alternative energy sources. To use this potential, it was decided to establish a green energy zone in these areas by a decree of May 2021. Based on the order, USD 1,391,040.0 (was allocated for the implementation of this project. Implementation of the project has been entrusted to the Ministry of Energy of Azerbaijan. Using the experience of Japan, which is distinguished by the use of alternative energy sources around the world, will increase the effectiveness of this project. The Ministry of Energy of Azerbaijan and the Japanese company “Tepsco”s have signed an agreement on the implementation of the project. A project has been developed to study the potential of water, solar, wind, biomass, geothermal and other renewable energy in these regions.

Starting from September 27, 2020, the President of the Republic of Azerbaijan has issued Orders to eliminate the damage caused to the property of the civilian population,

agriculture, civilian and state-owned vehicles, business entities as a result of the aggression of the Armed Forces of the Republic of Armenia.

In order to accelerate economic development in the liberated territories, the President of the Republic of Azerbaijan adopted an Order on December 10, 2021, and gave relevant instructions to the Cabinet of Ministers. These instructions can be divided into the following directions:

- increasing the financial capacity of entrepreneurs and establishing incentives for them;
- supporting investors who want to engage in innovative activities;
- provision of human capital in the liberated territories;
- development of public-private partnership.

An order was signed to establish an industrial park for the application of new technologies and the development of innovative entrepreneurship in the East Zangazur economic region. The Araz Valley Economic Zone will cover 200 hectares in the Jabrayil region. The area will cover agricultural processing, industrial, social and technical zones. For the development of the population's livelihood and business, it is planned to establish a logistics and trade center, warehouse complexes, wholesale and retail outlets, truck fleet, customs, gas stations, car and other equipment repair points in the area. Due to the development of a number of types of entrepreneurship, packaging of agricultural products, production and processing of canned fruits and vegetables, production of dairy and meat products, wine, feed, fertilizer, silk production, there are factories, refrigerators, small production and services. fields will be created. As there are no settlements for the population near the Industrial Park, a container town for 150 people will be built in the social zone (<https://president.az/az/articles/view/53331>).

The adopted legislative documents will still be prepared on an ongoing basis. President Ilham Aliyev has already given the necessary instructions to the relevant government agencies. Entrepreneurs are expected to make special concessions to develop entrepreneurship in these areas, and discussions have already begun in the

relevant agencies. As the rural population will predominate among those returning to these areas, legislation should be enacted to provide incentives to the agricultural sector and to implement a mechanism to provide financial support to those who will operate in this sector.

The private companies that will operate here will have certain expectations to work in these areas. These include:

- financial assistance to private enterprises;
- fiscal benefits (tax and customs benefits) ;
- issuance of soft loans (The Entrepreneurship Development Fund will be closely involved in this process.)

2.3. Analysis of local and foreign companies operating in the liberated territories

The Great Return to the Occupied Territories has become a national priority by President Ilham Aliyev. Many structures have already been instructed to study these areas, clear mines, and restore infrastructure, and a legislative framework has been established in this direction. Both government agencies, local (business entities) and foreign investors are involved in the reconstruction of the territories.

Assessing the economic potential of the liberated territories and identifying areas of comparative advantage are key areas. Necessary work has been started in this direction together with the Institute of Economics of ANAS and the consulting company "The Boston Consulting Group". Surveys were conducted among foreign and local investors to determine their willingness to operate in these areas. Surveys were conducted among foreign and local investors to determine their intention to operate in these areas. One of these surveys was the Business Environment Survey of foreign business representations operating in our country, conducted between May and July 2021. In order to prepare the survey report, a survey was sent to 270 foreign companies representing 30 countries operating in our country. 130 reliable answers were selected to obtain the assessment results. 67% of micro and small and medium enterprises

participating in the survey have been implementing projects in our country for more than 10 years. 43% of foreign companies surveyed said they could participate in the restoration of the liberated territories, 22% said they could participate in these projects, and 17% said they were interested (<https://www.taxes.gov.az/az/post/1559>).

SMB has a great responsibility to establish entrepreneurial activity in the liberated territories. The organization of entrepreneurial activities, support for attracting local and foreign investment, and the formation of the SME sector in the liberated territories have become priorities of the Agency's strategic goals. Work in this direction began in 2020. The economic potential of the liberated territories was demonstrated at the MUSIAD Expo - 2020 international exhibition held in Istanbul, and various meetings were held with investors interested in establishing business and investing in these territories.

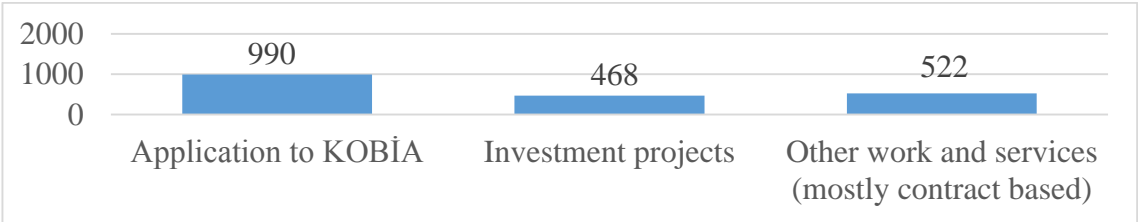
Another step taken by SMB was the launch of the first business entity in Shusha. This is the first bakery and confectionery enterprise in Shusha owned by Azcake LLC. The agency provided state support for the establishment and operation of the enterprise.

In addition, the agency, together with the Turkish-Azerbaijani Public Union of Businessmen and Industrialists (TUIB) and the Turkish International Cooperation and Development Agency (TIKA), has established a souvenir production facility and a greenhouse in the village of Jojug Marjanli in the Jabrayil region. The souvenir factory will provide jobs for 25 villagers, and 15 families will grow various plants in greenhouses.

SMB under the Ministry of Economy is responsible for receiving, analyzing and directing applications to establish businesses in the liberated territories. Priority of investment projects submitted to the Agency is analyzed, potential projects are identified and included in the database. Detailed information on the economic and investment potential of the liberated territories, professional advisory services, coordination with relevant government agencies, support in finding local partners and services are provided entrepreneurs who apply to the agency.

I applied in writing to SMB regarding the work done in the liberated territories, and my appeal was answered by the agency with statistics. In this regard, SMB stated that the applications of business entities wishing to establish a business in the liberated territories are summarized in the prescribed form and regularly added to the list by the Agency. As of January 2022, SMB received 990 applications.

