

**Estimation of transparency and accountability of the budget funds spent for
“restoration and reconstruction of territories liberated from occupation”**

(January 2022 – June 2023)

*This report was prepared by an expert group of the
Economic Research Center under the leadership of
economist-professor Gubad Ibadoglu*

Abbreviations

SAH - State Agency of Azerbaijan Highways

AR JSC – “Azerbaijan Railways” Closed Joint Stock Company

ACMCSS - Antimonopoly and Consumer Market Control State Service

ECHR - European Court of Human Rights

ANAMA - Demining Agency of the Republic of Azerbaijan

SLIS - State Labor Inspection Service

SUPAC - State Urban Planning and Architecture Committee

SOF - State Oil Fund

SSS – State Security Service

DCSTP - Development Center of State-Entrepreneurial Partnership

CH - Coordinating Headquarters

LRES - Labor Relations and Employment Subsystem

MoLSPP - Ministry of Labor and Social Protection of the Population

MoSE - Ministry of Science and Education

MoENR - Ministry of Ecology and Natural Resources

PRL - power transmission lines

MoE- Ministry of Economy

EZDA - Economic Zones Development Agency

SHPs - small hydropower plants

MoA - Ministry of Agriculture

MoES - Ministry of Emergency Situations (MoES)

CoM - Cabinet of Ministers

MoF - Ministry of Finance

AC - Accounting Chamber

SHSRD - Shusha City State Reserve Department

HCSA - Housing Construction State Agency

Key words: Karabakh, tender, territories liberated from occupation, competition, state budget, corruption, single source procurement, projecting, restoration, construction

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Summary

In 2021-2022 and in the first 2 quarters of 2023, billions of manats were spent from the state budget under the name of “restoration and reconstruction of the territories liberated from occupation of Karabakh”, and the amount of allocated funds has been sharply increased every year compared to the year prior. 4,310.6 million manats were spent in Karabakh in 2022; In 2023, 5,260 million manats are expected to be spent. The increase in funds was accompanied by the non-transparency of spending and the lack of reporting. In comparison to 2021, in 2022 and the first 6 months of 2023, the customer state institutions implementing projects in Karabakh were less informed about spending on specific projects and about the selection of contractors and subcontractors. Furthermore, in some cases they did not disclose any information at all. Compared to 2021, in 2022, the volume of budget funds directed to the construction of highways in Karabakh increased both in terms of percentage and amount, from 73 percent (1,590 million manats) to 78 percent (3,362 million manats).

The State Urban Planning and Architecture Committee and the State Agency of Azerbaijan Highways, which prepared the urban planning rationale for the residential settlements to be built from the client state institutions, involved private companies in the implementation of the projects either by concluding a contract directly, or by purchasing from a single source, or as a subcontractor. Through research, each of these companies was revealed. In the research report, the state of spending of funds allocated from the state budget according to their purpose was evaluated by sectors, projects (customer state institutions) and administrative regions. During the reporting period, no serious work was carried out in the direction of the restoration of settlements, the repatriation of internally displaced persons, the construction of most of the settlements founded by the President of the country was not started, based on the tender competitions for the construction of projects in the centers of administrative regions - Shusha, Fuzuli, Aghdam, Lachin and Agali village of Zangilan district. was given to "Pasha Holding" owned by his family, "ARCHICO" company owned by First Deputy Prime Minister Yagub Eyyubov and other companies owned by high Chinese officials.

The client state institutions that receive funds from the state budget for the purpose of restoration and reconstruction of the de-occupied territories of Karabakh did not disclose the information related to the expenditures, the results of the tender competitions on their official websites and refused to answer the information requests submitted in this direction, contrary to the law "On Access to Information". During the reporting period, the financing of all the projects implemented in Karabakh was provided at the expense of the state budget, despite the statements made by the President of the country, the Minister of Economy and other officials about the interest of foreign companies in the restoration of Karabakh, no local or foreign private company has been registered to invest in Karabakh. At the same time, at the initiative and request of the Ministry of Economy, the Law on Public-Private Sector Partnership, prepared with the participation of experts of the European Bank for Reconstruction and Development and adopted at the end of 2022, has not been applied for the purpose of restoration and construction of the liberated territories of Karabakh. The selection of the residents of the industrial parks created in Aghdam and Jabrayl was closed, and during the selection, enterprises that did not belong to the predetermined activity direction of the industrial parks were accepted as residents.

1. Legal basis of financing the projects carried out in the liberated territories from the state budget

The budget funds allocated each year for restoration purpose of Karabakh are envisaged by the section “reconstruction and restoration of the territories liberated from occupation” of the article “Construction and town-building” of the state budget expenses of the Republic of Azerbaijan. The funds of 2 200 million manat have been allocated in this purpose in the Law of the Republic of Azerbaijan “On state budget of Azerbaijan Republic for 2022” approved by the President on December 3, 2021¹. In June 2022, the budget was revised, and changes were made in most of the expenditure items, including the financing of the projects implemented in the territories liberated from occupation. According to the updated forecasts of the state budget, 2,670 billion manats were allocated for the reconstruction and restoration of territories liberated from occupation². This was 21.4% or 470 million manat more than the approved forecast. Expenditures on the relevant item of the state budget were determined at 5 billion 972.271 million manats, which was 980.6 million manats or 19.6% more than the previous budget forecast. In the Law of the Republic of Azerbaijan "On the implementation of the state budget of the Republic of Azerbaijan for 2022" it is indicated that 2,665,408,636 manats were spent in the corresponding column³.

However, this amount is not all the budget funds spent in Karabakh in 2022, funds have been allocated for the same purpose in other spending areas of the budget. Compared to the previous year, 2022 was remembered as a period of leapfrog growth of budget funds directed to the restoration of territories liberated from occupation.

According to the Accounting Chamber (AC)⁴, in addition to the implementation of the projects included in the allocation of funds for the reconstruction and restoration of territories liberated from occupation in the 2022 state budget, the below specified funds have been allocated at the expense of state capital investment: 467.1 million manats (for 15 projects implemented by the State Agency of Azerbaijan Highways and 2 projects implemented by JSC “Azerbaijan Railways”), in connection with the implementation of road transport infrastructure projects implemented by the State Agency of Azerbaijan Highways in the territories liberated from occupation - 1073.54 million manat from the Reserve Fund of the state budget to cover a part of the financial obligation to project contractors (73.6% of the total financing amount opened under the Fund), 0.37 million manat to the Minesweeping Agency of the Republic of Azerbaijan (ANAMA), 4.9 million manats to the Ministry of Emergency Situations (MES) for the purchase of “GCS-200” anti-tank demining complexes, their spare and auxiliary parts in order to accelerate and improve the quality of demining works, 0.93 million manat to “Tamiz Shahr” OJSC for the regulation of financial support for the collection, transportation, placement and neutralization of solid household waste, as well as the placement and neutralization of solid household waste in Tartar region until the end of the current year. At the same time, according to the provided information, 98.81 million

¹ <https://e-qanun.az/framework/48723>

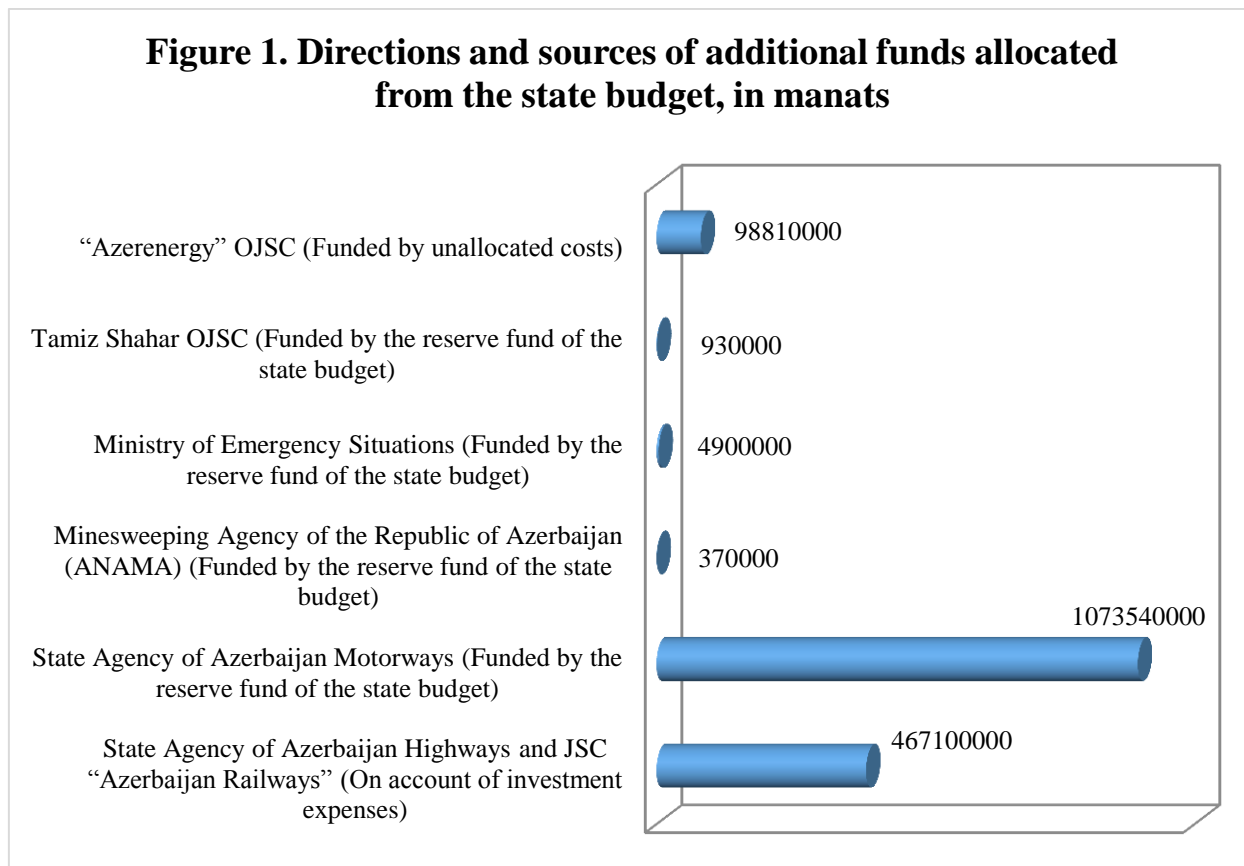
² <https://e-qanun.az/framework/49893>

³ <https://maliyye.gov.az/scripts/pdfjs/web/viewer.html?file=/uploads/static-pages/files/64905ef7d96b2.pdf>

⁴ https://sai.gov.az/files/R%C9%99y-2022_final-834655659.pdf

manats was allocated from the unallocated (blocked) expenses of the state budget for the reconstruction and restoration of the territories liberated from occupation by increasing the charter capital of “Azerenergy” OJSC for the implementation of the “Construction of New KSES” project. Thus, 4311.0 million manat have been allocated the to the Minesweeping Agency of the Republic of Azerbaijan for the reconstruction and restoration of territories liberated from occupation from all sections of the 2022 state budget of the Republic of Azerbaijan.

Figure 1. Directions and sources of additional funds allocated from the state budget, in manats



It should be noted that the allocation of costs for the restoration and reconstruction of territories liberated from occupation is formalized by the decrees of the President of the Republic of Azerbaijan, but since most of such decrees are not published, they are not available to the public. Spending of the funds is carried out under the supervision of the Coordinating Headquarters (CO), created for the centralized solution of issues in the territories liberated from occupation.

According to the official information of the Cabinet of Ministers (CM)⁵, a total of 4310.6 million manats have been allocated from the state budget of 2022 for the reconstruction and restoration of territories liberated from occupation. It should be noted that 2665.4 million manats or 61.8% of these funds are intended for the reconstruction and restoration of territories liberated from occupation, 1079.4 million manats or 25.1% are reserves of the state budget. of the fund, 467.0 million manats or 10.8% of state capital investment (investment costs) costs, 98.8 million manats or 2.3% of the funds allocated to other sources provided for in the state budget.

