



**ADA University**

**SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS  
MASTER OF PUBLIC ADMINISTRATION**

**CAPSTONE PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE  
DEGREE OF MASTER OF PUBLIC ADMINISTRATION**

**Supporting entrepreneurial and income-generating activities of the returned  
IDPs in the Karabakh and East Zangezur regions**

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May 3, 2023

## STATEMENT OF AUTHENTICITY

I have read ADA's policy on plagiarism and certify that, to the best of my knowledge, the content of this paper, entitled *Challenges of Developing Wind Energy in Azerbaijan*, is all my own work and does not contain any unacknowledged work.

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## **ABSTARCT**

This study focuses on how individuals who have been internally displaced (IDPs) will return to their homelands which are areas affected by violence (Karabakh and East Zangezur regions). The study examines how this projected return will affect people as individuals, as groups, and as a whole from a socio-political standpoint. The setting is established in the beginning by emphasizing the importance of IDPs' returns in post-conflict situations. It underlines the need of comprehending the dynamics and difficulties of the return procedure itself. The study indicates that a variety of factors, such as security, infrastructure, livelihood possibilities such as employment , credits, financial supports, and social cohesiveness, frequently impact the decision to return. The study's conclusions shed insight on the intricate interplay of elements that affect a person's decision to go back. For IDPs considering a return, security issues, access to essential services, housing and legal procedures, economic opportunities, and social networks emerge as important factors. The report also emphasizes the necessity for comprehensive support systems to accommodate the unique needs of returning IDPs as well as the need of collaborative and community-based approaches in program formulation and implementation. After a conflict has ended, safety, peacebuilding, and long-term growth can all benefit from IDPs returning home and settling back in. However, obstacles including land disputes, asset restitution, social conflicts, and political dynamics need to be properly addressed to guarantee a peaceful and equitable return. This policy paper concludes with suggested policies meant to support the expected return of IDPs, and evaluation of those policies. The report underlines the necessity for a comprehensive and all-encompassing strategy that considers the many needs and goals of returning IDPs.

**Key words:** IDPs, Safety, Economic conditions, Legal framework, Financial services

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## **List of Abbreviations**

IDP – Internally Displaced People

GDP - Gross Domestic Product

PTSD - Symptoms of Post-traumatic Stress Disorder

NGO - Non-governmental Organization

UNHCR - The United Nations High Commissioner for Refugees

FCS - Fragile and Conflict-Affected Situations

FCV - Fragility, Conflict & Violence

# **Chapter 1. Introduction**

## **1.1. Background Information**

The end of the Nagorno-Karabakh war, which has plagued Azerbaijan for almost 30 years, is an important turning point in the country's tragic history. After years of occupation, Azerbaijan's land has been fully recovered, making the country a more potent and significant player on the international scene. Recently, President Ilham Aliyev spoke out against the Armenian identity and claims, highlighting the crimes committed by Armenia while occupying 20% of Azerbaijani territory for 30 years (Kauser et al., 2023). Azerbaijan's standing as a nation has been bolstered by Aliyev's leadership, which has been marked by independent thought and bold action.

Those who were directly touched by the violence, especially the Internally Displaced People (IDPs) who were forced to abandon their homes, have been left with severe wounds despite the promise and opportunity that the conclusion of the fighting has provided. Azerbaijan has promised to help them get their lives back to normal, and they've started a program called State Committee on the Affairs of Refugees and IDPs to do that (UNHCR Reintegration and Local Settlement Division, 2005). The plan lays out concrete methods of aid, such as repairing unoccupied territory near the ceasefire line, constructing new homes for 5,000 families, enhancing IDP camp facilities, assisting refugees in finding gainful employment, ensuring their health and education, and developing a new repatriation strategy.

While many internally displaced individuals who have received the government's enormous help to ameliorate their living circumstances have reported being content with such

conditions, limited housing and infrastructure remain their top worries (UNHCR, 2013). So, the purpose of this thesis is to investigate the feasibility of facilitating entrepreneurial and income-generating activities among the internally displaced people who have returned to the freed territories (or in Karabakh and East Zangezur). It is believed that the internally displaced people who have returned would be able to become economically independent and raise their level of life via the availability of entrepreneurial and income-generation possibilities. This thesis will look at how the recently returned IDPs are doing now, as well as the challenges and possibilities that exist for encouraging business development in the area. There will also be an examination of current policies and programs that try to encourage business development and the pursuit of other means of producing money, as well as suggestions for how these might be enhanced to better meet the needs of IDPs who have returned home. In the end, the thesis hopes to aid in the process of helping displaced people who have returned to their homes and in fostering economic growth in the regions that have been freed.

## **1.2. Aim of the Study**

In order to help displaced people in Azerbaijan who will return to liberated areas rebuild their lives and contribute to the local economy, the primary goal of this research is to examine the viability of supporting their entrepreneurial and income-generating activities. In particular, this research aim to:

- Determine what forms of self-employment and income generation are viable and sustainable for displaced people in liberated regions

- Investigate the challenges faced by individuals who have been displaced and are planning to return to their homeland as part of the Great Return initiative, in terms of establishing and sustaining businesses.
- Analyze the current policies and programs that help displaced people start businesses and earn a living after returning home.
- Provide suggestions for new policies that would help the displaced people who have returned to their homes start businesses and earn money.

### **1.3. Scope of the Study**

This study focuses on internally displaced people who will return to their homes in liberated districts as a part of the Great Return program. The purpose of this study is to investigate the potential for supporting entrepreneurial and revenue activities among returned internally displaced persons (IDPs). Specific topics that will be covered include the types of businesses and businesses that are feasible and financially viable, the challenges and barriers faced by IDPs in starting and maintaining their businesses, and the policy proposals and initiatives that promote entrepreneurship and revenue activities among returned IDPs. The study will also include policy recommendations that can effectively promote and encourage entrepreneurial and revenue activities among returned IDPs. These recommendations will be included in the report.

## **1.4. Problem statement**

Many internally displaced people in Azerbaijan will return (and have returned) to their homes and must now begin the difficult process of rebuilding their lives. One of the major issues that returned IDPs will encounter is a lack of chances for business and income-generating activities. The inability of IDPs to create and sustain enterprises has been hampered by a lack of infrastructure, limited access to capital, and insufficient support mechanisms (Mukhtarov, 2021; Muga, 2021).

This issue has had a substantial impact on the socioeconomic conditions of IDPs, resulting in poverty and unemployment in liberated areas (Mukhtarov,2021). As a result, there is a need to investigate and analyze the obstacles and prospects for business and strategies to generate of returned IDPs in Azerbaijan's freed areas. This study intends to fill this gap in the literature by providing insights into policy solutions that can promote and strengthen the entrepreneurial activity of IDPs while also improving their socioeconomic conditions.

To sum up, this study aims to contribute to the literature on the importance of business and income-generating activities in post-conflict communities, with a specific focus on returned IDPs in Azerbaijan's liberated areas. Policymakers, non-governmental organizations (NGOs), and other stakeholders are anticipated to gain a better knowledge of the difficulties and potential for entrepreneurship and revenue enterprises in post-conflict situations as a result of this research and to establish effective policies and programs to assist IDPs in reconstructing their lives.

## **Methodology**

This paper is designed to assess the obstacles and obstructions for displaced people from the Karabakh region in Azerbaijan regarding business undertakings and revenue-generating activities. Therefore, a mixed methodological study was conducted with both groundwork and secondary sources being observed. Semi-structured interviews constituted the primary data collection, while informative articles and existing sources attached to entrepreneurial activities in liberated areas formed the secondary material.

Qualitative research implied an intensive recognition of possible setbacks or prospects, while interviewing spokespersons and entrepreneurs based in the district. Utilizing qualitative research meant that exhaustive and thorough information was garnered and then decoded thematically.

The study utilized purposive sampling technique (alike characteristics) to select respondents who had knowledge and experience in the resettlement of populations and entrepreneurial activities in the Karabakh region. The sampling technique ensured that the selected respondents had the requisite knowledge and expertise to provide relevant and reliable information for the study. Three experts were interviewed on the respective topic. The first interviewee was a staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan, the second respondent was a representative of “Gillmed” LLC in the Karabakh region and the third respondent was Eldaniz Amirov, the head of SMB’s friend department.

The primary data for the study was collected through semi-structured interviews. The interviews were conducted with the three selected respondents through Zoom calling. Prior to the interviews, the interview questions were prepared in advance and presented to the respondents.

The interviews were recorded, transcribed and analyzed thematically. The secondary data for the study was gathered from scholarly articles and existing sources related to entrepreneurial and income-generating activities in the liberated areas. Additional sources of secondary data included available statistics and reports from relevant government and intergovernmental organizations such as the Azerbaijan Republic Refugees and IDPs State Committee on Affairs and the Small and Medium Business Development Agency. Additionally, a survey was conducted among the resettled people in the liberated areas, focusing on their demographics, employment status, and their awareness of state support mechanisms for securing employment (consisted 25 responses). The survey included questions such as their age, education level, previous employment status, and whether they are currently employed or have applied for a job. The survey also inquired about the conditions needed for their businesses, whether they have applied for financing from banks, and if so, the reasons for negative responses to their requests. Finally, the survey questioned their awareness of state support mechanisms related to securing employment. The results of the survey will be presented in the appendix chapter.