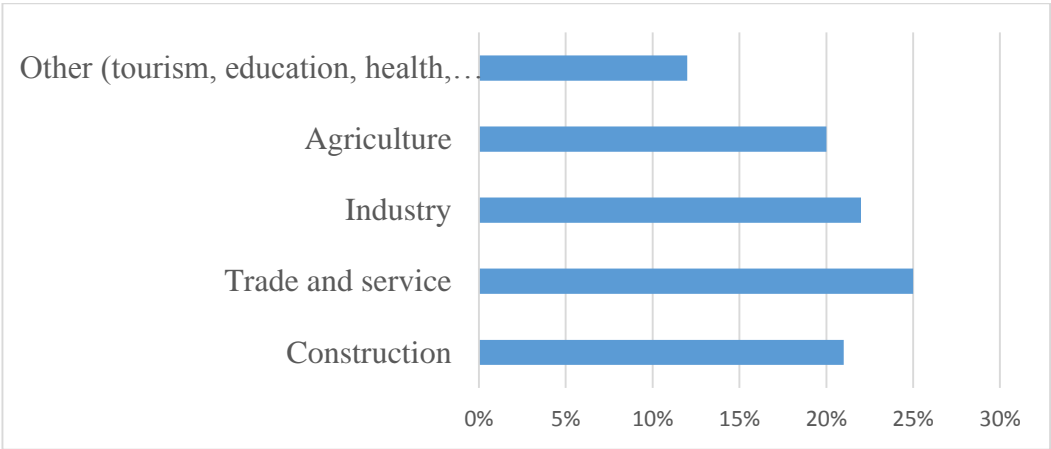
Graphic 2: Appeals to SMB



Source: According to the SMB compiled by the author, 31.01.2022, <https://www.smb.gov.az/az>

These appeals cover trade and services, industry, agriculture, construction, tourism, education, transport and logistics and other areas, respectively.

Graphic 3: Distribution of appeals received by SMB by areas



Source: According to the SMB compiled by the author, 31.01.2022, <https://www.smb.gov.az/az>

These appeals also include those from foreign countries (mainly Turkey, Russia, Pakistan, Hungary, Kazakhstan). Of the 990 applications received by SMB, 42 are

related to women entrepreneurs, of which 24 are related to investment projects and 18 to other works and services. Of the projects submitted by women entrepreneurs who want to start a business, 13 were in trade and services, 10 in industry, 6 in agriculture, 6 in tourism, 4 in construction, 2 in education and 1 in health ([https://azertag.az/xeber/Bakida Qarabagin ve Serqi Zengezurun iqtisadi inkisafinda qadin sahi bkarliginin rolu movzusunda konfrans kechirilib-1985228](https://azertag.az/xeber/Bakida-Qarabagin-ve-Serqi-Zengezurun-iqtisadi-inkisafinda-qadin-sahibkarliginin-rolu-movzusunda-konfrans-kechirilib-1985228)).

It is possible to use the international experience of foreign countries in the revival and financing of the restoration of the liberated territories. If we look at the international experience, Japan, Western European countries, especially Germany, in the recent past, Iraq, Lebanon and so on. various types of assistance were provided to countries to meet their financial, food and other needs in the post-war years. Involving the experience and support of these and neighboring countries in the liberated territories will make it possible to carry out reconstruction work in a short time and effectively in these territories. After the victory, a number of friendly countries - Turkey, Pakistan, Israel, Hungary, Iran, Italy, Great Britain and others, expressed their desire to participate in the process of restoration of our liberated territories.

“Azerenergy OJSC” and Italian “Ansaldo Energia” have already signed a supply agreement in the field of mutual cooperation in order to create electricity infrastructure in the liberated territories of Azerbaijan. This is a contract for the supply of equipment (with each capacity of 110 kilowatts) for four substations in the Karabakh region (Agdam, Fizuli, Gubadli and Kalbajar).

A number of Japanese companies have been involved in the reconstruction of the liberated territories. An agreement has been signed between the Ministry of Energy and the Japanese company “TEPSCO” to establish a "green energy" zone in the liberated territories. Based on this agreement, international experience, energy demand, and energy supply scenarios, waste management, smart grids, green financing, etc. such issues will be investigated. “TET International Development”, a Japanese company, said it was aiming to invest in the agricultural sector in these areas. The investment in

these projects will amount to \$40 million by 2024, and will continue to be invested in other investments after 2024. The company has been implementing projects in the agricultural sector in our country for 3 years, especially in the field of tobacco. The company also plans to plant tobacco on 797 hectares of land in the liberated areas (<https://www.azerbaijan-news.az/posts/detail/tet-international-development-sirketinin-rehberi-garabag-torpaginda-da-tutun-ekmeyi-planlasdiririq-1633545833>).

In the next pages, I will mention the Turkish companies carrying out reconstruction work in these areas, information about them, the work done in these areas and my survey with them. Since my workplace is currently actively involved in providing these companies with the financial resources they need to operate in those areas, I have organized the survey through customer representatives at my workplace.

Kolin Construction, Kalyon Holding, Cengiz Inshaat, Polat Yol Yapi San. and Tic. A.Ş. operating in Karabakh, is one of the leading construction companies in Turkey. These companies are located in Turkey and are distinguished by their activities on more than 3 continents. Main areas of activity:

Kolin Construction : transport and infrastructure; agriculture, energy and irrigation; building, housing and industrial facility; tourist facilities, etc.(<https://www.kolin.com.tr/tr>)

Kalyon Holding: construction, investment, real estate, energy, industry (<https://kalyonholding.com/>)

Cengiz Construction: highway, airport, power plant, pipeline, water supply etc.(<https://www.cengiz-insaat.com.tr/#>)

Polatyol Yapi San. and Tic. A.Ş.: construction, energy, real estate (<http://www.polatyol.com/tr/Faaliyetler>)

The mentioned companies are distinguished by their invaluable role in construction and building works in the liberated territories. Undoubtedly, the most important project in the liberated areas is the "Victory" road from Fizuli to Shusha. Although the manpower and equipment of the Azerbaijan State Agency of Motor Roads

are currently working on the project, the Turkish Group of Companies, led by Colin Construction, which has experience in building roads in difficult terrain, is also involved in the project. The road was fully commissioned in September 2021, and was officially opened on November 7.

One of the road infrastructure projects implemented in the liberated territories is the *Toganali-Kalbajar-Istisu highway*. Kolin Construction and Cengiz Inshaat Sanaye ve Ticaret are also subcontractors in the implementation of this road construction project. The project is currently being implemented.

Polat Yol, a Turkish company, is a subcontractor in the construction of the *Khudafarin-Gubadli-Lachin highway*, one of the other road projects.

Turkish companies are also actively involved in the construction of the *Horadiz-Jabrayil-Zangilan-Agband highway (Zangazur corridor)*, which was laid on October 26 with the participation of the Presidents of Azerbaijan and Turkey. These companies also played an important role in the construction of *Fizuli Airport*.