⁵ Report of the Cabinet of Ministers of the Republic of Azerbaijan for 2022, p. 38.

Table 1. Allocation from the state budget of 2022 for the reconstruction and restoration of Karabakh region

№	Costs allocated by their sources	Amount, million AZN	Percentage
1.	Targeted spendings	2665,4	61,8
2.	Reserve fund of the state budget	1079,4	25,1
3.	State Capital Investment	467	10,8
4.	Unallocated costs	98,8	2,3
Total		4310,6	100

Source: Cabinet of Ministers of the Republic of Azerbaijan

In the report of the Cabinet of Ministers for 2022, it is noted that the state budget funds for the restoration of territories liberated from occupation are distributed in the following manner: “In 2022, 3,346.8 million manats are allocated for the design and construction of highways, 329.8 million manats for the design and construction of railway lines, Shusha, Aghdam, Fuzuli, Jabrayil, Zangilan and Kalbajar from the funds allocated for the restoration and reconstruction of liberated areas. 146.0 million manat for the creation of a sustainable drinking water supply system in cities (in accordance with the requirements of the “smart city” concept), the construction of water reservoirs, main irrigation canals and other water management complexes, the preparation of feasibility studies and project documents for the management of rain and waste water manats, 128.8 million manats for the design and construction of "Gabrayil Energy Junction" and new small hydroelectric power stations, liberated territories, as well as other territories affected by war and military operations, from mines and unexploded ordnance, devices containing explosives, other 99.6 million manats for the purchase of “GCS-200” anti-tank demining complexes, their spare and auxiliary parts, and 54.3 million manats for the construction, repair and reconstruction of defense objects in order to clean them from explosive remnants and accelerate the works, as well as to increase their quality. , 49.4 million manats for the construction of a new residential complex in the “South-D11” zone in the city of Shusha, preparation of project-estimate documents for the former post office building and reconstruction of the building, demolition works in the city, design and construction of internal roads, Shusha, Aghdam, Jabrayil, 24.9 million manats for the design and construction of vocational high schools and secondary school buildings in Kalbajar, Zangilan, Lachin, Tartar, Fuzuli districts and cities, the master plans of Shusha, Jabrayil, Fuzuli, Kalbajar, Zangilan, Gubadli cities and 22 settlements (3 settlements, 19 villages) 18.9 million manats for the preparation of urban planning justification documents, 15.0 million manats for the implementation of cadastral services and evaluation of land plots in the territories liberated from occupation, Agdham, Kalbajar and Zangilan Occupation and Victory Museum Complexes, Jabrayil and Fuzuli Memorial 12.8 million manats for the design and construction of the complexes, Jabrayil Victory Pavilion and Jabrayil War Museum, 12.5 million manats for the design and construction of the "Smart Village" in the area of the Second Agali village of Zahgilan district, the project of Shusha, Jabrayil, Aghdam and Fuzuli district central hospitals - 9.6 million manats for the preparation and construction of estimate documents, 10.0 million manats for the installation of

aeronautical systems in the newly built airports in the liberated territories. manats, 6.7 million manats for the purchase of special equipment for the purpose of use in the territories liberated from occupation, preparation of project-estimate documents related to the major renovation of the “Karabakh ” and “Kharibulbul” hotels in Shusha, the creation of the primary tourism infrastructure in the villages of Sugovushan, Dashalti and Tugh, construction , 6.3 million manats for the performance of repair, restoration, beautification and reconstruction works, 6.3 million manats for the construction, repair and restoration of settlements (towns, villages, settlements) in the liberated territories of Karabakh and Eastern Zangezur economic regions, from the occupation 5.5 million manats for the creation of appropriate infrastructure for solid household waste management in liberated areas, 1.8 million manats for the construction of bus stations in Fuzuli and Agdham districts, design and construction of the Shusha Radio-Television Broadcasting Station, as well as the existing post office and center in Hadrut settlement 0.3 million manats were allocated for major repair and equipment supply of the post office, and 25.3 million manats were allocated for other necessary works”⁶.

Diagram 2: Distribution of State budget funds for the liberated areas in 2022 by percentage



In the budget of 2023, 3 billion manats were initially allocated for the reconstruction of Karabakh⁷. However, after the end of the first quarter of 2023, on April 18, President Ilham Aliyev stated in an interview on state television that the funds directed to the restoration of the territories liberated from occupation will be increased: “... The government has already been instructed to make the budget honest and submit it to the Milli Majlis. First of all, 1.1 billion manats more than the forecast were collected in three months through the Tax Service... In the customs sector, the funds collected in addition to the forecast are more than 400 million manats... In just 3 months, 1.5 billion manats were collected in addition to the forecast. On the whole, I think that additions to the budget will be at least 3 billion manats, and may be more. The main part of this will be used in the reconstruction of Karabakh and Eastern Zangezur.”⁸

⁶ Report of the Cabinet of Ministers of the Republic of Azerbaijan for 2022, pages 38-39

⁷ <https://e-qanun.az/framework/53084>

⁸ <https://apa.az/az/official-news/prezident-salyanda-azerbaycan-televiziyasina-musahibe-verib-yenilenib-759941>

In the "Reference on the implementation of the state budgets (operational) and the review for the first quarter of 2023" of the Ministry of Finance (MoF), it is noted that 3 mln. During the reporting period, 35.5 percent or 1067.0 million manats or 1067.0 million manats were used based on the cash order documents submitted by the client organizations for the relevant projects⁹.

It should be noted that 1,042.5 million manats of the used funds were allocated to the Azerbaijan Highways State Agency (AAYDA) for the purpose of designing and building highways, 13.0 million manats were allocated to "Melioration and Water Management" OJSC for the purpose of creating irrigation systems in areas liberated from occupation. 6.0 million manats will be allocated to the Demining Agency for the purpose of demining the territories liberated from occupation, and 5.5 million manats will be allocated to the relevant executives for the purpose of creating other necessary infrastructure.

On June 6, at the first session of the 2023 special session of the Milli Majlis, based on the presentation of the President, the issue of amending the law "On the State Budget" and 2 other laws included in the budget envelope was considered. Minister of Finance Samir Sharifov, who presented the project, said that in the 2023 state budget, 3 billion manats were approved for the implementation of the projects prescribed in the Great Return Program. Almost 60 percent of those funds have already been used in the last 5 months of the current year. In the first 5 months of the current year, the additional revenues of the state budget, excluding the transfers to the state budget of the State Oil Fund (SOF), amounted to 2.6 billion manats¹⁰.

At the meeting of the Parliament, it was reported that 2 billion 260 million manats of the mentioned 4.3 billion manat financial resources will be directed to reconstruction works in Karabakh and Eastern Zangezur, which were liberated from occupation, and the state budget allocated for the Great Return Program will be increased to 5 billion 260 million manats this year.

Funds allocated to the reconstruction of Karabakh in accordance with the Law of the Republic of Azerbaijan on Amendments to the Law of the Republic of Azerbaijan "On the State Budget of the Republic of Azerbaijan for 2023" dated June 16, 2023, No. 917-VIQD - targeted expenses in the amount of 4,800 million manats reached 5 billion 260 million manats¹¹.

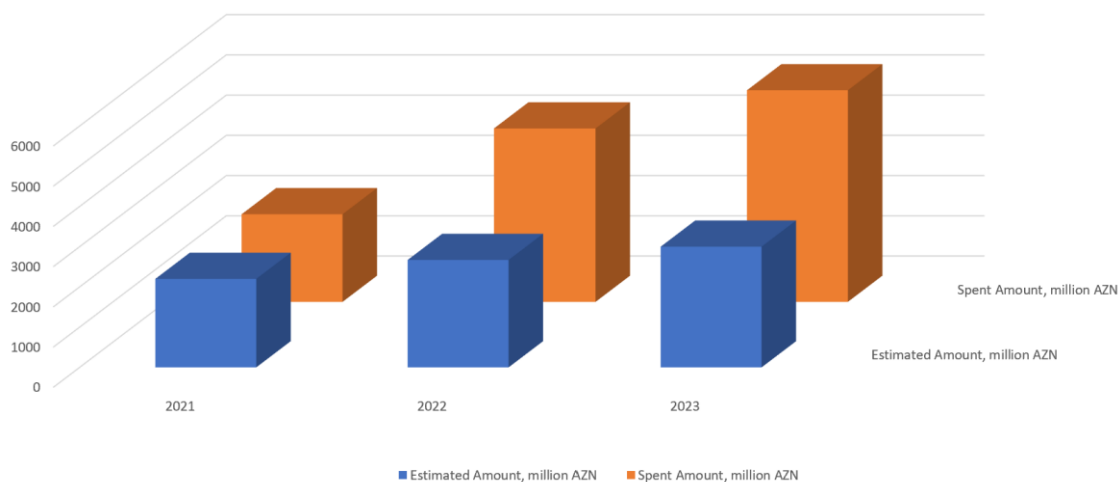
Thus, in the budget of the last 3 years, 11,749 million manats have been allocated under the name of "reconstruction and restoration of territories liberated from occupation". Approximately 8 billion manats of these funds have already been spent.

⁹ <https://maliyye.gov.az/scripts/pdfjs/web/viewer.html?file=/uploads/static-pages/files/643d4f635f9b2.pdf>

¹⁰ https://azertag.az/xeber/Milli_Meclisin_novbedenkenar_sessiyasinda_ilk_iclasi_kechirilib-2649971

¹¹ <https://e-qanun.az/framework/54435>

Diagram 3. Allocation of state budget funds for the reconstruction of the liberated areas of Karabakh region, Million AZN (2021-2023)



Year	Estimated Amount, million AZN	Spent Amount, million AZN
2021	2200	2178.4
2022	2670	4310.6
2023	3000	5260

The Minister of Finance Samir Sharifov announced on May 3 at the official opening ceremony of the 56th Annual Meeting of the Board of Directors of the Asian Development Bank that spending in Karabakh would be increased: “By the end of this year, the Azerbaijani government will allocate more than 6.6 billion US dollars for reconstruction and restoration works in the territories liberated from occupation.” will be.”¹²

Unfortunately, the state institutions that order funds allocated from the budget (“Azerenergy” OJSC, State Agency of Azerbaijan Highways, State Urban Planning and Architecture Committee, “Azersu” OJSC, Ministry of Science and Education, Shusha City State Reserve Department (SHSRD), State Housing Construction Agency, etc.) and areas (energy, transport, drinking water, construction, etc.) are not disclosed.

2. The current situation in the field of issuing state orders to executive companies (contractors).

In the Republic of Azerbaijan, the purchase of goods (works and services) by state enterprises and organizations (departments), enterprises and organizations with a state share of 30 percent or more in the charter fund at the expense of state funds, loans and grants received by the state and obtained with state guarantees “On State Procurement”¹³ according to the law, should be carried out by one of the following: open tender, two-stage tender, limited participation and closed tender, request for proposals, request for quotation and single source procurement methods.

¹² <https://report.az/maliyye-xeberleri/azerbaycan-qarabaga-7-milyard-dollaraya-yaxin-pul-qoyub/>

¹³ <https://e-qanun.az/framework/1029>

According to official statistics, in the structure of public procurement in 2022 compared to 2021, procurement from a single source decreased by 32.3% compared to 2021, competitive procurement increased by 70.1%.

Table 2. Structure of state procurement in the year of 2022

Procurements	2022, million AZN	Year to year change in the amounts compared to 2021, million AZN	Year to year change in the amounts compared to 2021, by percentage
General procurements	6779,2	767,5	12,8%
Competitive procurements	4500,8	1854,7	70,1%
Single source procurements	2278,4	-1087,2	-32,3%

Source: 2022 report of the Cabinet of Ministers of the Republic of Azerbaijan, p. 134

If we review the data on procurement methods in more detail, we will see that in 2022 there was no significant change in procurement by quotation method compared to 2021, only an increase of 0.2 million manats was recorded, there was a significant increase in the request for proposals: the amount was 70.6 million increased from 102.7 million manats. The highest change was registered in procurement by open tender method, it was almost 2-fold increase compared to 2021: 520.8 million manats against 267.1 million.

