Center for Analysis of Economic
Reforms and Communication



INVEST in GARABAGH and EASTERN ZANGEZUR

3rd SPECIAL EDITION OF REFORM REVIEW

BAKU, 2026

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1 GARABAGH AND EASTERN ZANGEZUR
REGION OVERVIEW

1.1 | GARABAGH ECONOMIC REGION



Area

10.0 thsd. km²

Economy

Agriculture, industry, tourism, services

Natural resources

Polymetallic ore deposits, building materials, mineral waters and etc.

1.1 EASTERN ZANGEZUR ECONOMIC REGION

Area

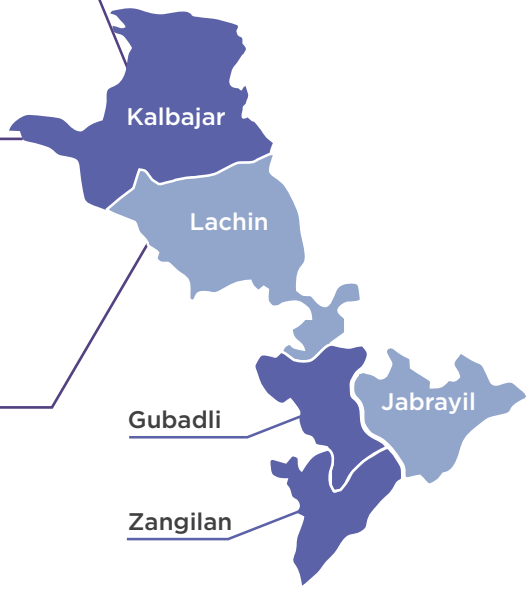
6.34 thsd. km²

Economy

Agriculture, industry, tourism, services

Natural resources

Gold, mercury, marble, facing stone (building stone), copal, perlite and etc.





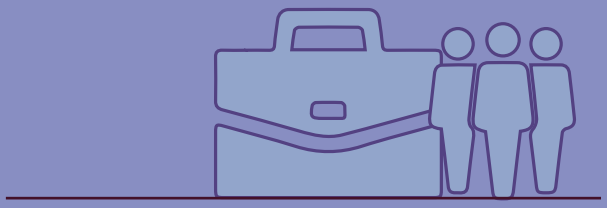
1.2 | SPECIAL REPRESENTATIVES OF THE PRESIDENT OF THE REPUBLIC OF AZERBAIJAN

Activities of special representatives

- Ensuring development of the corresponding territory according to the established purposes
- Coordination of activities of state bodies (organizations) and their local divisions for goal achievement connected with perspective development of the corresponding territory
- The organization of protection of property in the corresponding territory, effective use of state-owned property, and also implementation of activities in the sphere of entrepreneurship, town planning, construction and other spheres
- Implementation of activities in other directions determined by the President of the Republic of Azerbaijan

Currently, special representative offices are operating in

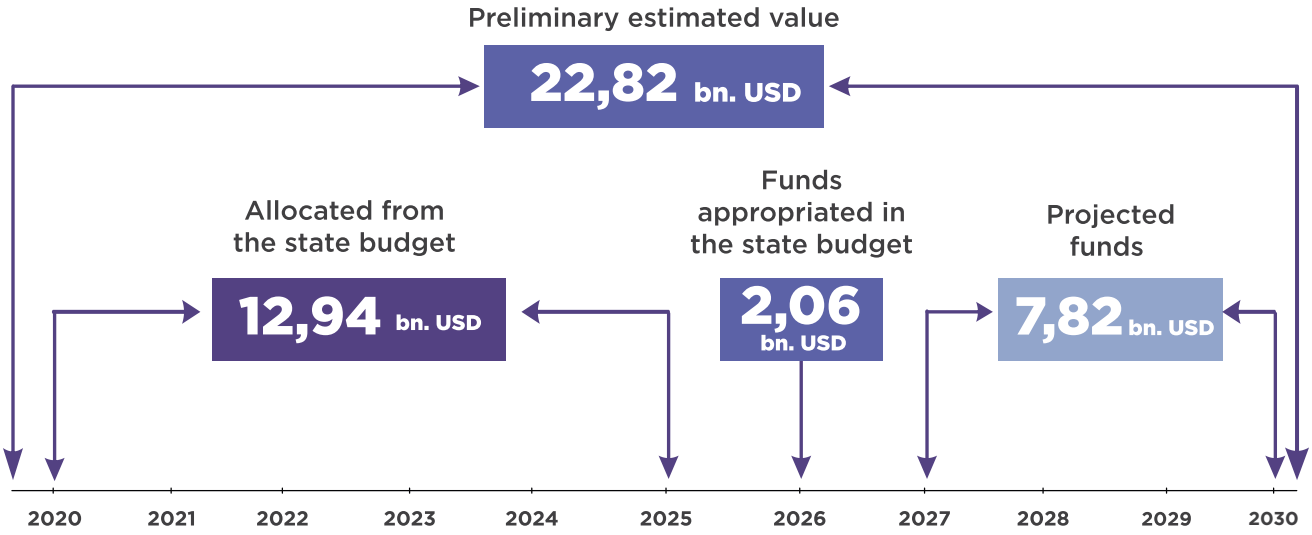
- **Aghdam, Fuzuli and Khojavend districts**
- **Shusha district**
- **Khankendi city, Aghdara and Khojaly districts**
- **Jabrayil, Gubadli and Zangilan districts**
- **Lachin district**
- **Kalbajar district**



