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DIRECTIONS OF DEVELOPMENT OF TERRITORIES FREED FROM OCCUPATION

Summary

The successful socio-economic reforms carried out in Karabakh in recent years are an important part of the strategy aimed at the rapid and balanced development of the regions. This is one of the most important issues for the reconstruction of the region, the development of its economy and the improvement of the social well-being of the people, at the same time, the formation of the Karabakh and East Zangezur economic regions as one of the main locomotives of the country's transition to a "green", innovative and inclusive economic model at the new stage of the country's socio-economic development, including the restoration and reintegration of these territories, not only the reconstruction of physical infrastructure, but also the organization of a competitive regional economic system, ensuring sustainable employment and strengthening the leading role of the private sector, the role of private investments is of strategic importance, since the new economic model is not limited to state spending, based on market mechanisms, innovation and technology-oriented development, which has been extensively analyzed in the article.

Keywords: Karabakh and Eastern Zangezur, "green", innovative and inclusive economic model, private investments, industrial parks, digital transformation.

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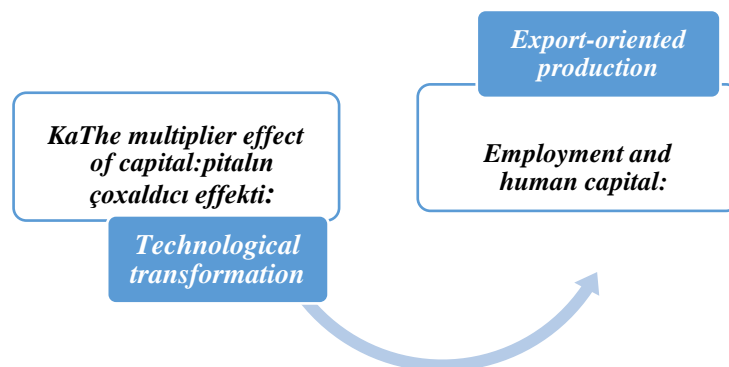
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Introduction

The main goal of economic recovery in post-conflict conditions is to ensure the long-term economic efficiency and social well-being of the region. The state's initial spending on infrastructure and social projects creates the basis for attracting private capital. For example, industrial parks in the liberated areas and smart village models such as "Ağaly" have stimulated

the interest of private sector participants. At the same time, the document "Azerbaijan 2030: Priorities of Socio-Economic Development" specifically notes that the recovery process in Karabakh and East Zangezur should be carried out in the direction of innovative economy, green energy and digital transformation. The increase in private investment in building a new economic model creates several important results:



Source: Compiled by the author based on available information.



Capital multiplier effect: along with public investments, the participation of the private sector increases financial stability and ensures long-term dynamics of economic growth;

Technological transformation: with the participation of international investors, new technologies, production culture and management innovations are brought to the region;

Employment and human capital: the private sector mainly supports the formation of small and medium-sized businesses, increases the income level of the population;

Export-oriented production: the start of activities of residents in industrial parks can turn the region into one of the export centers of the country's economy.

To facilitate the attraction of private investment, the state applies incentive tools such as tax breaks, free economic zones, “one-stop shop” mechanisms, and subsidy policies for green energy projects. The goal of these policies is to expand public-private partnerships (PPPs) and create long-term investor confidence.

Thus, private capital acts not only as a financial resource, but also as an intellectual and innovative resource base of the new economy. As a result, the process of building a new economic model in Karabakh and East Zangezur plays the role of a unique laboratory for private investment. The projects implemented in these areas – industrial parks, agricultural clusters, tourism and renewable energy zones – symbolize the transition from state-oriented reconstruction to a market-oriented development model in Azerbaijan's economic policy. Thus, the role of private investment is crucial not only in ensuring economic growth, but also in the formation of a sustainable, innovative and socially just economic structure in the post-conflict period.

The development of industry in our country is considered one of the important directions for ensuring the development of regions and bringing their economic potential closer together. Stimulation of structural changes in industry is directly related to its correct policy and the orientation of the production structure of the economy to more efficient areas.