Table 3. Structure of state procurement in the year of 2022

Methods of procurements	2022, Million AZN	2021, Million AZN	Year to year change	
			By percentage	By Amount, Million AZN
Kotirovka method (tenders between 5,000 AZN – 50,000 AZN), million AZN	10,9	10,7	1,9%	0,2
Urgent Tender method (no deadline), million AZN	102,7	70,6	45,5%	32,1
Open Tender, million AZN	520,8	267,1	95,0%	253,7

Source: 2022 report of the Cabinet of Ministers of the Republic of Azerbaijan, p. 135

Despite the improvement of the official statistics on state procurement, the investigations revealed that serious violations were committed in the construction, transport, energy and other areas of the settlements in the liberated territories of Karabakh. The most widespread "conceit" related to public procurement is that the client state institutions deliberately delay the start date of the projects and, under the pretext of time constraints, transfer the projects to companies close to them through direct procurement without evaluating the material and technical base and experience in this field.

3. Legal basis for the restoration and construction of territories liberated from occupation

In July 2022, the President issued decrees on the creation and operation of the public legal entity “Restoration, Construction and Management Service in the Karabagh Economic Region”¹⁴ and “Restoration, Construction and Management Service No. 1 in Eastern Zangezur Economic District”¹⁵. These public legal entities were assigned to organize the construction of multi-apartment buildings and individual residential houses in connection with the return of the population to the territory where these public legal entities operate, to temporarily manage the apartments in those buildings until they are fully handed over to the residents. Their task was to manage the communal economy, to engage in landscaping and greening, and to deal with common use balance that was assigned to organize the management, repair, maintenance, protection of city highways and control their condition.

The aforementioned public legal entities usually do not announce tenders for specific construction projects, as before, this right belongs to the contracting state institutions, therefore funds are allocated directly to them. Public legal entities only implement organizational issues related to construction works and receive funds for this purpose. This amount covers the cost of their maintenance, however sometimes exceptions are allowed. On June 20, 2023, the Rehabilitation, Construction and Management Service of the Karabakh Economic Region announced an open tender for the construction of 719 pieces of 2-, 3-, 4- and 5-room private residential houses, a club community center and a library in Khidirli village of Aghdam¹⁶.

Allocation of state budget funds in both directions (both to customers and to public legal entities) is carried out by Presidential decrees. For example, in 2022, the Ministry of Science and Education (ETN) was allocated 300,000 manats¹⁷ for the design and construction of a 960-student high school building in Kalbajar, 1 million manats¹⁸ for the design and construction of the Fuzuli Vocational High School building, and 300,000 manats¹⁹ were allocated for the design and construction of the building of a 960-student high school in Zangilan.

It should be noted that funds are allocated to public legal entities in the same manner. In September 2022, in order to design and implement the construction, repair and restoration works of settlements (city, village, settlement) in the liberated territories of Jabrayil, Gubadli and Zangilan districts, which are included in the East Zangezur economic region, 2.0 million manats²⁰ were allocated to the public legal entity “Construction and Management Service No: 1 in the East Zangezur Economic

¹⁴ <https://e-qanun.az/framework/49997>

¹⁵ <https://e-qanun.az/framework/49998>

¹⁶ <https://fed.az/az/tenderler/qarabag-iqtisadi-rayonunda-berpa-tikinti-ve-idareetme-xidmeti-tender-elan-edir-167941>

¹⁷ <https://e-qanun.az/framework/51389>

¹⁸ <https://e-qanun.az/framework/49630>

¹⁹ <https://e-qanun.az/framework/51387>

²⁰ <https://president.az/az/articles/view/57123>

Region”. 3.0 million manats²¹ were allocated to the public legal entity “Restoration, Construction and Management Service” for the purpose of designing and implementing the construction, repair and restoration of residential areas in the liberated areas of Agdham, Fuzuli, Khojavend and Tartar districts, which are included in the Karabakh economic region.

4. Evaluation of the state of compliance with the tender legislation by the client state institutions and administrative regions

4.1. Elements of corruption in the process of designing settlements (preparation of urban planning rationale).

In the area of designing residential areas, the ordering state institution is the State Urban Planning and Architecture Committee (SUPAC). As a result of the investigation, many facts were revealed regarding the fact that the management of the state committee transferred budget funds to companies close to them, ignoring the requirements of the tender legislation.

The committee concluded a 1,530,000 manat contract with “BIMD” CJSC without holding a competition for the preparation of urban planning rationale for the villages of Dadeli (Dadeli and Isikli)²² and Pirahmadli (Pirahmadli, Mandili and Musabayli) of Fuzuli district and Yanshag (Yanshag and Yanshagbina) of Kalbajar district.

The foundations of both settlements were laid by the President on May 5, 2023. In 2023, SUPAC has to implement the urban planning projecting of 7 more villages in Fuzuli district that includes Gargabazar (Gargabazar, Sardarli and Yal Pirahmadli), Juvarli (Juvarli, Khalafsha and Chimen), Gochahmadli (Gochahmadli, Arish, Khatinbulag, Mollaveli), Garakollu (Garakollu, Gorazilli, Garadagli, Yukhari Rafadinli, Aşağı Güzlak, Aşağı Rafadinli, Yukhari Güzlak, Saracik), Garakhanbeyli (Garakhanbeyli and Merdinli), Horadiz (Horadiz, Hungütlü and Dördchinar) and Mirzajamalli (Mirzajamalli, Alasgarli, Huseynbeyli and Seyidmahmudlu) villages. Until the date of the report, no competition announcement was made regarding the preparation of urban planning rationale for the mentioned settlements.

It is very unfortunate that SUPAC does not know which private companies should prepare the town planning rationale for settlements and villages in the territories liberated from occupation, how much money will be allocated to them in return for the service, and what criteria (principles) are used to select the companies involved in the preparation of the town planning rationale, which for this reason, he refused to answer the information request about not announcing the competition.

Alternative investigations also confirm that SUPAC did not comply with the Law on Public Procurement. “AbzasMedia” revealed that SUPAC concluded a contract for the preparation of urban planning justification without holding a competition. 22 contracts²³ with a total value of 11 million 304

²¹ <https://e-qanun.az/framework/51393>

²² Here and hereafter, the names shown in parentheses in front of settlements are the territorial units that existed before the occupation, and after the liberation of Karabakh, it was decided to illegally cancel them (merge them with other settlements) without taking into account the opinion of the population.

²³ <https://abzas.org/2022/9/qarabagda-shrsalma-islrinibb84051f-0/>

thousand manats were concluded without competition with 2 state project institutes, 4 private Azerbaijani and 1 Turkish companies.

Almost all of the contracted companies are owned by persons directly related to SUPAC management. Mr. Aydin Aydinli, the director of the Limited Liability Company “Feniks-AA”, who prepared the urban planning rationale for the establishment of Dashalti village settlement of Shusha district in exchange for 250 thousand manat budget funds is the son of Ilgar Isbatov, the deputy chairman of the SUPAC. Ilgar Isbatov managed this company until 2008, and then he was appointed as the director of the Baku State Design Institute of the SUPAC.

It is necessary to pay attention to the fact that Mr. Togrul Bayramov, director of the Limited Liability Company “Bureau Muhit”, contracted to prepare the urban planning justification for the village of Shalva (Shalva and Imanlar) in Lachin, Khudafarin settlement (Khudafarin settlement and Khudayarli village) in Jabrayil, and Zar village (Zar and Bazirkhana villages) in Kalbajar is a member of the Public Council of SUPAC. For this purpose the company has been paid 848 thousand manats.

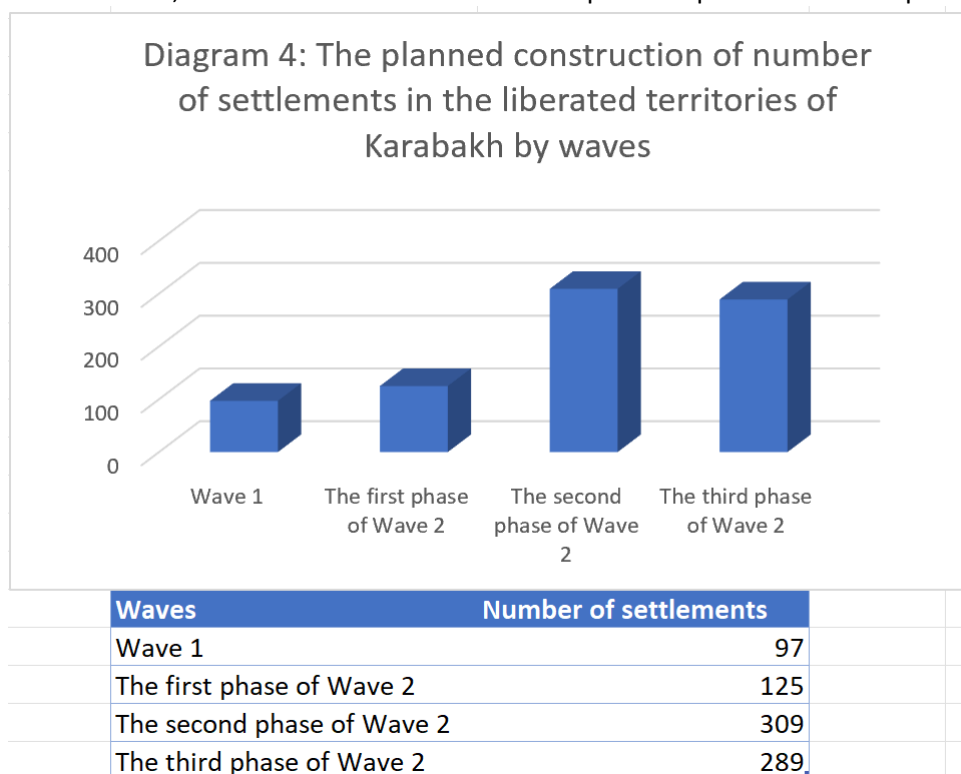
For the preparation of urban planning rationale for Gülebird of Lachin district, Jahangirbeyli (Jahangirbeyli, Tatar, Tiri, Turabad and Veligulubeyli), Mammadbeyli (Mammadbeyli, Babayli, Havali and Zarnali) and Horovlu (Horovlu, Safarsha, Chapand, Hasangaydi and Fuganli) villages of Jabrayil district. 1,352,369 manats were given to the “Gala Group” company without a tender.

The Turkish Company “Rem Mimarlik Dekorasyon Restorasyon Proje Ve Taahhut Hizmetleri Ltd.” involved in Karabakh with the projecting activity, received 2,242,000 manats for the preparation of the urban planning justification of Hadrut settlement (Hadrut settlement, Dagdoshu, Edisha, Guneshli, Qirmizgaya, Gochbeyli, Tagaser, Chinarli and Gushchular villages) of Khojavend region, and 2,124,000 manat funds for Tug (Tug, Agdham, Atagut, Bina, Chiraguz, Mammaddara, Susanliq) and Hunarli through a direct contract without a tender procedure.

4.2. Corruption risks and violations of tender legislation in construction projects implemented in Karabakh

Construction and reconstruction works in the territories of Karabakh liberated from occupation are carried out very slowly compared to the amount of funds allocated from the state budget. With reference to large facilities, the airports in Fuzuli were opened in October 2021, and in Zangilan in

October 2022, and the construction of Lachin airport is expected to be completed in 2025.



Source: “General Plan of Occupied Territories”

According to the government’s calculations (“General Plan for Territories Liberated from Occupation”²⁴), the reconstruction of Karabakh will be carried out in 2 stages. The first phase covers the period until the end of 2026. In this regard, the First State Program was also adopted. The second phase consisting of 3 phases will be completed at the end of 2040.