The survey consisted of 10 questions and was conducted by both Turkish companies whose names I have mentioned. I conducted the survey through meetings and negotiations with representatives of these companies, as well as through customer representatives at my workplace.

Arzu Khalilova, Head of Human Resources in Azerbaijan, was the person who responded to the survey from **Kalyon Construction**. The survey first asked each company to provide a brief overview of its activities in the liberated areas. Kalyon Construction stated in its summary:

"We are one of the companies doing major reconstruction work in the region. We mainly provide the construction of highways and transport routes. This will be very important for the country."

As a second question, I asked Kalyon Construction how it operates in the liberated areas (subcontractor, investment, etc.), and the answer to this question was as the main subcontractor. The third question was whether they participated in the reconstruction

work in these areas with state support or through tenders, and the answer to this question was stated state support . In my next question, what was the reason for operating in the liberated territories, and this question was answered as follows : "As one of the largest construction companies in Turkey, to share experience in this field and act as a key player". When asked about the risks they face while operating in these areas and what caused the delays, it was stated that there are many mines and therefore there are delays. My next question was which area was suitable for the development of these areas in the future, and the answer was the processing of minerals.

One of the interesting questions was whether cooperation with local companies was carried out during the operation in the liberated territories, and if so, at what level. A representative of Kalyon Construction said that they were cooperating with local companies and that was at a high level (mainly in the supply of raw materials). The question of whether there is a support mechanism by the state was answered in the affirmative.

In another question, the sources of labor resources provided while operating in these areas were asked, and the company's representative stated that they used external (their own internal resources) labor resources in their activities.

The next questions are mostly based on the prospects of the liberated territories. The question of which resources are more important in the development of these areas, mineral and recreational opportunities were mentioned. Based on these resources, there is the potential of industry and production for the development of entrepreneurship in the area. The development of these areas will create new jobs and increase export opportunities in these areas. As Kalyon Construction, it is recommended to apply financial and tax support mechanisms by the state to increase the number of business entities in the region.

Representatives of other Turkish companies (Kolin Construction, Cengiz Construction, Polat Yol) also participated in the survey and answered questions. These companies reported that they acted as the main subcontractor in these areas, such as

Kalyon Construction. These companies are mainly working on important projects in road construction, construction of railways and pipelines. These companies stated that they operate in these areas with state support. Colin Construction wanted to play a direct role in the reconstruction of the territories liberated from the occupation, as the construction had previously been carried out in our country and worksite. Cengiz Construction and Polatyol touched upon the same issues as the reason for operating here, and also said that this would be a new opportunity for them.

They stated that they cooperated with state companies in their activities and that this cooperation was mainly with the companies of the Azerbaijan State Railway. When asked about the problems they face in these areas, they said that there are too many mines (it takes time to clear them), communication and insurance problems.

As a construction company, they use their local labor resources to carry out their work here. They insure their employees with local companies in our country. Due to the use of the Turkish model in construction work in the liberated areas, the state provides special support to Turkish companies.

According to them, the abundance of natural resources in the region creates the basis for the development of metallurgy, agriculture and engineering. Finally, they recommended the introduction of tax and customs incentives and financial support mechanisms by the state for the development of businesses in the region.

The answers to the addressed questions provided by Turkish companies can be grouped in the following table.

Table 9: Answers to the questions of the surveyed Turkish companies

Organizations / Questions	Kolin Construction	Kalyon Construction	Cengiz Construction	Polatyol
First question	subcontractor	subcontractor	subcontractor	Subcontractor
Second question	state invitation	state invitation	state invitation	state invitation
Third question	abundance of mines	abundance of mines, problems with the use of co	abundance of mines, employee insurance p	abundance of mines

Continuation of Table 9

		communication tools	insurance problems	
Fourth question	Yes	Yes	Yes	Yes
Fifth question	mineral resource	mineral resource, forest, vegetation	mineral resource	mineral resource, water resources
Sixth question	attraction of foreign investors	increasing export opportunities	increasing export opportunities	All
Seventh question	agrarian business	agrarian business and tourism	industry, manufacturing	agrarian business, transport logistics
Eighth question	richness of natural resources, abundance of water resources	richness of natural resources	All	All
Ninth question	use the experience of foreign countries	the economic significance of partnerships with local investors	increase in exports; use the experience of foreign countries	the economic significance of partnerships with local investors
Tenth question	agrarian business, tourism	agrarian business, construction	agrarian business, industry, manufacturing	industry and manufacturing, tourism

Source: Compiled by the author on the basis of information collected from surveys with companies, 2022

I met with a number of local companies and learned about their work in the area. One such company was As Group Investment. I had the opportunity to get acquainted with the project to be implemented by this company in Karabakh with their stand at the Rebuild Karabakh exhibition.

The company was founded in 2003 under the name AS Construction, and in 2011 the already expanded company was merged under the name AS Group Investment. The company specializes in a number of business areas: construction, real estate, manufacturing, agriculture, transport and transportation, HoReCa (<https://www.asgroup.az/biznes-istiqametleri>).

The "Smart Village" project is being implemented by As Group Investment in the liberated territories. In brief, the company's representative provided information about

the work done here – “As As Group Investment, we carry out design and construction work in the area of Agayarli village of Zangilan region, starting from the concept of this project, urban planning, agriculture and job creation”.

It should be noted that the Ministry of Agriculture has been appointed as the main customer of this project and 10.8 million manat has been allocated for the project. The company has signed a contract with the Ministry of Agriculture to implement the project. The company was not selected for the project through a tender, the company signed a contract with the Ministry of Agriculture to implement the project.

SMB, the State Employment Agency, the Agrarian Services Agency and the Zangilan District Executive Power are cooperating within the framework of this project. A meeting was held with a group of Agali villagers to address the questions of the residents, to determine their areas of activity and needs in this direction.

I addressed questions to As Group Investment about the work done in this area and the future prospects of these areas. The company said it was working with a Turkish company as a subcontractor in the project. It was also noted that cooperation was established with local companies and they were supplied with raw materials and supplies. When asked whether internal or external labor resources were used in the implementation of this project, the company was informed that they used internal resources, and the subcontractor company used both internal and external resources. They voiced the problems they faced while operating in these areas. The main problems are the large number of mines in the area, poor communication, problems with the supply of goods and materials and absence of entrepreneurial legislation specified by the state during operation in these territories. The company answered the question of which sector will be most developed in these areas, agriculture and trade and services.