In most countries of the world, the industrial sector of the economy has historically

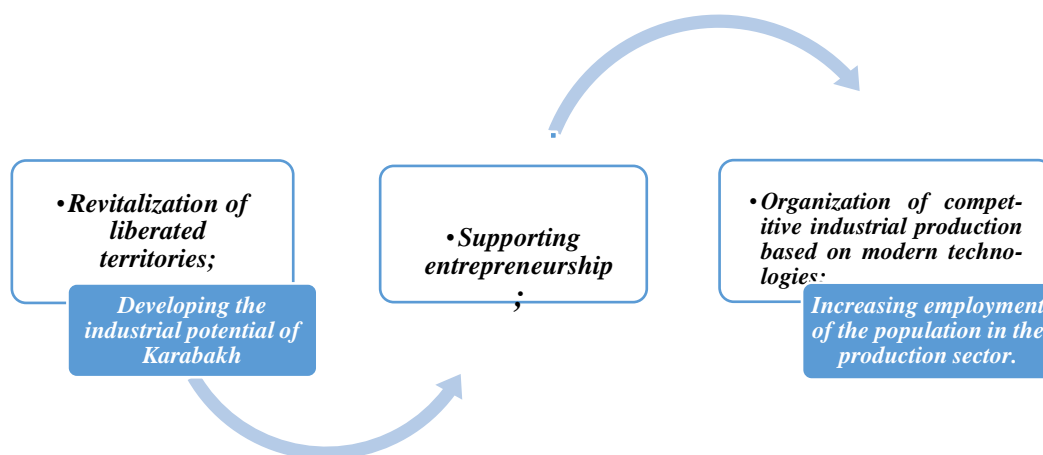
formed the basis of the sphere of material production, and the intensive development of this sector of the economy in recent decades does not reduce its importance in ensuring economic growth, employment and technological sovereignty in GDP. In modern conditions, the industrial sector retains its role as the core of the economy, other types of economic activity arise and operate around it, inter-sectoral relations are formed and strengthened, new jobs are created and modernized.

The formation of an industrial complex, especially the creation of industrial parks in the regions, plays an important role in the revival of the economy and socio-economic development of the regions. The creation of an industrial park with a modern production infrastructure is aimed at implementing state policy, which envisages ensuring the balanced development of industrial sectors and the country's economy in the country, as well as the development of production sectors and its innovation direction.

The creation of industrial parks is also particularly important in terms of the sustainable development of the country's non-oil sector, the export capacity of the country's economy, as well as the implementation of priority tasks such as increasing the production of competitive, import-substituting products, providing employment in surrounding regions, attracting investments and modern technologies. The creation of industrial parks is an important tool for the formation and development of industry in Karabakh in order to intensively restore and revive the economy.

The advantage of the industrial parks created in Karabakh is that the necessary infrastructure facilities - internal highways, water supply, natural gas supply, electricity supply, railway lines, fiber-optic cable lines - are provided by the state. Residents of industrial parks are exempted from property, land, profit tax for 10 years, as well as VAT on machinery, technological equipment and facilities imported for production purposes and customs duties for 10 years. Also, the relevant privileges apply to the supply of raw materials. These created opportunities are very attractive for both local and foreign investors.