It is planned to restore 97 administrative territorial units in 10 administrative regions. 13 of them are in Aghdam, 2 in Tartar, 15 in Kalbajar, 2 in Shusha, 12 in Lachin, 10 in Khojavend, 11 in Fuzuli, 12 in Jabrayil, 11 in Zangilan, and 9 in Gubadli.

Table 4. The planned construction of settlements in the liberated territories of Karabakh during the first wave

Row number	Administrative regions	Residential settlements	Tipi
1.	Aghdam	Aghdam	City
		Bash Garvand, Ayvazkhanbayli, Goytapa, Gulluca, Khıdırlı, Kangarlı, Gıyaslı, Namırlı, Salahlı Kangarlı, Sarıcalı, Soltanlı, Taghıbaylı	Village
2.	Tartar	Talış, Sugovushan	Village
3.	Kalbajar	Kalbajar	City
		İstisu	County

²⁴ Sənəd ictimaiyyət üçün açıq deyil, rəsmi şəkildə dərc olunmayıb.

		Chaykand, Chapli, Chiraq, Dalgilinci, İmanbinasi, Keshdak, Gamişli, Gilinci, Nadirkhanli, Otagli, Yanshaq, Zallar, Zar	Village
4.	Shusha	Shusha	City
		Dashalti	Village
5.	Lachin	Qoshasu, Hajikhanlı, Gorchu, Kurdhaji, Gulabird, Arikli, Dashli, Mighidərə, Pirjahan, Safiyan, Shalva, Valibayli	Village
6.	Khojavand	Hadrut	County
		Qochbayli, Gunashli, Girmizigaya, Tugh, Aghdam, Chiraguz, Mammaddarə, Azıkh, Adilli	Village
7.	Fuzuli	Fuzuli	City
		Juvarli, Dadali, Dovlatyarlı, Horadiz, Garakhanbayli, Garakollu, Garghabazar, Gochahmadli, Mirzajamallı, Pirahmadli	Village
8.	Jabrayil	Jabrayil	City
		Khudafarin	County
		Boyuk Marjanli, Cocug Marjanlı, Horovlu, Karkhulu, Mashanli, Mehdili, Yukharı Marjanlı, Saricalli, Soltanli, Shukurbayli	Village
9.	Zangilan	Zangilan	City
		Aghband, Bartaz, Hakari, Mincivan	County
		Birinci Aghali, Cahagirbayli, İkinci Alıbayli, Giraq Mushlan, Mammadbayli, Zangilan	Village
10.	Gubadli	Gubadli	City
		Balasoltanli, Dilali Muskanli, Hal, Hamzali, Khanlig, Mahruzlu, Muradkhanli, Zilanli	Village

Source: “General Plan for Occupied Territories”

As can be seen from Figure 4, 7 of the settlements to be restored are urban, 7 are settlements, and 83 are rural settlements. Monitoring has shown that depending on the state of relations with the Armenians of the Republic of Armenia and Karabakh, the Azerbaijani authorities have changed their plans regarding Karabakh. Although the settlement of Lachin city, Zabukh and Sus villages is not provided for in the document prepared by the authorities, the settlement of the aforementioned settlements has been started in accordance with the change in the political situation²⁵.

At present, the construction of large residential areas is underway in 5 districts (Shusha, Aghdam, Lachin, Zangilan and Fuzuli) in the liberated territory of Karabakh, at the same time, in several administrative districts, the foundation-laying ceremony of villages and settlements has been held, but the construction has not started.

²⁵ More detailed information about this fact is presented in the subsection “Lachin region”.

4.2.1. Fuzuli district

The foundation of the first settlement in Fuzuli district - Devletyarli village, which is planned to be built based on the “smart village” concept, was laid by the President on October 17, 2021²⁶. No construction works have been carried out in the village in the past 2 years since its foundation. The construction of the village is planned to start in August 2023. It should be noted that according to the plan prepared by the government, the villages of Gayigchi, Zarger and Garamammadli are to be abolished and merged into Devletyarli village.

In accordance with the decision of the Cabinet of Ministers No. 89 dated March 18, 2023, the “Master plan for the development of the city of Fuzuli until 2040”²⁷ was approved. According to official information, a total of 5,678 houses - 3,352 individual residential houses and 2,326 apartments - are planned to be built and put into operation in Fuzuli district by 2026²⁸. It is planned to build 399 houses in 2023, 447 in 2024, 2317 in 2025, and 2515 in 2026. According to the government’s plans, the first population group (2904 people) will be moved to the 846-apartment residential complex in 2024. It is planned to relocate 21,593 people to the houses to be built in the administrative region, including 8,009 people to the city of Fuzuli.

We should note that as it is specified in the “State Program on the great return to the liberated territories of the Republic of Azerbaijan”, the Heydar Aliyev Center, “Art Mall” Complex, Vocational High School, cultural institution, branch of Development Center of State-Entrepreneurial Partnership (DCSTP), central park and 23 preschool and general educational institutions construction is planned to be constructed in Fuzuli district. These works should be completed by 2026²⁹. Currently, the construction of a full secondary school building built by Uzbekistan and the Kurmangazy Creative Development Center built by Kazakhstan is ongoing in the city of Fuzuli.

Construction works are currently underway on 24 buildings in the residential area of 38 buildings in the city of Fuzuli, while 14 buildings are in the tender stage. The vertical planning of the construction of the residential complex was carried out by the **Limited Liability Company “RICON”**. For this purpose, the company was paid 680 thousand 430 manats. According to official information, 12 residential buildings were purchased by the Consortium consisting of the companies “El-Seym Construction” JSC and “SNT Construction Company” for 29 million manats, 6 residential buildings were purchased by the Limited Liability Companies “Merkuri-Inshaat” and “Araz Inshaatchi” for 13.956 million manats, and the other 6 residential buildings will be constructed by the Limited Liability Company “T.T.S. Construction” for which 11,632,000 manats were be paid. The 5 named companies were presented to the public as the winners of the tenders. It should be noted that the state customer of the settlements in Fuzuli district, whose construction is carried out at the expense of the state budget funds, is

²⁶ <https://president.az/az/articles/view/53507>

²⁷ <https://nk.gov.az/en/senedler/qerarlar/%E2%80%9Cfuzuli-saharinin-2040-ci-iladak-inkisafina-dair-bas-plani%E2%80%9Dnin-tasdiq-edilmesi-haqqinda-6891>

²⁸ https://azertag.az/xeber/Fuzuli_rayonunda_2026_ciladek_5678_ev_tikilerek_istismara_verilecek-2569079

²⁹ <https://e-qanun.az/framework/52757>

the Limited Liability Company “MIDA”, which belongs to the State Agency for Housing Construction (HCSA).

Examining the history of the companies that won the tenders, it becomes clear that all of them have close ties with high-ranking officials and have not implemented large-scale projects with their own funds, but have appropriated state budget funds through tenders.

The **Limited Liability Company “RICON”** carried out major repair and construction works in the headquarters of the ruling New Azerbaijan Party (YAP) in Agdash and Gabala, carried out tender-based projects at the Heydat Aliyev Oil Refinery, Sangachal terminal, Azerneftiyag oil refinery, and Baku Oil terminal. No outside company is allowed to carry out the mentioned works, even if it is by tender.

The past of the **Close Joint-Stock Company “El-Seym Construction”** is connected with corruption scandals. The company was the winner of all the tenders of “Azerkhalcha” JSC during the leadership of Vidadi Muradov, the former chairman of the Board of Directors of “Azerkhalcha” JSC, who was arrested for embezzling large amounts of state funds.

The **Limited Liability Company “TTSH-Inshaat”** previously operated under the name of “Alibeyli” small enterprise, then the Limited Liability Company “Alibeyli Company”. When Ali Hasanov was the chairman of the State Committee on the Work of Refugees and IDPs, the company won almost all construction tenders of the committee.

“**SNT Construction Company**” is known as an active participant in dubious tenders held for the improvement of housing conditions of internally displaced persons.

The Limited Liability Companies “**Merkuri-Inshaat**” and “**Araz Inshaatchi**” are MIDA’s favorite tender partners. These two companies have previously won many MIDA tenders as a consortium.

4.2.2. Aghdam district

On August 16, 2023, the Cabinet of Ministers decided to approve the “Master Plan for the Development of Aghdam City until 2040”³⁰. According to official information³¹, 9,690 private houses and apartments are planned to be built in 2024-2026 in Aghdam district. By the end of 2026, it is planned to relocate 42 thousand people to Aghdam city and surrounding villages. The design and construction works of Aghdam city started from the city center - Juma Mosque, Occupation Museum, Pavilion, Flag Square and the part of Panahali Khan’s building.

It is planned to build 1,139 apartments and relocate 4,977 people in the first residential neighborhood of Aghdam. 1261 apartments will be built in the second residential neighborhood and 5510 people will be relocated. 1239 apartments will be built in the third residential area and 5327 residents will be relocated. In the fourth residential area, 892 apartments will be built and 3835 people will be relocated. 1034 apartments will be built in the fifth residential neighborhood to be built in the north of the city and will be available to 4446 residents. A forest park with an area of 300 hectares and a central park are planned to be built in Aghdam.

³⁰ <https://nk.gov.az/az/document/6338/>

³¹ Official statement of the Coordination Staff dated February 16, 2023

At the moment, the construction of the new city of Agdham, which includes the old city of Agdham and the villages of Bozpapaglar, Keshtazli, Atyemezli, Ahmadavar, Sarihacılı, Seyidli, Garazeynalli, Gullar and Chukurmahla, is underway in Agdham district. In addition, in 2023, the groundbreaking ceremony of the villages of Khidirli (Khidirli, Chullu), Kangarli and Saricali was held, but the construction of the villages has not yet started. The design of these villages was carried out by the State Chief Project Institute “Azermemarlayiha”. According to the rationale of urban planning, 1,220 individual houses and various administrative buildings will be built in the villages of Khidirli, Saricali and Kangarli, which will allow 2,564 families to settle in the 3 villages.

The construction and restoration works carried out in Aghdam district are completely monopolized by the President’s family. 6 residential buildings (“Aghdam Rezidens”) and two hotels (“Park Forest Hotel Agdham” and “City Hotel Agdham”) in the city of Agdham, owned by the Limited Liability Company “PMD Group”, which is part of “Pasha Holding”, which is known to belong to the presidential family.)

“Aghdam Residence” is located near the center of Aghdam city and on the main roads. The residential complex consists of 49 of 1-room (studio-type), 110 of 2-room (94 studio-type), 46 of 3-room (20 studio-type) and 8 of 4-room apartments, totaling 213 apartments.

Park Forest Hotel Agdham, whose foundation was laid by the President on February 14, 2022, will be built on an area of 2.16 ha and will consist of 110 rooms³². The five-story building of “City Hotel Agdham” with 130 rooms, which was laid by the President on October 4, 2022, will have conference, meeting and banquet halls, fitness and spa centers, a restaurant and an outdoor terrace³³.

The concept of the Equestrian Breeding Center, which Ilham Aliyev laid the foundation on October 4, 2022 in Eyvazkhanbeyli village of Agdham district, was developed by the Company “Reflect Architects”³⁴. This company, which does not even have a website, is connected to the President’s family. The restoration of the Eastern Bazaar, which was taken over by “Pasha Holding” in Baku, was also carried out by this company.

In accordance with the I State Program, the construction of 29 preschool and general educational institutions is planned in Agdham district by 2026. The construction of the Secondary school No. 1 is still under construction in Aghdam city. The School construction contractor is ETN. The school, which will be built on an area of 2.32 hectares, will consist of three floors and three blocks and will be handed over at the end of 2023³⁵. The project of the school was prepared by “PBA” JSC for 197 thousand manats. ETN signed an agreement with “Uni Ko” JSC on the construction of the school without holding a tender.