Restoration, Construction and Management Services in

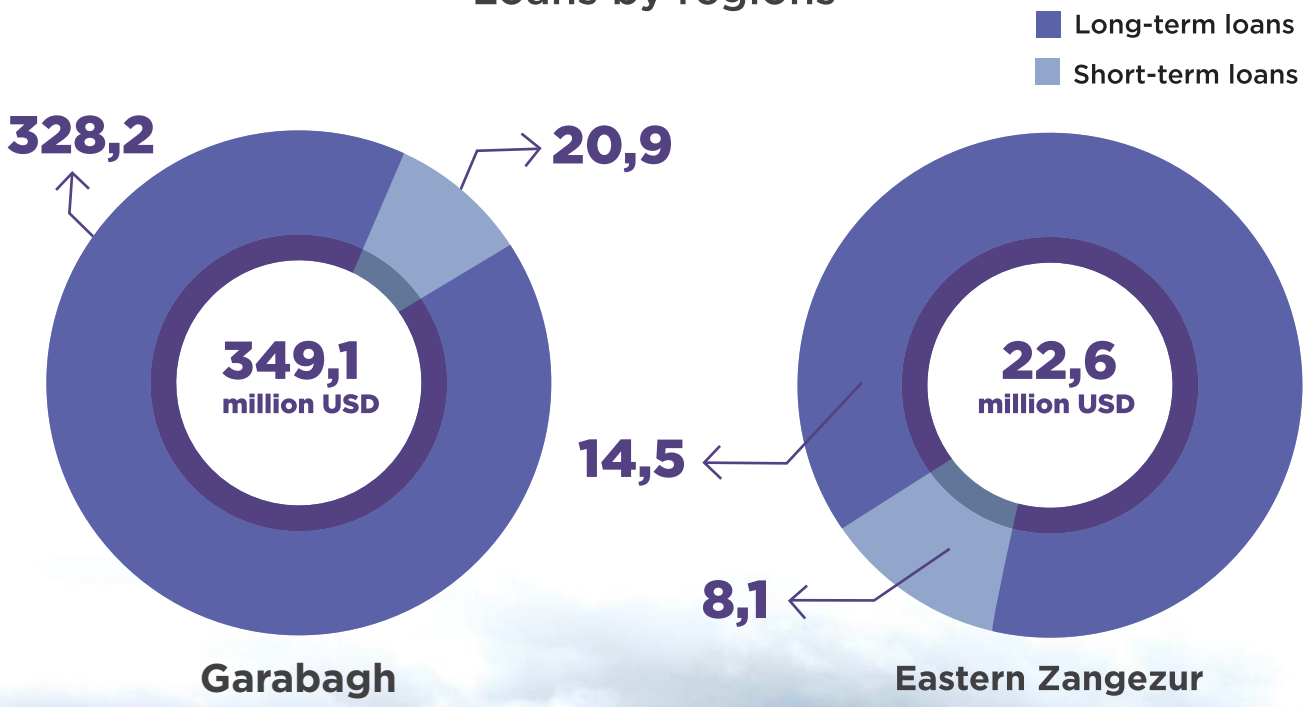
- **Aghdam, Fuzuli and Khojavend districts**
- **Jabrayil, Gubadli and Zangilan districts**
- **Khankendi city, Aghdara and Khojaly districts**
- **Lachin district**
- **Kalbajar district**
- **Shusha district (City State Reserve Department)**

1.3 PUBLIC INVESTMENTS IN GARABAGH AND EASTERN ZANGEZUR WITHIN THE FRAMEWORK OF THE FIRST STATE PROGRAM ON THE GREAT RETURN



Source: Ministry of Finance

Loans by regions



Source: Central Bank of the Republic of Azerbaijan
As of September 1st, 2026

Agricultural producers across the country are exempt from other taxes including profit tax, income tax, value-added tax (VAT), and property tax on assets utilized in agricultural operations, with the sole exception of land tax.



2 BUSINESS ENVIRONMENT: STATE SUPPORT MECHANISMS FOR ENTREPRENEURSHIP

2.1 FREE TRADE OPPORTUNITIES (BILATERAL FTAs)

Azerbaijan has **FTAs providing exemptions from customs duties and equivalent charges**, and avoidance of quotas/other quantitative restrictions with countries



Azerbaijan

Russian Federation
Georgia
Kazakhstan
Ukraine
Belarus
Uzbekistan
Turkmenistan
Kyrgyz Republic
Moldova
Tajikistan

2.2 | TAX AND CUSTOMS INCENTIVES

from January 1, 2023

10-year exemption of profit (income), property, land, simplified taxes for residents of liberated territories

10-year tax exemption of dividend income of shareholders (partners) of legal entities that are resident in the liberated territories



exemption from VAT and customs duties for 10 years of imported equipment in relevant fields

exemption of imported raw materials and materials from relevant fields from VAT and customs duties for 10 years

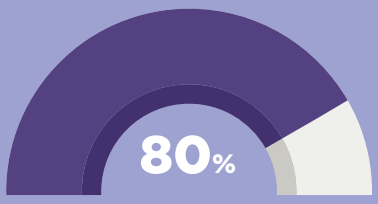


2.3 SUBSIDIZING SOCIAL INSURANCE CONTRIBUTIONS

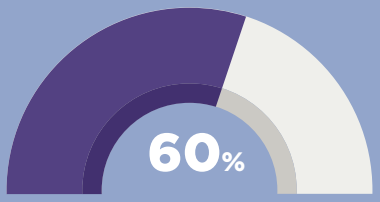
- Compulsory state social insurance contributions paid by non-state sector employers in the liberated territories are subsidized by the state as follows