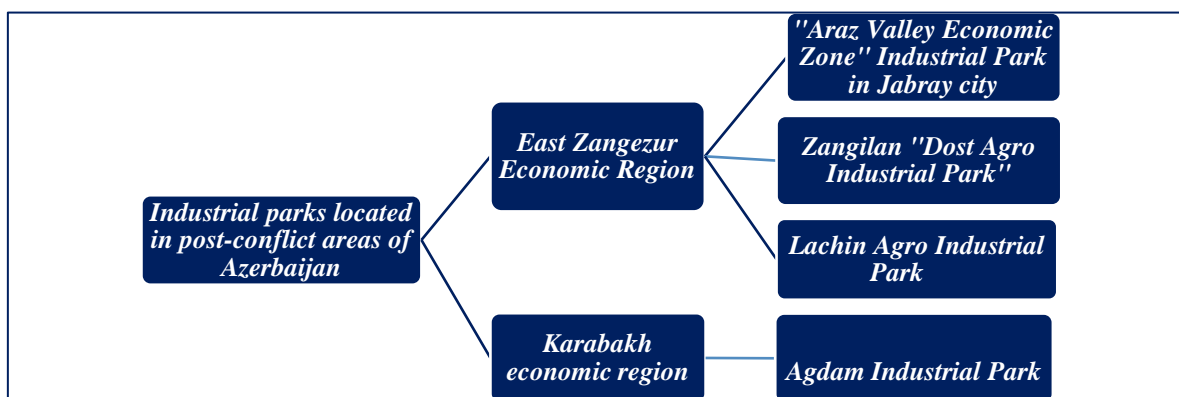
The objectives of establishing the aforementioned Industrial Parks are as follows



Source: Compiled by the author based on available information.

Work on the restoration of the liberated territories is being carried out within the framework of public-private partnership. Within the framework of the state program, work is being carried out until 2025, such as the establishment of administrative management, law enforcement

activities, and the creation of a telecommunications network. Also, it is envisaged to organize production in the mining industry and entrepreneurship in the form of self-employment to revive the economy.



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The creation of industrial parks is also particularly important in terms of the sustainable development of the country's non-oil sector, increasing the export capacity of the country's economy, as well as the production of competitive, import-substituting products, ensuring employment in surrounding regions, attracting investments and modern technologies.

In our country, the issues of ensuring employment of the population on the basis of industrial development, establishing production of high value-added products, import substitution

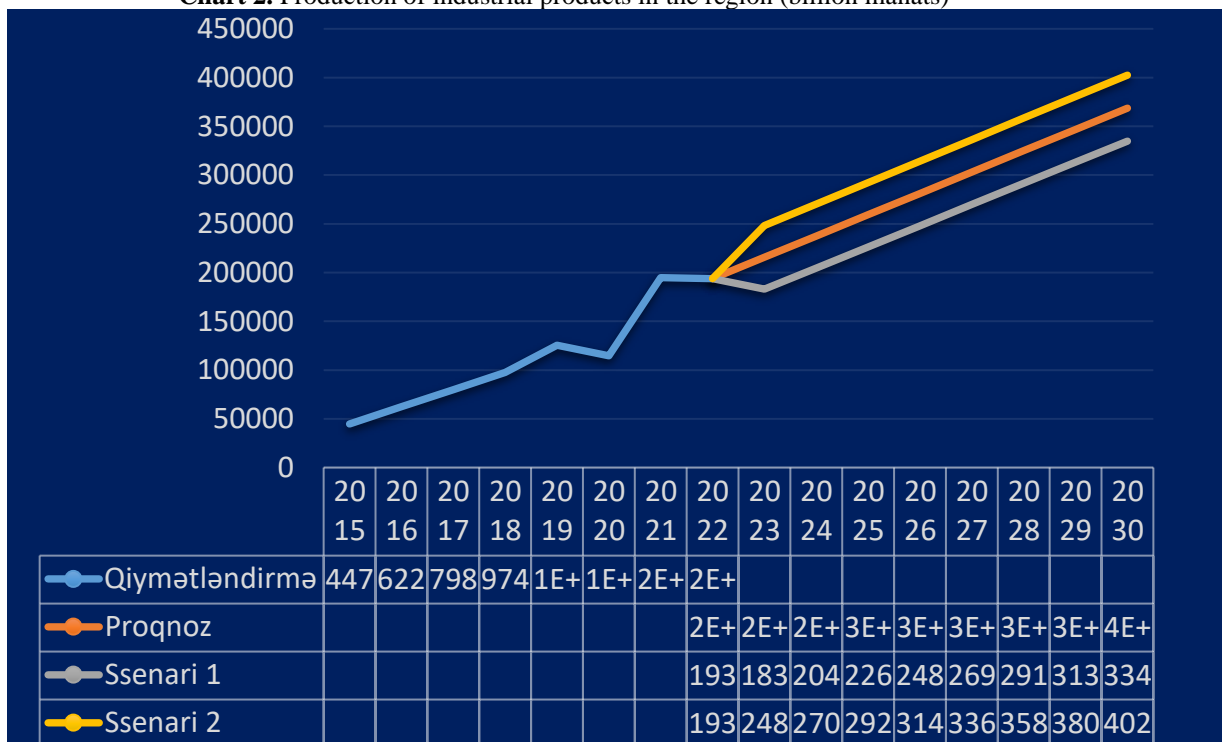
and production of export products are of particular importance. In the formation of the country's industrial policy, special attention should be paid to the development of unique areas of industry, taking into account the existing capabilities and potential of regional units. Thus, it requires the identification of factors affecting the development of regional industry and the assessment of the level of impact. Also, one of the urgent issues awaiting solution is the identification of promising directions of industrial development of the region.