Adhering to ethical considerations in data collection and analysis, the study ensured that respondents were informed of its purpose, granted anonymity and confidentiality through abstaining from revealing their identities in the final report, and not subjected to any potential harm.

In conclusion, the policy paper's methodology section provided an outline of the research design and methodology, sampling technique, sample size pieces of info, data collecting methods, and analysis approaches. Through a mixed-methods approach, primary and secondary data was gathered as well as analyzed, thereby furnishing an encompassing comprehension of both

challenges and openings facing the Karabakh region's resettled population in Azerbaijan. The results' outputs, too, played an important role.

The policy document is split into 5 chapters, each focusing on analyzes of various facets of policy challenges. The first chapter is considered as an introduction, suggesting a theoretical and conceptual insight into the issue, clarifying it, providing a broad context, stating the purpose, even presenting the methodology used for data collection, and providing an outline of the entire policy document. The subsequent chapter covers detailed explanation of the problem, its causes, potential obstacles and previous policy implementations. The third chapter is dedicated to offering potential approaches for addressing the issues and suggests current policy alternatives. The fourth chapter evaluates these policy alternatives, while the final chapter consolidates key findings and recommends a course of action, including a set of policy recommendations. It concludes by choosing the most appropriate alternative for the policy problem.

## **Chapter 2. Problem Description**

As Armenia committed acts of armed aggression and ethnic genocide on Azerbaijani territory in the early 1990s, many people were compelled to leave their homes and communities. More than a million Azerbaijanis were uprooted from their native lands as a direct consequence of the war. This number includes a large number of Azerbaijani refugees and Azerbaijani people who were subsequently given Azerbaijani citizenship.

The most recent effort of aggression by Armenia was carried out the previous year, and as a result, the lives of tens of thousands of individuals in Azerbaijan were once again profoundly impacted ( Musayev, et al, 2020). Thousand of individuals, including people with disabilities who once again endured the tragedy of forced relocation, were coerced into temporarily abandoning their normal areas of residence for an undetermined amount of time. Even though the majority of these people have been able to return to their homes as a direct result of the prompt and effective response that the government provided to their recent second Karabakh war, there are still families that are not returned yet. As reported by Aliyev (2021), the nation of Azerbaijan has a history of migration, shaped by both political and economic aspects. The conflict over Nagorno-Karabakh is a primary contributor to internal displacement in Azerbaijan. As a result of this conflict, large numbers of people were forced to relocate, and many of them are still unable to return to their former homes. This unfolding has furthermore produced several social and economic issues for individuals displaced by this conflict.

### **2.1. Limited Access to Credit and Financial Services in Libreated Area**

As Azerbaijan saw significant economic development in the early 2000s, the Azerbaijani government has taken full charge of enhancing the living circumstances of internally displaced individuals and has actively encouraged the engagement of foreign organizations. Azerbaijan is

one of the remarkable nations in the world that has implemented a wise economic strategy, and as a result, it has transitioned from being a country that receives humanitarian help to one that provides that aid.

The liberation of Azerbaijani regions from Armenian domination during the Nagorno-Karabakh conflict has created opportunities for economic growth. Lack of money and credit, nevertheless, prevents the potential from being realized. Osmanli (2022) points out that the region's financial sector has been neglected, with only a handful of local banks, and that the absence of infrastructure (such as roads and other forms of public transport) has made it difficult for residents to gain access to financial services. Azerbaijan's freeing of territory from Armenian control during the Nagorno-Karabakh conflict has opened up new avenues for commercial development. However, because of inadequate funding and credit, this potential has yet to be realized. Through the Entrepreneurship Development Fund, the Azerbaijani government has established programs to assist small and medium-sized enterprises. Due to a dearth of financial institutions, however, not all of the intended recipients have yet benefited from these initiatives.

There are significant barriers to building infrastructure in these areas, including the large number of mined areas and the fact that cleaning them requires a significant amount of time and resources (Esmailzadeh et al. 2022). In addition, legal procedures such as obtaining ownership documents for properties constructed on land used for business purposes are also a significant challenge due to the lack of land reforms in these areas.

The scarcity of finance and credit access in the liberated territories can be attributed to multiple factors. Weak infrastructure, including inadequate transport systems, scanty access to water and other essential services, and inadequate communication networks, hinders the advancement of financial organizations and complicates their reach to potential customers.

Additionally, the deficiency of a mature banking sector in the locality acts as an additional contributor to the lack of finance and credit availability. As highlighted by Tükanov (2021), the small-scaled, inexperienced local banks make it difficult for entrepreneurs and businesses to obtain handy financing to expand their operations. Notably, the Nagorno-Karabakh conflict has decimated access to credit and finance in the region. The prolonged altercation has caused economic depression, destroyed necessities, and forced resettlement, all of which have inflicted damage on the expansion of fiscal companies and gaining monetary aid.

The dearth of access to financial and lending institutions has had a prominent effect on the entrepreneurial and revenue-producing capacities of the resettled population. Many businesspeople and small business owners have faced difficulty securing the necessary financing for expanding their companies or launching new enterprises, obstructing private sector development in the area, which is essential for creating job opportunities and activating commercial growth. In addition, the absence of finance and credit facilities hinders individuals and families from renovating their lives and habitats post-conflict. Reconstruction efforts require immense investment, which cannot be achieved without financial assistance, hindering the inhabitants' ability to participate in profit-making ventures such as agribusiness, tourism, or other projects that could contribute to the overall area's growth. Also, the lack of access to finance and credit has disparately affected women and other marginalized groups in the region. Hacıyeva et al. (2022) note that women face additional hurdles in acquiring financial resources due to classic gender positions and restricted admittance to education and training, further limiting their capacity to engage in business and income-generating ventures and intensifying long-lived gender imbalances in the region.

## **2.2. Poor Economic Conditions and Limited Employment Opportunities in Liberated Areas**

Karabakh was occupied by Armenians, and its isolation from the rest of Azerbaijan caused severe difficulties for its economy. For a long time, most businesses in Karabakh relied on fuel, raw materials, and commodities imported from other parts of Azerbaijan, and many of them even functioned as branches of larger businesses headquartered in Baku. This is crucial to the region's economic growth since it allows for the recycling of transport logistics maps from the Soviet era. One of the most pressing concerns for Azerbaijan now that the Patriotic War is over is how to stabilize the economy, resettle people slowly into their new homes, and give them stable jobs. When asked about the need for additional micro and small enterprises in the liberated regions, it was answered that medium and large firms are not yet efficient in certain sectors (from a personal communication with founder and manager of "Gillmed" LLC, 04 April 2023). It's difficult and often unprofitable to conduct business there. Selling produced products is difficult, especially in public procurement bids. It's plain to see that the region has been discriminated against and that its special needs have been ignored. Second, the population's internal domestic concerns reduce productivity and call for other methods of team management. Finally, because land reforms have not been enacted, it is difficult to acquire proof of ownership for commercial properties built on unused land. Also The World Bank is getting ready to start a policy conversation with the governing body of Azerbaijan to help facilitate the long-term return of displaced people to their homes in the freed territories. The World Bank Group has added Azerbaijan to its list of countries experiencing FCS in 2021. The 2020 World Bank Group FCV stresses the need of providing specialized assistance to fragile and conflict-affected states (FCSs) and the unique problems they

confront. Customized participation in aid of post-conflict rehabilitation and rebuilding is one example in Azerbaijan (Townsend et al., 2021).

Additionally, there should be a specific attention to the problem of specialized gaps, which arose because so many refugees had to take temporary employment to make ends meet without properly accounting for their training and experience (from a personal communication with the staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan, 27 march, 2023). Because of this, there is a dearth of skilled labor, especially drivers with the right kind of training and expertise. The region's infrastructural potential is the entirety of the position of the productive forces' infrastructure factors, which optimizes interaction with the environment and provides functional situations for production, commodity circulation, as well as individual daily activities in the manner of effective utilization of resources (Guliyeva et al. 2021). Commercial infrastructure creation acts as a crucial requirement of regional development policy, alongside transportation, water supply and sanitation, telecommunications, and electricity as the key aspects of infrastructure potential. The lack of or bad state of the aforementioned infrastructure areas in liberated zones is a major obstacle to the development of basic infrastructure (Arifet al. 2022). To rephrase, limited access to utility networks, inadequate road infrastructure, insufficient storage places, etc. necessitate a "clean sheet" for the revival of commercial activity. Inadequate provision of commercial areas, as well as transport-logistics and utility facilities, is a severe limiting factor due to a lack of overall territorial planning, urban development zoning, and territorial planning (Ibadoghlu, 2022). Therefore, state policy measures in the development of trade and other spheres of commerce should be focused on making territories and plots of land available that guarantee the development of trade and logistics organizations, significantly strengthening utility power, and developing telecommunications and electronic payments. Implementing

measures to restore commercial and trade activities in liberated regions, given the area's outsized influence on GDP and employment, laying the groundwork for the growth of small and medium-sized enterprises, and addressing critical social issues (by, for example, offering consumers a diverse selection of high-quality, reasonably priced products) is mandated by international law. As a natural consequence of Armenia's aggressiveness, the unified transport and communication system that has been functioning in the seized regions for years is today in ruin. At first look, the liberated areas' industrial potential can be reduced to its barest essentials: an abundance of water supply, energy, industrial recreation prospects, and abundant minerals. One of the most pressing issues now is water scarcity due to climate change. It is common knowledge that the country has fewer water sources within its borders than would be expected given its geographical location. The State Commission was set up by an order from the President of the Republic of Azerbaijan dated April 15, 2020, and its objective is to oversee the effective management of the country's water supply (<https://president.az/en/articles/view/39990>)

For the country's industry and agriculture, the liberated territories' abundant water supplies are crucial. Water was finally able to be supplied after the complete liberation of the Agdara region, which included the high-dammed Sarsang reservoir.