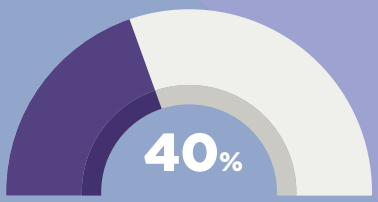
from January 1, 2023, to January 1, 2026



from January 1, 2026, to January 1, 2029

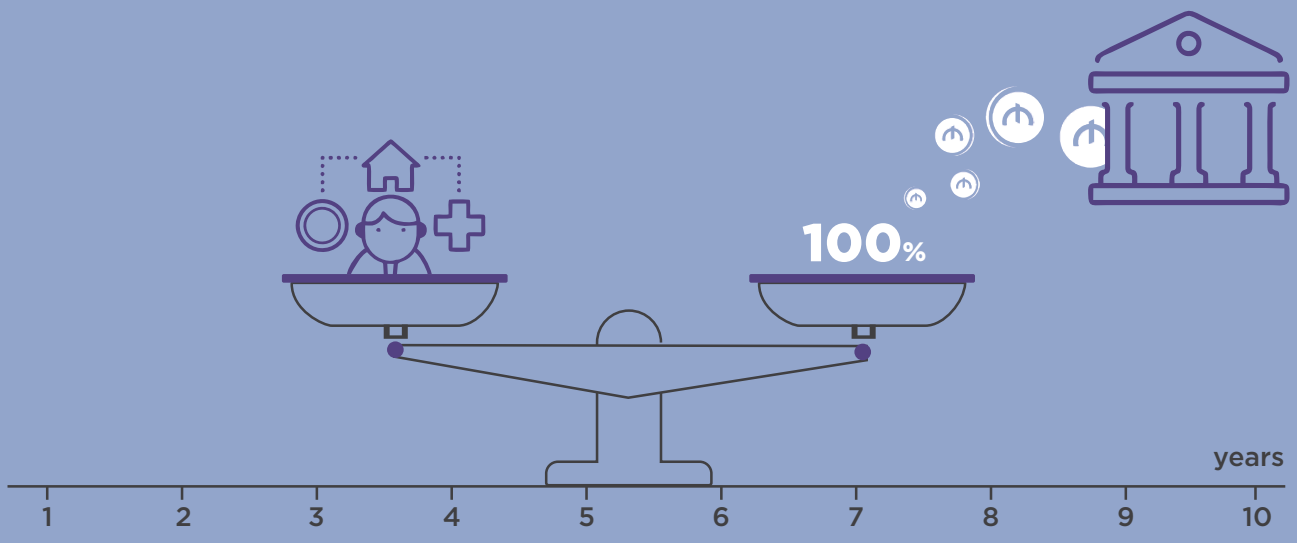


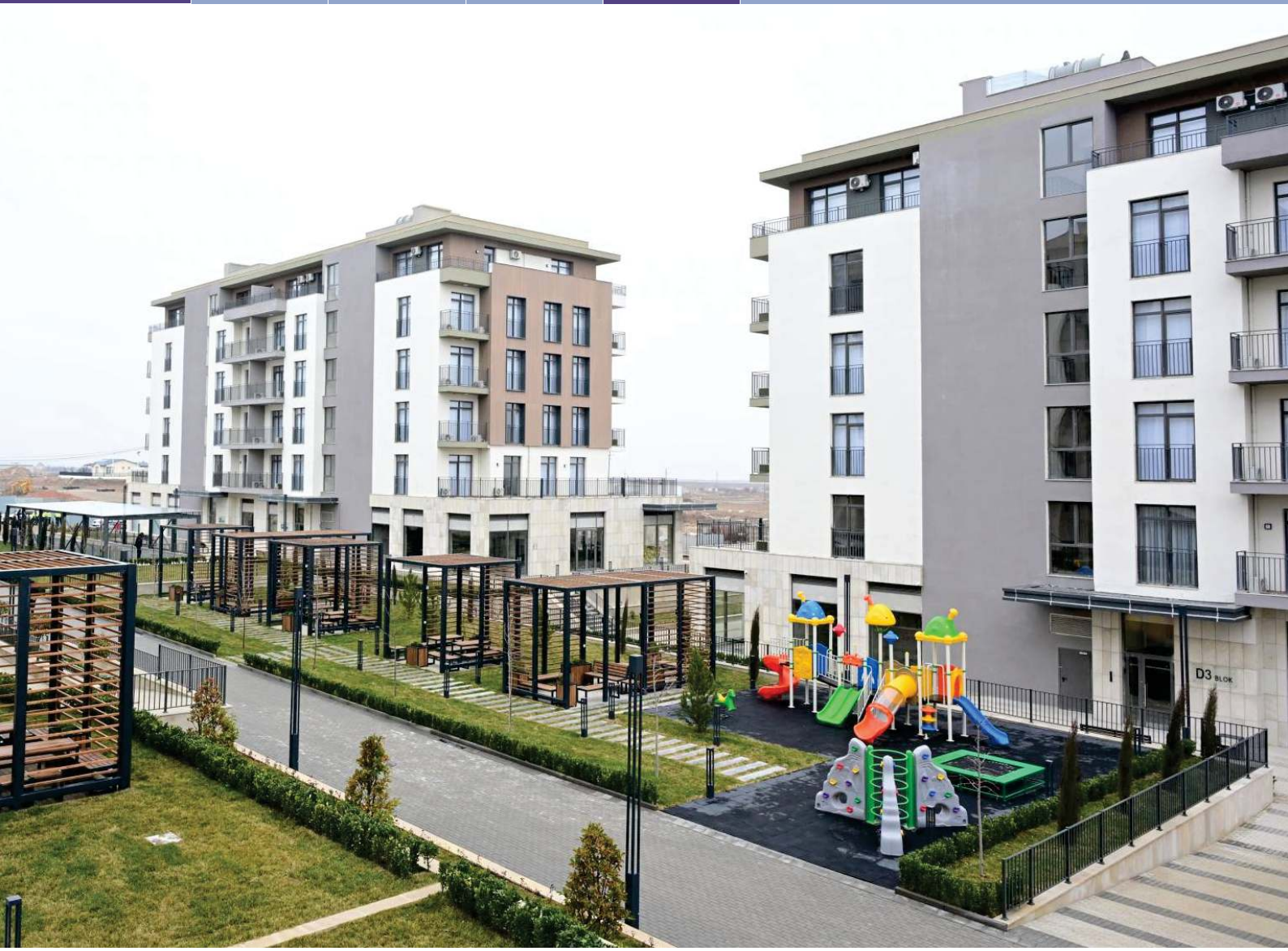
from January 1, 2029, to January 1, 2031