One of the notable points is the involvement of the Company with the hotel built by the “PMD Projects” owned by the President’s family, the projects purchased from the state by the Company “As Group Investments” owned by Shahin Movsumov, the brother of the President’s assistant Shahmar

³² <https://1news.az/news/20220214013353713-Ilkham-Aliyev-prinyal-uchastie-v-tseremonii-zakladki-fundamenta-gostinitsy-v-Agdhame>

³³ <https://president.az/az/articles/view/57475>

³⁴ <https://president.az/az/articles/view/57471>

³⁵ <https://www.unico.az/az/portfolio/Agdham-s-c9%99h%c9%99ri-1-e2%84%96-li-tam-orta-m%c9%99kt%c9%99b/>

Movsumov (“Khanoba” Customs Post belonging to the General Customs Department of the Northern Territory), as well as in the capacity of sub-contractor to the construction of the administrative building of Azerbaijan Investment Holding. This is a manifestation of the company’s close ties to the ruling family and high-ranking officials. Taking advantage of this superior monopoly position, “Uni Ko” CJSC became the “winner” of most tenders of ETN: the construction of a new educational building of the Azerbaijan State University of Economics, the creation of a new campus for the Mingachevir State University, the construction of the Baku European high school, the construction of the building of secondary school named after R. Mammadov in Alekseyevka village of Guba district, construction of secondary school No. 2 named after A. Muzaffarov in Saray settlement, etc. It is also interesting that “PBA” CJSC, which is designing secondary school No. 1 in Agdham city, is a subsidiary of “Uni Ko” CJSC. Information about this is posted on the website of “Uni Ko” CJSC³⁶.

The Heydar Aliyev Foundation and the Austrian company are carrying out the renovation and restoration of the Juma Mosque in Aghdam. The initial concept project for the building complex, where the palace of Panahali Khan is located, is being carried out and developed by Italian Company “ArtCloud Network International s.c.r.l.”. It is not known how the foreign companies were selected³⁷.

4.2.3. Shusha district

Construction of 23 residential buildings is planned in Shusha city. On June 24, 2022, the Shusha City State Reserve Department (SHSRD) which is the client state agency, concluded 2 open tenders announced for the construction of 8 residential buildings in the southern residential zone of the city. In the official statement released by the administration, it was stated that the winner of both tenders was “Conco” JSC³⁸. The winning company was paid respectively 7,682 million manats and 7,005 million manats (in total: 14,687 million manats). According to the master plan of the city, the buildings will have 3 and 5 floors, parking will be created in the basement of the buildings.

“Conco” JSC is one of the leading companies in the field of receiving tenders from state authorities. The company won orders worth 50 million 598 thousand 694 manats in the state tenders it participated in before winning the tender in Shusha. The company obtained these orders with only 12 tenders - the average price of one tender is 4.2 million manats. The main customer of “Conco” JSC is the Limited Liability Company “MIDA”. The company won 4 out of 12 tenders from this institution - 33 million 474 thousand 680 manats. This means 66 percent of the total tenders³⁹. The main partners of “Conco” CJSC in the state are MIDA, SUPARC (State urban planning and architecture committee), Ministry of Labor and Social Protection of the Population and “Icherisheher” State Historical-Architectural Reserve Department.

³⁶ <https://www.unico.az/>

³⁷ <https://abzas.org/2022/12/Agdhamda-prezidentin-ail-uzvl4d85b25d-d/>

³⁸ <https://fed.az/az/tenderler/susada-cenub-yasayis-zonasinda-bina-tikintisine-15-milyon-manat-xerclenecek-134736>

³⁹ <https://fed.az/az/tenderler/conco-133363>

The tender for 15 buildings in the city of Shusha was concluded on October 11, 2022, and the Limited Liability Company “ARCHICO” was declared the winner⁴⁰. According to the terms of the tender, the company will build 15 residential buildings of 3-5 floors along with a parking lot, and will also guarantee the 24-month operation of the buildings after the completion of the construction. The Limited Liability Company “ARCHICO” is owned by Yagub Eyyubov, the 1st Deputy Prime Minister. To date, the company’s name has been involved in numerous financial and housing scandals (non-compliance with norms and contractual conditions during the construction of residential buildings, selling the same apartment to 2 or more people, starting demolition without compensation, etc.).

The tenders held in Azerbaijan are, in fact, a pre-staged spectacle with a definite ending. The below specified fact proves this once again. President of Azerbaijan Ilham Aliyev and First Lady Mehriban Aliyeva visited Shusha on September 28, 2022 and got acquainted with the progress of construction works in the new residential complex. Aydin Karimov, the special representative of the President in Shusha district, while informing the President about the work done, said that the construction of eight buildings in Shusha began on July 1, 2022, and the construction of 15 other buildings began on September 1. There is also information about this on the official website of the President⁴¹.

Such a thought-provoking question arises: if the results of the tender for 15 buildings were announced on October 11, how can the construction be started on September 1?

Another characteristic feature of the tender in Azerbaijan is that most of the companies that win the tender have subcontractors perform the work. At first glance, this seems to be in line with international practice and a possibility given by the legislation, but in the conditions of Azerbaijan, there is a completely different reason for such “transfer”. In Azerbaijan, the winner of the tender is not determined by taking into account the material and technical base of the bidding companies, their experience in the relevant field, the availability of the required staff, such companies are selected based on personal relationships and assignments from above. Thus, the companies that won the tender in most cases play the role of mediators, after winning the tender, they absorb a large part of the money and have the work done by other companies at cheaper prices.

4.2.4. Zangilan district

The draft master plan of Zangilan city was presented to the President of the country on May 26, 2022. The master plan was prepared by the Swiss company “Sa Partners” on the order of SUPAC. However, the master plan has not yet been approved by Cabinet of Ministers.

The construction of Agali village of Zangilan district is the first pilot “smart village” project implemented in the liberated territories of Karabakh . The customer of the construction is the Ministry of Agriculture (MoA), and the executor is “AS Group Investments” company, which belongs to Shahin Movsumov, the brother of the President’s assistant Shahmar Movsumov. In 2021, when the first phase of

⁴⁰ <https://shusha.gov.az/az/news/174>

⁴¹ <https://president.az/az/articles/view/57399>

construction was carried out, the MoA refused to answer the question about how the executive company was selected, or even to disclose the name of the executive company.

200 individual residential houses, a two-story school for 360 students, a garden building for 60 places, 4 non-residential buildings, a victory square, on-site water, sewage, electricity, communication systems, 2 units of 250 cubic metres reservoirs were built and communication lines were laid⁴².

On May 27, 2022, at the opening ceremony of the first stage of the “Smart Village” project, President Ilham Aliyev said: “I know that the number of families living in Agali village is more than 200. Therefore, a new project was presented. It is planned to expand the village and build an additional 150 houses, including two-story, three-story apartment houses⁴³.”

It should be noted that the continuation of the project was entrusted to “As Group Investments” without a tender. As of June 30, 2023, 86 families have been settled in Agali village.

Although the foundations of Mammadbeyli (Mammadbeyli, Babayli, Havali, Zarnali) and Jahangirbeyli (Jahangirbeyli, Tatar, Tiri, Turabad, Veligulubeyli) villages were laid in Zangilan district in May 2023, their construction has not yet started.

4.2.5. Lachin district

The documents adopted in 2022 did not take into account the settlement of the city of Lachin, the villages of Zabux and Sus in the first phase. The formation of new political conditions in the region changed the plans of the Azerbaijani authorities.

In an interview with State Television on April 18, 2023, the President of Azerbaijan for the first time voiced the specific date and figures regarding the settlement of Lachin: “I said some time ago that we will return the former settlers to the city of Lachin by the end of this year. Today I can say with full confidence that we will achieve this in the summer months. That is, we are doing this work ahead of schedule, and if in the first stage we planned to build a little more than 400 houses in the city of Lachin, according to the latest information and to our latest plans, the number of private houses will be only 570. At the same time, more than 140 apartments will be ready. In other words, we will accommodate more than 700 families in the summer months of this year in the city of Lachin. At the same time, work is underway in the villages of Zabukh and Sus, where the policy of illegal settlement is carried out. We will return the former settlers to those villages by the end of the year.⁴⁴”

On May 28, President Ilham Aliyev was presented with the project of the Master Plan of the city of Lachin. As in Zangilan, the master plan of Lachin was prepared by the Swiss company “SA Partners” on the basis of the order of SUCAP. However, again, the funding paid to the company was not disclosed. According to the master plan, the city area will expand to 713 hectares and the population will reach 18 thousand people in the next 20 years. According to the draft of the master plan, private houses with courtyards will be built on the 258-hectare residential area. In the city, a hospital, Memorial Park where

⁴² <https://e-qanun.az/framework/52757>

⁴³ <https://president.az/az/articles/view/56208>

⁴⁴ <https://president.az/az/articles/view/59451>

the Museums of Occupation and Victory will be located, pre-school and secondary education institutions, a vocational school, as well as cultural and tourism facilities will be created⁴⁵.

According to official information⁴⁶, 700 houses were built in Lachin, 620 of them are individual residential buildings, and 9 are multi-apartment buildings. By the end of 2026, it is planned to settle about 4 thousand people in Lachin. It is planned to build 224 houses in the village of Zabux, and 73 houses in the village of Sus. As of June 30, 2023, 70 families (266 people) have been accommodated in the city of Lachin, and the repatriation of internally displaced persons to the villages of Zabux and Sus has not yet been carried out.

Construction and restoration works in Lachin are carried out by the Limited Liability Company “Baku Abadlig Service”. The name of the company has been mentioned several times in connection with non-payment of wages to employees⁴⁷. Founded in 2008, the company has “great experience” in the field of public procurement. The company did not participate in any tender related to the construction works it carried out in Lachin, there is no information about this on the state procurement portal. The Open Joint-Stock Company “Azerbaijan greening and landscape structure” under the Ministry of Ecology and Natural Resources (MoENR) awarded the Lachin greening project to the Limited Liability Company “Baku Abadlig Service” through single-source procurement, that is, without a tender, for 425,576.96 manats.

Another company that performs construction and restoration works in Lachin is “GM Construction”. The company did not purchase the works it carried out through a tender. The owner of the GM Construction company is the son-in-law of Ali Nagiyev, the head of the State Security Service.

5. Violations of tender legislation in the implementation of transport and energy projects in Karabakh lands liberated from occupation

5.1. Transport

5.1.1. Design and construction of highways

Starting in 2021, in the first quarter of every year, the President signs a decree on approving the allocation of funds for the reconstruction and restoration of territories liberated from occupation in the state budget. Although the decree was published in 2021, the table approved as an addendum to it was not posted on the website⁴⁸. In 2022 and 2023, even the corresponding decree was hidden from the public and was not published.