Azerbaijan's internally displaced population faces an extra obstacle because the local job market does not offer enough openings. A lack of proficiency, the lowest positions that may be attained in unfamiliar environments, and prejudice can all lead to job exclusion and unequal career opportunities for those impacted. This is because the number of available employment is smaller in new environments. Their careers could only go downhill from here on out. The possibility for poverty and financial instability that could result from this situation would have negative effects on a person's mental and physical health.

### **2.3. Skill and Knowledge Deficiencies in the Karabakh Region's Workforce**

Persons who have been displaced as a result of a war have a difficult time in the aftermath. Returning Azerbaijani IDPs face a number of challenges, not the least of which is a lack of knowledge and expertise necessary to reconstruct what they have lost in the aftermath of the recent conflict.

One of the biggest obstacles to getting work is a lack of experience and some necessary knowledge. Many of the IDPs will have trouble reentering the workforce due to a lack of employable skills and the movement of the modern economy (Arif et al., 2022). Many internally displaced people (IDPs) might not have the wide range of skills necessary to adapt to the ever-changing technological landscape and evolving labor market. They may be unable to break free of low-paying occupations or even find work at all, which threatens their financial security and makes it very harder for them to start over. One of the most important components of renewing Karabakh and East Zangezur after the fighting is helping the returning IDPs acquire the skills they lost during their time apart. During our second interview, the Deputy Head of the SMB Friend Department discussed the initiatives underway to assist these people in starting businesses and generating income. He stressed the importance of vocational training programs and the rollout of the "Financing the Wages of Employees Together with the Employer" initiative.

In addition, the IDPs' inability to fully participate in the rehabilitation and development of their communities may be hindered by the lack of skills and expertise. Diverse abilities in construction, project management, and community building are needed for post-conflict reconstruction. IDPs may feel disempowered and unable to participate in reconstruction activities if they do not have access to training and support in these areas. This program does double duty

by helping to create jobs and encouraging local businesses to hire people from the affected areas. This program helps to create employment opportunities for the reintegrated IDPs by giving financial aid to cover some of the employees' wages. To aid in economic recovery and growth, this method not only solves the deficiency of skills and knowledge, but also helps to ease financial constraints on both employees and employers. A key component of overcoming the shortage of skills and knowledge in post-war countries is encouraging entrepreneurial endeavors. Supporting and encouraging people to start their own enterprises lays the groundwork for a more permanent source of income. Opportunities for new products, a broader economy, and citizen empowerment are some of the many benefits that can be realized when people take the initiative to start their own businesses. The returned IDPs can gain the skills and knowledge necessary to launch and operate successful businesses with the help of training, mentoring, and access to resources. Startups like this can help local economies expand, people find stable work, and communities become more resilient.

Furthermore, while going through the conditions of forceful relocation, most of the persons who were forced to move to the territories did not give their education and areas of competence the appropriate consideration. They labored in short-term jobs to make ends meet for the costs of their daily lives after being displaced from their native homes. This is considered the core reason behind the current poor situation.

Furthermore, specialists in the fields of green energy, logistics, zootechnics, construction, and agronomy are currently needed in order to restore the territories and increase the region's investment attractiveness, and it is impossible to find residents with such qualifications among the population that has been resettled. There are even considerable issues in recruiting drivers with the

required category and experience (from a personal communication with staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan).

Some people also worry that Armenia poses a threat to the security of Karabakh and East Zangezur residents. Some people who wanted to move to the disputed territory were told not to because they were afraid that Armenia would try to take them back. In these places, there is a chance that insecurity will stop people from investing and slow down progress. Governments are becoming more and more worried about the need to rebuild important buildings and infrastructure in post-war areas. While the Government of Azerbaijan has launched a program to facilitate resettlement and provide the displaced with basic services and employment opportunities (Gov. of Azerbaijan, 2021), it will take some time before these necessities can be built and in the meantime, the incarcerated continue to struggle to meet their basic needs (Arif et al., 2022). It's normal that those people returning back to Karabakh do have certain security concerns because they will be living in a neighbourhood with Armenians. For people who have been uprooted for a long time, the process of returning home can be extremely trying. Returnees may find it challenging to reconnect with family and friends, find employment, and reestablish financial stability in the wake of their return.

## **2.4 Lack of Legal Framework in Resettlement and Business Establishment in Liberated Areas**

The liberation of Karabakh and East Zangezur in Azerbaijan has opened up new possibilities for IDPs to return to their homes and resettle in their original communities. Yet, there

are legal hurdles to overcome in the process of resettling IDPs and bolstering their ability to start businesses and generate revenue in the freed areas.

Property rights provide a substantial legal impediment in this setting. People who had to evacuate their homes because of the trying to fight had to give up their things, which had been taken by the other side. IDPs need legal possession of their properties, though, in order to start businesses or rebuild their homes. The issue of property rights has become a major obstacle to their return. Unfortunately, it is hard and takes a long time to get their properties back because of legal issues, a lack of proper paperwork, and bureaucratic rules. As part of the restoration process, Muzaffarli and Ismayilov (2010) say that new rules and regulations must take into account how land is used, who owns it, and other issues. Since there aren't any clear laws in the area, it's harder to make things better, and if nothing is done, it could lead to more fights. Legal frameworks that address the requirements of refugees and internal migrants are needed to rebuild Azerbaijan after the war.

Accordingly, the regulations have been adopted for tax and customs exemption on privileges. But, their application is being processed a little slowly. Also, there is an urgent need to speed up land reform, regulate the use of the land, and control the legal processes around property leases (from a personal communication with the staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan, 27 march, 2023).

In the liberated zones, the law also makes it difficult to start a new company. The government of Azerbaijan has made many attempts to encourage the return of internally displaced persons and to support their efforts to build enterprises in the retaken regions, but there are still some legal hurdles to be overcome before firms may open for business there (Hayrapetyan, 2022). IDPs, for example, may be required by law to get certain licenses, certificates, and permits before

they can start doing business. For internally displaced people who are already trying to make ends meet, the time and money needed to obtain these documents can be too much to bear. The proliferation of Karabakh-based family companies also presents a judicial difficulty for Azerbaijan. Musayev argues in 2021 that family businesses in Karabakh have a lot of room to grow and make more money. Yet, there is a lack of open regulations and procedures that encourage economic activity, which hinders the growth of family-run businesses. Karabakh's entrepreneurs face a challenging regulatory landscape and access to capital because of the absence of a supportive legislative framework for small firms. Thus, Azerbaijan should set clear and malleable laws to encourage the growth of family businesses in Karabakh. Based on our primary resources, the legal framework for business is not yet complete, there is still a lot of confusion and risk for IDPs who want to invest in liberated areas. There may be flaws in the legal system if there aren't enough laws if property rights aren't clearly defined, or if there aren't efficient ways to settle disputes. If legal obstacles of this nature discourage potential business owners and investors, the local economy may suffer (from a personal communication with the staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan, 27 march, 2023). According to the results of an economic analysis conducted by Guliyeva et al. (2021), the development of alternative energy sources in Nagorno-Karabakh and the neighbouring territories faces several legal hurdles. The hostile regulatory climate for energy investment is one such obstacle. Investors are put off by the fact that there are no uniform rules for making and delivering energy. The lack of supportive laws and rules also acts as a brake on the expansion of renewable energy sources. The climate goals of Azerbaijan could be helped by the country's move away from fossil fuels and toward renewable energy. That's why it's so important to have clear and helpful regulatory frameworks,

encourage investment in the energy sector, and back efforts to enhance the use of renewable energy.

Problems with property rights and companys registration ( potential ) are just two examples of the obstacles faced by IDP s in liberated areas (or in Karabakh and East Zangezur ) while trying to start businesses and make money. It is possible that IDP s may not get legal help because they may have been pscyhological effected , moved around, and left out ofthe economy and society. Legal services such as counseling, mediation, and representation may not reach those who have been internally displaced. Huseynova et al(2022) point out how important it is to have legal laws in liberated places for smart technolyes to work appropriately in cities. So, Azerbaijan's legal system needs to make clear rules and guidelines for how cutting-edge technology can be used in the built environment. Data privacy and security, data accessibility, and data ethics are all issues that must be handled within this regulatory framework. Baku, Azerbaijan, aspires to become a "smart city" and with the help of some forward-thinking legislation, it can do so. People who have been moved to newly freed territories face a lot of legal problems that need everyone to work together to solve. Azerbaijan's government has passed legislation and rules meant to safeguard the rights of internally displaced people and make it easier for them to relocate and eventually return home. Still, other reforms and improvements to the justice system, like giving more people who have moved within the country access to legal representation, are still urgently needed.