from January 1, 2031, to January 1, 2033

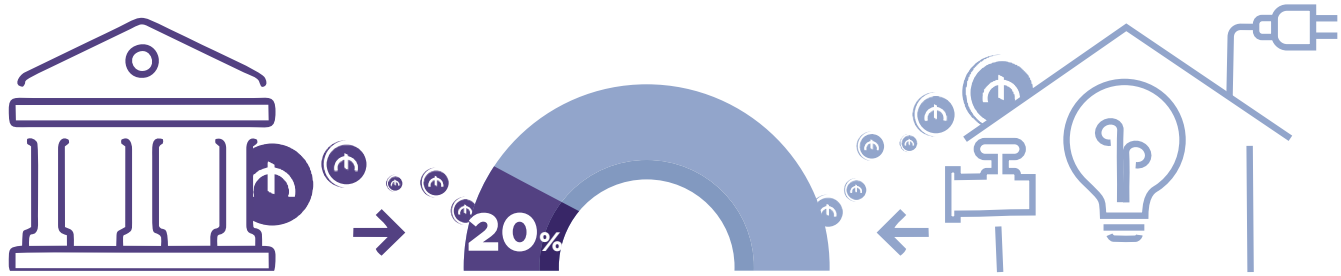
- Compulsory state social insurance contributions for non-salaried income for 10 years are fully subsidized





2.4 | UTILITY SERVICE INCENTIVES

- **Provision of financial assistance from the state budget, covering 20 percent of the amount paid by residents engaged in production activities in the liberated territories for utility services, based on domestic tariff rates.**



2.5 | GUARANTEED LOANS

- A loan portfolio of AZN 500 million (USD 294.1 million) for entrepreneurs is backed by state guarantees of up to AZN 450 million (USD 264.7 million)



- For loans backed by a state guarantee, 50% of the annual interest rate is subsidized for up to 36 months

Terms

- The total amount of state-guaranteed loans across all authorized credit institutions must not exceed AZN 5 million (USD 2.94 million) for a single borrower, or AZN 10 million (USD 5.88 million) for a group of related borrowers
- The annual interest rate of the loan must not exceed 13%, and the loan term must not exceed 7 years
- The grace period for the loan must not exceed half of the loan term, up to a maximum of 36 months





2.6 EXEMPTIONS FROM LABOR MIGRATION QUOTA

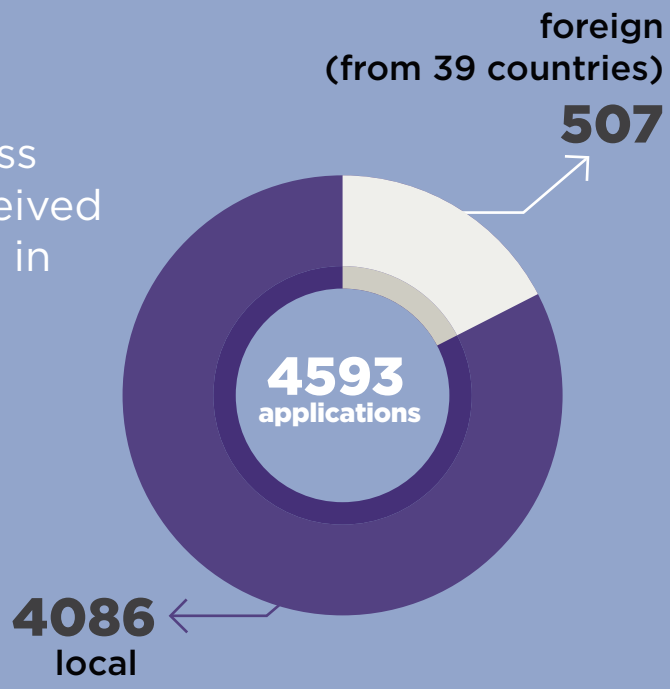
Amendments to the Migration Code of the Republic of Azerbaijan and "The Law of the Republic of Azerbaijan on state fee" dated December 9, 2022 apply to foreigners and stateless persons involved in labor activities in the liberated territories of the Republic of Azerbaijan from January 1, 2023 to January 1, 2028

- Issuance and extension of the work permit without taking into account the labor migration quota
- Reduction of the processing time for the work permit application by 5 working days
- Extending the work permit for no more than 2 years each time