Although the State Agency of Azerbaijan Highways (SAAH) fully discloses the technical parameters of the roads built in the territories liberated from occupation (road length, width, grade, the

⁴⁵ <https://president.az/az/articles/view/60028>

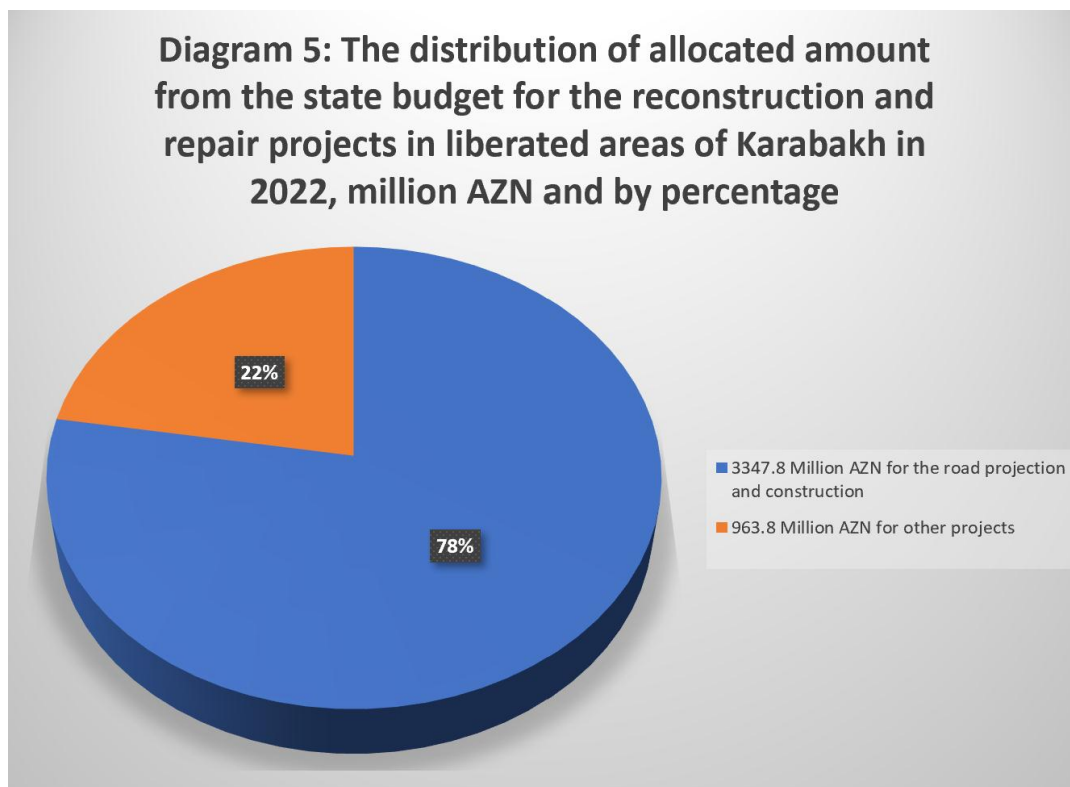
⁴⁶ <https://www.azerbaijan-news.az/az/posts/detail/can-lacinda-1687726878>

⁴⁷ <https://www.youtube.com/watch?v=m4TEa9oTX-s>

⁴⁸ <https://e-qanun.az/framework/47241>

number and length of tunnels and bridges, etc.) does not post any information about the allocation of funds for specific projects.

According to official statistics, in 2021, 50 million manat was allocated from the President's Reserve Fund for the construction of highways in the lands of Karabakh liberated from occupation. As to 2021 and 2022, 1 billion 590 million manat and 3 billion 347 million manat were allocated and spent for this direction⁴⁹.



Source: 2022 report of the Cabinet of Ministers

As can be seen from Diagram 5, in 2022, 3347.8 million manats of the funds allocated from the state budget (4310.6 million manats), in other words 77.6 percent, were spent on the design and construction of highways in Karabakh. It should be noted that in 2021, 1,590 million manats of the funds allocated for the restoration and reconstruction of territories liberated from occupation from the budget (2,178.0 million manats), i.e. 73 percent, were spent on the construction of highways in Karabakh. As can be seen from the figures, the budget funds are directed to the construction of roads instead of the design and construction of settlements for the immediate repatriation of internally displaced persons.

The ASAH (Azerbaijan State Agency of Highways) should carry out drilling, blasting and earthworks in connection with the construction of 20 highway projects with a total length of 2264.5 km and the construction of the International Airport in Lachin region in 2022-2026⁵⁰. The agency handed over the 28.5 km long Tartar-Chayli-Suguvushan-Talysh highway in 2020, the 101.5 km long “Zafar Yolu” in 2021, and the new alternative highway without entering the city of Lachin in 2022. It is planned to complete 12 projects in 2023, 2 projects in 2024, 3 projects in 2025 and 1 project in 2026.

⁴⁹ Reports of the Cabinet of Ministers for 2021 and 2022

⁵⁰ Action Plan of the I State Program related to the return to Garabagh

Table 5. The information about the planned highway projects in the liberated areas

Row number	The project name	Technical Indicators	Due Date	Contractor	Sub-contractor
1.	Talish-Tapqaragoyunlu-Qashalti	22 km, 2 traffic lanes	Finished on 18 th of March 2023		
2.	Barda-Aghdam	44,5 km, 4 traffic lanes	Due in the end of 2023	“No. 54 Road Management” LLC	“Korpu-Bina-Tikinti” LLC
3.	Fuzuli-Hadrut	12 km, 4 traffic lanes	Finished on 6 th of May 2023	“No.16 Special Appointed Road Management” LLC	“Azvirt” LLC
4.	Gubadli-Ayvazli	28,5 km, 2 traffic lanes	Due in the end of 2023	“No.13 Special Appointed Road Management” LLC	“Protean Construction” OJSC
5.	Gubadli-Mahmudlu-Yazduzu-Armenian border	26,4 km, 2 traffic lanes	Due in the end of 2023		
6.	Horadiz-Tugh-Azikh cave	22 km, 2 traffic lanes	Due in the end of 2023		“AzVirt” LLC
7.	Khudafarin-Gubadli-Lachin	70,4 km, 4 traffic lanes	Due in the end of 2023	“No. 37 Road Management” LLC	Polat Yol Yapı Industry and Trade SA
8.	Shukurbayli-Jabrayil-Hadrut	39,7km, 4 traffic lanes	Finished in two parts: 14.2 km part of the road on 19 th of October 2022, the remaining 8.2 km part of the road on 5 th of May 2023	“No.13 Special Appointed Road Management” LLC	“Körpü-Bina-Tikinti” LLC
9.	Aghdam-Fuzuli	64,8 km, 4 traffic lanes	Due in the end of 2023	“No. 43 Road Management” LLC, “No. 41 Road Management” LLC	“Kalyon RSY Construction Ordinary Partnership Commercial Enterprise”, "North West Construction LLC",

					“Körpü-Bina-Tikinti” LLC
10.	Aghdam-Hindarkh-Aghjabadi	45 km, 2 traffic lanes	Due in the end of 2023		
11.	The road construction in the territory of Kalbajar and Lachin regions	1182,7 km, 2 traffic lanes	Due in the end of 2023		
12.	Ahmadbayli – Fuzuli – Shusha	81,6 km, 4 traffic lanes	Due in 2024	“No. 43 Road Management” LLC, “No.16 Special Appointed Road Management” LLC, “No. 23 Road Management” LLC, “No. 7 Highways Management” LLC,	“Azvirt” LLC, “Kolin Construction Tourism Industry and Trade”, “Cengiz Construction Industry and Trade”
13.	Toghana-Kalbajar-İstisu	81,6 km, 2-4 traffic lanes	Due in 2025	“No. 3 Highways Management” LLC,	“Kolin Construction Tourism Industry and Trade”, “Cengiz Construction Industry and Trade”
14.	Ahmadbayli - Horadiz-Jabrayil-Zangilan-Aghband	123,9 km, 4-6 traffic lanes	Due in 2025	“No.16 Special Appointed Road Management” LLC	“Kalyon RSY Construction Ordinary Partnership Commercial Enterprise”
15.	Kalbajar - Lachin	76,3 km, 2-4 traffic lanes	Due in 2025		
16.	The construction of inner road in Aghdam		Due in 2026		

Source: The table was compiled by the authors of the report.

The state customer of all highway projects implemented in the de-occupied territories is ASAH (Azerbaijan State Highways Agency), and the contracting agencies are the road management departments

under the agency. Construction of highways is mainly carried out at the expense of subcontracting companies engaged through procurement from a single source, tender competitions are not held.

In accordance with Azerbaijan's tender legislation (51), procurement from a single source is allowed in exceptional cases, and for this, approval is obtained from the Antimonopoly and Consumer Market Control State Service (ACMCSS - Antimonopoly and Consumer Market Control State Service) under the Ministry of Economy. When the purchased goods are only with any specific contractor, when there is no substitute or alternative for them, when there is an urgent demand for the goods (works and services) and it is not appropriate to conduct tender procedures or use any other method of procurement, it is impossible to foresee the circumstances that led to the urgency of the demand. - if it is possible and when there is an urgent demand for those goods (works and services) due to emergency situations, it is allowed to apply the method of procurement from one source if it is not appropriate to use other methods of procurement.

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Financially intensive projects related to the construction of highways in the territories liberated from occupation are mainly implemented by Turkish companies. These are the companies "Kolin Construction Tourism Industry and Trade", "Cengiz Construction Industry and Trade" and "Kalyon RSY Construction Joint Stock Commercial Enterprise". All three companies are known for their closeness to the President of Turkey, Recep Tayyip Erdogan, and are companies that have obtained record amounts of public procurement in Turkey.

Research has revealed that⁵², the representative office of the Company "Kalyon" in Azerbaijan joined the million-dollar investment projects in Karabakh and Zangezur without a tender, just one month after its registration in the state register on March 4, 2021. "Kalyon Group" is a company close to Berat Albayrak, the son-in-law of Turkish President R.T. Erdogan. The owner of the holding, Cemal Kalyoncu,

⁵¹ <https://e-qanun.az/framework/1029>

⁵² <https://abzas.org/2022/7/milyonlarla-vergi-borcu-olan-s27c4cc70-7/>

was named in the “corruption and bribery operation” held in Turkey in 2013. However, since he was under Erdogan’s protection, the criminal case was terminated and his property was seized.

During the construction of the Ahmedbeyli-Horadiz-Zengilan-Aghband highway, the company “Kalyon” repeatedly violated the labor rights of Azerbaijani workers.

Although the Ministry of Internal Affairs and Communications, which supervises the implementation of the labor legislation, was aware of the violations in the Company “Kalyon” as a result of numerous complaints by employees, it has not taken any practical steps to date.

As for the representative office of the Company “Kolin Construction Tourism Industry and Trade” in Azerbaijan has been implementing projects related to Karabakh since 2021. In the same period, the company had a tax debt of 585 thousand 322 manats.

The branch office of the Company “Cengiz Construction Industry and Trade” in Azerbaijan has been operating since 2007. The “Cengiz” Holding is one of the companies that won the most state tenders in Turkey, and the name of its owner, Mehmet Cengiz, has been mentioned many times in the procurements carried out through offshore zones. It is the 4th Turkish company operating in Karabakh . “Polat Yol Yapı Sanaye ve Ticaret” has a tax debt of 6.2 million manats, but it was entrusted with the construction of the 70.4 km long Khudafarin-Gubadli-Lachin highway. This company received large state orders without a tender when Ziya Mammadov was the Minister of Transport.

Before working in Karabakh , the Company “AzVirt” participated in the construction of most airports in Azerbaijan based on state orders and was also involved in the construction of Fuzuli airport. The company carried out large government orders without a tender with a tax debt of 728,000 manats. According to the requirements of the Law "On State Procurements", the companies involved in procurement should not have unfulfilled obligations related to taxes and other mandatory payments in the last year⁵³.

The Limited Liability Company “Körpü-Bina-Tikinti”, which executes state orders in the field of road construction in the liberated territories, was founded in 2001. The founder of the company, Khalig Goyushov, is a close friend of former national security minister Eldar Mahmudov.

The Limited Liability Company “North West Construction”, which was involved as a subcontractor in the construction of Agdham-Fuzuli highway, had a tax debt of 11.1 million manats. The co-founders of the company are Ibrahim Manafli and Rufat Guliyev. The Limited Liability Company “North West Construction” has subsidiaries in Turkey and Latvia. The director of the subsidiary company in Latvia, Rufat Guliyev, is the co-founder and director of the “Azerbaijan Trading House” opened in Latvia by the initiative of the Ministry of Internal Affairs.

⁵³ Law "On Public Procurement", Article 6.2.5

5.1.2. Design and construction of railways in opaque terms

The design and construction of the Barda-Aghdam and Horadiz-Aghband railway lines is envisaged by the President's orders⁵⁴ in the liberated territories. Both railway lines are planned to be commissioned by the end of 2023⁵⁵.