In conclusion, there are major legal obstacles that must be overcome to allow IDP resettlement, business formation, and income generation in the liberated regions. The question of property rights is an important obstacle in the implementation of law. Many internally displaced people lost possessions when they were forced to leave their homes because of the conflict. They need to be in full ownership of their properties so that they may make improvements or open firms.

Unfortunately, owing to legal concerns, a lack of accurate documentation, and bureaucratic constraints, the process of recovering assets is sometimes long and complex. Therefore, it is critical to set up rules and laws that make it easy to restore things to their original owners if they have been taken. The difficulty of forming a new corporation in the free zones is still another obstacle from a legal standpoint. Azerbaijan's government has tried to ease legal restrictions on internally displaced people so they may return home and start businesses in the areas they've reclaimed. It may be time-consuming and expensive for IDPs to secure the necessary licences, certifications, and permissions before they can launch a company. The region's economy is also held back by the absence of laws that protect and encourage start-ups and family companies. So it's important to set up pliable and helpful policies that promote company expansion in free zones. There are several factors regarding ownership rights and business registration that prevent IDPs from launching enterprises and earning an income. In addition, they may have trouble obtaining essential legal aid including therapy, mediation, and representation. It is critical to help those who have been displaced within their own country by providing them with legal representation and the resources they need to resolve any legal issues they may face.

## **Chapter 3: Policy Alternatives**

The difficulties encountered by Azerbaijan's returned IDPs were laid out in the preceding chapter, as was the necessity for different policies to aid in the development of their businesses and increase their incomes. In this chapter, we look at some alternate policy options that could be put in place to deal with these issues. Reasoning, possible benefits, and drawbacks of each policy option are addressed in depth.

### **3.1 Developing Accessible Financial Mechanisms**

Since inadequate funding is a contributing factor to the issues highlighted in this capstone project, making accessible financial mechanisms is one policy option worth considering. As a result of their relocation, some returned IDPs may not be able to use conventional banking services, so it is important to set up alternative financial systems that are simple to use. Prior and Argandona (2009) argue that the best methods for expanding access to credit and fostering a culture of corporate social responsibility inside financial institutions should be utilized. As a result, this will assist internally displaced people set up businesses and gain access to loans. By expanding access to credit and other financial services, rural microfinance programs can aid in poverty alleviation and economic development, according to Marr (2012). Economic growth in freed areas can also be encouraged by creating accessible financial tools for internally displaced people. Microfinance initiatives, as noted by Sundaresan (2009), work to raise the level of financial education and awareness in underprivileged areas. Financial institutions can promote financial inclusion through increasing IDPs' financial knowledge and awareness by making financial processes more easily accessible to them. Financial institutions can help internally displaced people feel more in control of their lives by giving them the money they need to start enterprises or invest in income-generating

activities (Dorfleitner, Röhe, & Renier, 2017). As a result, this has the potential to foster community growth and social harmony in the freed regions.

This will help reunited refugees and IDPs avoid falling into debt due to a lack of financial literacy. Training programs that teach rural residents about money management and ethical borrowing, as proposed by Marr (2012), have been shown to be beneficial. Creating easily available financial channels to back the income-generating activities of repatriated IDPs is a policy option with great potential. However, the systems must be carefully planned and implemented to ensure efficiency, security, and the encouragement of responsible borrowing.

Metawea (2020) examines the function of Egyptian banks in fostering business growth. The report highlights the significance of entrepreneur access to financial services and the necessity of financial inclusion. Financial institutions like banks and microfinance organizations are shown to have been instrumental in promoting business expansion via the provision of individualized financial services. These organizations have streamlined the loan application procedure, provided a variety of repayment plans, and provided individualized financial guidance in order to meet the unique demands of entrepreneurs. A microfinance institution in Egypt that has created a thorough system to assist entrepreneurial activity is profiled in a research by Metawea (2020). The organization lends small amounts of money to people who want to start their own businesses but don't have access to larger financial resources. The institution's open policies have helped many people launch their own enterprises, which in turn have boosted the local economy, reduced poverty, and employed more people. The case study illustrates the efficacy of easily available financial mechanisms in boosting entrepreneurship and bettering the lives of the underserved.

Fourie and Van der Walddt's (2021) research on participatory integrated development planning highlights the successes of a number of South African towns. Participatory planning

methods are examined as a means through which local governments might foster sustainable development and equitable growth. It stresses the significance of banks in encouraging local business owners and creating new economic possibilities. Dedicated funds for SMEs were established via a partnership between local governments and financial institutions, as described by Fourie and Van der Waldt (2021). These resources were established to meet the unique funding needs of businesses, such as recently returned IDPs, who may not have substantial collateral or a lengthy credit history. Benefitees were able to take advantage of programs for skill development, mentoring, and company growth due to the partnership between local governments and financial institutions.

These case studies illustrate how a participatory integrated development planning approach including financial institutions may pave the way for entrepreneurial success. These efforts have helped reduce poverty, stimulate local economies, and create new jobs by removing obstacles to obtaining financing including a lack of security or financial education. Policymakers and other stakeholders interested in helping IDPs return home and succeed in business may learn a lot from these inspiring tales of achievement. The examples of Egypt and several South African cities show how crucial it is to work with financial institutions to provide individualized solutions for internally displaced people who have returned home.

### **3.2 Supporting Business Incubators and Accelerators**

Incubators and accelerators for startups have emerged as popular strategies for fostering innovation and creating new jobs. Here, we discuss why it's important to back business incubators

and accelerators, as well as the pros and cons of doing so for internally displaced people who have returned to their homes in the liberated districts of Karabakh and East Zangezur.

Startups and early-stage enterprises can benefit from business incubators and accelerators by taking advantage of services like mentoring, networking, finance, and shared office space. These services can aid start-ups in becoming successful by lowering the hurdles they face. According to Hausberg and Korreck (2021), business incubators and accelerators are crucial to the growth of the entrepreneurial ecosystem and have the potential to generate substantial economic value through the development of novel ideas into profitable enterprises. When it comes to problems like insufficient infrastructure, a lack of managerial and technical expertise, or a dearth of capital, business incubators and accelerators can be a big assistance (Lukosiute, Jensen, & Tanev, 2019). One method to implement this strategy in Karabakh is to launch an accelerator or incubator program catering to the needs of the region's internally displaced population. Participants in this program may have access to resources including seed money, a supportive network, and professional development opportunities to help them launch and expand their enterprises. The program may also provide its participants with opportunity to network with local business owners and executives.

Mok's (2013) case study puts the spotlight on Singapore's efforts to foster innovation and entrepreneurialism in higher education. Business incubators and accelerators help businesses develop. Singapore's success is due to a strong entrepreneurial environment supported by government programs and collaborations with universities and industry. Startups have relied on business incubators and accelerators for mentoring, financing, networking, and shared office space.

Mok (2013) found that business incubators and accelerators have helped Singapore's early-stage companies succeed. These programs help companies strengthen their business ideas, acquire capital, and form crucial collaborations by offering a supportive atmosphere and linking them with industry professionals. The case study shows how business incubators and accelerators may boost job creation, economic growth, and entrepreneurship in a region or nation.

Kasase (2017) found another success story in Zambia. Business incubators promote early-stage startups, especially in poor countries like Zambia. Business incubators promote firm survival, access to funding, and business growth, according to the research.

Kasase (2017) describes a Zambian business incubator that has helped several small enterprises in many fields. The initiative has helped participant companies expand and persist via specialized coaching, money, and shared resources. The case study shows how business incubators may help developing-country entrepreneurs with insufficient funding, infrastructure, and technical skills. These successes may inspire governments and stakeholders to use business incubators and accelerators to help Azerbaijani IDPs return. An accelerator or incubator program for returning IDPs in Karabakh and East Zangezur may provide resources and assistance. The initiative might provide IDPs startup funds, mentors, and professional development. IDPs may broaden their market reach by networking with local company owners, executives, consumers, and partners at program-organized events.

Working together with local organizations and leaders in the community to identify possible participants and ensuring that the program fits their needs is essential for the program's success (Hausberg and Korreck, 2021). Needs evaluations and surveys could be carried out to learn more about the opportunities and obstacles local business owners face. According to Alpenidze, Pauceanu, and Sanyal (2019), business incubators can assist companies access finance at lower

costs and with less risk if they have established networks and relationships. Second, entrepreneurs are able to meet mentors, experts in their field, and potential business partners and customers through the networking events hosted by business incubators and accelerators. This can help formerly displaced people who have returned to their homes find new customers and outlets for their goods and services. Start-up and operational costs can be minimized through the use of shared resources like office space and equipment offered through company incubators and accelerators (Lange, 2018). Entrepreneurship and economic growth in the liberated districts of Karabakh and East Zangezour can be aided by a variety of policies and programs, including business incubators and accelerators.