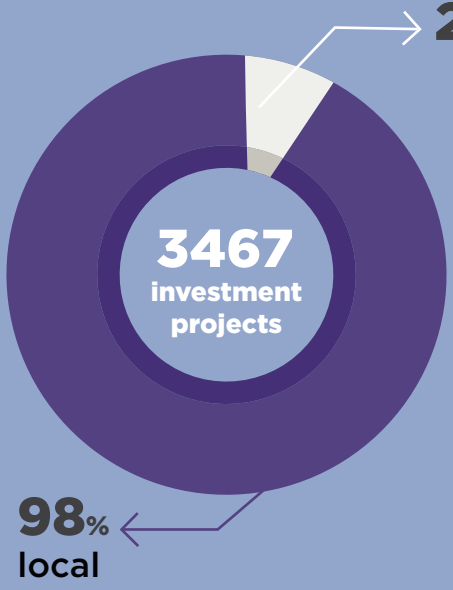


2.7 | BUSINESS APPLICATIONS

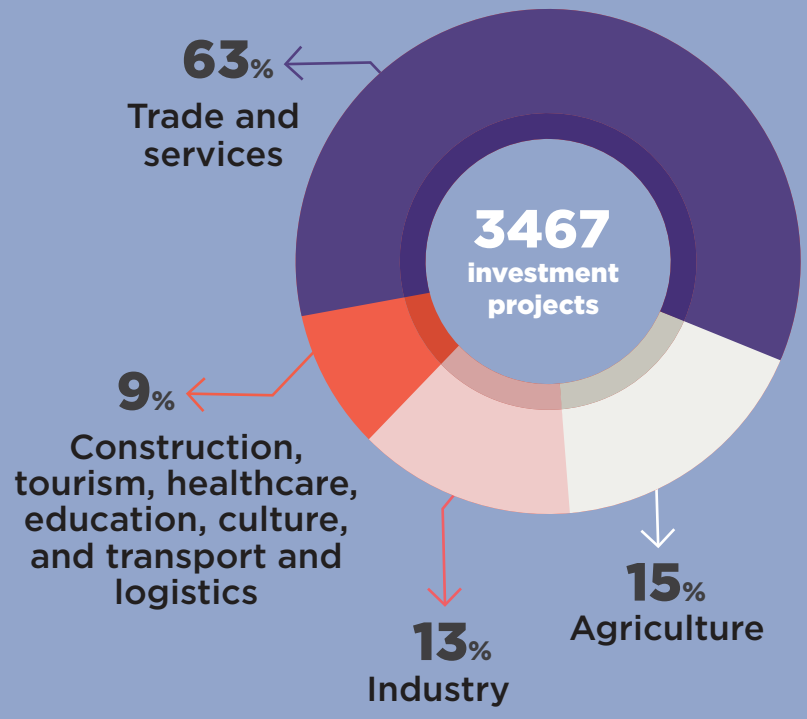
Small and Medium Business Development Agency received 4593 applications engage in business activities in the liberated territories till **01.10.2026**.



3467 out of 4593 applications were investment projects



Distribution of applications for investment projects by sectors



2.8 GARABAGH REVIVAL FUND

The Garabagh Revival Fund is a public legal entity that provides financial support for the restoration and reconstruction of the territories of the Republic of Azerbaijan liberated from occupation

Donations to Fund



The main directions of the corporate strategy



Restoration and Reconstruction



Sustainable Settlement



Progressive Governance



Restoration of Ecological Balance





Responsible Investments



Advocacy and Agile Communications



Promotion of Garabagh's Investment and Business Potential

Development of Human Capital





3 MODERN PHYSICAL INFRASTRUCTURE



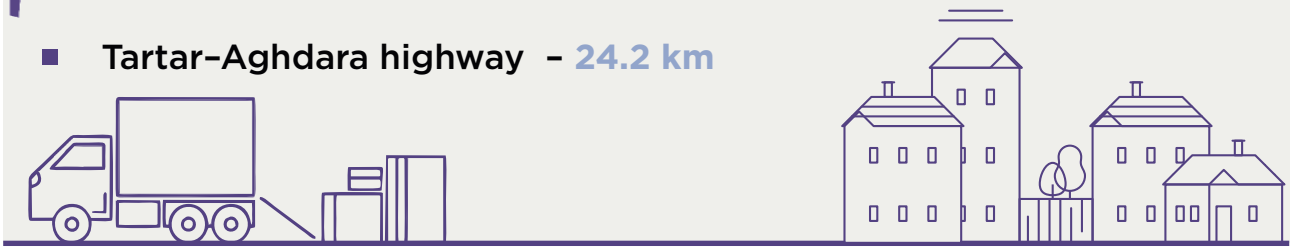
3.1 ROAD INFRASTRUCTURE FOR GARABAGH AND EASTERN ZANGEZUR



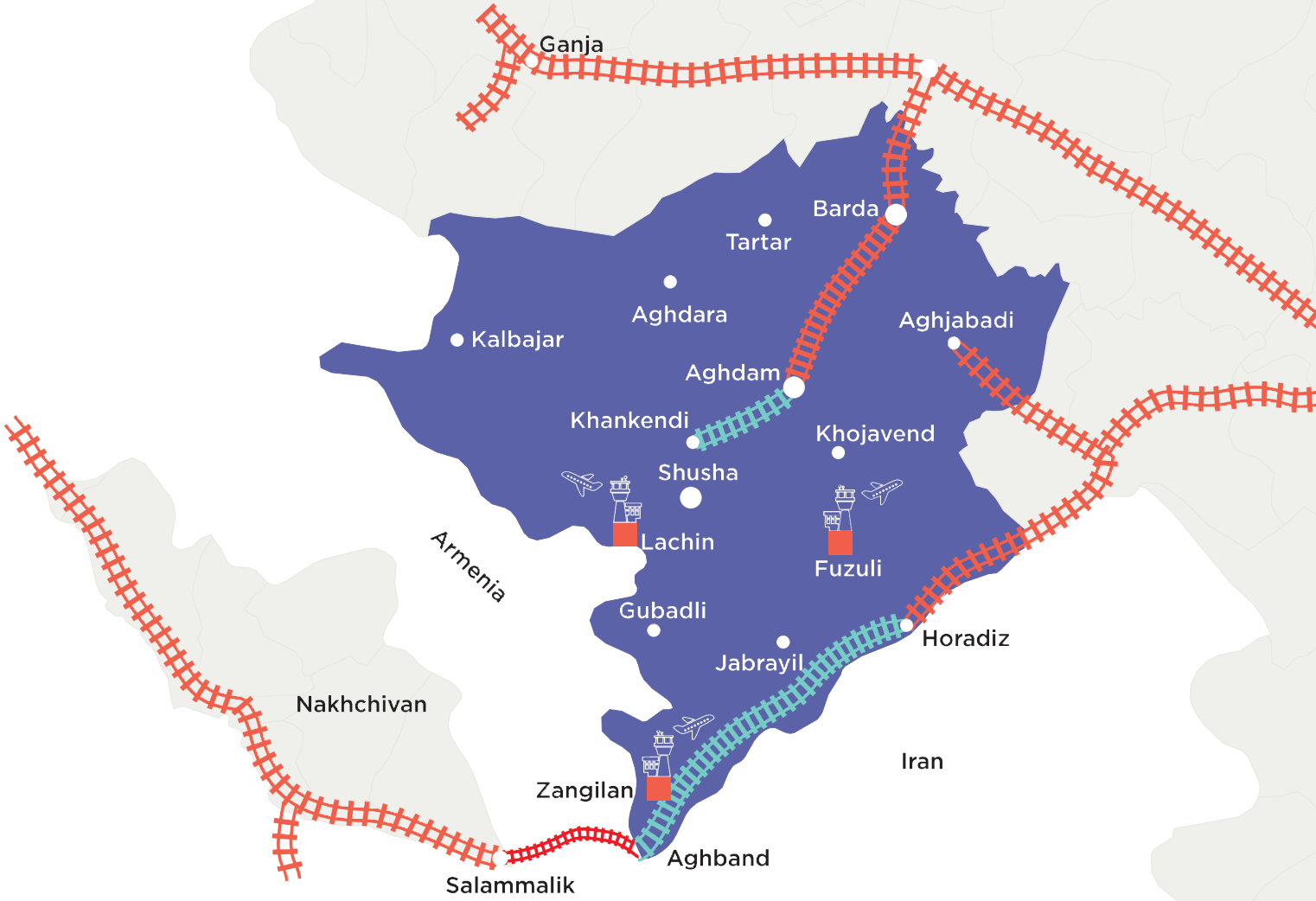
- Talish–Tapgaragoyunlu–Gashalti Sanatorium road – 22 km
- Toganali–Kalbajar–Istisu road – 81.8 km
- Kalbajar–Lachin highway – 75.6 km
- New alternative road bypassing the city of Lachin – 22 km
- Gubadli–Mahmudlu–Yaziduzu–Armenia border road – 22.3 km
- Khudafarin–Gubadli–Lachin highway – 70.4 km
- Gubadli–Eyvazli road – 28.5 km
- Tartar–Sugovushan–Talish road – 28.5 km
- Barda–Aghdam highway – 44.5 km
- Aghdam–Fuzuli highway – 65.7 km
- The “Victory Road” – 101 km
- Ahmadbayli–Fuzuli–Shusha highway – 81.7 km
- Fuzuli–Hadrut road – 12.3 km
- Shukurbayli–Jabrayil–Hadrut highway – 39.7 km
- Horadiz–Jabrayil–Zangilan–Aghband highway – 123.6 km
- Hajigabul–Bahramtapa–Minjivan–State border with Armenia road, 173.6–235 km section – 61.4 km