Telecommunications is one of the tools needed to carry out entrepreneurial activities in the liberated territories. Relevant work has been started by the country's mobile operators as soon as possible to eliminate this problem of entrepreneurs and the local population who will move here. “Azercell Telecom LLC” was the first company

to establish a network of mobile operators in the liberated territories. Azercell Telecom LLC, in turn, has installed the first mobile infrastructure and fourth-generation LTE radio base stations in the liberated territories. Following Azercell Telecom LLC, “Nar” and “Bakcell” operators completed the interior design work in these areas and implemented an action plan.

Orman Aliyev, B2B SME Specialist from “Nar” company, gave detailed information about the company's activities and the problems they face in these areas. “Nar” and “Bakcell” (because they operate under the same holding company – Neqsol Holding) have already set up their base stations in these areas. The base stations are built mainly in the direction of strategically important areas - Zafar Road and Nakhchivan Road. The employee said that the rival company Azercell Telecom has an advantage in the construction of base stations in the direction of Kalbajar and Lachin. In addition to base stations, the company offers partner companies portable set devices. Partner companies include Turkish companies - Kolin Construction, Kalyon Construction, Cengiz Construction.

One of the problems the company faces during its operation is the application of restrictions by the state. The government imposes restrictions on the Internet and calls during certain hours. The reason for this is to prevent the transmission of data from certain strategically important objects via radio waves. Another problem is the mixing of networks with neighboring countries - Iran and Armenia.

Employee Orman Aliyev said that the company's next plan is to open its first branch in these areas. The most suitable place to open a branch is Shusha. The reason is that Shusha is ahead of other areas in terms of infrastructure. Finally, the company's long-term and short-term goals in the liberated areas were answered by the employee. The short-term goal is to increase the level of service provided to partner companies, and the long-term goal is to increase the level of activity of the existing 4G network in these areas.

One of the other companies I met was “Ateshgah” Insurance Company. The company is engaged in casco insurance of equipment and machinery of partner companies operating in the area. Partner companies include Colin Inshaat and Azvirt LLC. It should be noted that Azvirt LLC is engaged in the construction of runways, aprons and routes at Fuzuli, Zangilan and Lachin International Airports in these areas.

“Ateshgah Life” Insurance Company is also involved in insuring the employees working in these areas against possible accidents. An employee of “Ateshgah Insurance” Company stressed the risks of operating in these areas. This includes financial risks. At present, due to the incomplete road infrastructure in these areas, the equipment of the partner companies quickly breaks down and becomes unusable. This in itself is a direct cost to the insurance company. The company's complaints from customers are related to gaps in the legislation. According to the insurance legislation, if an employee is injured or loses his life during a war, conflict, mine explosion, the insurance does not cover the costs. At the end of conversation an employee of the company said that they will open a branch in Shusha in the near future.

Based on all the information collected, let's conduct a SWOT analysis of the liberated territories.

Table 10: SWOT analysis of agricultural production and processing areas based on the survey results

<i>Strength sides</i>	<i>Weak sides</i>
<ul style="list-style-type: none"> • rich economic resource potential of the liberated territories • location in a convenient location for the international market • state support • the area where the transit roads pass • activity of foreign investors in these areas • development of processing areas based on modern technologies • application of innovative technologies 	<ul style="list-style-type: none"> • most of the area is covered with mines • misuse of resources by hostile neighbors • lack of infrastructure • lack of legislative framework • the presence of state interference and bureaucratic obstacles • failure to organize activities in these areas on a tender basis • incomplete organization of work in accordance with international standards • lack of specialized workforce

<ul style="list-style-type: none"> • establishment of new agribusiness enterprises. (“smart village”) • establishment of industrial parks (tax exemptions and other benefits) 	<ul style="list-style-type: none"> • deficiencies in the communication system
<i>Opportunities</i>	<i>Threats</i>
<ul style="list-style-type: none"> • increasing the level of using the potential of SMEs in the development of the non-oil sector • import substitution production • export of manufactured products to foreign markets • benefit from foreign experience • to benefit from public-private partnership • application of innovative technologies in production • application of the principle of sustainable development to business entities 	<ul style="list-style-type: none"> • conflict of interest of other countries • probability of clashes with Armenia • dumping policy of other countries

Source: Compiled by the author, 2022

III CHAPTER. THE IMPACT OF THE ENTREPRENEURSHIP DEVELOPMENT OF THE LIBERATED REGIONS ON THE NATIONAL ECONOMY

3.1. Perspective areas of entrepreneurship development and regulation mechanisms in Karabakh and East Zangazur economic regions

The State Program “Development of the Regions of the Republic of Azerbaijan for 2019-2023” identifies areas and executive structures to be developed in different areas for the development of the Upper Karabakh and Kalbajar-Lachin economic regions. At present, the development of the non-oil sector, one of the priority areas in our country, has great potential in these areas. The development of non-oil sectors industry, production and processing of agricultural products has been identified as a strategic goal for 2019-2023 (Azərbaycan Respublikası regionlarının sosial-iqtisadi inkişafı” Dövlət Proqramı, 2019-2023).

As I mentioned in Chapter 2, there are a number of areas that provide a comparative advantage of these areas. These areas included:

- agriculture (grain, livestock, equestrian and other fields)
- industry (construction materials, meat and dairy products, leather industry)
- services (tourism, music)

One of the most important areas for future development in the liberated territories is agriculture. There will be an increase in key macroeconomic indicators in these areas with the correct assessment and development of agricultural production and agro-processing potential. For this reason, the restoration and development of agriculture in our liberated lands is one of the main tasks.

If we look at the share of imports in the stocks of basic food products, we can see that the share of our country's dependence on other countries is large.

Table 11: Share of imports in main food stocks, %

	2016	2017	2018	2019	2020
resources and utilization of grain (excluding paddy) and leguminous	28.02	24.9	20.9	27.0	24.8
including wheat	37,4	31,3	27,7	36,0	33.7
potato	11,7	10,1	9,5	11,3	10.3
all sorts of vegetables	4,0	2,8	2,1	2,0	2.7
fruits and berries	7,4	9,3	9,0	11,5	11.3
all types of meat and meat products	12,0	15,3	16,9	17,2	15.0
milk and dairy products	12,4	14,5	13,7	15,3	17.2
fishes and fish products	17,8	18,7	16,8	17,7	18.3
vegetable oils	60,4	57,9	60,2	61,4	60.9

Source: According to the State Statistics Committee compiled by the author, 2021 <https://www.stat.gov.az/source/trade/>

As can be seen from the data in Table 11, the share of imports in the composition of whole grains and legumes (including wheat stocks), as well as vegetable oils is very high. One of the main perspective areas in the agricultural sector is grain production and wheat production. At present, Azerbaijan's wheat demand is about 3.1 million tons, the annual volume of wheat produced in our country is about 1.9 million tons, and imports are about 1.3 million tons (<https://marja.az/75875/butun-cehdlere-baxmayaraq-azerbaycan-bugdaya-olan-telebati-yerli-istehsal-hesabina-temin-ede-bilmir>). About 40-45% of the demand is met by imports. The main countries where wheat is imported are Russia, Kazakhstan, and Ukraine. As a result of any problems in these countries, there is a direct impact on the supply of wheat in our country.