### **3.3. Develop social protection programs**

Supporting vulnerable populations among IDPs who may return home requires a range of services, including healthcare, education, and social security, for those who especially have lack of knowledge and skills and here is where social protection programs come in. Social protection measures should be designed to aid those most at risk among the IDPs who may eventually return to Nagorno-Karabakh. In what follows, we will talk about the benefits of social safety nets and why it's crucial to set up counseling facilities to help the minds of those who have been uprooted.

Poverty reduction and inequality mitigation are two of the goals of social protection programs. They often include social insurance, money transfers, and public works programs (Subbarao, 2003). Programs like this are crucial for internally displaced people since they are at a

higher risk of poverty, social marginalization, and mental health issues after losing their homes, livelihoods, and social networks (Borychenko et al., 2019).

Several countries have found that increasing their social security measures has helped them reduce poverty and increase access to basic services (Azura & Marinescu, 2013). Increases in social safety programs have been associated to lower rates of poverty among vulnerable populations, as was the case in Mexico (Azura & Marinescu, 2013). Food insecurity has been reduced and health outcomes have improved in Ethiopia's most disadvantaged populations because to the country's Productive Safety Net Program (Subbarao, 2003). These cases demonstrate the promise of social protection initiatives in easing the plight of Nagorno-Karabakh's displaced population. For low-income families, cash transfer programs can be a lifeline that allows them to save for the future or launch a business (Azura & Marinescu, 2013). Similarly, public works initiatives can offer displaced people short-term labor that helps them support themselves financially while also improving their neighborhoods (Subbarao, 2003).

Mubangizi and Gray's (2011) case study provides an in-depth examination of the initiatives taken in South Africa to improve social welfare by means of public service delivery. The research highlights the significance of social protection programs that put people's well-being and rights first, especially those of the most disadvantaged and marginalized. It highlights the need for inclusive and participatory methods to social welfare policy and program development and implementation. According to Mubangizi and Gray's (2011) research, South Africa's social protection system has undergone major reforms to better suit the requirements of its inhabitants. Through public discussions and community engagement, for example, the government has created policies and programs tailored to the needs and difficulties of the people as a whole. The mental health needs of those who have been uprooted may require more than what is provided by social

safety programs alone. Mental health can be severely impacted by the trauma of being uprooted and separated from one's home, family, and friends. Therefore, it is critical to establish psychological centers to aid refugees in coping with the psychological effects of displacement through counseling and support. People who have been uprooted from their homes may find comfort in speaking with trained professionals at psychological centers. In addition to individual therapy, community mental health facilities can provide group therapy, workshops, and other events that help people connect with one another. The sense of community and belonging fostered by such initiatives is crucial to the emotional and psychological well-being of those who have been uprooted. Borychenko et al. (2019) note that the European Union has set guidelines for the provision of mental health treatment to those who have been internally displaced from their homes. The significance of providing psychological support services to displaced people that are sensitive to their cultural backgrounds and respectful of their rights and dignity is emphasized in these guidelines. The needs and rights of those who have been uprooted must be taken into account as these initiatives are developed and delivered.

### **3.4. Establishing a Legal and Regulatory framework**

The safety of Karabakh's IDPs depends crucially on the establishment of a legal and regulatory framework. Protection and respect for the rights of internally displaced people need a legal framework. Having a legal structure in place would provide internally displaced people more options when it comes to resolving their situation, such as claiming damages for property loss or fighting against discrimination. The legal structure would also establish a mechanism to oversee and police the application of policies and legislation meant to safeguard the rights of IDPs. In

Africa, where many countries have been impacted by conflicts and disasters, resulting in the displacement of millions of people, the construction of a legal framework is a crucial issue. Abebe (2009) emphasizes the significance of safeguarding and helping IDPs in Africa from a legal and institutional perspective. Lack of protection and aid for IDPs in Africa is blamed on inadequate legal and institutional frameworks, according to the author. The author urges the creation of legal systems that give Internally Displaced Persons (IDPs) first priority for their needs and rights. Beyani (2006) agrees that a legal system is necessary to safeguard IDPs in Africa. The adoption of the African Union Convention for the Protection and Assistance of Internally Displaced Persons in Africa (Kampala Convention) is cited as an example of recent progress toward the establishment of a legal framework for the protection of IDPs in Africa. The Kampala Convention is a crucial first step in creating a legal framework to safeguard internally displaced people across Africa. After the war, it was difficult to get back Serb refugees and internally displaced people who had fled Croatia. Djuric (2010) analyzes the political and legal difficulties experienced by internally displaced persons and refugees in Croatia. The author contends that political and legal hurdles, such as prejudice and a lack of a legislative framework to defend the rights of IDPs and refugees, have hindered the repatriation of IDPs and refugees.

To deal with the problems that Internally Displaced People (IDP) encounter in South Africa, the government there has created an Integrated Development Plan (IDP). The City of Tshwane Metropolitan Municipality's IDP is analyzed in detail by Phago (2009). The IDP is a plan for improving South Africa's economy, society, and environment all at once. Basic services, like as healthcare and education, are guaranteed under the IDP's provisions for displaced people's rights. Evidence from Africa and Europe shows the importance of establishing laws and regulations to safeguard IDPs. Karabakh's internally displaced people would have a way to get

justice and safety if a legal and regulatory framework were put in place. The legal structure would allow displaced people to sue for discrimination and recover lost property. The regulatory framework would institute measures to ensure the legal protections afforded to IDPs are really being followed. Africa and Europe's experiences highlight the need for a legal and regulatory framework to safeguard the rights of IDPs. Internally displaced people would be able to seek compensation for property damage or challenge discriminatory acts according to the legal framework in place. The regulatory framework would institute measures to ensure the legal protections afforded to IDPs are really being followed. Karabakh's internally displaced people would have a way to seek justice and safety if a legal and regulatory framework were put in place.

In conclusion, We can establish a solid foundation for addressing the requirements of internally displaced persons (IDPs) by incorporating financial mechanisms that are both accessible and empowering. By implementing microfinance initiatives and improving financial literacy, IDPs acquire the ability to build businesses and access loans, as evidenced by successful models in Egypt and South Africa. This financial independence is a prerequisite for the IDP community's resilience and economic growth.

By supporting business incubators and accelerators, we can further cultivate this resilience as we transition from financial stability. As innovation and employment growth drivers, these initiatives provide Karabakh and East Zangezur IDPs with vital resources such as mentoring and funding. As Singapore and Zambia have demonstrated, these programs can be adapted to meet local requirements, thereby stimulating economic growth and removing obstacles faced by IDPs.

To safeguard these vulnerable communities further, it is essential to develop social protection programs. These programs, which have proven successful in countries such as Mexico

and Ethiopia, are centered on essential services such as healthcare, education, and social security. In addition to physical requirements, we should also prioritize mental health by considering the establishment of psychological centers to assist IDPs in coping with the trauma of displacement. These initiatives are in accordance with EU guidelines for the treatment of displaced persons and provide both individual and group rehabilitation to foster community resilience.

A robust legal and regulatory framework safeguards the rights and safety of IDPs, completing these initiatives. Providing legal avenues for claims relating to property loss and discrimination, as well as assuring oversight of IDP protection policies, are essential components of this framework. As evidenced by examples from Africa and the Convention of the African Union (Kampala Convention), the proper legal protections have a significant impact on protecting IDPs. The Integrated Development Plan of South Africa, which ensures that IDPs have access to basic services, reinforces the significance of such a framework, which forms the backbone of our comprehensive approach to addressing the challenges encountered by IDPs.

## **Chapter 4. Evaluation of Policy Alternatives**

Among the policy options discussed thus far was providing internally displaced people from Karabakh with simple access to financial resources. In this part, we'll evaluate this potential policy solution according to five standards: efficacy, efficiency, equity, practicability/implementability, and adaptability.

### **Developing Accessible Financial Mechanisms**

The policy option of developing easily accessible financial systems requires careful consideration of a number of elements. First, the efficiency with which the strategy achieves its aims. Second, the efficiency of the policy with regards to both time and money. Third, the fairness of the policy with regard to the groups it impacts. Fourth, the policy's implementability, which considers things like available resources and institutional backing. Last but not least, it's crucial to think about how open the policy is to change in light of new facts and how much room there is for improvement. The success of this policy option will rely on how well it aids those who have been internally displaced in finding stable jobs. As a result, they may be better able to establish themselves economically and socially inside the neighborhood. Therefore, the policy option of establishing accessible financial channels may be judged to have achieved its objectives. Partnerships with local financial institutions can enable those displaced within their own country have access to cheap financial resources. The cost of implementing the program would go down and internally displaced people would benefit from having access to formal, long-term financial services. Additionally, it may cause the banking sector to add new positions. Thus, the policy

option of making accessible financial mechanisms is a viable choice. It is just to consider the policy alternative of establishing readily available financial channels for those who have been displaced and are in need of aid. However, it is essential to ensure that IDPs of all ages, backgrounds, and genders benefit equally from the policy. It is also important to consider the needs of the most vulnerable IDPs, such as women and children, who may face additional challenges when trying to acquire access to financial services. It is difficult to build accessible financial channels for IDPs in Karabakh due to a lack of established financial institutions and the need for considerable outreach and awareness-raising operations. Despite this, if local NGOs, community groups, and financial institutions work together to provide training for IDPs, we can overcome these obstacles. With adequate funding, the policy option of expanding access to financial channels can be seriously examined. As displaced people return to the areas they called home before a disaster, their needs will change. If security improves and internally displaced people are allowed more freedom to work, for example, they may have less need for financial aid. That's why it's so important for the policy choice of providing access to financial mechanisms to be flexible enough to adapt to new conditions. Creating accessible financial channels for IDPs in Karabakh is shown to be an effective, efficient, egalitarian, realistic, and adaptable policy choice in the study. Policy alternatives can provide resources to help internally displaced persons make ends meet, find employment, and reintegrate into society.