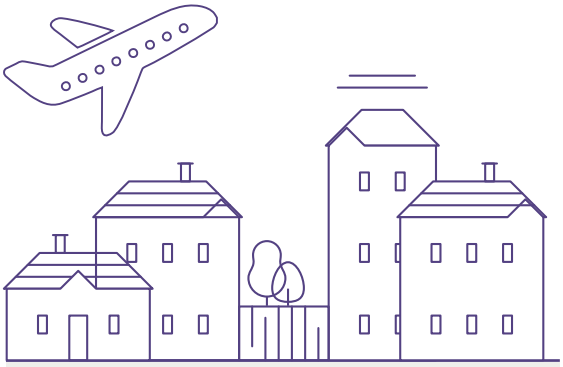
3.1 ROAD INFRASTRUCTURE FOR GARABAGH AND EASTERN ZANGEZUR

- M-6 (at km 197)–Shafag Station road – 11.5 km
- Horadiz–Jabrayil–Zangilan–Aghband (112 km) – construction of the road to the state border with the Islamic Republic of Iran (7.7 km) and road bridges over the Araz River – total 119.7 km
- R-33, Aghdam–Hindarkh–Aghjabadi highway – 44.8 km
- New Gubadli–Lachin road commencing at km 33 of the Khudafarin–Gubadli–Lachin highway – 25.2 km
- Hadrut–Tugh–Azikh road – 19 km
- Various-purpose roads within the territories of Kalbajar and Lachin districts – 1,274.6 km
- Various-purpose roads within the territories of Zangilan, Gubadli and Lachin districts – 297 km
- Sugovushan–Sarsang Reservoir–Gozlukorpu–Kalbajar highway – 77.6 km
- Khankendi–Shusha–Lachin highway – 32.6 km
- Sugovushan–Kalbajar (9 km)–Aghdara–Aghdam highway – 33.8 km
- Aghdam–Asgaran–Khojaly–Khankendi highway (24 km section to Category I technical standard) – 34 km
- Barda–Aghdam (40 km)–Asgaran highway – 20.6 km
- Tartar–Aghdara highway – 24.2 km



3.1 | GARABAGH AND EASTERN ZANGEZUR: RAILWAY LINES AND AIRPORTS





Airports

- Fuzuli
- Zangilan
- Lachin



- project design and restoration
- Aghdam-Khankendi
- Horadiz-Aghband
- Aghband-Salammalik (Zangezur Corridor)
- Existing railways


FUZULI
AIRPORT


LAÇIN
AIRPORT


ZƏNGİLAN
AIRPORT

3.2 | SOCIAL INFRASTRUCTURE



Healthcare

- A total of 20 healthcare facilities are currently operational in the liberated territories, including modular hospitals, central district hospitals, a polyclinic, family health centres and medical stations