Production of industrial products in the region in the region

Indicators	Forecast t function	R ²
Industrial production in the region (billion manats)	$y = 21890x + 15651$	0,9171
Investments in fixed assets (billion manats)	$y = 209551x + 184838$	0,9996
Retail sales volume in the region (billion manats)	$y = 61731x + 698769$	0,9764

Chart 2. Production of industrial products in the region (billion manats)

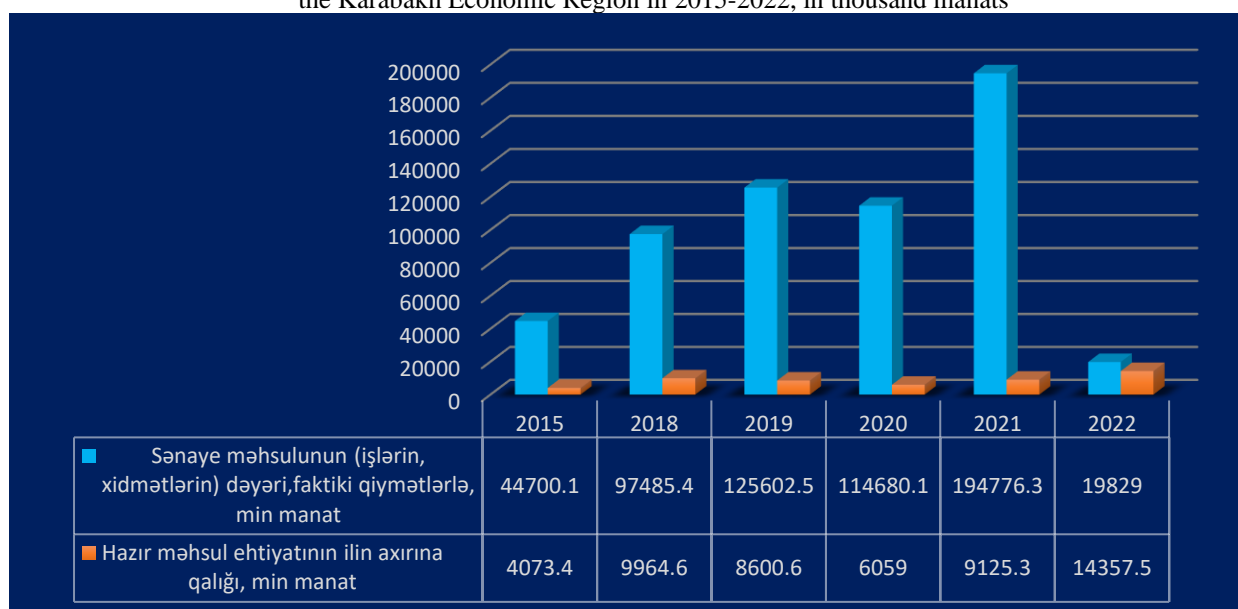


Industrial indicators in the Karabakh Economic Region in 2015-2022

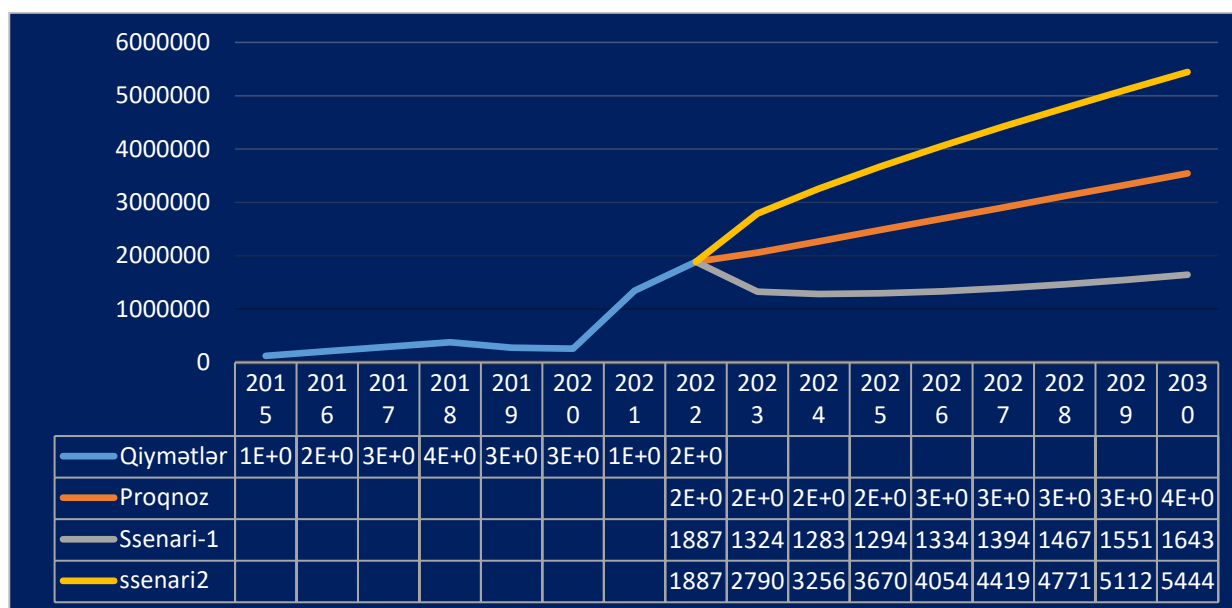
Years	Number of operating industrial enterprises, units	Value of industrial products (works, services), at actual prices, thousand manats	Industrial production index, year-on-year, in percent (at constant prices)	Share of the non governmental sector in the value of industrial output, %	Balance of finished goods in inventory at the end of the year, thousand manats

2015	63	44700.1	103.3	19	4073.4
2018	71	97485.4	107.6	36	9964.6
2019	74	125602.5	99.6	49.9	8600.6
2020	78	114680.1	102.4	46.6	6059
2021	85	194776.3	100.8	66.3	9125.3
2022	93	193829	95.9	51.7	14357.5

Diagram 1. Value of industrial products (works, services) and balance of finished goods stocks at the end of the year in the Karabakh Economic Region in 2015-2022, in thousand manats



The value of industrial products (works, services) and the balance of finished product stocks at the end of the year in the Karabakh Economic Region for 2015-2030, as well as the forecast, are given in the diagram below (in thousand manats):



Research has consistently shown that economic growth, government support, and technological development play a key role in expanding the use of alternative energy. These factors should be taken into account and continuously strengthened in long-term strategies for Azerbaijan's energy transition.