### **Supporting Business Incubators and Accelerators**

One viable policy choice for fostering economic expansion and generating new employment is to invest in business incubators and accelerators. Incubators help new businesses by providing them with shared office space, tools, and guidance while they work to launch and

grow. On the other side, accelerators aid already-established businesses in expanding their operations by giving them with resources like capital and connections. Therefore, encouraging these organizations in Karabakh may result in a thriving startup ecosystem that generates new businesses, new opportunities, and new jobs. This policy option relies on the efficacy of business incubators and accelerators to achieve its goals. This type of organization has the potential to significantly foster entrepreneurship and economic development if it is well-planned and managed. However, if they are not well planned and administered, they may waste resources by failing to adequately assist new and existing businesses in their early stages. Thus, it is crucial to ensure their efficacy through careful design and management of these entities. Promoting equity through funding business accelerators and incubators helps ensure that entrepreneurs from all walks of life and economic backgrounds have access to the same tools and chances. On the other hand, these organizations run the risk of favoring those entrepreneurs who already have established networks and access to capital. The selection process for incubators and accelerators must be open and transparent if they are to serve as a level playing field for entrepreneurs. One policy option that could be considered for Karabakh is aiding startup incubators and accelerators. There are already a number of incubators and accelerators in the area, and comparable strategies have been applied effectively in several nations throughout the world. However, difficulties may arise in securing adequate funding and developing necessary skills. In order to effectively support entrepreneurs, it is crucial that these organizations have sufficient resources and personnel. The success of business accelerators and incubators hinges on their flexibility to meet new challenges. As a result, it's crucial to build these things in a way that encourages adaptability and innovation. The demands of the entrepreneurs they're helping dictate, for instance, whether they should shift their focus or

provide other services. It is also crucial to regularly assess the performance of these organizations and adjust their operations accordingly.

Therefore, encouraging the development of business incubators and accelerators is a workable policy option for fostering economic expansion and employment opportunities in Karabakh. However, these institutions must be thoughtfully crafted and administered to guarantee their efficacy and efficiency and to advance fairness and equal opportunity. In order to guarantee their adaptability and pliability, it is crucial to keep an eye on their performance, assess how they're doing, and tweak things as needed.

## **Develop social protection programs**

How well social protection programs meet the requirements of internally displaced people and guarantee them access to essentials like healthcare, education, and social security is one way to evaluate their success. In addition to improving their overall well-being and socioeconomic standing, social protection services can also boost the ability of IDPs to engage in income-generating activities. Cost-effectiveness analysis is a useful tool for evaluating the value of social safety nets. Is it worth it to implement the program if its benefits are less than its costs? If we allocate our resources wisely, we can make this happen. Making sure that the funds get to the people who need them the most is a major difficulty for every social safety program. A thorough evaluation of the IDPs' requirements is crucial to this end. The programs should also avoid duplicating efforts or services that already exist. When we talk about equity, we're talking about how fair and impartial our safety net services are for everyone. Distribution of program benefits should prioritize those most in need, and participation should be open to all. Making sure social protection services don't reinforce existing disparities or foster dependency is a significant concern.

To counteract this, efforts must be made to ensure that the programs themselves encourage rather than discourage participants from becoming self-sufficient. Social protection programs' viability can be assessed by looking at how simple they are to implement and how much money is at your disposal. Successful implementation requires an in-depth familiarity with the program's administrative framework, including relevant laws and regulations. It is also crucial to guarantee that the program has sufficient funding and resources, as well as the required infrastructure, such as hospitals and schools, to provide the essential services to the recipients. The adaptability of social protection systems is shown in their openness to new ideas and technology, as well as their capacity to respond to shifting needs. Keeping the program up-to-date and relevant requires constant scrutiny and evaluation for the sake of continuous improvement. It's crucial that the intended recipients feel respected and respected for their own abilities as part of the program's design process. Finally, the program needs to be reviewed and evaluated frequently to ensure it remains effective and relevant.

### **Establishing a Legal and Regulatory framework**

The establishment of a legal and regulatory framework is a significant policy option for providing for the safety and well-being of IDPs which has been found as challenge in previous section. Protecting and helping IDPs can be greatly aided by the establishment of a legal and regulatory framework. Such a structure can guarantee that IDPs do not face discrimination in gaining access to fundamental necessities like education, healthcare, and social security. In the event that IDPs' rights are violated, it may also pave the way for them to seek redress in court. Legal frameworks have been found to be beneficial in protecting IDPs in a number of countries, including those in Africa and Europe (Abebe, 2009; Beyani, 2006; Djuric, 2010). Providing a thorough legal basis for the protection of IDPs through the establishment of a legal and regulatory

framework can be an effective policy solution that reduces the need for ad hoc responses and interventions. It can also enable government agencies, NGOs, and other stakeholders who are all responsible for protecting IDPs coordinate their responses more effectively. However, developing such a framework may necessitate a considerable investment of time and effort, particularly in the areas of drafting laws, regulations, and other legal instruments, and enhancing the capabilities of the institutions charged with carrying them out and seeing to their enforcement. By guaranteeing that all internally displaced people, regardless of their race, religion, or national origin, have access to essential services, the establishment of a legislative and regulatory framework can help advance the cause of equity. It can also guarantee that internally displaced people are treated equally in their pursuit of reintegration into their original communities. The amount to which IDPs are included in the creation and execution of such a framework is, however, a crucial factor in determining the framework's effectiveness in promoting equity. In conflict-affected areas, in particular, the establishment of a legal and regulatory framework may confront difficulties in terms of feasibility and implementability. Time and expertise may be needed to draft rules and regulations, and money may be needed to fortify the agencies charged with enforcing them and punishing those who break them. It may also be difficult to ensure IDP participation in the development and execution of such a framework in locations where they have restricted access to knowledge and resources. The framework established to regulate and safeguard IDPs must be adaptable in order to meet their evolving requirements. The framework needs to be reviewed and modified on a regular basis to stay up with and satisfy the evolving needs of IDPs. The structure should be flexible enough to adapt to new situations, such as war, displacement, and post-conflict reconstruction. It can provide a mechanism for those displaced within their own country to seek legal redress, ensure that they are not discriminated against in terms of access to basic services,

and establish a solid legal foundation for protecting those in need of assistance. Its effectiveness in promoting fairness will depend on how much it is carried out and enforced in practice, but it may face challenges in terms of feasibility and implementability. It must be elastic and flexible enough to accommodate the changing needs of IDPs.

Two policies stand out as clear winners after being evaluated against a variety of other options on the basis of how well they measure up in terms of effectiveness, efficiency, equity, feasibility, and flexibility.

1. Developing Accessible Financial Mechanisms
2. Establishing a Legal and Regulatory framework

These two plans were selected because they tackle important problems impeding Karabakh's economic and social growth. To spur economic growth, job creation, and poverty reduction, the first policy, titled "Developing Accessible Financial Mechanisms," seeks to expand SMEs' availability to affordable credit and other forms of financial assistance. The second policy, titled "Establishing a Legal and Regulatory framework," is meant to create a safe space for IDPs and a predictable setting for commercial investments and economic endeavors by laying the groundwork for legal and regulatory protections.

<b>Policy Options / Criteria</b>	<b><i>Effectiveness</i></b>	<b><i>Efficiency</i></b>	<b><i>Feasibility</i></b>	<b><i>Equity</i></b>	<b><i>Flexibility</i></b>
Developing Accessible Financial Mechanisms	✓	✓	✓	✓	✓
Supporting Business Incubators and Accelerators	✓	✓	-	✓	✓

Develop social protection programs	✓	✓	✓	✓	-
Establishing a Legal and Regulatory framework	✓	✓	✓	✓	✓

The other policy options that weren't chosen nonetheless have merits of their own despite not making the top two. Despite the fact that there are some challenge with alternatives in terms of feasibility and flexibility, neither of these two policy packages fails to meet any of the aforementioned five requirements; consequently, they can be implemented without hesitation.