According to the official information of "Azerbaijan Railways" Closed Joint Stock Company (AR CJSC)⁵⁶, the axis length of the Barda-Aghdam railway line is 47.1 km. The railway is single-track and construction works are carried out in two stages. Within the framework of the project, a total of 130 engineering facilities, 4 stations (Barda, Kocharli, Tazakend and Aghdam) and 34 interchange facilities are planned to be built. Currently, 47.1 km of the axis of the railway line (56,966 km including side roads) has been completed. Earthworks, construction of artificial structures, installation of road superstructure elements and interchanges for the 1st stage have been completed 100%. At present, the installation of superstructure elements and the earthworks of the 6th road of Aghdam station are being continued in the area between the 45th and 47th km.

The foundation of the Horadiz-Aghband railway line was laid in February 2021. Its axial length is 110.4 km. The railway is single-track, and construction works are carried out in three stages. Within the framework of the project, a total of 469 engineering facilities, 9 stations (Horadiz, Yukhari Marjanli, Shukurbeyli, Soltanli, Gumlaq, Hekari, Minjivan, Bartaz, Aghband) and 70 interchange facilities are planned to be built. According to the first phase of the project, 89 percent of the planned construction works on the 30 km road covering Horadiz, Marjanli and Mahmudlu stations have already been completed. The design of the railway line is 78% completed. Demining works on the 60-meter width of the railway line have been completed, and demining works are ongoing in places where expansion is required. The 59.2 km axial section of the line (64.1 km including sidings) has been completed and 42.4 km of long-gauge rails have been installed. At present, earthworks and construction of engineering facilities in the distance of 62-72 km are ongoing.

After 2026, it is planned to design and build 2 more railway lines (Fuzuli-Shusha and Dalimammadli-Kalbajar). The axial length of the single-track electrified railway line to be built for the first time in the direction of Fuzuli-Shusha is 82,814 kilometers. Within the framework of the project, it is planned to design and build two new stations - Fuzuli and Shusha stations, as well as about 300 engineering facilities. At present, the topographic survey of the railway route has been completed and the design of engineering facilities is ongoing.

The preliminary conceptual project of the Dalimammadli-Kalbajar railway line has been prepared. It is proposed to design and build about 220 man-made engineering facilities on this single-track railway line with an axial length of 88.08 kilometers.

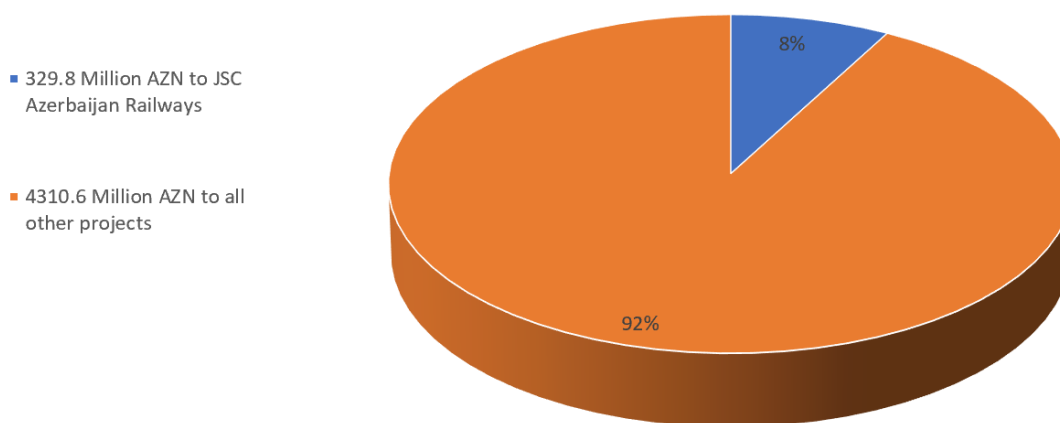
⁵⁴ <https://president.az/az/articles/view/47740>

⁵⁵ <https://e-qanun.az/framework/52757>

⁵⁶ <https://corp.ady.az/infrastruktur/yeni-xetlerin-tikintisi>

It should be noted that 329.8 million manats have been allocated for the design and construction of railway lines from the state budget of 2022⁵⁷. Since AR CJSC was the customer in this process, the funds were transferred directly to the institution's account. In 2020, 5 million manats were allocated from the reserve fund of the President, and 360 million manats from the state budget in 2021. In total, the sum of 694.8 million manats was spent in this direction in 2020-2022.

Diagram 7: The distribution of allocated amount from the state budget for the reconstruction and repairation projects in the liberated areas of Karabakh in 2022, million AZN and by percentage



Unfortunately, neither on the website related to state procurement nor on the website of AR JSC, information was found about the companies that carry out the construction of railways in the territories liberated from occupation and the allocated funds.

12.2. Energy sector

The Open Joint-Stock Company “Azerenerji” is the executive state agency for the construction of the electricity supply system, including new substations (S) and power transmission lines (PTL) in the liberated territories. At the same time, restoration of small hydroelectric power plants (SHPPs) rendered unusable by Armenia was entrusted to the Open Joint-Stock Company “Azerenerji” under the I State Program related to return. By the end of 2022, 9 hydroelectric power stations (“Gulabird” hydroelectric plant, “Suguvushan-1” hydroelectric plant, “Suguvushan-2” hydroelectric plant, “Kalbajar-1” hydroelectric plant, “Kamishli” hydroelectric plant, “Chirag-1” hydroelectric plant, “Chirag” -2” hydroelectric plant, “Soyugbulag” and “Meydan” hydroelectric plants) restoration has been completed and 10 sub-stations have been built in the areas liberated from occupation in order to provide Shusha, Fuzuli, Jabrayil, Kalbajar, Zangilan, Gubadli, Aghdam and Lachin regions with stable electricity, and the Digital Management Center of Karabakh Regional Electric Network to integrate the electricity supply of the region into the central dispatching system.

⁵⁷ Report of the Cabinet of Ministers of the Republic of Azerbaijan for 2022, page 38

On January 10, 2023, President Ilham Aliyev gave an interview to local television channel and said: “All Karabakh and Eastern Zangezur have joined a single energy network. We have built 11 hydroelectric power plants on the lands liberated from occupation, and their generation capacity is about 55 megawatts... At present, construction of 7 plants is underway, and in total about 50 hydroelectric power plants will be created there.”⁵⁸

As for the plans, it is intended to restore 14 small hydroelectric plants (SHPs) that were damaged, by the end of 2025. By the end of 2026, 37 SHPs will be built. The construction of the 100 MW Khudafarin HP and the 40 MW Qız Galası HP are expected to be completed in 2025⁵⁹.

Until the end of 2021, the Open Joint-Stock Company “Azerenergy” announced the names of the winning companies in the “Tender Announcements” section of its official website. As a result of the research carried out by the research team at that time, the companies entrusted with the execution of the works (“Gatdigital”, “Azconstruction”, “Electro Industries” LLC, “Bakelektro” JSC, “Farcon” LLC and GBS JSC) were transferred to the close relatives of the head of “Azerenerji” Balababa Rzayev. It was revealed and proved that “GBS” JSC belonged to Balababa Rzayev’s son Fuad Rzayev, “Bakelektro” JSC to his brother Emin Rzayev, and “Farcon” LLC to his son-in-law Farid Farhadzade. It was discovered that the owner of “Elektro Industries” is Aghshin Ahmadov, the brother of Rashad Ahmadov, the Chairman of the Compulsory Insurance Bureau, and the owner of “Azconstruction” CJSC and “Gatdigital” CJSC. Was his father Bayram Ahmadov. After the facts were made public on social networks (Youtube, Facebook) and Internet television, the information mentioned about the tender was removed from the website of “Azerenerji” OJSC. Currently, the last announcement was posted on December 2021 in the “Tender Announcements” section of the website of “Azerenergy” OJSC, and there is no information on the winners of the tenders and the funds allocated to them on the website.

In the report of the Cabinet of Ministers for 2022, it was noted that 128.8 million manats were allocated to “Azerenergy” OJSC in 2022 from the state budget. This means 3.0 percent of the total funding allocated to the activities carried out in the liberated territories that year.

6. Establishment of industrial parks in Aghdam and Jabrayl and selection of residents

Presently, work is being done on the creation of 2 industrial parks in the territories liberated from occupation. Aghdam Industrial Park was established on an area of 190 ha according the Presidential Decree “About the establishment of the Aghdam Industrial Park” No. 1347 dated May 28, 2021, and “Araz Valley Economic Zone” Industrial Park on an area of 200 ha “On the establishment of the Araz Valley Economic Zone Industrial Park” October 4, 2021

The industrial park established in the administrative district of Aghdam, which is part of the Karabakh economic region, is production-oriented, and the “Araz Valley Economic Zone” Industrial Park, created in the administrative district of Jabrayil, which is part of the Eastern Zangezur economic

⁵⁸ <https://president.az/az/articles/view/58555>

⁵⁹ <https://e-qanun.az/framework/52757>

region, has the function of a logistics center for restoration and reconstruction works and the efficient use of the transport potential along the Zangezur corridor.

In Aghdam Industrial Park, the annual rent is 800 manats for the first hectare, and 1600 manats for the second hectare and above (for example, the annual rent for a 3-hectare area is 4000 manats, and 400 manats for a 0.5-hectare area). In the “Araz Valley Economic Zone” Industrial Park, the annual rent is 400 manats for the first hectare, and 800 manats for the second hectare and above (for example, the annual rent for a 3-hectare area is 2000 manats, and 200 manats for a 0.5-hectare area). In addition, the monthly service fee for each hectare is 1700 manat excluding VAT.

Various concessions (tax, customs, social, etc.) are provided for the residents of industrial parks operating in the territories liberated from occupation. Residents are exempted for 10 years from property tax, land tax, income or profit tax, VAT and customs duties when importing machinery, technological equipment and facilities for production purposes. In addition, the following concessions are also applied for entrepreneurs who will operate in the territories liberated from occupation.

- *Subsidizing social insurance fees;*
- *Giving 5 days of additional leave every year to experts living and working in areas liberated from occupation, calculating supplements to the monthly job salary, giving a one-time allowance of 600 manats;*
- *Simplification of obtaining work permits;*
- *Non-application of labor migration quota (non-application of labor migration quota to foreign specialists for 5 years);*
- *VAT exemption for the import of a number of raw materials and materials to be used in the production process by the entrepreneur who will operate in the territory liberated from occupation for a period of 10 years.*

As of the end of 2022⁶⁰, 12 industrial enterprises were registered as residents and 3 non-resident enterprises in the Aghdam industrial park. In 2022, the construction of factories was started by 3 residents. In general, about 100 million manats are expected to be invested in the implementation of these projects, and 700 jobs are planned to be created.

Table 6. The number of residents and the investment amounts in Karabakh industrial zones for the year of 2022

№	Industrial zone	The number of residents	The number of active residents	The investment amounts, <i>million</i>			
				AZN			
				The estimated amount in the business plan	Actual amount	For the year of 2022	The estimated amount

⁶⁰ Report of the Cabinet of Ministers of the Republic of Azerbaijan for 2022, p. 126-127

1.	Aghdam industrial park	12	0	61,7	1,3	1,3	60,4
2.	"Araz Valley Economic Zone" Industrial Park	2	0	15,0	5,2	5,2	9,8

Source: 2022 report of the Cabinet of Ministers of the Republic of Azerbaijan, p. 129

According to the information of the Cabinet of Ministers, on February 13, 2022, the foundation of the Limited Liability Company “Smartpoint” was laid. This enterprise, which is a resident of Aghdam Industrial Park is engaging mainly in production facility of light poles and devices powered by solar energy. 21,000 light poles and 40 megawatt facilities are planned to be produced in the enterprise with investment cost of 9.1 million manat to be constructed in the area of 1.3 ha with the use of Turkish and Italian technologies. It is planned to create 80 permanent jobs here. On that date, the foundation of the synthetic carpet weaving enterprise of the Limited Liability Company “Dadash-N”, a resident of Aghdam Industrial Park, was laid. It is planned to produce 700,000 square meters of carpets by applying Belgian and Chinese technologies in the enterprise, which will be built on the territory of 2 ha of the industrial park, with an investment cost of 9.5 million manats. It is planned to create 60 new jobs here.