Healthcare infrastructure construction covers all liberated territories

Education

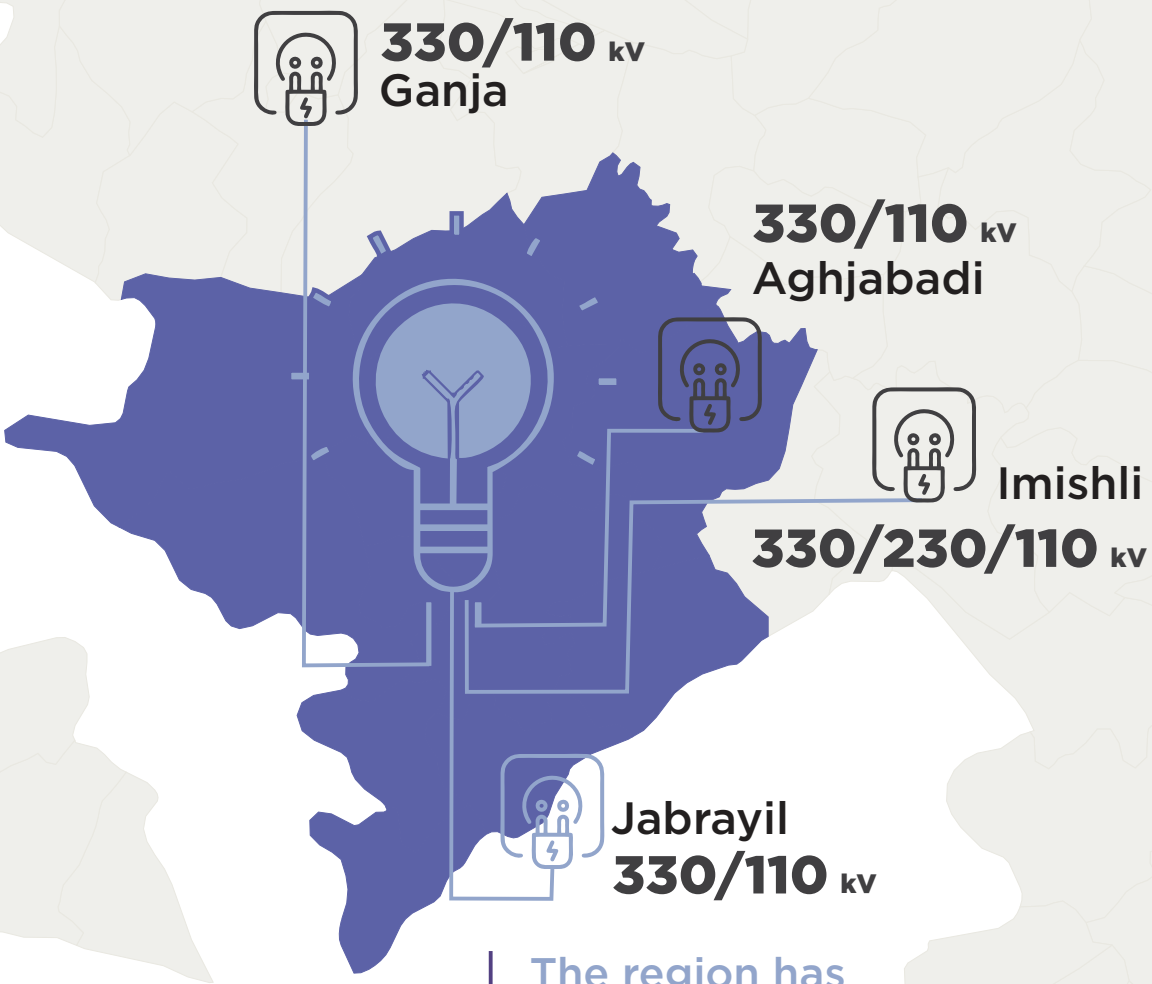
- Garabagh University has commenced operations in Khankendi and now offers 49 academic programmes across 9 faculties
- In total, 40 educational institutions have been constructed and commissioned in the region

Education infrastructure construction covers all liberated territories



As of September 2026

3.3 | POWER GENERATION AND DISTRIBUTION



The region has been connected to the national energy system at 4 points

One 330 kV substation and thirteen 110 kV substations are in operation

38 hydropower plants with a total capacity of 307 MW are in operation

As of October 2026

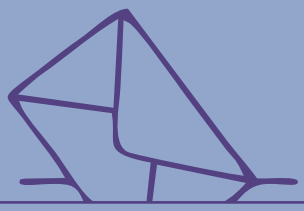
3.4 | COMMUNICATION AND INFORMATION SERVICES



The operation of mobile operators' base stations has been ensured in the liberated territories



Telecommunications services, including GPON-based high-speed internet, telephone and IPTV services, are provided in 48 settlements



Postal services are provided in the districts of Aghdam, Aghdara, Jabrayil, Fuzuli, Kalbajar, Khojaly, Khojavend, Gubadli, Lachin, Shusha and Zangilan, as well as in the city of Khankendi



Broadcast coverage for radio and TV reaches nearly the whole region through the broadcasting stations



Communication and information services cover all liberated territories





3.5 | WATER, UTILITIES AND OTHER SERVICES

Completed projects

The repair and restoration of

- Tartar Left Bank Main Canal – 20.2 km
- Sugovushan reservoir, along with a 5.2 km main canal (Tartarchay)
- Khachinchay reservoir, along with a 7 km canal
- Ashagi Kondalanchay, Kondalanchay 1, and Kondalanchay 2 reservoirs
- “Khudafarin” and “Giz Galasi” hydroelectric complexes for electricity and irrigation

New reservoir

- Zabukhchay reservoir and its 50 km main pipelines





4 GARABAGH AND EASTERN ZANGEZUR POTENTIAL SECTORS

4.1 PRIVATE SECTOR LED DEVELOPMENT

Private Sector–Led Development is prioritized across the region

The following nuances warrant focused attention within this framework:

- **Industrial ecosystem**
  Expansion and efficiency upgrading of special economic zones (industrial parks, technoparks, agro-parks, etc.)
- **Investment guarantees & PPP**
  Deployment of MIGA/ICIEC guarantees; implementation of PPP and Build-Operate-Transfer (BOT) models.
- **Digital mining**
  Techno-economic assessment of the region's "coin/crypto mining" potential (energy, infrastructure, regulation).
- **Investment climate**
  Legal-regulatory reforms, prioritized action plan, and resource mapping.
- **Renewable energy**
  Scaling generation and strengthening grid integration.
- **Agro-food value chain**
  Development of processing, value addition, and export-oriented product lines.
- **Priorities & product portfolio**
  Selection of target sectors and product base.
- **Tourism cluster**
  Creation and packaging of historical-cultural routes.
- **Pre-export enablement**
  Promotion of agricultural sorting, packaging, and pre-export processing and logistics services

4.2 | AGHDAM INDUSTRIAL PARK

Area

190 ha

Number of residents

36 residents, 3 non-residents

Investment volume

102,94 million USD

Workplace

1043 persons

Source: Economic Zones Development Agency, As of September 2026

Priority Areas

- Food and agricultural products
- Production of fodders and veterinary drugs
- Machine building industry
- Production of construction materials
- Production of light industry products
- Packaging
- Agro-chemistry, including fodder and fertilizer production
- Household chemicals
- Repair and technical maintenance of automobiles and trucks, construction and heavy machines
- Repair of household appliances
- Cold storage and logistics services





Area

200 ha



Number of residents

19 residents, **2** non-residents



Investment volume

29,41 million USD



Workplace

136 persons

Source: Economic Zones Development Agency, As of September 2026

To incentivize businesses to establish operations within industrial parks, the government offers several key exemptions for a period of 10 years from the date of registration.