## **Chapter 5. Conclusion and Recommendations**

First Nagorno-Karabakh war has caused millions of Azerbaijanis to leave their homes and caused devastation on the country's economy. Peace and stability have yet to be restored in the retaken lands, but the Azerbaijani government has made great steps in this direction in recent years after 2nd war. As part of this effort, there is a rising desire to inspire individuals who have been uprooted from their homes to try their hands at self-employment and entrepreneurship. The purpose of this study was to see if refugees in newly liberated regions might be assisted in establishing companies and generating income. This study aimed to answer a number of questions, including: what kinds of self-employment and career possibilities are sustainable; what kinds of challenges people who have been displaced and plan to return home encounter; how existing policies and programs help people who have endured displaced to start businesses and make a living after returning home; and what kinds of policies might be implemented in order to assist those who have returned home but are still struggling to make a living. The research shows that people who return to the freed zones confront tremendous challenges in trying to rebuild their lives there. A major challenge is the limited availability of credit and other financial options. There are only a few banks in the area, and the financial system is otherwise undeveloped. Residents have a hard time gaining access to monetary services because of the absence of basic infrastructure like roads and public transportation. Although the government has established programs to aid small and medium-sized businesses, not all of the intended recipients have benefited from these initiatives due to a lack of financial institutions.

Another major problem is the liberated areas' meager economic resources and lack of available jobs. A significant barrier to the expansion of economic activity is the absence of essential infrastructure, such as utility networks, roads, and storage spaces. Commercial areas,

transport-logistics, and utility facilities are under-provided for due to a lack of overall geographical planning, urban development zoning, and territorial planning. State policy measures to encourage trade and other forms of commerce should prioritize the availability of territories and plots of land that guarantee the growth of trade and logistics organizations, the significant strengthening of utility power, and the development of telecommunications and electronic payments. Despite these setbacks, the research did find some hope for entrepreneurial endeavors and financial gain in the freed territories. The government has set up a number of programs to encourage self-employment and entrepreneurship, and the displaced population is showing a rising interest in taking advantage of these opportunities to establish themselves economically. The research concludes that the government should keep funding these efforts and put money into building up the freed territories' basic infrastructure.

To sum up, Azerbaijan has suffered greatly because of the Nagorno-Karabakh conflict, which has forced the relocation of millions of people and hampered the country's economic growth. Significant measures have been taken by the Azerbaijani government to restore peace and stability in the freed areas and encourage self-employment and entrepreneurship among the returning refugees. The liberated territories present considerable difficulties for these people, but they also present chances for business and revenue. Here are some suggestions that might make it easier for displaced people to return home safely:

- An intensive program for the establishment of new businesses, tailored to the needs of refugees resettling in recently liberated regions, should be established by the Ministry of Economy in conjunction with the appropriate authorities. Participants in this program should get funding, training, and other tools to help them launch and grow their businesses. The program's execution should be supervised by the

Ministry of Economy to make sure it may be modified to suit the demands of the refugees.

- The Ministry of the Economy need to work with financial institutions and banks as well, together to improve residents' access to credit and financial services in the freed areas. They need to look at creating a government-run lending program or funds to help relocated business owners have access to low-interest loans. Participants in this effort would benefit greatly by having access to technical help and financial literacy training.
- Building and improving roads, public transit systems, and utility networks in the liberated territories should be a top priority for the Ministry of Transport, Communications, and High Technologies. This investment in infrastructure is vital to fostering company expansion and ensuring the smooth flow of products and services. The Ministry should also manage the opening of warehouses and distribution hubs to improve supply chain management and transport efficiency.
- Businesses in the liberated zones will benefit from public-private partnerships if the Ministry of Economy will lead this platform. Entrepreneurs and small enterprises in the community may benefit from these collaborations because of the financial aid, technical support, and other resources they can give. The government should encourage the formation of these alliances so that mentoring programs, training opportunities, and financial aid may be established.
- The State Customs Committee and the Ministry of Economy should work together to provide favorable tax conditions for companies operating in the retaken territories. The government may stimulate business formation and investment by

providing tax credits, exemptions, reductions, and exemptions. New enterprises will be able to put more money into growth and hiring as a result of these advantages.

- It is imperative that the newly liberated areas get funding for infrastructural development and events from the Ministry of Culture, and the Ministry Foreign Affairs. By drawing attention to the area's rich history and culture, the displaced community will have a better chance of finding work in the hospitality industry.
- Businesses and incubators in the liberated territories would benefit from the Ministry of Economy and the Ministry of Transport, Communications, and High Technologies working with other relevant organizations to streamline the rules and regulations that affect them. It is important to simplify bureaucratic procedures in order to reduce red tape and make doing business easier. Companies and government agencies should collaborate to identify and resolve regulatory obstacles to growth.

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## Appendix

### **Interview 1**

Interview with **Agil Gurbanov**/staff member of the special representative of Azerbaijani President in Jabrayil, Gubadli and Zangilan.

## **Main challenges:**

### *Specialization gaps -*

At this point, the majority of people who were relocated to the territories did not give their education and areas of expertise the necessary consideration while enduring conditions of forcible relocation. Due to their displacement from their native homes, they worked in short-term jobs to meet their daily expenses. This is regarded as the objective cause of the current negative situation. There are even significant difficulties in finding drivers with the appropriate category and experience.

### *Potential foreign investors -*

Foreign investors who wish to make investments in areas that have been freed from occupation are also examined. Some circles among these subjects have been found to be interested in disrupting intelligence operations while disguising their true motives as commercial interests. This situation necessitates a thorough investigation of the applicants.

### *Mined areas -*

At the same time, there are currently difficulties in the mass placement of investors who applied for security issues and passed the inspection in territories that have been liberated from occupation. As a result, one of the major barriers to building infrastructure in those areas is the large number of mined areas and the fact that cleaning them requires a significant amount of time and resources.

### *Legal procedures -*

Legal procedures - There are also requests from settled residents to engage in private business. Obtaining ownership documents for properties constructed on land used for business purposes is one of the biggest challenges encountered here. The reason for this is that land reforms have not been implemented in these areas until now. It is proposed to use movable properties related to entrepreneurship to temporarily overcome the existing difficulties (container, construction site). In this case, an example has already been realized: a sweet house was put into use by a family in Agal village.

### *Financial and fiscal benefits of entrepreneurship –*

Although some impulsive tools have been developed in this regard, the conditions proposed for obtaining funds are not compatible with current

realities. In this regard, by the decree of the President of the Republic of Azerbaijan dated December 10, 2021 "On some measures related to the acceleration of economic development in the territories liberated from occupation", the effective management of economic and labor resources in the territories liberated from occupation, their direction to the creation of processing industry and service infrastructure for the purpose of applying tax, social insurance and other benefits, as well as stimulating private initiatives in those areas, improving investment promotion mechanisms, determining customs and tax benefits related to the import of raw materials and materials for entrepreneurs engaged in production activities. This concession cannot be used until the issues arising from the aforementioned task have been resolved. As a result, there is a need to accelerate the process. Furthermore, relevant educational activities with entrepreneurs regarding the application of the discount are required.

**Work in progress:**

A deal with the textile company "Gillmed" LLC, which was founded in the Agali village of Zangilan and specializes in textile production, was reached with the State Employment Agency's participation within the framework of the public-private partnership platform. As a result of the agreement, the enterprise hires local women residents for three months and provides them with certified specialization. During that time, citizens trainees are paid a monthly salary of AZN 300 from the state budget. After completing their training, they are employed in that enterprise at the expense of "Gillmed."

*Preparation for the following relocation phases -*

The goal is for each family of four to settle to have a monthly income of at least 1000 AZN.

At the moment, focus groups are being formed among the people who will be relocated in the next stage. Activities related to their specialization in the fields that require employment in those areas are provided in this regard. Green energy, logistics and transportation, agriculture, zootechnics, and construction specialists are among the areas that require personnel in the near and medium term.

It is recommended to create micro and small business entities as appropriate infrastructures. In this sector, companies such as "Gillmed" LLC and "Shirin Agro" LLC are currently active.

## **Interview 2**

**Introduce yourself:** Rustam Mammadov;

**Your occupation?:** Founder and manager of “Gillmed” LLC;

**The geographical location where your company operates?:** main branch is situated in Baku and secondary in the village Agali, of the Zangilan region;

**How did you manage to launch your business in the Agali village?:** I submitted an application to the Ministry of Economy shortly after our lands were liberated from occupation, and the Small

and Medium Business Development Agency approved it. Upon the presentation of a business plan, the government approved the formation of the enterprise in Agali village. After that, the area was set aside for production, and we got to work on repairs and building. There was a need, then and still, to build and develop more micro and small business organizations in the liberated territories. At the moment, medium and big business entities' engagement in certain sectors is not seen as efficient or effective.

**Did you receive any additional support in starting the business?:** No, our own earnings covered the setup costs.

**How does the hiring process work at your company in Agali, and how many people work there now?:** There are now 20 employees in that company, and recruitment is handled by the State Employment Agency.

**What challenges do you confront in your business and its expansion?:** It is no secret that doing business in these locations is not easy or profitable at the time. There are challenges everywhere, but we're working to get through them. The employees frequently feel dissatisfied with the pay they receive, despite the fact that it is higher than the amount of work they actually perform. Also, the population's own household issues negatively affect productivity. As an employer, we may need to approach team management in a unique, unusual way. On the other side, it might be challenging to sell manufactured goods. Particularly when participating in public procurement bids, not only are our specific circumstances neglected, but discrimination is also obvious. The income from the main branch in Baku covers the enterprise's current maintenance and production costs. Each of the 20 workers at Agal receives a monthly wage of 500 AZN, or 10,000 AZN in total. Only a very minor portion of this sum is generated from the selling of goods made in Agali. By implementing efficient financial assistance tools, this challenge can be overcome.