One of such problems was Kazakhstan's ban on wheat exports in the context of the 2008 global food crisis, which created difficulties in importing wheat into our country. Recent conflicts between Russia and Ukraine have had a negative impact on our need for wheat imports. Russia's ban on the import of cereals and wheat has resulted in rising market prices for these products.

Approached in the context of all this, it is clear that the development of grain growing in the liberated territories can have a direct impact on reducing the country's dependence on imports. As mentioned in Chapter 2, there are sufficient grounds for the development of grain growing in the Fizuli, Jabrayil, and Agdam regions. If we look at the sowing structure of crop products in 1988 in the Agdam region, it is observed that grain (49.5%) and cotton fields (48.9%) cover wider areas. In the 1980s, the relevant share of grain production in these 3 regions was 31.9 thousand tons in Fizuli, 30.1 thousand tons in Agdam, and 20.1 thousand tons in Jabrayil. Looking at the forecast for the production of crop products in the future, the indicators for these regions are expected to be as follows: Fuzuli 158.9, Agdam 101.9, Jabrayil 33.4 thousand tons (<https://agroeconomics.az/az/article/34/isgaldan-azad-olunan-erazilerimizde-kend-teserrufa/>)

Agdam also has vineyards, pomegranates, and palm orchards. In the pre-occupation period (1980-1988), grape production in the Agdam region accounted for about 7.2% of production in Azerbaijan. Based on these indicators, it can be said that in 2025 the share of Agdam region in grape production in the country will be 1.8% (<http://anl.az/down/meqale/azerbaycan/2021/mart/736920.htm>).

At present, within the framework of the government's policy to stimulate the development of the agricultural sector in these lands and the support measures provided, it is expected that 10%-12% of wheat production in the country will come from the Karabakh and East Zangazur economic regions.

Along with the restoration of crop production, giving more priority to the development of livestock in the region is considered more favorable in terms of natural-climatic and relief features. According to the State Statistics Committee, there was

321,000 head of cattle and 1.1 million head of small cattle in the region in the 1980s. As I mentioned in Chapter 2, the potential for livestock in this region is greater in Lachin, Kalbajar, Jabrayil, and Fuzuli districts. The production of basic livestock products in the 1980s was 3 thousand tons in Lachin region, 2 in Kalbajar, 2.8 thousand tons in Fizuli and 2.3 thousand tons in Jabrayil (<https://agroeconomics.az/az/article/34/iscaldan-azad-olunan-erazilerimizde-kend-teserrufa/>).

With the development of this sector, the region is expected to produce about 45,000 tons of meat and 240,000 tons of milk.

The “smart village” project implemented in Agali village of Zangilan region will enable the development of small businesses in these areas, as well as employment of the local rural population. The farms created on the basis of the project with innovative technologies will produce fruits, vegetables, meat and dairy products. The implementation of this project will turn the Karabakh region into a technological innovation startup, lay the groundwork for attracting technological investment and creating technoparks here. “The project "Smart Village" includes not only the development of agriculture, but also the construction of ecological houses, construction of hydropower plants, installation of solar panels, the introduction of intelligent management systems. It is expected that there will be state benefits and assistance for businesses operating in the smart village.

In order to properly assess the agricultural potential in the liberated areas, it is necessary to work in a number of areas. In this direction :

- land and water planning, rehabilitation and land reform should be carried out;
- agribusiness should be developed;
- establishment of livestock farms;
- establish a supply base for agro-technical services, seeds, fertilizers and pesticides;

- training of agricultural specialists and organization of information and consulting services should be organized;
- agro-processing enterprises should be established;
- establish a logistics infrastructure for the supply and trade of products;
- a specific state support mechanism should be established

Unified cadastral registration of real estate in the liberated territories (including settlements), accurate land registration (quantitative and qualitative, by category and ugodia) and land cadastre should be created, a digital topographic map of the region should be prepared. This will provide accurate information on the size of potential arable land, pastures and hayfields, which will serve as a necessary information base for effective planning and accurate forecasting of agricultural production in the region, as well as for land reform. It is also necessary to accurately assess the potential for the establishment of irrigation systems in these areas, and irrigation opportunities in general. After the assessment of land and water resources and the establishment of an accounting system, the main task is undoubtedly to carry out land reform in the liberated territories.

Through the tourism potential of the liberated territories, we can have an influx of foreign tourists by developing the tourism and recreation sector here. Our lands liberated from occupation are rich in mineral and thermal water sources, flora and fauna, historical monuments. Even during the Soviet era, Azerbaijan had many health resorts and recreation areas.

As a result of the restoration of these areas, it will be possible to develop a number of types of tourism. It will be possible to apply different types of ecotourism in these areas, which is one of the goals of the Strategic Road Map for the development of tourism. Using its high potential, the Karabakh region can carry out the following ecotourism activities:

- mountain tourism

- agrotourism
- thermal activities
- botanical tourism
- cave tourism
- trekking

At the same time, cycling tours, equestrian, religious tourism, acquaintance of tourists with cultural and historical places and teaching visitors about the unique culture of the Karabakh region can help the region compete with other destinations and diversify tourism products as a tourist destination.

A number of measures can be proposed to increase the potential of tourism businesses in the liberated territories and strengthen the activities of tourism enterprises:

- an objective and fundamental analysis of the region's tourism potential should be conducted, and the tourism potential should be assessed transparently;
- in order to intensify the development of tourism business, specific tourism projects in the region should be developed, examined, business plans should be substantiated and presented to tourism firms and companies with experience in this field, potential investors;
- a package of incentives, including tax incentive mechanisms and tools, should be developed for at least the first 5-10 years to revitalize tourism in the region, and mechanisms for state support for private tourism enterprises should be strengthened

The rich resource potential of the liberated territories will stimulate the development of the construction materials industry in these areas. There are a number of companies already formed in the domestic market in this area, and as a result of their rich experience, it will be possible to export the remaining products to foreign markets

by meeting the needs of the domestic market. Also, the availability of local labor resources in this area will not create a need to attract foreign labor.

If we look at the industrial indicators of the Karabakh economic region, we can see that there has been growth over the past years.