These include exemptions from property tax, land tax, income tax, VAT for imported machinery, technological equipment, and devices, as well as customs duty on imported machinery, technological equipment, and devices.

4.2 | "ARAZ VALLEY ECONOMIC ZONE" INDUSTRIAL PARK

Priority Areas

- Warehousing, cold storage and logistics services
- Sorting and packing
- Alternative energy projects
- Food and agricultural products
- Production of construction materials
- Machine-building industry, automobile industry, appliance manufacturing and agricultural machinery production
- Metal smelting and production of metal parts
- Production of light industry products
- Repair and technical maintenance of automobiles and trucks, construction and heavy machines
- Production of fodders and veterinary drugs
- Agro-chemistry, including fodder and fertilizer production
- Household chemicals



dost agropark

The first private investment of Garabagh

4.3 | "DOST AGROPARK" SMART AGRICULTURAL COMPLEX IN ZANGILAN

Area
6000 ha

Total investments
100 million USD

Expected employment
500 persons

Priority Areas

- Breeding of pedigree livestock
- Meat processing and packaging
- Seed production and cultivation of seedlings

4.4 GREEN ENERGY

The 'Action Plan for the Establishment of a Green Energy Zone in the Liberated Territories of the Republic of Azerbaijan for 2022-2026' has been approved

Within the framework of establishing the 'Green Energy' zone, the plan envisages the construction of energy supply infrastructure in the liberated territories, the production of electricity from renewable energy sources, ensuring energy efficiency, implementing green technologies, and promoting public-private partnerships in this sector.

The total 'green energy' potential of Eastern Zangezur and Garabagh (solar, wind, and hydro energy) is estimated at 10,000 MW



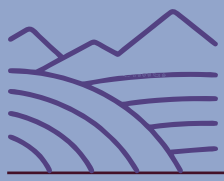
4.5 | INVOLVEMENT OF NATURAL RESOURCES IN THE ECONOMIC CYCLE



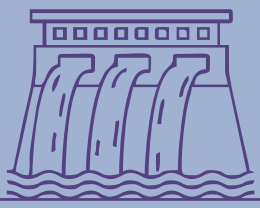
In accordance with the "Execution Agreement" signed between the Ministry of Energy and BP, construction of the 240-megawatt "Shafag" solar power plant is currently under way in Jabrayil district



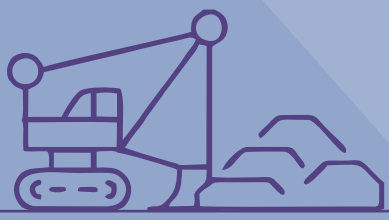
Türkiye's "Eti Bakır A.Ş." has been designated for the exploration, geological investigation, development, and operation of the "Elbeydash" ore deposit located in the Kalbajar district



Agricultural land plots in the liberated territories are leased to business entities through investment competitions. This mechanism promotes the development of agricultural production, attracts private investment, and ensures the efficient use of land resources in the region



A Joint Participation Agreement was signed between Türkiye's "Demirören Yatırım Holding A.Ş.", "Arges Enerji Team" LLC, and the "Azerbaijan Investment Company" (AIC) OJSC for the restoration and operation of 5 small hydropower plants in the Kalbajar and Lachin districts. As part of the project, the 3.2 megawatts "Minkend" Small hydropower plant has commenced operations, while work is ongoing to complete and commission the remaining plants



The "Shahbulag stone quarry" in Aghdam district, the "Damirli" ore processing complex in Aghdara district, and the Brick factory in Khojaly district have commenced operations. Products extracted and manufactured at these facilities, particularly construction materials, are being used in restoration and reconstruction projects across the liberated territories

Source: Ministry of Economy

4.6 | TOURISM

Garabagh and Eastern Zangezur regions are among the most resource-rich and high-potential tourism destinations in Azerbaijan



Historical and Cultural Tourism

- Shusha, Aghdam, Fuzuli, and Jabrayil possess a particularly rich historical heritage
- The ancient Caucasian Albanian churches located in the districts of Khojavend and Kalbajar serve as key attractions for religious tourism



Ecotourism and Mountain Tourism

- Lachin, Kalbajar, Gubadli, and Zangilan offer ideal locations for hiking, camping, nature tours, and photography

Health and Thermal Tourism

- Kalbajar's famous Istisu springs offer significant potential for health tourism



Winter tourism

- Lachin and Kalbajar are deemed highly suitable for the development of ski resorts



5 GARABAGH AND EASTERN ZANGEZUR FUTURE OUTLOOK AND VISION

Looking ahead, Garabagh and Eastern Zangezur have the potential to become economic powerhouses

With sustainable and inclusive growth, these regions can significantly contribute to both local economies and national development

Goals include transforming

- Kalbajar, Lachin and Aghdara into mining, renewable energy, and tourism centers
- Aghdam into an industrial manufacturing and agro-processing hub
- Shusha into a cultural and tourism center
- Khankendi into a higher education, healthcare, research, and business services hub
- Zangilan, Jabrayil, and Fuzuli into trade, logistics, renewable energy, and industrial hubs
- Gubadli, Khojaly and Khojavend into agricultural production, agro-processing, and tourism centers

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