**Are there any privileges that are applicable to your company?:** Regulations have been adopted for tax and customs exemption on privileges. But, their application is being processed a little slowly. Also, there is an urgent need to speed up land reform, regulate the use of the land, and control the legal processes around property leases. What opportunities do you anticipate for the future of your

company? It is important to highlight that our business in Agali has had a significant positive impact on the construction of our favorable image, in addition to presenting us to the public and the country's production environment. Also, the region has excellent export potential. Hence, if there is a direct logistics link from here to Turkey, economic efficiency will grow. Presently, it is not possible to bring any product to the level of consumption at the Agali firm; the inventory delivered to the semi-finished condition is transported to Baku to be processed into the final product. To achieve full output, the required infrastructure must be established.

### **Interview 3**

**Interview with SMBDA`s deputy head of SMB friend department  
Eldaniz Amirov**

**1) What projects does KOBIA conduct related to  
entrepreneurship development in occupied territories?**

Information on regional projects implemented with the Agency's support:

"Youth Business Workshop" project: On November 30, 2021, the "Youth Business Workshop" initiative was launched. The training associated with the project was completed within the framework of the project for the participants of the last course who were trained at Jalilabad, Gabala, and Aghdam State Vocational Training Centers, and necessary certificates were presented. Currently, the registration of selected youths in employment centres in accordance with the "Self-Employment Program" rules is complete. Aghdam Vocational Education Center graduates comprise 35 of the 122 who passed the monitoring stage. Aghdam Vocational Education Center graduates make up 35 of the 122 people who passed the monitoring stage. **KOBIM** is now preparing and submitting to **DMA** the business plans of 20 people who have passed the monitoring. At the start, 5 people (including Aghdam, Gabala, and Oguz) were given assets, and other participants are expected to be given appropriate equipment at the start of the next year.

*"Smart Village" project:*

16 of the 30 people who attended training for Agali village inhabitants as part of the "Smart Village" project have already been relocated to the village.

Business plans were produced by SMEs and submitted to the State Employment Agency in order to offer equipment to individuals participating in the training.

10 persons were each given equipment for (2) hairdressers, (2) beauty shops, (2) butchers, tire repair, auto repair, blacksmith shop, and combi repair.

Furthermore, vocational training courses are organized there to increase the professional knowledge of the villagers and expand employment opportunities, and activities of the "Financing the wages of employees together with the employer" program are carried out. Currently, 20 people work in the first manufacturing firm "Gillmed" sewing factory in Agali village, Zangilan district.

*Information on the work done in the territories liberated from occupation to determine and address essential needs:*

- Fuzuli, Jabrayil, Khojavand, Zangilan, Gubadli, Aghdam, and Tartar regions were visited with businesses on April 6-8, 2021.

- On December 24-25, 2021, a trip with entrepreneurs was taken on four different itineraries.

The scheduled journeys Aghdam-Tarter, Gubadli-Zangilan-Jabrayil, Khojavand-Hadrut-Fuzuli, and Kalbajar-Lachyn have been rescheduled owing to weather conditions.

- From June 2 to June 4, 2022, four roads (Aghdam-Tartar, Fuzuli-Jabrayil-Khojavand, Gubadli-Zangilan, and Kalbajar-Lachin) were inspected by businesses.
- Entrepreneurs were informed of the visit's findings regarding the approved projects; currently, 10 projects have been submitted to the EDPS, 14 projects have been signed by entrepreneurs with the State Urban Planning and Architecture Committee, and other necessary work is being completed in preparation for the start of operations (in the case of 10 projects, lease agreements have already been concluded with entrepreneurs by the State Urban Planning and Architecture Committee).

## **2) What information is available regarding investment initiatives in de-occupied territories?**

Information on applications received about occupied territories:

- In terms of applications, according to statistics dated 28.04.2023, 1429 applications were received from entrepreneurs about lands freed from occupation by KOBIA. There are 944 domestic applications and 485 foreign applicants.
- Application dynamics: 172 applications in December 2020, 115 in January 2021, 127 in February, 71 in March, 78 in April, 47 in May, 27 in June, 38 in July, 73 in August, September 47 in 2022, 41 in October, 76 in November, 31 in December, 45 in January 2022, 31 in February, 70 in March, 45 in April, 16 in May, 62 in June, 32 in July, 32 in August 21, 25 in September, 26 in October, 10.
- 618 of the overall applications were related to investment projects, 582 to jobs and services, and 229 to other citizen applications.
- 90% (557) of the featured investment projects were domestic, while 10% (61) were foreign.
- Local candidates obtained 29% (170) of job and service offers, while overseas applicants received 71% (412).

- Trade and services constitute 36% (227) of investment project applications, industry accounts for 27% (167), agriculture stands for 26% (158) and construction accounts for 11% (66).
- 69% (403) of job and service applications are for construction work, 15% (87) for trade and services, 12% (68) for industry, and 4% (24) for other tourism, agriculture, education, and logistics and transportation jobs.
- 145 of the appeals were submitted in Agdam, 124 in Shusha, 91 in Lachin, 87 in Fuzuli, 84 in Kalbajar, 43 in Zangilan, 38 in Jabrayil, 38 in Khojavand, 30 in Gubadli, and 1 was related to investing in Khojaly cities. In addition, 748 candidates declared an interest in establishing a business in any unoccupied territory, as well as entrepreneurs looking for jobs and services.
- 109 projects are in Agdam, 102 in Shusha, 73 in Lachin, 71 in Fuzuli, 64 in Kalbajar, 34 in Jabrayil, 32 in Zangilan, 28 in Khojavand, 25 in Gubadli, and 1 in Khojaly, and 79 applicants expressed an interest in establishing a business in any liberated area.
- A total of 485 applications from foreign companies were received from 37 countries. Turkey, Iran, Hungary, Kazakhstan, and Russia have the most applications.

### **3) What tasks have been delegated to KOBIA in terms of restoring the business environment in the liberated territories?**

The following are the key points of the "I State Program on the Great Return to the Territories Freed from Occupation of the Republic of Azerbaijan," of which KOBIA is the main executive:

- 5.2.8. Encouraging the creation of startups and business incubators in the region - Organization of educational meetings for micro and small-sized enterprises that will be established in the liberated territories and have the potential to obtain a startup certificate based on the research conducted in the relevant field and proposals prepared in the relevant field to benefit from the existing support in this area (potential for obtaining a startup certificate organization of 6 educational meetings with existing micro and small-sized enterprises and ensuring that at least 4 business entities receive start-up certificates).

- 5.3.3. Promoting the participation of young people, women, and people with disabilities in entrepreneurial activity - preparation, implementation, and monitoring of project plans in relevant directions in collaboration with relevant institutions following the migration of the population to liberated territories, as well as achieving quantitative growth over time within the framework of ensuring sustainable economic development.
- 5.3.5. Establishment of support infrastructure for SMEs' activities - In order to ensure access to state support services for entrepreneurs operating in liberated territories, it is planned to open one SME house (Shusha) and six SME-friendly offices (Khojavand, Shusha, Kalbajar, Lachin, Gubadli, and Jabrayil). (At the moment, one SME buddy is functioning in Agal village, Zangilan district).
- 6.4.19. Supporting the installation of electric vehicle charging stations - supporting the establishment of electric vehicle charging stations in freed regions.

#### **4) What government-supported mechanisms for entrepreneurship have been developed in the liberated territories?**

Concessions for territories liberated from occupation:

- tax exemption for profit (income), property, land, simplified, and non-sale income for ten years;
  - tax exemption for dividend income for ten years;
  - VAT exemption for the import of raw materials and materials in the fields of production activity for ten years;
  - VAT exemption for the import of machinery, technological equipment, and facilities for economic activities and goods nomenclature for ten years;
- For a period of ten years, 30% of cash VAT paid for hotel services and 5% of cash VAT paid for other services is returned to natural persons.
- Improvements to investment promotion mechanisms, customs concessions for raw material imports, and materials for entrepreneurs:
- for a period of ten years beginning January 1, 2023, import of machinery, technological equipment, and facilities, as well as raw materials and materials for economic operations and commodities nomenclatures.

Subsidization of social insurance fees: • 100% till January 1, 2026; • 80% from January 1, 2026, to January 1, 2029; • 60% from January 1, 2029, to January 1, 2031; 40% from January 1, 2031, to January 1,

2033; • 100% for individual enterprises, family farms, land share owners, and so on.

**5) What challenges are encountered in the establishment of the entrepreneurial environment in post-occupation territories?**

- the presence of mined regions; - the absence of an exhaustive inventory of infrastructure objects.

**6) What efforts are required to create a favourable business environment in the areas mentioned?**

- Promotion of the investment environment; - Security of investment projects; - Competitiveness of investment projects.

**7) In the stated domains, which areas should be targeted for the development of entrepreneurship?**

- Natural resource processing and economic participation; - Use of alternative energy potential; - Agriculture development; - Tourism architecture creation.