Table 12: Comparative industrial indicators of Karabakh economic region by years

	2015	2020
Number of operating enterprises	63	76
Number of individual entrepreneurs registered to engage in industrial activities, people	581	817
Non-state in the value of industrial products sector specific weight, in %	19.0	46.6
Loaded goods, thousand manats	44256.9	117180.7
Balance of finished product stocks at the end of the year, , thousand manats	4231.4	6059.0

Source: <https://www.stat.gov.az/source/industry/>, 2021

Over the past 5 years, the number of operating enterprises has increased from 63 to 76, and the number of individual entrepreneurs registered to engage in industrial activities has increased from 581 to 817. The share of the private sector in the value of industrial products has increased 3 times over the past years by 46.6%, the weight of loaded goods has more than doubled to 117180.7. After the reconstruction, these figures are expected to be 2-3 times higher.

Cooperation of government agencies with private entities is one of the most effective ways to encourage the activities of the above-mentioned business entities in the post-conflict regions. Entrepreneurs are expected to participate in the development of these areas in two ways:

- entrepreneurs to open new enterprises on their own initiative and capital;
- by participating in tenders.

(<https://karabakh.center/storage/libraries/XzQ7nXyblCukEcktVAwUVcP2PQYBf2nRIEJgpYYz.pdf>)

The first option will be in areas where these areas have higher business returns than others. Following the implementation of the above instructions, the activities of business entities in this region will be significantly simplified.

3.2. Analysis of the experience of post-conflict foreign countries and ways of its application

In order to develop the liberated territories, it is necessary to consider the experience of foreign countries and evaluate the plans and mechanisms adopted by them. In foreign practice, Japan can be considered a war-torn and rapidly developing country.

The elimination and development of the aftermath of World War II lasted for 20 years after the war, from the mid-1950s to the 1970s. During this period, Japan's GDP has already grown by 10%. The factors that led to the development of Japan have been studied by a number of scientists and a number of factors have been put forward. Considering these factors, we can determine whether they can be applied in the liberated territories.

In order to reduce the rising inflation rate in post-war Japan, Joseph Dodge developed a plan of his own. This plan reflects 9 directions. These include:

- balancing the budget;
- improving tax collection;
- limiting credit extensions;
- stabilizing wages, controlling prices;
- controlling foreign trade and foreign exchange;
- allocating resources to support exports;
- increasing domestic raw material production, and strengthening food security.

As a result of the above-mentioned measures, the inflation rate stagnated for some time, but then the plan led to rising unemployment. The main reason for the high level

of development of Japan was the adopted Economic Plans. These plans are divided into 6 parts according to the periods covered.

The first plan was a Five-Year Economic Development Support Plan covering 1956-60. The main goals of this plan were to support the economy and maximize the share of employment. The adopted plan provides forecasts for macroeconomic indicators. The forecasts are expected to increase GDP by 5.0% and industrial development by 7.4%. As a real result, GDP grew by 8.7% and industrial development by 15.6%. This plan identifies areas for action for public development and the development of public-private partnership. These areas include the development of industry, improvement of foreign trade, protection and promotion of state lands, development of science and technology, development of small and medium businesses, ensuring social security, stabilization of the financial situation, price normalization. Two years after the implementation of this plan, a new plan, the Long-Term Economic Plan (1958-1962), was adopted.

The goal of the newly adopted plan was to maximize development, improve national life and maximize employment. According to the forecasts made in this plan, GDP growth is expected to be 6.5% and industrial development 8.2%. As a real result, GDP grew by 9.9% and industrial development by 13.5%. The new economic plan envisages a number of political and economic regulations (fiscal, monetary, exchange rate policy, subsidies and grants, investment, minimum wage).

The main directions in the next adopted plans were the development of industry, the innovative transformation of traditional industrial farms ([http://www.mcivriz.com/uploads/yuklemeler/Kalkinma_Tartismalarinda Japon Modelinin Y%C3%BCkselisi_v-e_D%C3%BCs%C3%BCs%C3%BC.pdf](http://www.mcivriz.com/uploads/yuklemeler/Kalkinma_Tartismalarinda_Japon_Modelinin_Y%C3%BCkselisi_v-e_D%C3%BCs%C3%BCs%C3%BC.pdf)) . In other words, in these plans, the state attached importance to the development of production technologies of enterprises and education in these areas. The first of these plans was the Income Doubling Plan (1961-1970). The goals set in this plan did not differ from the goals in the previous plan. According to the forecasts made in this plan, GDP growth is expected to be 7.2%

and industrial development at 10.5%. As a real result, GDP grew by 10.7% and industrial development by 13.8%. As a result of this plan, the working population moved from low-productivity areas to high-productivity areas, from rural areas to cities.

The next plan is the Medium-Term Economic Plan (1964-1968). The main purpose of this plan was to eliminate the existing violations. According to the plan, social development must be faster than economic development to achieve the overall balance of development. As a result of the implementation of this plan, GDP grew by 10.6% and industrial development by 13.6%.

As a result of the Tokyo Olympics, the country experienced its first post-war stagnation in 1965. However, this stagnation lasted for a year and a new plan was adopted. The Economic and Social Development Plan covering 1967-1971 was adopted. The goal of this plan was the balanced development of the economy and society. As a result of the implementation of this plan, GDP grew by 10.9% and industrial development by 13.2%. Following this plan (1970-1975) a new Economic and Social Development Plan was adopted. The plan aims to "build Japan with balanced economic development." While positive results were expected from the implementation of this plan, the plan did not yield the expected results after the events in the world. With this decision, the United States decided to end the exchange of dollars and gold. Another shocking event for the world economy was the first oil crisis caused by the Fourth Middle East War. The event resulted in world price increases and declining oil supplies. Thus, Japan's post-war period of high development ended in the mid-1970s.

Based on these plans implemented by Japan, decisions can be made in the areas proposed in the Dodge Plan in the liberated territories:

- allocating a budget for the development of these areas and various branches of entrepreneurship;
- determination of tax legislation for the activities of business entities;
- development of the domestic market at the expense of resources in these areas;

- control mechanism for exporting products to foreign markets.

Also, as a plan adopted in Japan, several development plans covering certain periods should be prepared for these areas, and the goals of each period and the work to be done, and the results to be achieved from the work to be done should be predicted. These plans include activities outlined in the Five-Year Economic Development Plan. (development of small and medium business, application of science and technology, improvement of foreign trade).

The experience of foreign countries can be used for the development of agriculture in post-conflict areas. As a result of the war, land destruction, landmines, deforestation, and livestock destruction are contributing to long-term food security. To eliminate the mentioned consequences of the war, it is necessary to rehabilitate the destroyed areas, clear the areas of mines, provide the necessary infrastructure for the development of these areas, and build roads and irrigation systems.