Conclusion

The main goal of economic development in the Karabakh region is to ensure sustainable socio-economic growth by effectively using the existing natural, human and financial resources in the liberated territories, while increasing the welfare of the local population and increasing the attractiveness of the region for foreign investments. The implementation of this strategy is to determine the long-term development goals, priority directions and economic policy mechanisms of Karabakh and to realistically achieve the set goals.

One of the key priorities for increasing the post-conflict investment attractiveness is to strengthen the region's infrastructure potential. The restoration and modernization of transport, energy and communication networks will facilitate the activities of foreign investors, as well as create opportunities for new entrepreneurial initiatives in the manufacturing and service sectors.

Public-private partnerships, support from international financial institutions and the activation of the national innovation system will accelerate this transition. Currency indexation and

inflation correction should be provided for long-term PPAs, and a state guarantee fund should be established to reduce investor risks. Tax incentives and green credit packages (e.g. 10-year with an interest rate of 2–3%) should be introduced for local and foreign investors.

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İŞGALDAN AZAD EDİLMİŞ ƏRAZİLƏRİN İNKİŞAF İSTİQAMƏTLƏRİ

Xülasə

Son illər Qarabağda aparılan uğurlu sosial-iqtisadi islahatlar regionların sürətli və balanslı inkişafına yönəlmiş strategiyanın mühüm hissəsidir. Bu, bölgənin yenidən qurulması, iqtisadiyyatının inkişafı və insanların sosial rifahının yaxşılaşdırılması üçün ən mühüm məsələlərdəndir, eyni zamanda ölkənin sosial-iqtisadi inkişafının yeni mərhələsində Qarabağ və Şərqi Zəngəzur iqtisadi rayonları ölkənin “yaşıl”, innovativ və inklüziv iqtisadiyyat modelinə keçidinin əsas lokomotivlərindən biri kimi formalaşması, o cümlədən bu ərazilərin bərpası və reintegrasiyası təkcə fiziki infrastrukturun yenidən qurulması deyil, həm də rəqabətədavamlı regional iqtisadi sistemin təşkili, dayanıqlı məşğulluğun təmin edilməsi və özəl sektorun aparıcı rolunun gücləndirilməsi, özəl investisiyaların rolu strateji əhəmiyyət kəsb edir, çünki yeni iqtisadiyyat modeli dövlət xərcləri ilə məhdudlaşmayan, bazar mexanizmlərinə əsaslanan, innovasiya və texnologiya yönümlü inkişaf məqalədə geniş təhlil edilmişdir.

Açar sözlər: Qarabağ və Şərqi Zəngəzur, “yaşıl”, innovativ və inklüziv iqtisadiyyat modeli, özəl investisiyalar, sənaye parkları, rəqəmsal transformasiya.

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**НАПРАВЛЕНИЯ РАЗВИТИЯ ТЕРРИТОРИЙ, ОСВОБОЖДЕННЫХ ОТ
ОККУПАЦИИ**

Резюме

Успешные социально-экономические реформы, проводимые в Карабахе в последние годы, являются важной частью стратегии, направленной на быстрое и сбалансированное развитие регионов. Это один из важнейших вопросов реконструкции региона, развития его экономики и повышения социального благосостояния населения. В то же время, формирование Карабахского и Восточно-Зангезурского экономических районов как одного из основных локомотивов перехода страны к «зелёной», инновационной и инклюзивной экономической модели на новом этапе социально-экономического развития страны, включая восстановление и реинтеграцию этих территорий, не только реконструкцию физической инфраструктуры, но и организацию конкурентоспособной региональной экономической системы, обеспечение устойчивой занятости и укрепление ведущей роли частного сектора. Роль частных инвестиций имеет стратегическое значение, поскольку новая экономическая модель не ограничивается государственными расходами, а основана на рыночных механизмах, инновациях и технологически ориентированном развитии, что подробно проанализировано в статье.



Ключевые слова: Карабах и Восточный Зангезур, «зеленая», инновационная и инклюзивная экономическая модель, частные инвестиции, индустриальные парки, цифровая трансформация.

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