2 residents were registered in “Araz Valley Economic Zone” Industrial Park. In 2022, the first resident of the park, “KAMAZ leasing Azerbaijan” LLC, started the construction of a center for providing technical maintenance services for trucks and agricultural machinery. The investment cost of the center, which is planned to be built in the area of 3 hectares of the industrial park, is 6 million manats. It is planned to create 65 permanent jobs here.

Currently, there are no enterprises that have started operating in the industrial parks in Aghdam and Jabrayil. According to Elshad Nuriyev, Chairman of the Board of Economic Zones Development Agency, the first enterprise is planned to start operating in 2024-2025⁶¹.

Table 7. The volume of production and export in the Karabakh industrial zones for the year of 2022

№	Industrial zone	<i>The number of employees in the workplaces, by person</i>		<i>The volume of production, million AZN</i>		<i>The volume of export, million AZN</i>	
		Actual	Estimated	Actual	2022	Actual	2022
1.	Aghdam industrial park	45	661	0	0	0	0
2.	"Araz Valley Economic Zone" Industrial Park	3	219	0	0	0	0

Source: 2022 report of the Cabinet of Ministers of the Republic of Azerbaijan, p. 129

According to the official information as of April 1, 2023⁶², 16 entrepreneurs were granted the status of residents of the industrial park⁶³ in the Aghdam industrial park. In the “Araz Valley Economic

⁶¹ <https://report.az/senaye/elsad-nuriyev-qarabagdaki-senaye-parklarinin-tez-bir-zamanda-muessiselerle-dolacagini-gozleyirik/>

⁶² <https://www.economy.gov.az/az/page/senaye-zonalari/senaye-parklari>

⁶³ <http://economiczones.gov.az/iqtisadi-zonalar/senaye-parklari/Aghdam-senaye-parki>

Zone” industrial park, 5 enterprises were registered as residents⁶⁴, and 1 enterprise as non-resident. One of the enterprises registered in Aghdam industrial park in 2023 is “Aghdam Milk” LLC, and the other is “BAFCO Invest” LLC. “Aghdam Milk” LLC has invested 2.2 million manats, will create a milk products production facility and, according to the plan, will provide employment to 40 people. The Limited Liability Company “BAFCO Invest” will create a boot and footwear manufacturing enterprise with an investment of 10 million manats and provide employment to 120 people. It is interesting that the Limited Liability Company “BAFCO Invest” is a newly established company and has not yet operated in the footwear sector.

Although the total number of entrepreneur applications for becoming a resident of industrial parks created in the liberated territories (a total of 1301 applications, of which 838 are local, 463 are foreign companies) is regularly announced, the Development of Economic Zones under the Ministry of Economy, which is responsible for the management of industrial parks, neighborhoods and agroparks. The website of the agency (EZDA - Economic Zones Development Agency) has not posted information or reports on how many of the applicants were rejected, for what reason, and by what criteria the applicants were evaluated. The representative of the Ministry of Internal Affairs, Ilkin Shamilov, said in an interview with Public Television that companies from Turkey, Georgia, Pakistan, Russia, Poland and Hungary have applied to become residents of industrial parks in the liberated territories.

The President of the country also stated that in January 2023, the number of applicants was quite large, more than a thousand small entrepreneurs applied and all applications were considered⁶⁵. During an in-depth interview conducted among 60 businessmen and farmers from Agdham, Fuzuli, Jabrayil, Zangilan, Gubadli and Kalbajar districts (10 people from each district), 4 entrepreneurs said that the government agencies they applied to work in Garbagh directed them to the industrial parks in Agdham and Jabrayil, but they reported that their applications remained unanswered.

As it can be seen, information from several sources confirms the large number of applications, but the small number of companies registered as residents in industrial parks of Karabakh (as of April 1, 2023, only 21 companies were granted resident status in 2 industrial parks), the absence of foreign companies among them and the closed selection (opaque) raises doubts about the objectivity of the results.

The resident of Aghdam Industrial Park, Nasimi Dadashov, the owner of “Dadash-N” company, said in an interview to Public Television that he was entrusted with the construction of a new yarn factory in Aghdam. Ignoring economic efficiency when determining residents, focusing only on the quantitative factor and the ownership of companies by officials is one of the biggest obstacles in achieving the expected results. State-owned Azerkhalcha OJSC in Azerbaijan has a similar enterprise (spinning and carpet factory) in Sumgayit Industrial Park⁶⁶. The factory is not operating due to its high and limited

⁶⁴ <http://economiczones.gov.az/iqtisadi-zonalar/senaye-parklari/cebrayil-senaye-parki>

⁶⁵ <https://president.az/az/articles/view/58555>

⁶⁶ <http://economiczones.gov.az/iqtisadi-zonalar/senaye-parklari/sumqayit-senaye-parki>

domestic and foreign sales markets. The possibility of a similar factory operating in Agdham Industrial Park is doubtful for these reasons.

During the investigation, it was found that the profile of “BAFCO Invest” LLC, a shoe manufacturer accepted as a resident of Agdham Industrial Park, contradicts the direction of the industrial park. Thus, on the website of IZIA, it is written that the main activities of Agdham Industrial Park are production of construction materials, packaging of agricultural products, canned fruits and vegetables, meat and dairy products, feed, fertilizer production and processing. Despite the large number of suitable applications, the acceptance of a shoe manufacturer company (which has no experience in this field) as a resident of Agdham Industrial Park, contrary to the predetermined directions of activity, confirms that the selection was made on the basis of non-objective, special assignment and permission.

7. Conclusion

According to official statistics, in 2021 and 2022, 6,489 million manats of budget funds were spent on the restoration and reconstruction of territories liberated from occupation. 5,260 million manats are expected to be spent in 2023. The main conclusion of the research report is that the transparent and accountable spending of funds allocated from the budget is not ensured, the amounts of funds allocated for specific projects are kept secret; at best, only the amounts allocated on the client state institutions are disclosed in the quarterly operational information and annual reports of the Ministry of Finance on the implementation of the state budget. It is to be noted that these annual reports and information are not accessible (even to researchers). State institutions, which have been allocated funds from the state budget for spending in the mentioned direction, demonstrably refuse to answer information requests, while the lower and upper instance courts justify them and issue decisions that consider the lawsuits regarding the request to be unfounded. They even buy time by sending cases back to the Court of Appeal to prevent such cases from going to the European Court of Human Rights (ECHR). It is not possible to assess the quality and efficiency of the projects implemented in the territories liberated from occupation due to the lack of required financial data.

On the basis of tender information obtained in various ways and verified, it can be concluded that “foreign” and “random” companies are not allowed in Karabakh. In the administrative regions included in the Karabakh and Eastern Zangezur economic regions, the private companies that are the executors of all the projects implemented at the expense of budget funds are directly or indirectly closely connected with the ruling family and high-ranking officials. Agdham is constructed by the companies belonging to “Pasha Holding” owned by the President’s family, Shusha - by the Limited Liability Company “ARCHICO” owned by the 1st Deputy Prime Minister Yagub Eyyubov, Zangilan (Aghali) – by the Company “As Group Investments”, owned by Shahin Movsumov, brother of the President’s assistant Shahmar Movsumov, Lachin - the Company “GM Construction”, owned by the son-in-law of Ali Nagiyev, the head of State Security Service. We do not extend the list, because there is enough information about it in the report.

Another result is that most of the projects implemented in Karabakh are not implemented through tender, but through procurement from a single source. It is possible to apply this to almost all of the projects for which Azerbaijan State Agency of Highways (ASAH) and the State Urban and Architectural Committee are state clients. Another conclusion related to ASAH is that the construction of highways in the liberated territories was subcontracted (without competition) to companies known to be close to Erdogan (“Kolin Construction Tourism Industry and Trade”, “Cengiz Construction Industry and Trade” and “Kalyon RSY İnşaat Ordinary Ortaklığı Trade Company”), while the Close Joint-Stock Company Azerbaijan Railways, the state customer of the construction of the railway in Karabakh, does not disclose any information about the contractors (name of the companies, allocated funds, etc.). In 2021, 73 percent of the budget allocated for the reconstruction of Karabakh, 78 percent in 2022, and 98 percent of the total funds spent in 5 months of 2023 were spent on the construction of highways.

According to the conclusion of the authors of the study, the authorities are not interested in the reconstruction of Karabakh and the construction of settlements, so they intend to prolong the process at least until 2040. President Ilham Aliyev recently said that he personally participated in laying the foundations of 30 settlements - 8 cities, 22 settlements and villages⁶⁷. It is true that the foundation works have been carried out, but this is more of a political step aimed at pacifying the internally displaced persons from Karabakh. With the exception of about 10 settlements, the construction of other residential settlements has not been started, and even in the village of Devletyarli of Fuzuli district, the foundation of which was laid as a pilot project in October 2021, nothing has been done. Karabakh is a closed zone where independent civil society is not allowed to monitor, only people born in that region can go with a special permit, and the Azerbaijani authorities turn this closed area into an offshore zone and loot public funds through private companies close to them.

Another result of the report is non-compliance with the tender legislation, companies with tax debt, appropriate material-technical base and insufficient experience in the relevant field are admitted to the tenders and declared the winner of the competition. Most of the companies that “win” tenders related to Karabakh are intermediaries, they do not perform the work themselves, they involve subcontractors and sometimes do not pay them. An in-depth interview and conducted research among entrepreneurs from Karabakh confirm this conclusion.

According to another conclusion of the report, the authorities are not interested in attracting private local and foreign investment to the de-occupied territories. At the level of the President, the head of the Ministry of Internal Affairs and the officials of the ministry, there are often news about the interest of foreign companies in projects in Karabakh, and even about 400 applications in this direction. However, so far not a single foreign company has invested in Karabakh.

Public-Private Partnership (PPP) is a method of attracting foreign and local private investment that has been successfully tested in the world. On July 15, 2022, at the meeting dedicated to the results of the six months of the year held under the chairmanship of Ilham Aliyev, the Minister of Economy

⁶⁷ A meeting dedicated to the socio-economic results of the 6th month of 2023 chaired by Ilham Aliyev

Mikayil Jabbarov asked the President to support the adoption of the law on Development Center of State-Entrepreneurial Partnership (DCSTP): *“Dear Mr. President, in addition to the financial opportunities that have arisen as the country’s economy develops, social acceleration of economic development also increases financial needs. Ensuring sustainable economic growth depends significantly on the opportunities to attract investments to the country. At this level, I am asking you to support the review of the draft law on public-private sector partnership, which was prepared together with the experts of the European Bank for Reconstruction and Development and agreed with the relevant institutions, and which we submitted to the Presidential Administration in accordance with your respective task.”*⁶⁸

After this request, the law on the Development Center of State-Entrepreneurial Partnerships (DCSTP) was adopted in December 2022, but until now, no project has been found confirming its application not only in Karabakh, but in Azerbaijan in general. The President of the country likes to make statements that the restoration of Karabakh will be carried out at the expense of Azerbaijan’s own strength. The last such statement was made by the President in July 2023: “By the end of the year, we will ensure the spending of approximately 12 billion manats on Karabakh and Eastern Zangezur. I must also inform you that all the works are carried out at the expense of Azerbaijan. Except for two schools⁶⁹, all remaining infrastructure and construction works are carried out at the expense of Azerbaijan’s budget and by Azerbaijan’s state companies.”⁷⁰

⁶⁸ <https://president.az/az/articles/view/56665>

⁶⁹ In the city of Fuzuli, a high school for 960 students, built by Uzbekistan, and a Center for the Development of Creativity named after Kurmangazy, built by Kazakhstan for children, are planned.

⁷⁰ <https://president.az/az/articles/view/60429>