After World War II, in 1947, the US Congress adopted the Marshall Plan for the restoration of war-torn lands. Under this plan, the United States has provided 13\$ billion in assistance to European countries (<https://agroecomonomics.az/az/article/34/isgaldan-azad-olunan-erazilerimizde-kend-teserrufa/>).

With the exception of France, inflation has fallen in most European countries, and Europe's domestic and foreign trade has increased. The plan touched upon the development of agriculture in West Germany. Directions have been identified for the restoration and improvement of agriculture in Germany. These include:

- crop production (increasing the productivity of grain, fodder crops);
- improving the quality of dairy products and other perishable products;
- improving the quality of animal feed and increasing the efficiency of their feeding;
- carrying out mechanization of equipment to achieve high productivity on farms.

As a result of the above-mentioned measures, a relative increase was observed in agriculture, though not as much as in other areas. The main reason for this increase was the introduction of intestinal production methods in agriculture instead of traditional production methods. Thus, in the early 1950s, one-third of West Germany's land was arable land, and a quarter was pasture and meadow.

Vietnam is one of the countries where we can benefit from the experience of post-war agricultural development. The war of 1945-1975 resulted in the destruction of the economy, society and ecology. As a result of the war, about millions of arable lands were bombed and destroyed. According to the Communist Party of Vietnam, 560,000 hectares of arable land were not cultivated until 1975, and about 2 million cattle were killed.

The International Agrarian Research Advisory Group has summarized measures for agricultural development in conflict-affected countries as follows:

- establishment of research and practice centers;
- restoration of production and supply systems;
- conservation and improvement of biodiversity;
- restoration of human potential in agriculture;
- increase resilience to future adverse events;
- ensuring the effective operation of aid organizations.

3.3. The impact of the development of entrepreneurship in the liberated territories on the country's economy and employment

Along with the restoration and construction work in the economic regions of Karabakh and East Zangazur liberated from Armenian occupation, a strategic plan is being prepared for the integration of these lands with rich economic resources into the national economy. The revival of economic activity in Karabakh and East Zangazur will be reflected in macro-economic indicators. According to the indicator in January

2022, compared to the same period, 5.8% more GDP (9257,6 mln. AZN) was produced. In economic indicators, there was less growth in the oil and gas sector (0.6%), and a positive trend was observed in the non-oil and gas sector (8.8%) (<https://www.stat.gov.az/news/index.php?id=5133>).

The integration of Karabakh will play an important role in economic growth, and as a result of this, 3% of GDP are expected to increase.

(http://www.imm.az/exp/2021/07/08/iqtisadiyyatda-yeni_m%C9%99rh%C9%99l%C9%99-qarabag-iqtisadiyyati-dovriyy%C9%99y%C9%99-qayidir/).

Table 13: Future impact of the Karabakh region on the country's economy, %

Agriculture	10.4
Mining industry	5.3
Processing industry	4.3
Transportation services	4.9
Turism	16

Source: Compiled by the author according to the calculations of the Executive Director of the Center for Economic Reforms Analysis and Communication (CERAC) Vusal Gasimli - https://azertag.az/xeber/Vusal_Qasimli_Qarabagda_iqtisadiyyatin_6_esas_istiqameti_ve_4_agirliq_merkezi_var-1803091

Funds allocated directly from the state budget and the State Oil Fund, foreign investments, one-time gratuitous donations from international organizations, low-interest bank loans, funds of insurance companies, the population's own funds, and other sources not prohibited by law may be financial support for entrepreneurship in the liberated territories. According to Professor A.Musayev and M.Zeynalova: "Different types of assistance from foreign countries, international 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; increase the value of local currency "

The allocation of 2.2 billion manats from the state budget for 2022 for the restoration of Karabakh gives grounds to say that the projects launched in our liberated

territories will be successfully continued next year. 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. It is not ruled out that the amount of funds allocated from the budget may be increased in connection with the development of territories.

According to the Order of President Ilham Aliyev dated December 10, 2021 "On some measures to accelerate economic development in the liberated territories", The Tax Service has been instructed to prepare proposals for the establishment of customs and tax exemptions for the import of raw materials for entrepreneurs engaged in production activities in these areas. It is planned to exempt the owners who will be engaged in this activity for the development of agriculture, which is a priority area in Karabakh and East Zangazur, from all taxes except land tax.

Also, as we have noted, the Karabakh region has great industrial potential, so the construction of industrial parks and technoparks has begun in these areas. For the development of the non-oil sector in the country, industrial zones are one of the most favorable mechanisms for import substitution and expansion of exports. Over the past years, production in industrial zones amounted to 5.8 billion manats, of which 1.7 million manats was exported (<https://economy.gov.az/article/oten-il-senaye-zonalarinda-istehsal-olunan-mehsullar-dunyanin-35-den-chox-olkesine-ixrac-edilib/32268>).

Economic activity in the Araz Valley Economic Zone created in liberated zone will be revived and transport and logistics opportunities will be expanded. Currently, tax and customs policies are being promoted in Industrial Technology Parks and Alat Free Economic Zone to increase the investment attractiveness of industrial zones. Undoubtedly, these concessions will also apply to industrial enterprises in liberated territories.

It is planned to apply tax benefits to foreign companies wishing to operate in these areas. The desire of local entrepreneurs to set up businesses in the liberated areas is also

enormous. Entrepreneurs operating in the liberated territories, including SMEs, will be covered by both profit and income tax exemptions.

Given that a large number of local businesses obtain an investment promotion document, it will be easier for them to be covered by the tax breaks provided for in the legislation. Because legal entities and individual entrepreneurs who have received an investment promotion document are exempt from paying several taxes and duties for 7 years: profit (income) tax for 50 % of the profits of legal entities and individual entrepreneurs, property tax for property acquired at the expense of investment funds within the relevant investment project, land tax for relevant lands owned or used, machinery, technological equipment and is exempt from VAT and customs duties on imports of devices. (AR Vergi Məcəlləsi, maddə 106.1.17.)

From January 1, 2022, a period of 3 years in the wholesale and retail sale of agricultural products, VAT is calculated from the trade surcharge, as well as agro-technical services related to the operative leasing of agricultural machinery and agricultural production are exempt from VAT.

The Entrepreneurship Development Fund has already identified priority areas for the economy and criteria to be prioritized in the evaluation of projects. Support for business projects that serve the socio-economic development of the liberated areas is also included in the priority criteria for project evaluation(<http://edf.gov.az/az/content/104>).

The development of entrepreneurial activity and the creation of entrepreneurial enterprises in the areas we have listed in the liberated territories will lead to the creation of new jobs in these areas. Numerous infrastructure projects will be implemented, and this factor will undoubtedly have a positive impact on the employment of Azerbaijani citizens. The process of implementing infrastructure in the liberated areas in various directions requires not only IDPs, but also many specialists from other segments of the Azerbaijani population. As we know, most of the current working population falls in the Absheron region, especially the city of Baku. Currently, the reason for this density is also the mass migration of the population of this region to Baku and surrounding

settlements and villages during the First Karabakh War. As a result of the land acquisition, the population is expected to move to their native lands, the density will decrease and the employment rate will increase.

I noted that the lands in the liberated areas are very suitable for the agricultural sector, and this area has great prospects. It is necessary to take into account the problems and shortcomings that existed in this segment before the occupation by the Armenians, and then to create a new agrarian system from scratch, which will rely not only on workers but also on high technology.

The liberated territories can and should be the engine of Azerbaijan's economic growth in the future. There are opportunities for this, but we need a very clear, well-thought-out state program. There are also large gold reserves, but they need to be extracted without harming the environment. We have state innovation projects - the state company AzerGold, which has agreements with foreign partners, especially Swiss companies, and many foreign investors can be attracted to these regions. Human resources, innovations, new approaches should be the basis of these projects.

Domestic tourism is a very powerful driver of economic development, and if these areas are soon cleared of the traces of war, then tourism in these areas will be effectively developed in the near future. It is expected that domestic businesses will operate in this direction and attract large human resources.

Most transport projects in the liberated areas are currently being implemented jointly with foreign (especially Turkish) companies. At the same time, major projects in the field of transport and communications are being discussed in the region today, which will undoubtedly create opportunities for the creation of new jobs.

According to the information I received from SMB, considering that the entrepreneurs who want to operate in these areas are in trade and services, industry, construction and agriculture, the share of employment will be concentrated in these areas. The enterprises established in these areas will increase the number of people working in the non-oil and gas sector.

The low number of employees in the share of micro-enterprises will also increase, the 4.9% indicator will be 6-8%. The industrial zones created here will play a significant role in the growth of the number of employees in micro-enterprises. In the new industrial park, the population will work in various positions in the field of agricultural processing, industrial, social and technical zones.

The creation of new jobs and an increase employment in the liberated areas are also required in the employment programs that will regulate this. The main target group in the employment plan will be the local population (repatriates). Once repatriates are employed, it will be possible to involve other groups in the program. Under the employment program, it is planned that the local population will first work in administrative bodies and in the work on rehabilitation of infrastructure.

CONCLUSION AND RECOMMENDATIONS

Entrepreneurship is one of the important components in the development of any country and the formation of a market economy. If we look at developed countries, we can see that in these countries, small and medium enterprises are more advanced than in developing countries, and the number of such enterprises is predominant.

At present, our country lags behind the world in terms of the share of business entities. The government has adopted a number of mechanisms to increase this figure and increase the share of small and medium enterprises in the country's economy.

After the restoration of infrastructure in the liberated territories, the development of various types of entrepreneurship in these areas will have a direct impact on the growth of macroeconomic indicators of the country's economy, the elimination of inter-regional differences.

The rich potential of the liberated territories leads to the conclusion that these territories are the basis for the development of entrepreneurship. After the restoration of infrastructure and a favorable living environment in these areas, SMEs will be able to start their business here without any problems. Based on the information we received from SMB, meetings of local and foreign companies operating in these areas and the potential of these areas, we can conclude that the businesses operating in these areas will be particularly advanced in agriculture, industry and manufacturing, trade. SMEs will have a larger share in the agricultural and service sectors than large businesses. Industrial parks to be created by SME entities in the region, innovative equipment and technology to be used, special benefits from the state will create a basis for the development of the agrarian sector in the region. We can say that the work of the established business entities in the agricultural sector will contribute to the country's economy by about 11%.

The possible effects of the development of entrepreneurship in these areas on the country's economy can be summarized as follows:

- the country's GDP will grow by about 3% in the coming years due to the liberated areas;
- production in the region will meet domestic demand and increase the share of exports, especially in the agricultural sector;
- the relocation of the local population will create new jobs and increase employment rates;
- effective provision of public-private business cooperation;
- increasing the attractiveness of foreign investment;
- increasing access to foreign markets through the construction of transit roads;
- use of foreign market experience;
- increasing the share of innovative technologies;

It is important to take the following measures to achieve the above effects and develop entrepreneurship:

- accurate assessment of the potential of the liberated territories;
- formulation of the right budget policy for the development of the liberated territories;
- formation of the necessary legal framework for the implementation of entrepreneurial activities in these areas;
- rehabilitation of life support systems and infrastructure;
- re-drafting the adopted strategic roadmap for the coming years in accordance with the liberated territories;
- return of the local population to their territories and implementation of land privatization;
- establish a financial support mechanism for businesses to build and develop their businesses;

- exemption from tax and customs duties or exemptions for the part of the population engaged in entrepreneurial activity in these areas who have returned to these areas for a certain period of time;
- provision of subsidies by the state;
- simplification of the credit mechanism of commercial and non-commercial banks for business entities operating in these areas (issuance of SIF loans) ;
- attracting foreign and domestic investment in these areas;
- taking necessary measures by SMB for entrepreneurs operating in these areas, establishment of SME friendly and SME houses;
- establishment of Asan Service Centers for operative implementation of necessary documentation and clearance work.

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APPENDIX

Inquiry form

1. What are the forms of activity of foreign investors in the liberated territories?
 - a) subcontractor
 - b) investment
 - c) other
2. What is the form of participation in the reconstruction work in these areas?
 - a) tender
 - b) state invitation
3. Risks encountered in their activities in these areas
4. Are local companies cooperating during operations in these areas?
 - a) yes
 - b) no
5. Which resources in the region are more important for SMEs?
 - a) Mineral resource
 - b) Forest, vegetation
 - c) Water resources
6. What is the significance of the creation of new industries in Karabakh for the country's economy?
 - a) Attracting foreign investors
 - b) Increasing export opportunities
 - c) Creation of new jobs
7. What are the favorable conditions for the development of entrepreneurship in the liberated territories?
 - a) Agrarian business
 - b) Tourism

- c) Industry, production
 - d) Transport, logistics
8. What are the opportunities to ensure the activities of agrarian businesses in the liberated territories?
- a) Natural climatic conditions
 - b) Abundance of water resources
 - c) Richness of natural resources
9. Why is it so important to attract foreign investors in the liberated territories?
- a) Increase in exports
 - b) Use the experience of foreign countries
 - c) The economic significance of partnerships with local investors
10. Which business entities will dominate in the liberated territories?
- a) Agrarian business
 - b) Tourism
 - c) Industry, production
 - d) Construction
 - e) Service sectors
 - f) Other

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